AIR CANADA

News Release

Air Canada Reports First Quarter 2012 Results

First Quarter 2012 EBITDAR of $175 million
Cash and short-term investments of $2.249 billion at March 31, 2012

MONTRÉAL, May 4, 2012 – Air Canada recorded earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent ("EBITDAR") of $175 million in the first quarter of 2012 compared to EBITDAR of $207 million in the first quarter of 2011. Air Canada's EBITDAR of $175 million was in line with the range of $170 million to $180 million projected in the airline's news release dated April 26, 2012. Air Canada reported an operating loss of $93 million in the first quarter of 2012 compared to an operating loss of $66 million in the first quarter of 2011.

"In the first quarter, despite several challenges, Air Canada reported continued progress in a number of key areas," said Calin Rovinescu, President and Chief Executive Officer. "Revenue performance was strong, particularly in the premium cabin driven by traffic growth. We ended the quarter with $2.25 billion in cash and cash equivalents representing an increase of $135 million from the previous year. We improved our balance sheet by reducing adjusted net debt by more than $200 million in the quarter.

"The quarter was marked by a challenging environment, with persistently high fuel prices and volatility which resulted in a significant increase in fuel expense of $147 million, or 20 per cent, from the previous year's quarter. In addition, our operations were disrupted by job action by a number of unionized employees, which resulted in a decline in bookings for travel originating in Canada in the immediate aftermath of these incidents. Since then, we have seen an improvement in advance booking trends. We remained focused on maintaining strong liquidity levels and the on-going implementation of cost reduction initiatives, primarily through improved business processes.

"We are currently engaged in a formal process under Bill C-33, *Protecting Air Service Act*, to conclude the remaining collective agreements, thereby achieving labour stability. On May 2, 2012, Air Canada announced that it had been advised by the Federal Minister of Labour, the Honourable Lisa Raitt, of the appointment of arbitrators in accordance with Bill C-33, *Protecting Air Service Act,* to resolve the outstanding collective agreements with each of ACPA, representing Air Canada's pilots, and the IAMAW, representing Air Canada's mechanics, baggage handlers and cargo agents.

"We are focused on maintaining the confidence of our customers and on continuing to work with all stakeholders to ensure Air Canada is competitively positioned for sustainable, long term growth," concluded Mr. Rovinescu.

Income Statement Highlights

On a system capacity growth of 3.1 per cent, system passenger revenues increased $213 million or 9.2 per cent in the first quarter of 2012 from the first quarter of 2011, on a 4.8 per cent growth in traffic and a 3.3 per cent improvement in yield. Passenger revenue per available seat mile ("RASM") increased 5.0 per cent from the first quarter of 2011, and reflected improvements in all markets. In the premium cabin, first quarter 2012 passenger revenues increased $54 million or 10.8 per cent from the same quarter in 2011, driven by an 11.8 per cent increase in traffic.

In the first quarter of 2012, operating expenses increased $236 million or 8 per cent from the first quarter of 2011, primarily due to higher fuel expenses which increased by $147 million from the first quarter of 2011. Unit cost in the first quarter of 2012, as measured by operating expense per available seat mile ("CASM"), increased 5.2 per cent compared to the first quarter of 2011. Excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, CASM increased 1.0 per cent in the first quarter of 2012 from the first quarter of 2011. The 1.0 per cent increase in CASM, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, was better than the 4.0 per cent to 5.0 per cent increase projected in Air Canada's news release dated February 9, 2012. The better than expected performance was mainly due to lower than projected aircraft maintenance expense, largely due to timing of maintenance events, as well as lower sales and distribution costs compared to what Air Canada had previously anticipated.

Air Canada reported an operating loss of $93 million in the first quarter of 2012 compared to an operating loss of $66 million in the first quarter of 2011. Air Canada also reported a net loss of $210 million in the first quarter of 2012 compared to a net loss of $19 million in the first quarter of 2011. In the first quarter of 2012, the net loss included foreign exchange gains of $87 million, a non-cash loss on investments of $65 million relating to the 2010 restructuring of Aveos, as well as a liability and corresponding loss from discontinued operations of $55 million related to Air Canada's commitment under an employee separation program pursuant to the January 2011 Canadian Industrial Relations Board ruling which recognized separate bargaining units for Aveos and Air Canada unionized employees. In the first quarter of 2011, the net loss included foreign exchange gains of $104 million.

Adjusted net loss per diluted share was $0.64 in the first quarter of 2012 compared to an adjusted net loss per diluted share of $0.45 in the first quarter of 2011.

Liquidity Highlights

At March 31, 2012, Air Canada's cash and short-term investments amounted to $2,249 million (which is in line with the cash levels projected in Air Canada's news release dated April 26, 2012). This is $135 million higher than Air Canada's cash and short-term investments balance at March 31, 2011, and represented 19 per cent of 12-month trailing operating revenues.

