



# **First Quarter 2009 Financial Results**

**May 8, 2009**

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## 1<sup>st</sup> Quarter EBITDAR of \$57 mln

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<i>(millions)</i>	Q1 2009	Q1 2008	Change Fav./Unfav.)
<b>Oper. Revenue</b>	\$ 2,391	\$ 2,727	\$ (336)
<b>Oper. Expense</b>	2,579	2,739	160
<b>Oper. Loss</b> – before provision for cargo investigations	\$ (188)	\$ (12)	\$ (176)
<b>EBITDAR</b> – before provision for cargo investigations	\$ 57	\$ 222	\$ (165)

## Q1 Net Interest Expense

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<i>(millions)</i>	Q1 2009	Change Fav./ (Unfav.)
<b>Net Interest Expense<sup>(1)</sup></b>	\$ (98)	\$ (52)
<b>Loss on Disposal<sup>(2)</sup></b>	-	36
<b>Other Non-Oper. Expense</b>	(11)	14
<b>Total Non-Oper. Expense</b>	<b>\$ (109)</b>	<b>\$ (2)</b>

(1) Q1 09 includes a charge of \$17 mln related to the sale and leaseback of one Boeing 777 aircraft

(2) Q1 08 includes an impairment charge of \$38 mln related to the retirement of Boeing 767-200 fleet

# Q1 2009

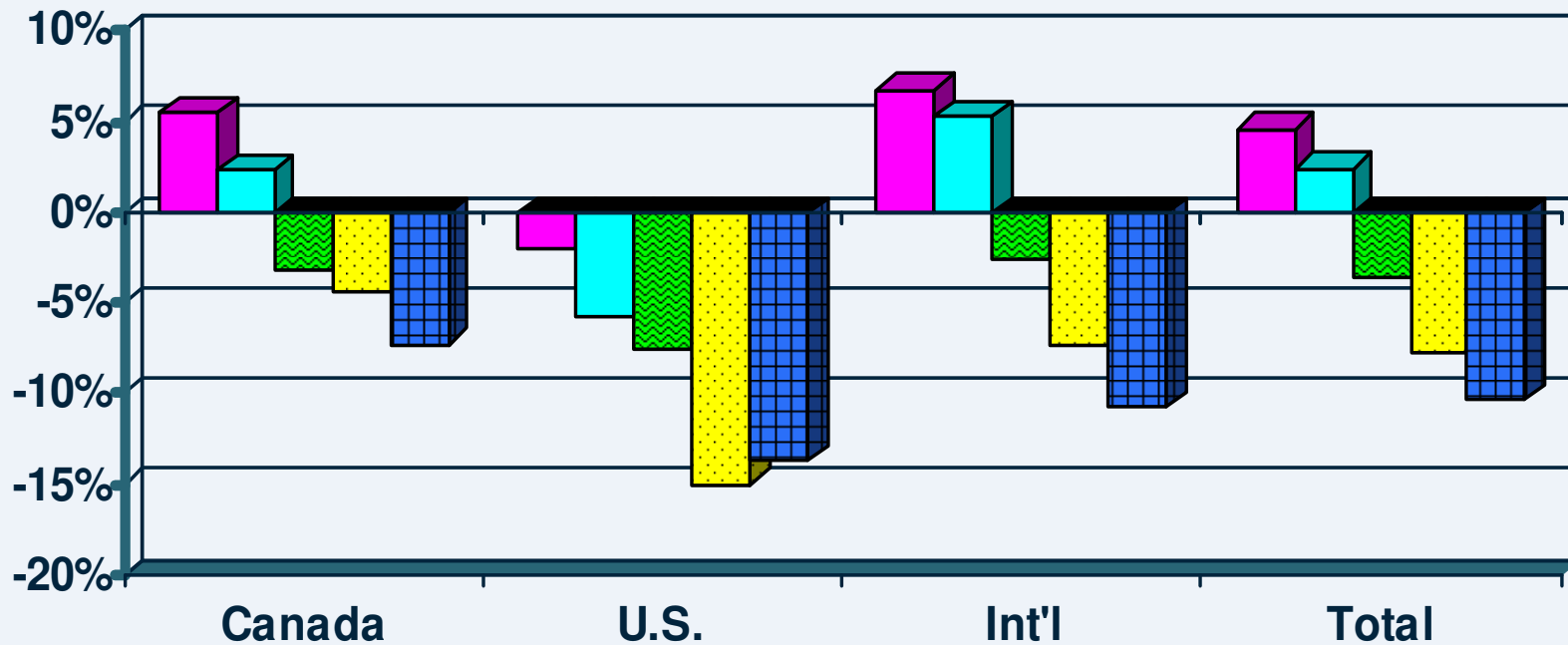
## Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↓ 7.3%	↓ 8.3%	↓ 1.0 PP	↓ 3.3%	↓ 4.4%	↓ 11.4%
US Transborder	↓ 13.7%	↓ 14.4%	↓ 0.7 PP	↓ 3.4%	↓ 4.1%	↓ 17.2%
Atlantic	↓ 9.7%	↓ 12.9%	↓ 2.7 PP	↑ 0.1%	↓ 3.4%	↓ 12.7%
Pacific	↓ 26.0%	↓ 20.5%	↑ 6.2 PP	↑ 10.2%	↑ 18.5%	↓ 12.3%
Latin Amer. & Other	↑ 4.2%	↑ 1.4%	↓ 2.2 PP	↓ 12.4%	↓ 14.8%	↓ 11.2%
<b>Total</b>	<b>↓ 10.3%</b>	<b>↓ 10.9%</b>	<b>↓ 0.5 PP</b>	<b>↓ 2.3%</b>	<b>↓ 3.0%</b>	<b>↓ 13.0%</b>
			<b>Total Expense</b>		↓ 5.8%	
			<b>Total CASM</b>		↑ 5.0%	
			<b>Total CASM excl. Fuel</b>		↑ 9.4%	

