

AIR CANADA 

Second Quarter 2007

August 10, 2007

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Air Canada Operating Results Decline by \$25 mln

<i>(millions)</i>	Q2 2007	Q2 2006	Change Fav./Unfav.)
Oper. Revenue	\$ 2,635	\$ 2,576	\$ 59
Oper. Expense	2,547	2,463	(84)
Oper. Income	88	113	(25)
Non-oper. Income (Expense)	(33)	(46)	13
Income Before NCI, FX & Tax	55	67	(12)
Non-controlling Interest	(4)	(3)	(1)
FX Gain	160	108	52
Provision for Income Taxes	(56)	(20)	(36)
Income	\$ 155	\$ 152	\$ 3

Q2 Net Interest Expense Down \$8 mln

<i>(millions)</i>	Q2 2007	Change Fav./((Unfav.)
Net Interest Expense	\$ (35)	\$ 8
Gain on Disposal	14	13
Other Non-Operating Expense	(12)	(8)
Total Non-Operating Expense	\$ (33)	\$ 13

Q2 2007

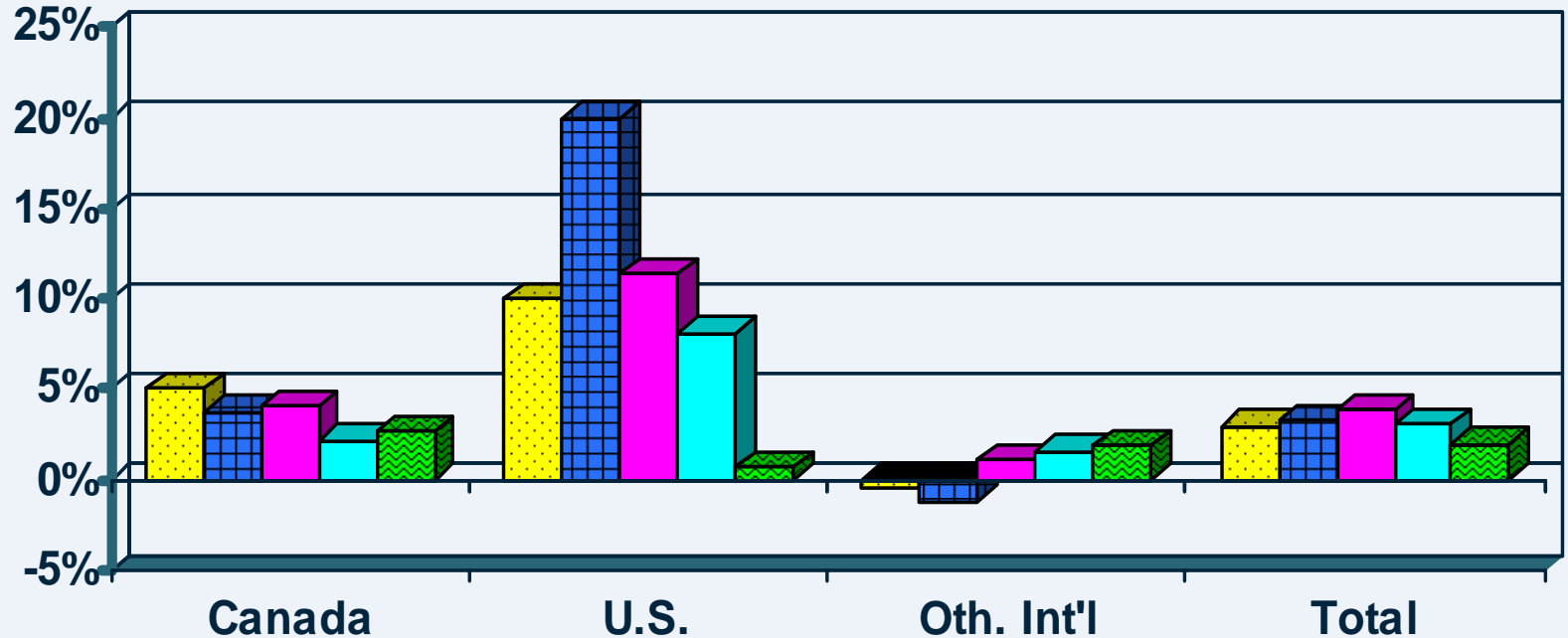
Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↑ 2.7%	↑ 6.2%	↑ 2.7 PP	↓ 0.8%	↑ 2.6%	↑ 5.4%
US Transborder	↑ 0.7%	↑ 1.7%	↑ 0.9 PP	↓ 1.7%	↓ 0.6%	↑ 0.1%
Atlantic	↑ 3.3%	↑ 1.2%	↓ 1.8 PP	↓ 0.6%	↓ 2.5%	↑ 0.7%
Pacific	↓ 1.9%	↓ 0.9%	↑ 0.9 PP	↑ 6.0%	↑ 7.1%	↑ 5.1%
Latin Amer. & Other	↑ 6.1%	↑ 3.6%	↓ 1.9 PP	↑ 1.6%	↓ 0.9%	↑ 5.6%
Total	↑ 2.0%	↑ 2.7%	↑ 0.6 PP	↑ 0.5%	↑ 1.3%	↑ 3.3%
			Total Expense			↑ 3.4%
			Total CASM		↑ 1.4%	
			Total CASM excl. Fuel		↑ 2.3%	

U.S. Capacity Growth Slows Sharply in Second Quarter

(Y-O-Y Changes in Capacity)