At March 31, 2012, adjusted net debt of $4,375 million decreased $201 million from December 31, 2011. This reduction in adjusted net debt included the impact of lower debt balances and the impact of an increase in cash, cash equivalents and short-term investments of $150 million from

December 31, 2011, which was mainly due to positive free cash flow of $129 million in the first quarter of 2012.

Current Outlook

In the second quarter of 2012, Air Canada expects its system ASM capacity, as measured by available seat miles (ASMs), to increase in the range of 0 to 1.0 per cent when compared to the second quarter of 2011.

Air Canada continues to expect its full year 2012 system capacity to increase in the range of 0 to 1.5 per cent when compared to the full year 2011 and its full year 2012 domestic capacity to increase in the range of 0 to 1.5 per cent from the full year 2011.

For the second quarter of 2012, Air Canada expects CASM, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, to increase by 4.0 per cent to 5.0 per cent from the second quarter of 2011.

Largely as a result of Air Canada recording better than expected CASM, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, in the first quarter of 2012, Air Canada now expects its full year 2012 CASM, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, to increase by 0.5 per cent to 1.5 per cent from the full year 2011 level (as opposed to the 1.0 per cent to 2.0 per cent CASM increase, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, projected in Air Canada's news release dated February 9, 2012).

Air Canada's above-mentioned outlook assumes that the Canadian economy will continue to recover and assumes Canadian GDP growth of 1.5 per cent to 2.0 per cent in 2012. In addition, Air Canada expects that the Canadian dollar will trade, on average, at C$0.99 per U.S. dollar in the second quarter of 2012 and C$1.00 per U.S. dollar for the full year 2012 and that the price of jet fuel will average 91 cents per litre for the second quarter of 2012 and for the full year 2012.

The following table summarizes Air Canada's above-mentioned outlook for the second quarter of 2012 and for the full year 2012 and related major assumptions:

	Second Quarter 2012 versus Second Quarter 2011	Full Year 2012 versus Full Year 2011
Current Outlook		
Available seat miles (System)	Increase 0% to 1.0%	Increase 0% to 1.5%
Available seat miles (Canada)	n/a	Increase 0% to 1.5%
CASM, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations	Increase 4.0% to 5.0%	Increase 0.5% to 1.5%

	Major Assumptions – Second Quarter 2012	Major Assumptions – Full Year 2012
Major Assumptions		
Canadian dollar per U.S. dollar	0.99	1.00
Jet fuel price – CAD cents per litre (net of fuel hedging)	91 cents	91 cents
Canadian economy	2012 annualized Canadian GDP growth of 1.5% to 2.0%	Canadian GDP growth of 1.5% to 2.0%

For the full year 2012, Air Canada also projects the following:

- Depreciation, amortization and impairment expense to decrease by $70 million from the full year 2011.
- Employee benefits expense to increase by $30 million from the full year 2011.

The following table summarizes the above-mentioned projections for the full year 2012:

	Full Year 2012 versus Full Year 2011
Depreciation, amortization and impairment expense	Decrease $70 million
Employee benefits expense	Increase $30 million

In its news release dated February 9, 2012, Air Canada projected that its aircraft maintenance expenses would increase10 to 14 per cent in 2012 when compared to 2011. As a result of Aveos ceasing its operations and no longer servicing Air Canada's aircraft maintenance requirements, Air Canada is withdrawing its guidance for aircraft maintenance expense.

The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and is based on a number of additional assumptions and subject to a number of risks. Please see section below entitled "Caution Regarding Forward-Looking Information."

Non-GAAP Measures

Below is a description of certain non-GAAP measures used by Air Canada to provide additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under Canadian GAAP and do not have standardized meanings and therefore may not be comparable to similar measures presented by other public companies. Readers should refer to Air Canada's First Quarter 2012 MD&A for a reconciliation of non-GAAP financial measures.

- Adjusted net income (loss) per diluted share is used by Air Canada to assess share performance without the effects of foreign exchange gains (losses) and other exceptional items.

- EBITDAR is commonly used in the airline industry and is used by Air Canada to assess earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent, as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

- Operating expense, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, is used by Air Canada to assess the operating performance of its ongoing airline business as such expenses may distort the analysis of certain business trends and render comparative analyses to other airlines less meaningful.

- Free cash flow is used by Air Canada as an indicator of the financial strength and performance of its business because it shows how much cash is available for such purposes as repaying debt, meeting ongoing financial obligations and reinvesting in Air Canada.

- Adjusted net debt is a key component of the capital managed by Air Canada and provides a measure of its net indebtedness.

Air Canada's First Quarter 2012 Unaudited Interim Condensed Consolidated Financial Statements and Notes and its First Quarter 2012 Management's Discussion and Analysis (MD&A) are available on Air Canada's website at **aircanada.com,** and will be filed on SEDAR at **www.sedar.com**.