# System Capacity Reduced by 10.3% to Adjust to Passenger Demand

(Y-O-Y Changes in Capacity)

% Change in ASMs

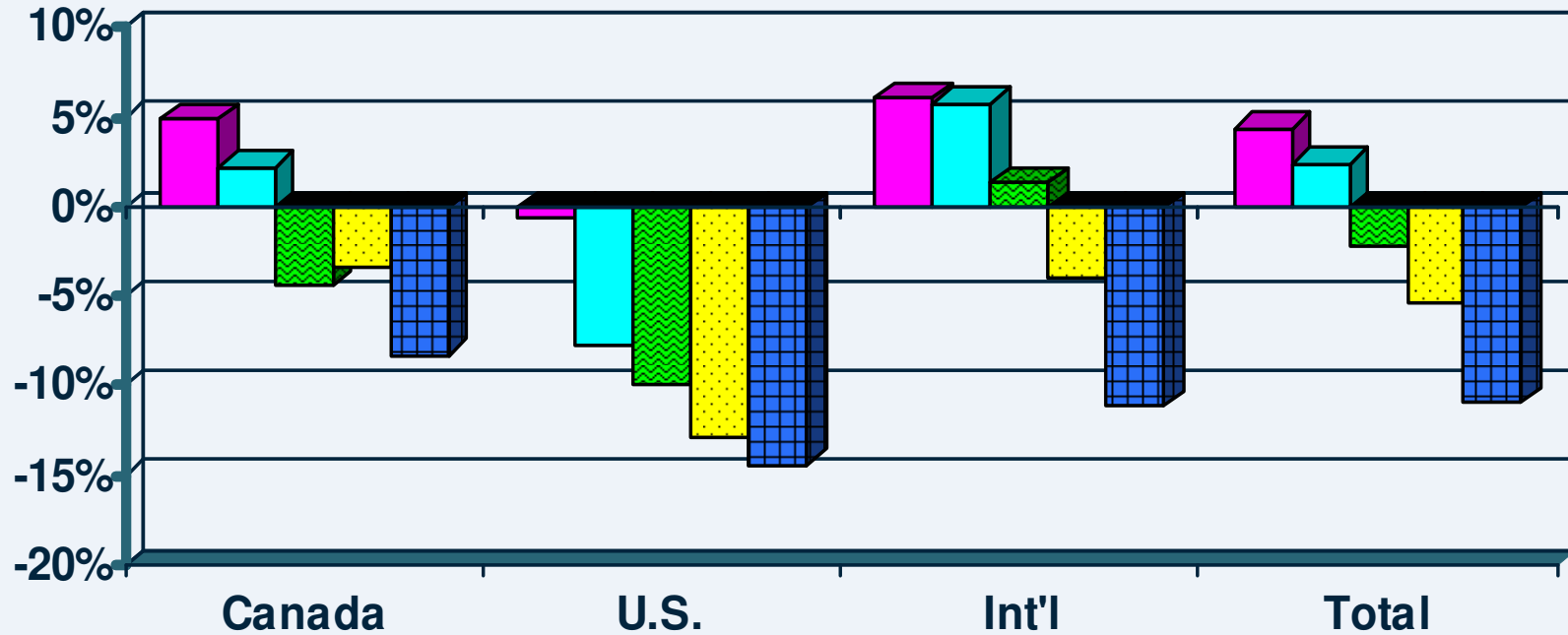


■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008

# Traffic Shortfall Slightly Exceeded Capacity Reduction

(Y-O-Y Changes in Traffic)