% Change in ASMs

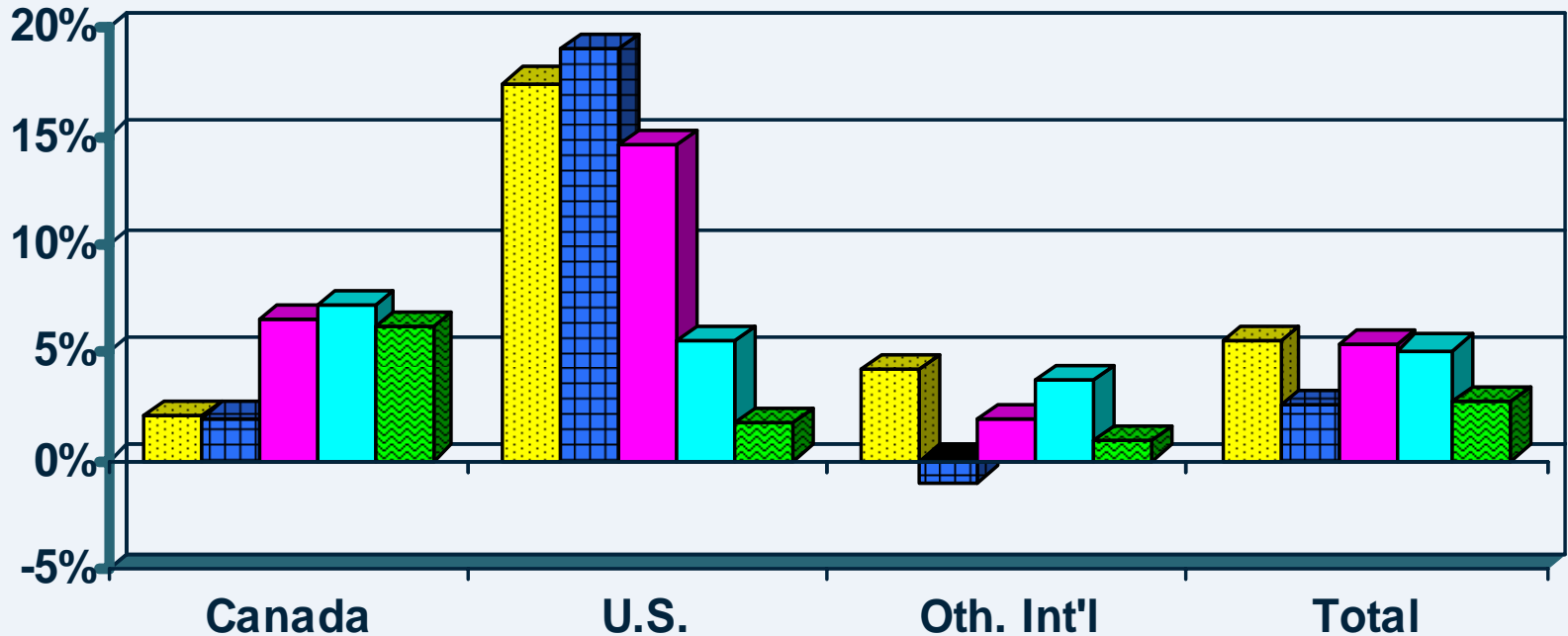


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

Strong Domestic Traffic Growth Accounts for Almost $\frac{3}{4}$ of Total Increase

(Y-O-Y Changes in Traffic)