For further information on Air Canada's public disclosure file, including Air Canada's Annual Information Form dated March 29, 2012, consult SEDAR at **www.sedar.com.**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This press release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to preliminary results, guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified by the use of terms and phrases such as "preliminary", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions, including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, employee and labour relations, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this news release and those identified in section 18 "Risk Factors" of Air Canada's 2011 MD&A dated February 9, 2012 and section 13 "Risk Factors" of Air Canada's First Quarter 2012 MD&A dated May 4, 2012. The forward-looking statements contained in this news release represent Air Canada's expectations as of the date of this news release (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

- 30 -

INFORMATION

Investor Relations	**:**	(514) 422-7353
Internet	**:**	aircanada.com

AIR CANADA

A STAR ALLIANCE MEMBER

HIGHLIGHTS

The financial and operating highlights for Air Canada for the periods indicated are as follows.

	First Quarter		
(Canadian dollars in millions, except where indicated)	2012	2011	Change $
Financial Performance Metrics			
Operating revenues	2,962	2,753	209
Operating loss	(93)	(66)	(27)
Non-operating income (expense)	(62)	47	(109)
Loss before income taxes	(155)	(19)	(136)
Net loss from continuing operations	(155)	(19)	(136)
Net loss from discontinued operations - Aveos	(55)	-	(55)
Net loss	(210)	(19)	(191)
Operating margin %	(3.1%)	(2.4%)	(0.7) pp
EBITDAR (1)	175	207	(32)
EBITDAR margin % (1)	5.9%	7.5%	(1.6) pp
Cash, cash equivalents and short-term investments	2,249	2,114	135
Free cash flow (2)	129	190	(61)
Adjusted net debt (3)	4,375	4,643	(268)
Net loss per share – Basic and diluted	$ (0.76)	$ (0.07)	$ (0.69)
Adjusted net loss per share – Basic and diluted (4)	$ (0.64)	$ (0.45)	$ (0.19)
Operating Statistics			Change %
Revenue passenger miles (millions) (RPM)	12,946	12,355	4.8
Available seat miles (millions) (ASM)	16,344	15,859	3.1
Passenger load factor %	79.2%	77.9%	1.3 pp
Passenger revenue per RPM ("Yield") (cents)	19.2	18.6	3.3
Passenger revenue per ASM ("RASM") (cents)	15.2	14.5	5.0
Operating revenue per ASM (cents)	18.1	17.4	4.4
Operating expense per ASM ("CASM") (cents)	18.7	17.8	5.2
CASM, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations (cents) (5)	12.3	12.2	1.0
Average number of full-time equivalent (FTE) employees (thousands) (6)	24.0	23.6	1.5
Aircraft in operating fleet at period end (7)	330	328	0.6
Average fleet utilization (hours per day) (8)	10.1	10.1	-
Revenue frequencies (thousands)	135	132	2.4
Average aircraft flight length (miles) (8)	892	890	0.2
Economic fuel price per litre (cents) (9)	91.6	78.2	17.1
Fuel litres (millions)	970	938	3.4

(1) *EBITDAR (earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent) is a non-GAAP financial measure. Refer to section 15 "Non-GAAP Financial Measures" of Air Canada's First Quarter 2012 MD&A for a reconciliation of EBITDAR to operating income (loss).*

(2) *Free cash flow (cash flows from operating activities less additions to property, equipment and intangible assets) is a non-GAAP financial measure. Refer to section 6.5 of Air Canada's First Quarter 2012 MD&A for additional information.*

(3) *Adjusted net debt (total debt less cash, cash equivalents and short-term investments plus capitalized operating leases) is a non-GAAP financial measure. Refer to section 6.3 of Air Canada's First Quarter 2012 MD&A for additional information.*

(4) *Adjusted net income (loss) per share (diluted) is a non-GAAP financial measure. Refer to section 15 "Non-GAAP Financial Measures" of Air Canada's First Quarter 2012 MD&A for additional information.*

(5) *Operating expense, excluding fuel expense and excluding the cost of ground packages at Air Canada Vacations, is a non-GAAP financial measure. Refer to section 15 "Non-GAAP Financial Measures" of Air Canada's First Quarter 2012 MD&A for additional information.*

(6) *Reflects FTE employees at Air Canada. Excludes FTE employees at third party carriers (such as at Jazz Aviation LP ("Jazz")) operating under capacity purchase agreements with Air Canada.*

(7) *Includes Jazz aircraft covered under a capacity purchase agreement with Jazz (the "Jazz CPA"). Excludes aircraft operated by other third party carriers pursuant to capacity purchase agreements with Air Canada. Refer to section 5 of Air Canada's First Quarter 2012 MD&A for additional information.*

(8) *Excludes charter operations. Also excludes third party carriers operating under capacity purchase arrangements, other than Jazz aircraft covered under the Jazz CPA.*

(9) *Excludes third party carriers, other than Jazz, operating under capacity purchase agreements. Includes fuel handling. Economic fuel price per litre is a non-GAAP financial measure. Refer to section 4 of Air Canada's First Quarter 2012 MD&A for additional information.*