% Change in RPMs

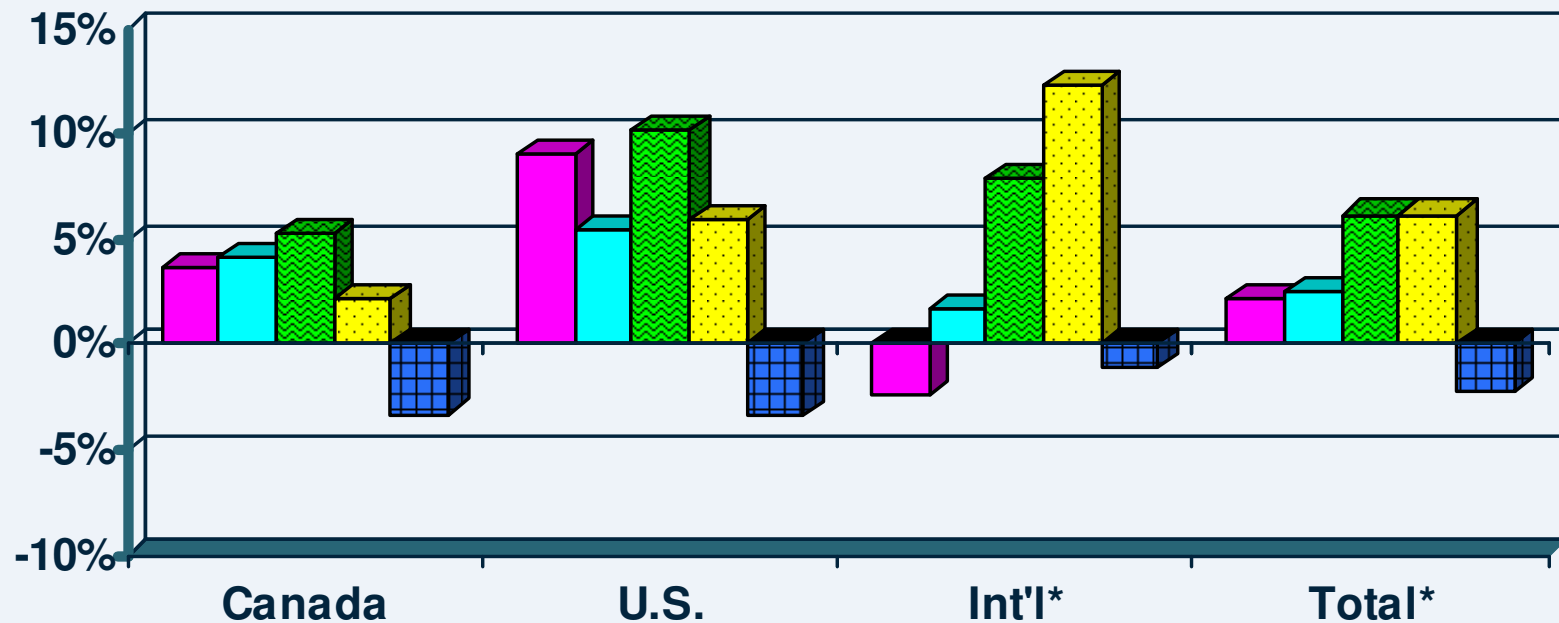


■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008

# Weaker Economy Put Pressure on Yield – Down 