% Change in RPMs

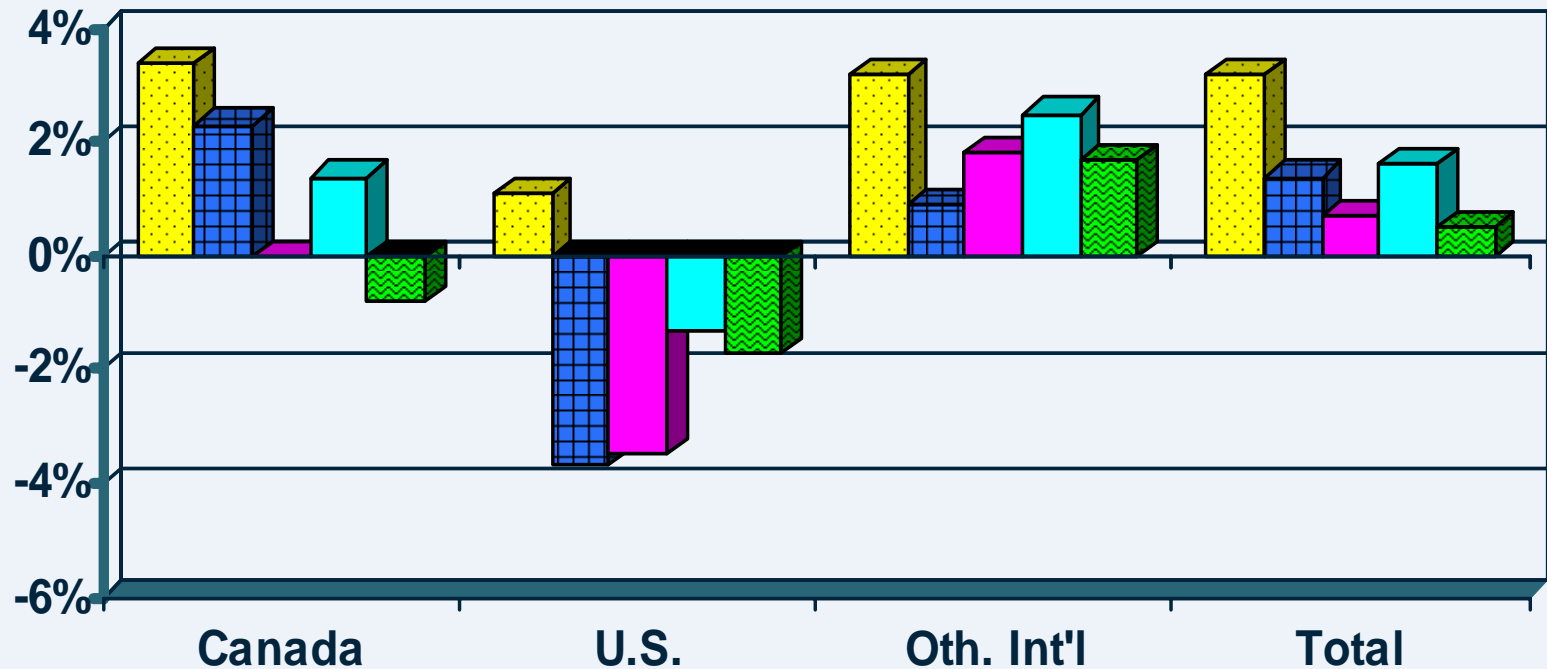


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

System Yield Growth Slows in 2nd Quarter Reflecting a Decline in Domestic Yield

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

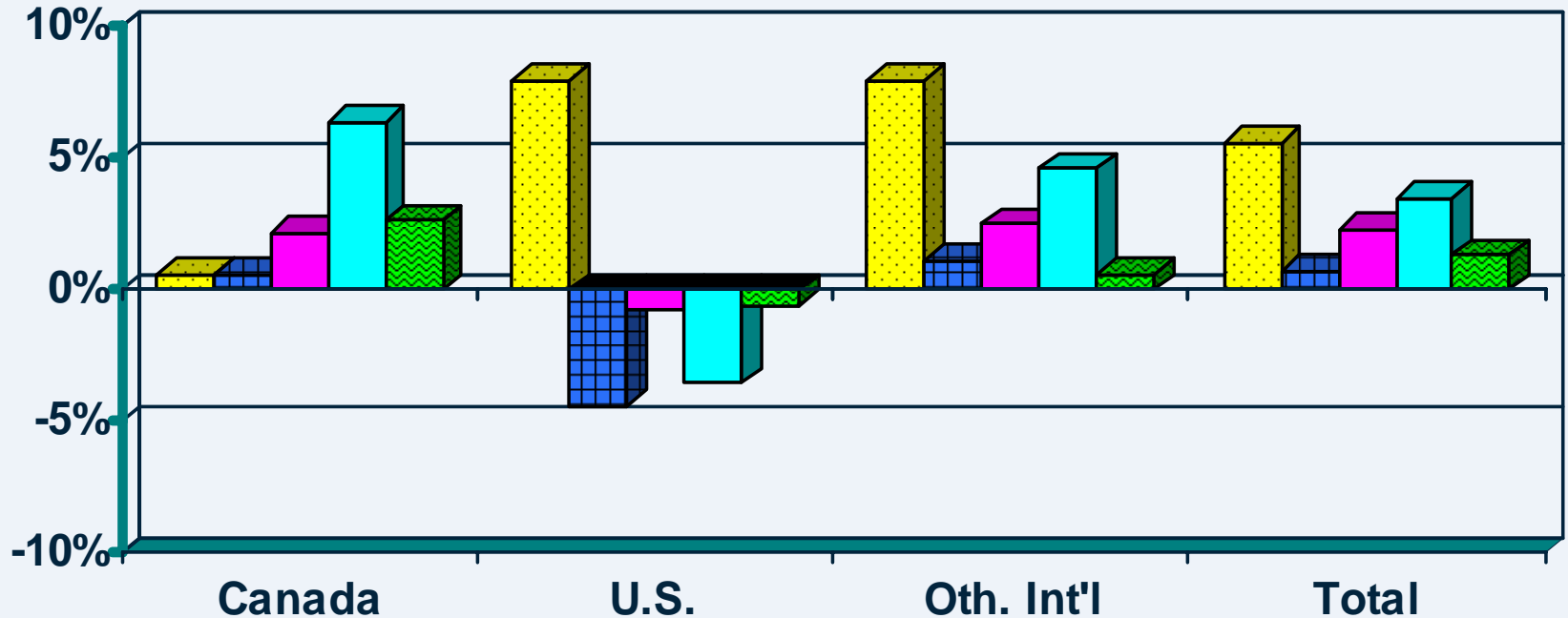


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

System RASM Growth Also Slows on More Moderate Domestic and International Increases

(Y-O-Y Changes in Revenue per ASM)

% Change in RASM

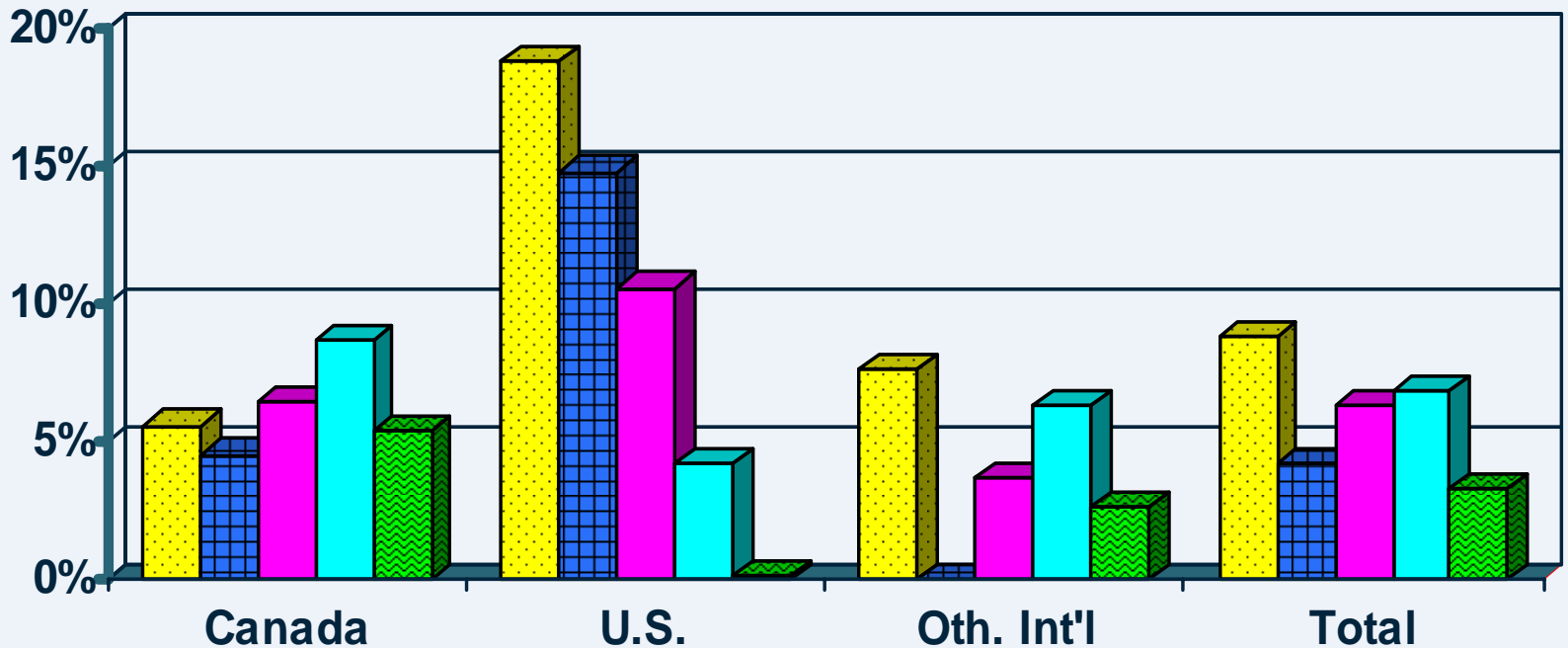


■ Q2 2006/2005
 ■ Q3 2006/2005
 ■ Q4 2006/2005
 ■ Q1 2007/2006
 ■ Q2 2007/2006

3.3% System Psgr. Rev. Growth Reflects More Modest Dom. & Int'l. Improvements and a Flat Transborder

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue

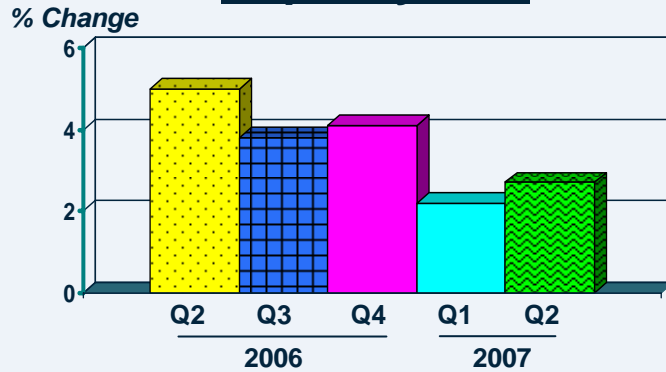


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

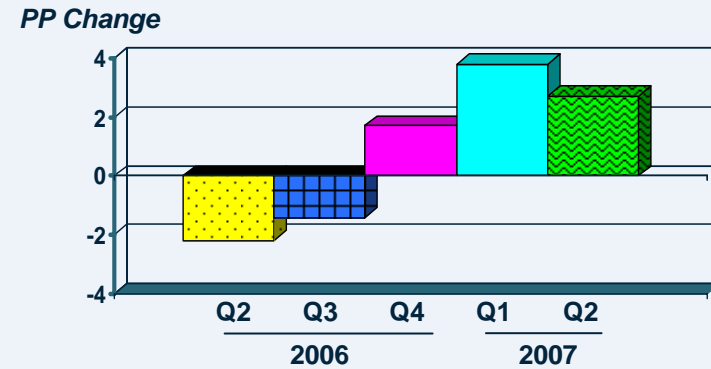
Canada – Q2 RASM Increases 2.6% all Higher on LF as Yield Declines

Y-O-Y Change

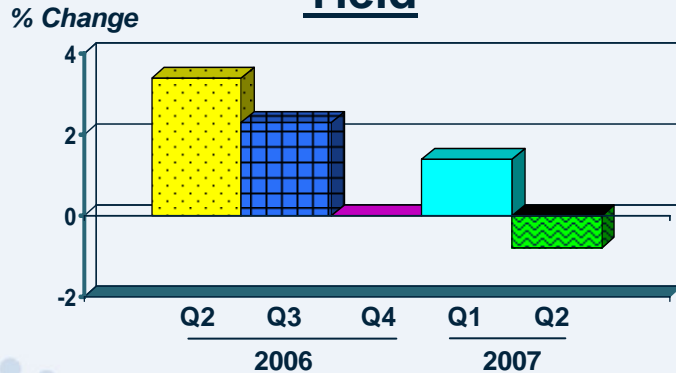
Capacity (ASM)



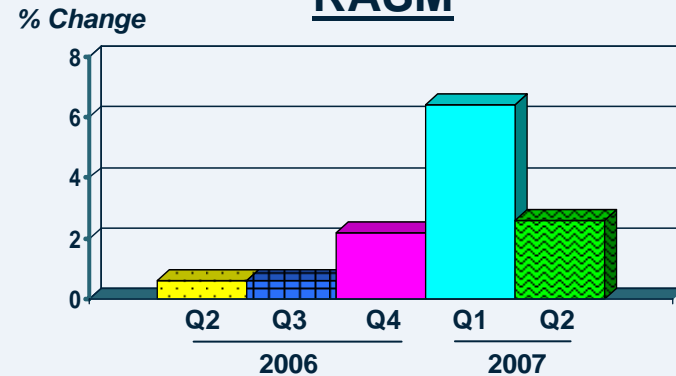
Load Factor



Yield



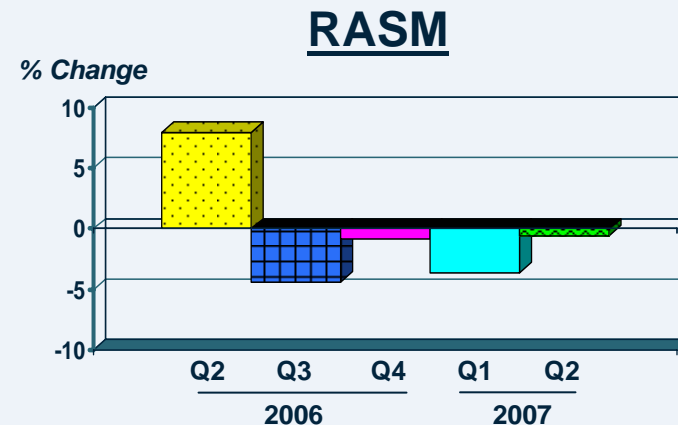
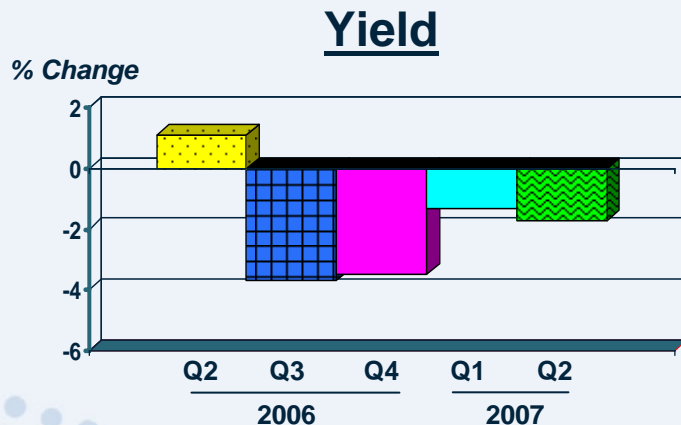
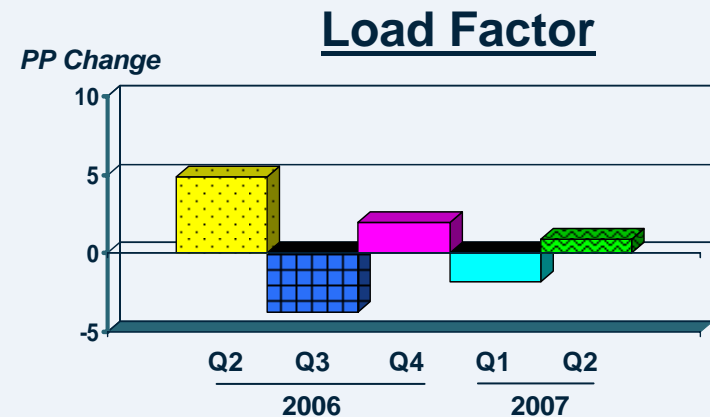
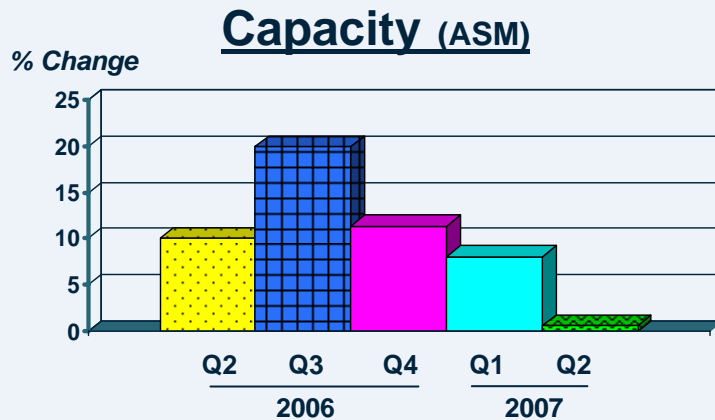
RASM



US Transborder –

RASM Declines 0.6% as Better LF is Offset by a Soft Yield

Y-O-Y Change



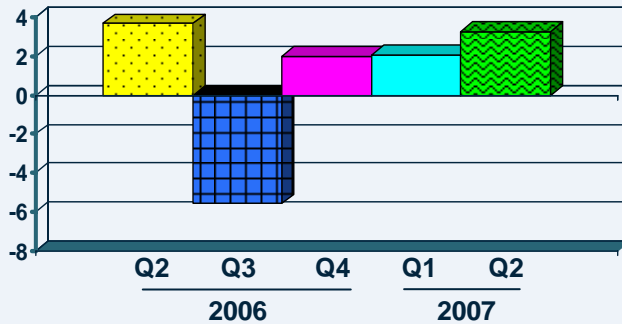
Atlantic –

A Weak UK Performance Pushes Atlantic RASM Down 2.5%

Y-O-Y Change

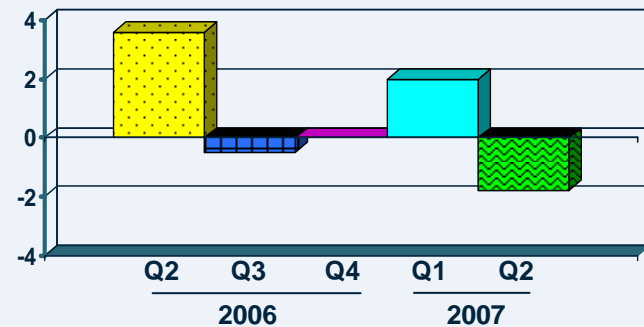
Capacity (ASM)