2.3%

(Y-O-Y Changes in Passenger Yield)

*% Change in Yield*



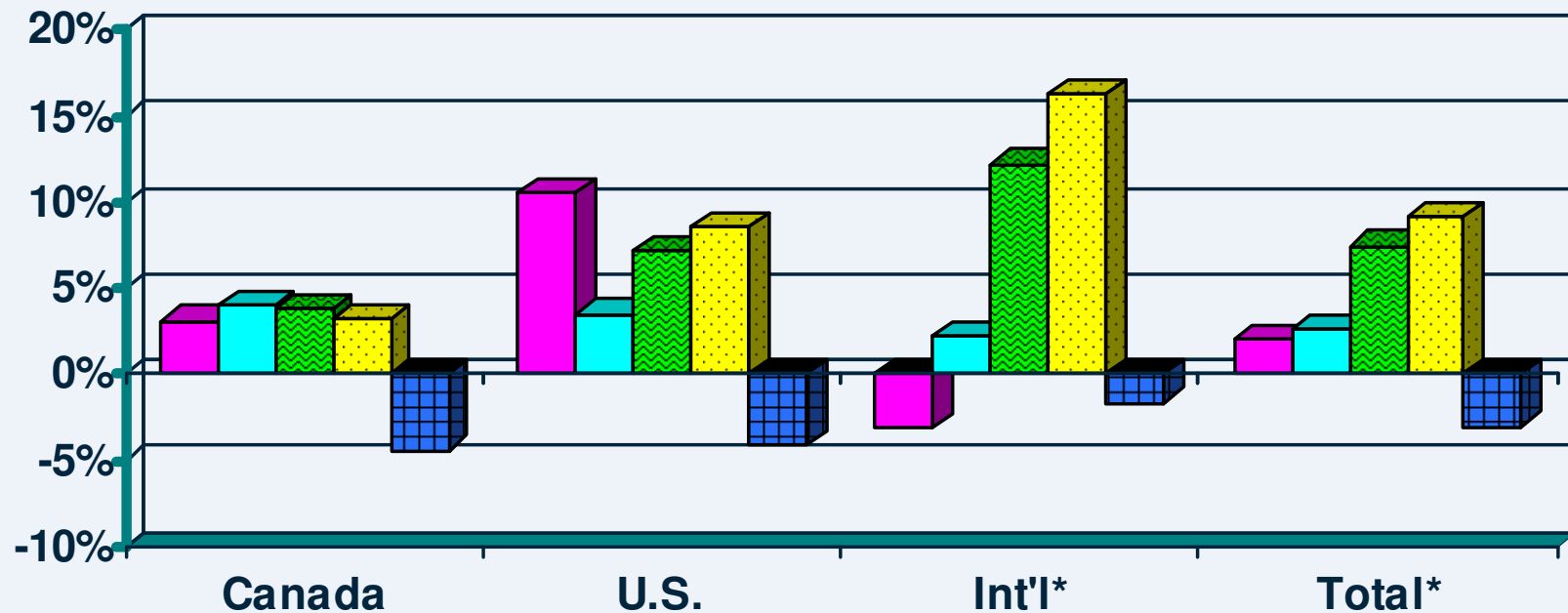
■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008