% Change



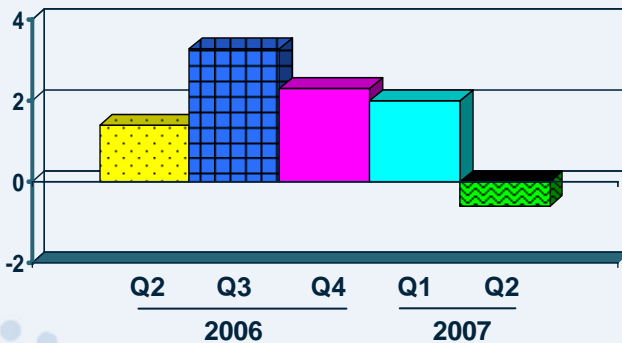
Load Factor

PP Change



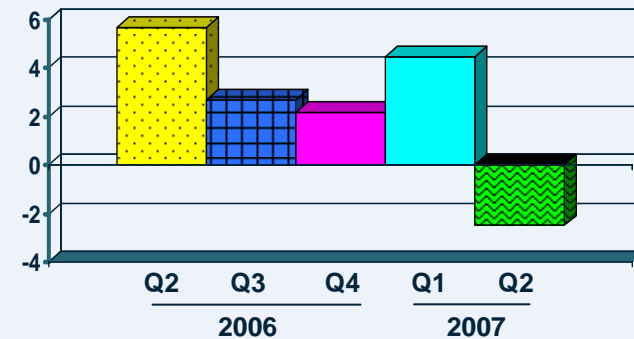
Yield

% Change



RASM

% Change

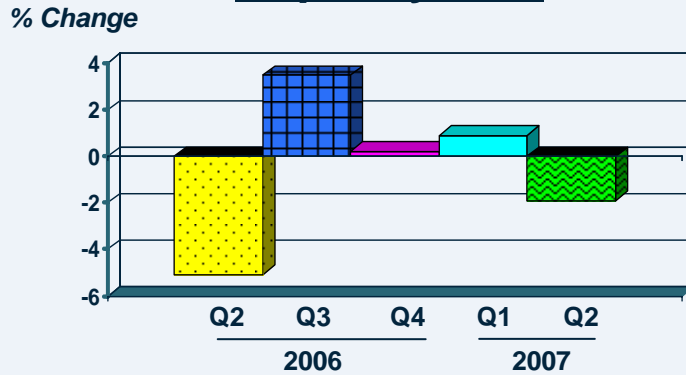


Pacific –

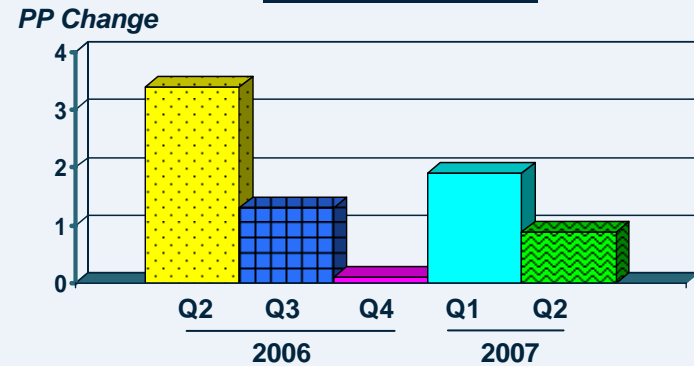
7.1% RASM Growth on 6% Jump in Yield and Solid LF

Y-O-Y Change

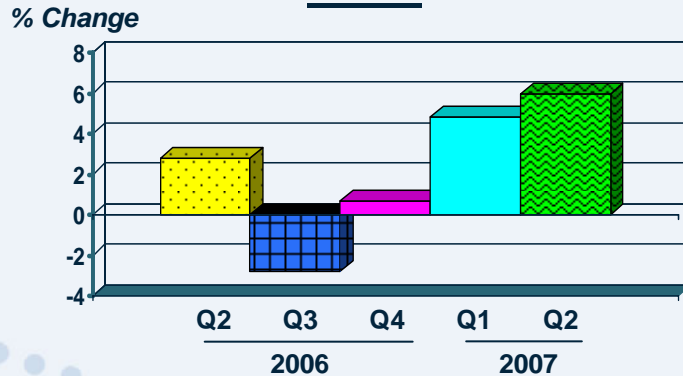
Capacity (ASM)



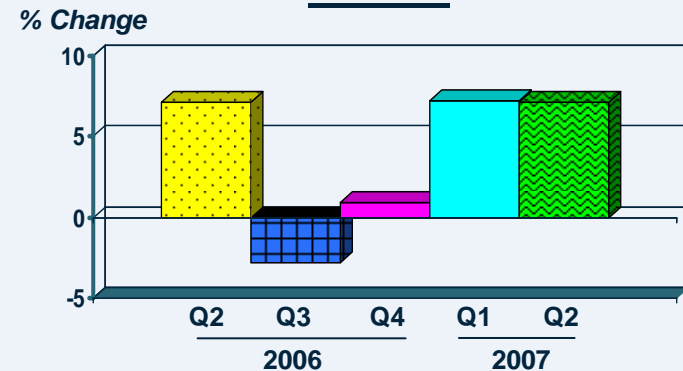
Load Factor



Yield



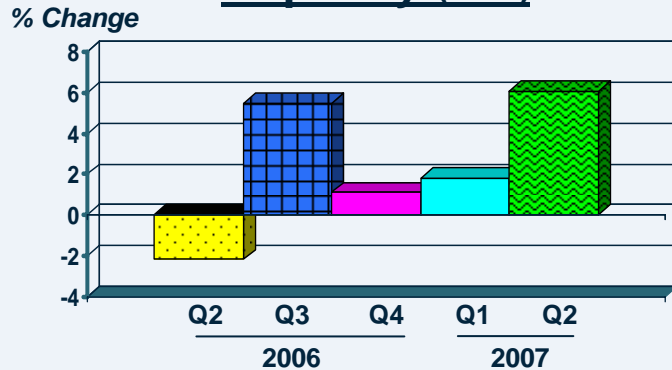
RASM



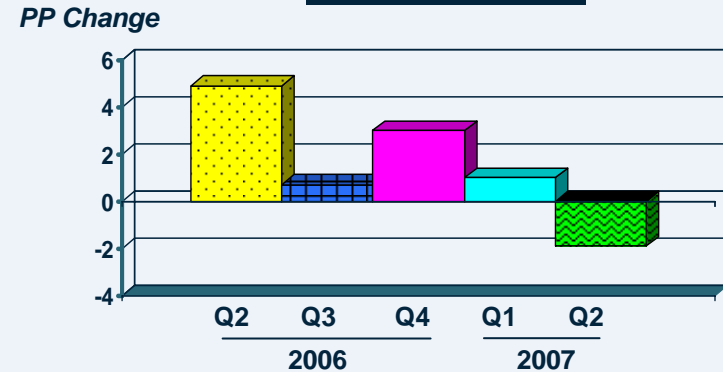
Caribbean, Latin America & Australia – RASM Declines 0.9% as Soft LF Offsets Yield Gains