\* \$26 million favourable adjustment removed from 4<sup>th</sup> quarter 2007 revenues

# System RASM Declined 3.0% – Mainly the Result of Competitive Pricing Pressures

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

*% Change in RASM*



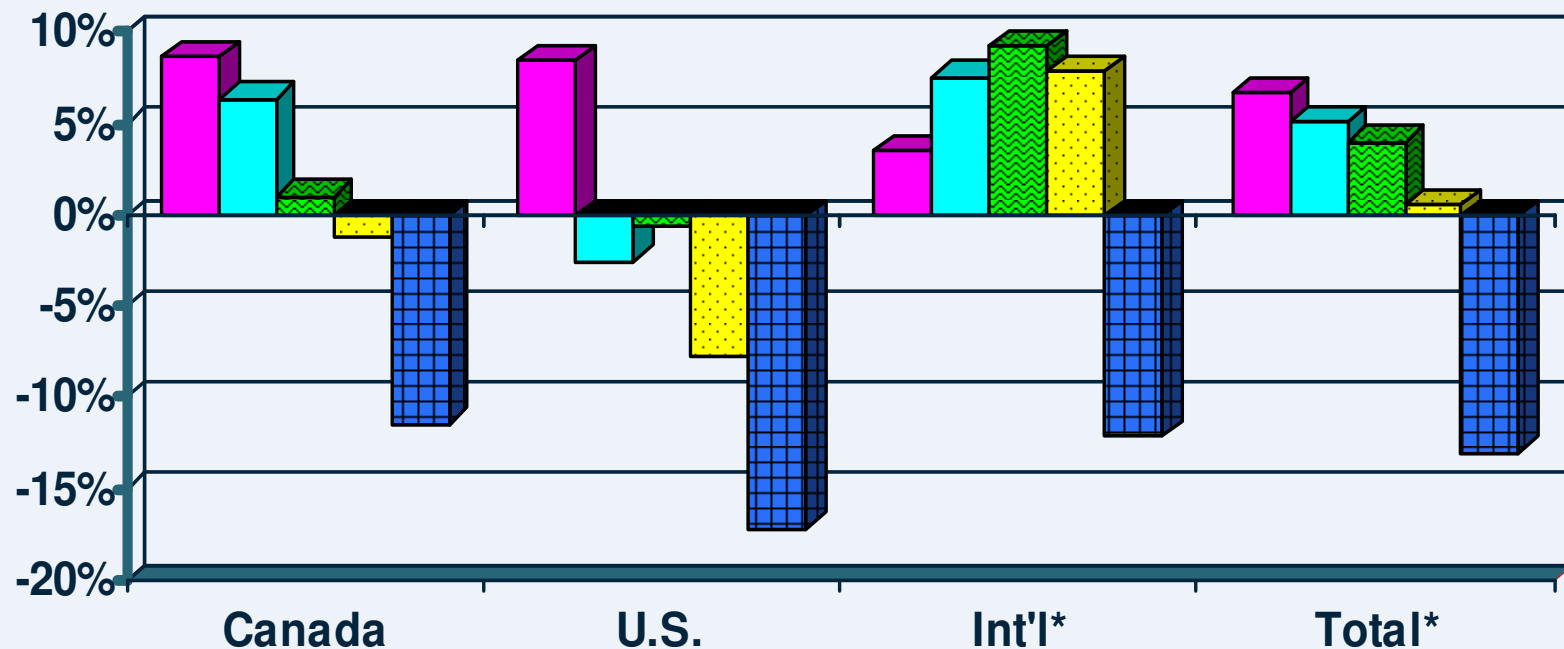
■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008

\* \$26 million favourable adjustment removed from 4<sup>th</sup> quarter 2007 revenues