Y-O-Y Change

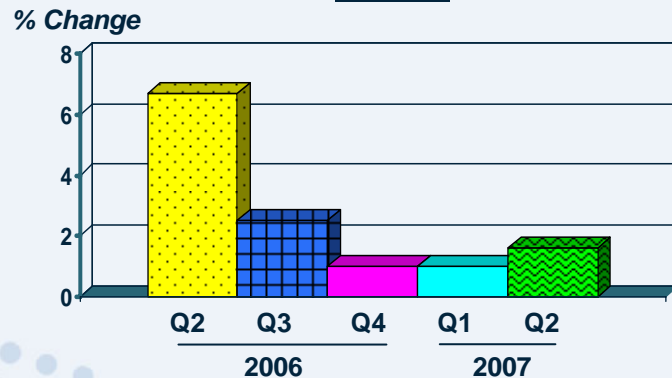
Capacity (ASM)



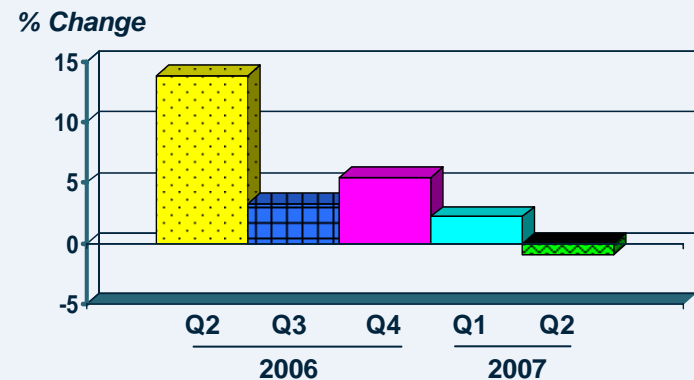
Load Factor



Yield



RASM

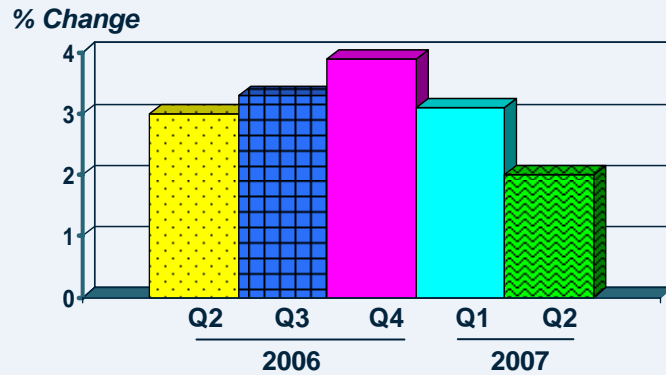


Total –

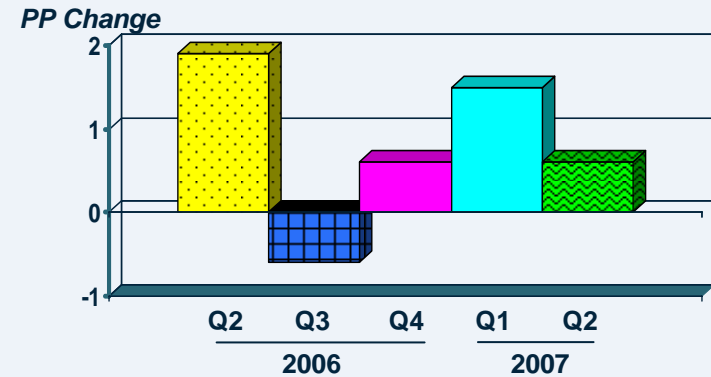
System RASM Lifts 1.3% on Higher Yield and LF

Y-O-Y Change

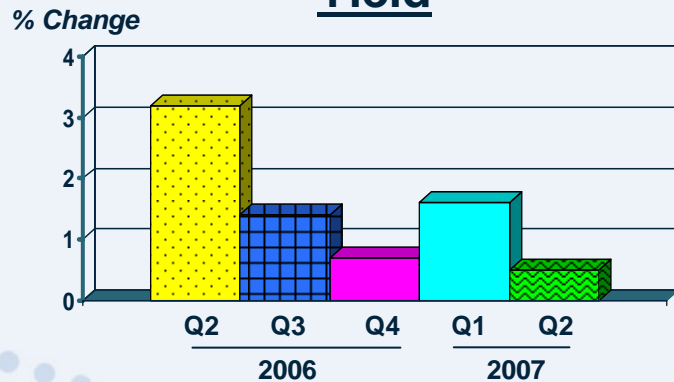
Capacity (ASM)



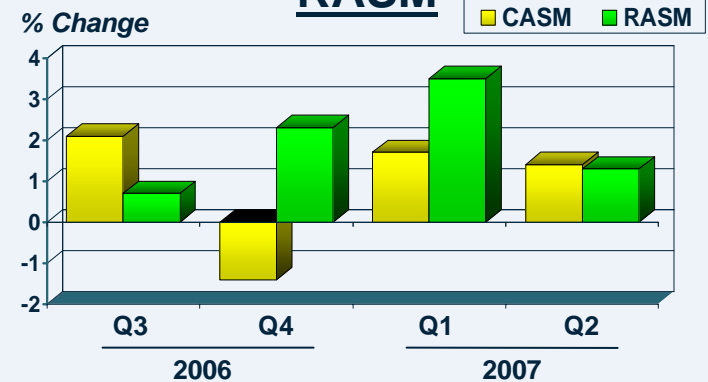
Load Factor



Yield



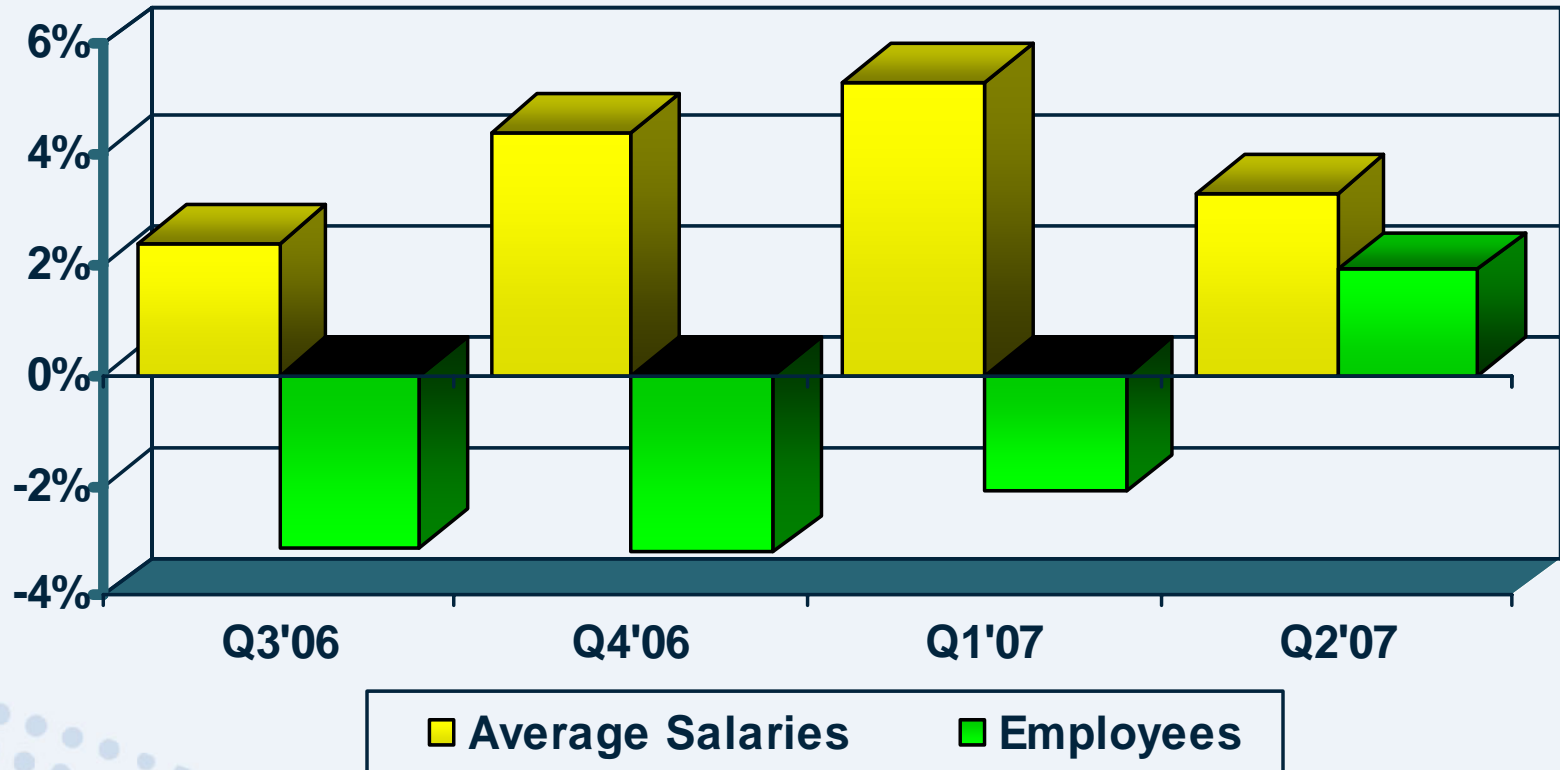
RASM



Average Salary Up 3.3%; Employee Levels Up 447 or 1.9%.

(Y-O-Y Change – Average Salaries & Employees)

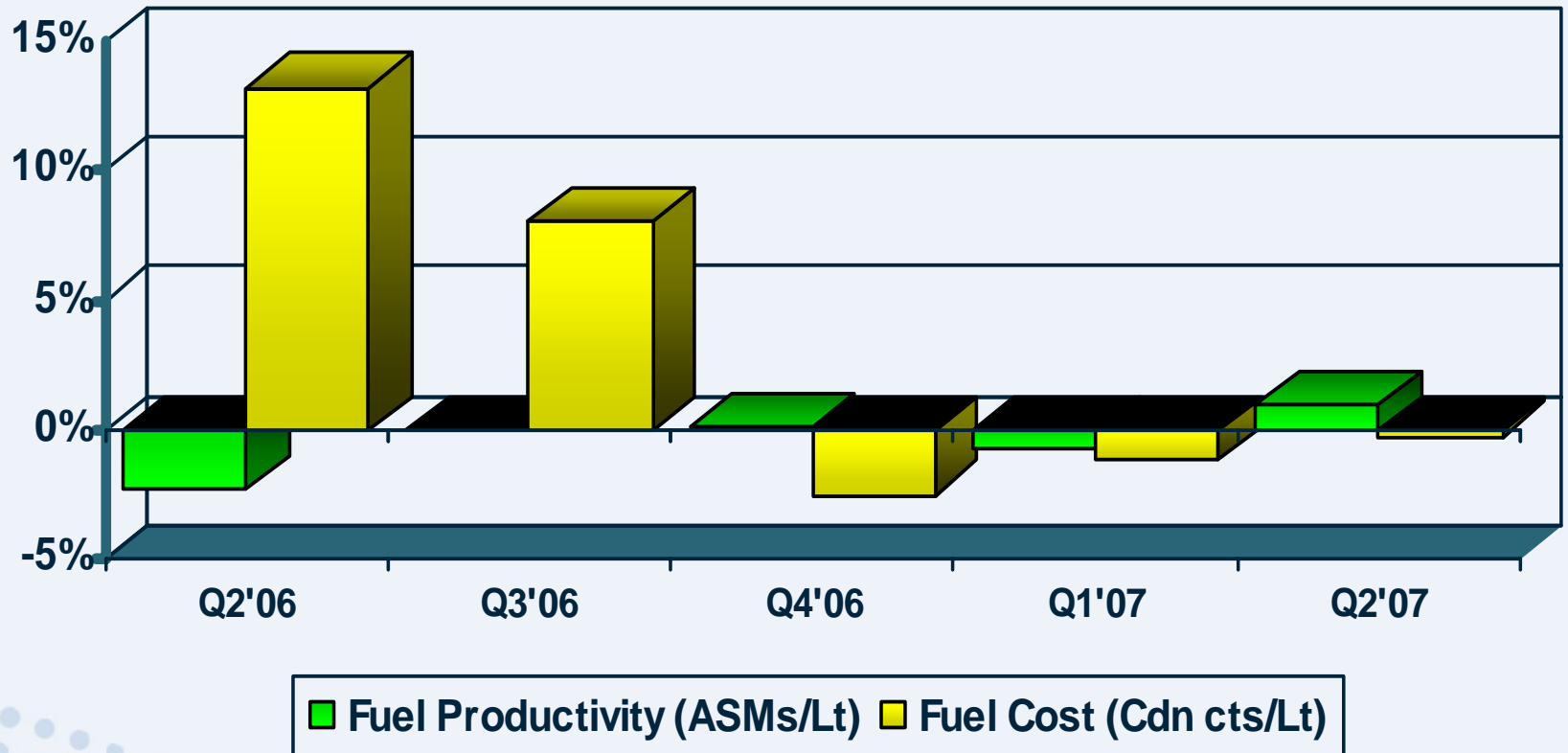
% Change Y-O-Y



Cost/Litre Down 0.2% While Fuel Productivity Improves 1.0% Reflecting the Removal of one Freighter

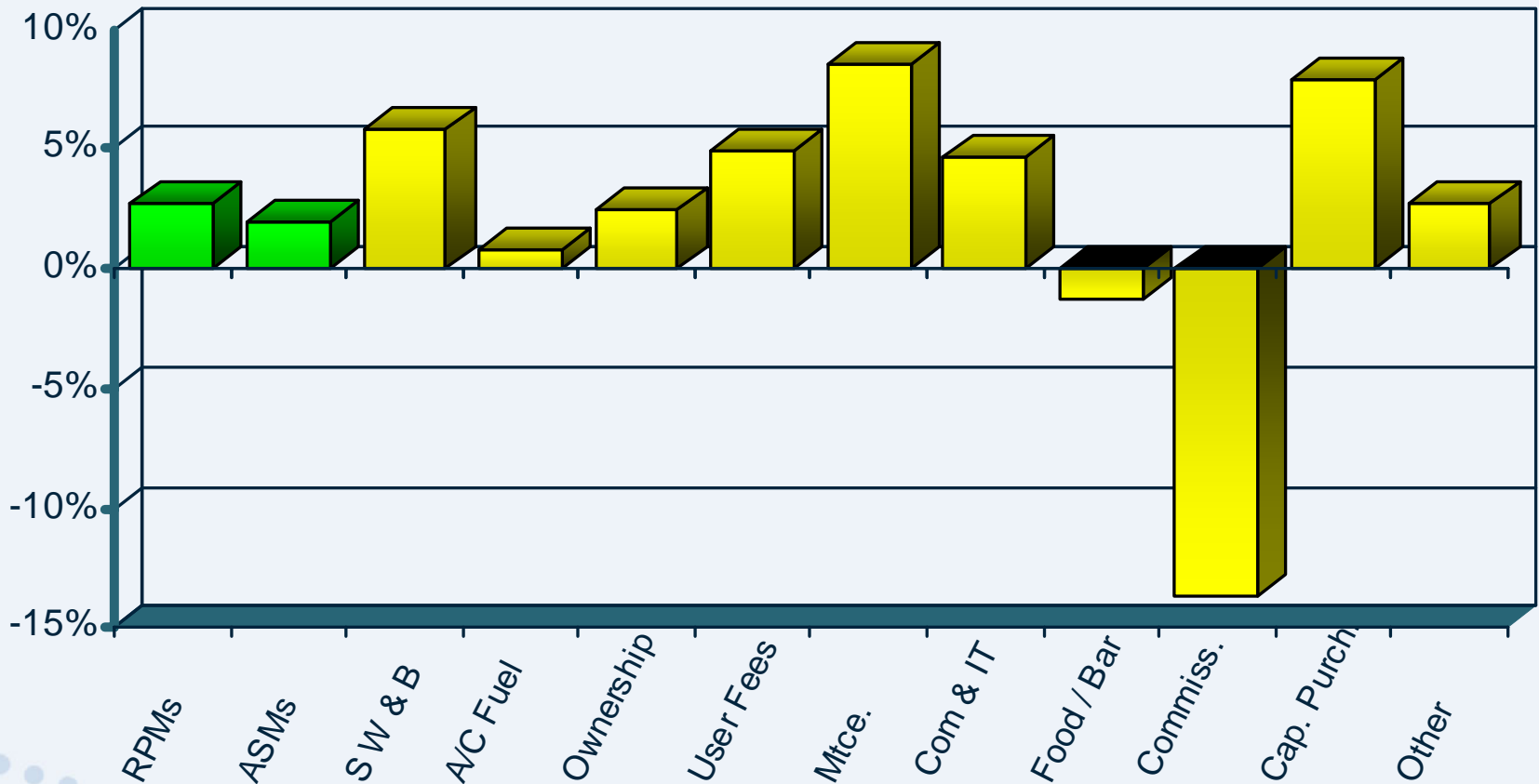
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



"Other" Cat. up 2.7% on ACV Ground Pkg. Costs, Equip. Rental, Training, Crew Cycle Costs, Cr. Card Fees & Cust. Inconvenience

% Change Y-O-Y

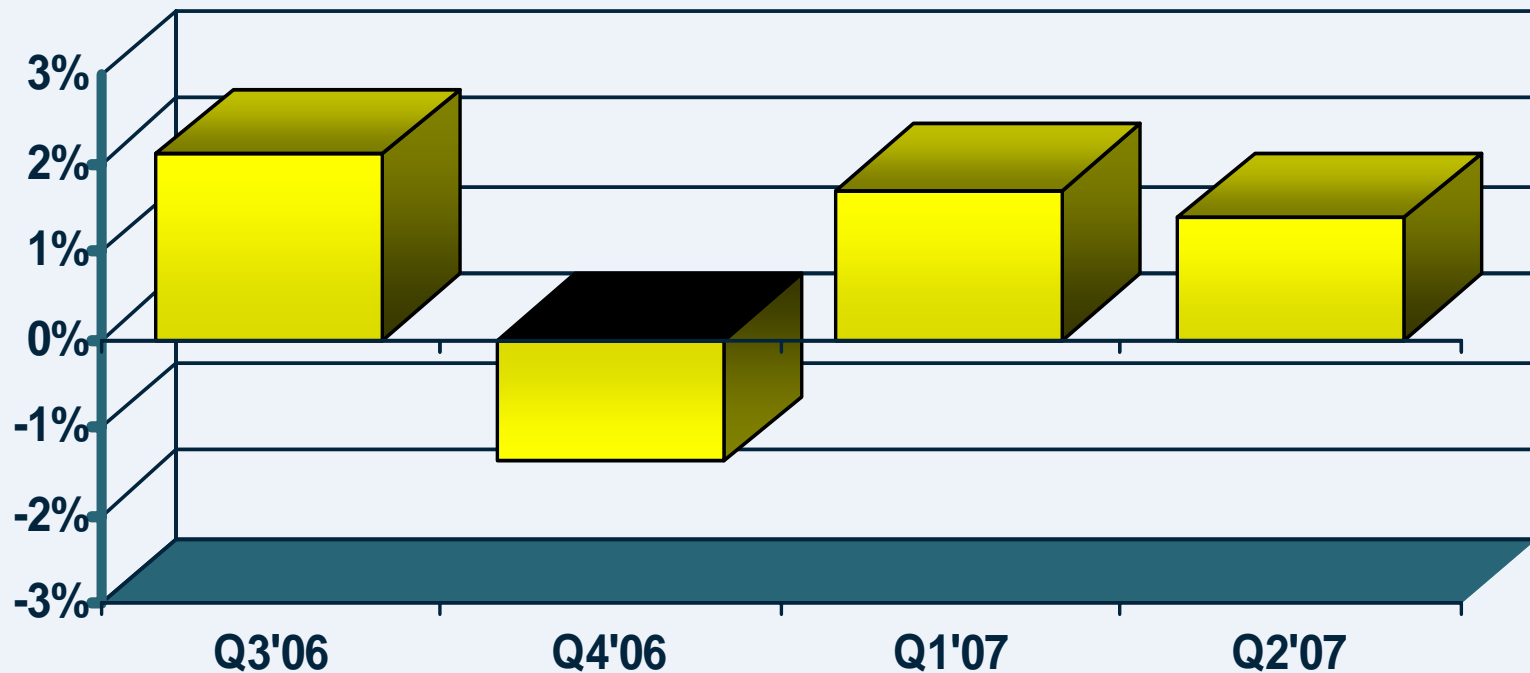


Q2 2007/2006

Unit Cost Up 1.4% Due Higher Average Salaries, Increased Employee Levels and Mtce. Expenses

(Cost Per ASM)

% Change Y-O-Y



Caution Concerning Forward-looking Information:

Certain statements made in this Q2 2007 presentation are forward-looking statements, which are, by their nature, based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Results indicated in forward-looking statements may differ materially from actual results due to a number of factors, including without limitation, energy prices, general industry, market and economic conditions, war, terrorist attacks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, employee relations, labour negotiations or disputes, pension issues, currency exchange and interest rates, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this Q2 2007 presentation and, in particular, those identified in the "Risk Factors" section of Air Canada's 2006 annual MD&A dated February 14, 2007 and section 14 of the Q2 2007 MD&A dated August 10, 2007. The forward-looking statements contained in this Q2 2007 presentation represent the Corporation's expectations as of August 9, 2007 and are subject to change after such date. However, the Corporation 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.

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