# Capacity Reduction and Lower Average Fares Resulted in Lower Revenues

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008

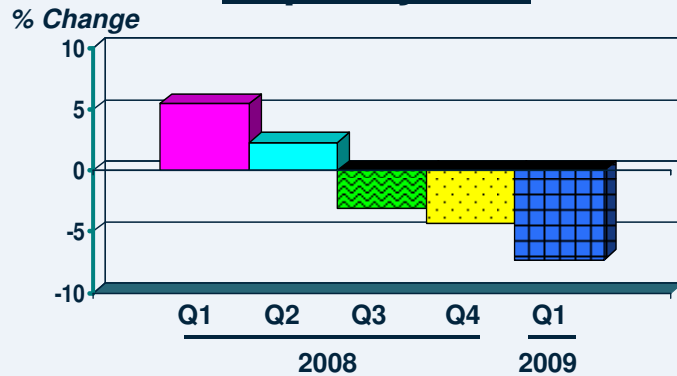
\* \$26 million favourable adjustment removed from 4<sup>th</sup> quarter 2007 revenues

# Canada –

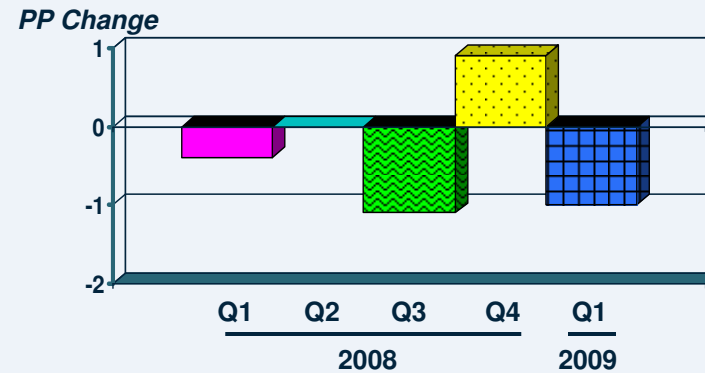
## Q1 RASM Decreased 4.4% Largely Due to Lower Yield

### Y-O-Y Change

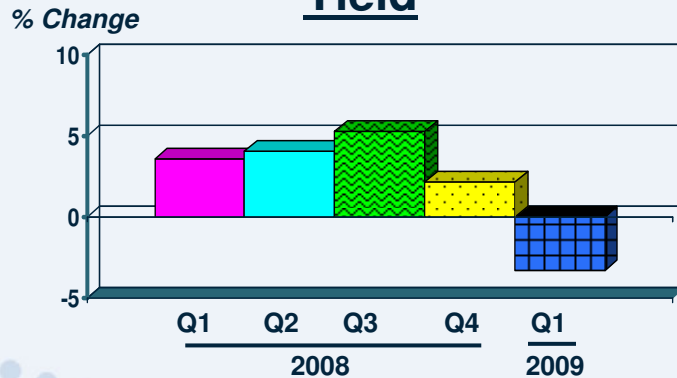
#### Capacity (ASM)



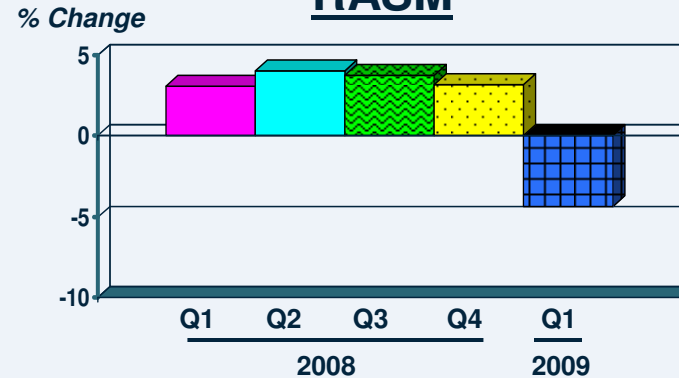
#### Load Factor



#### Yield



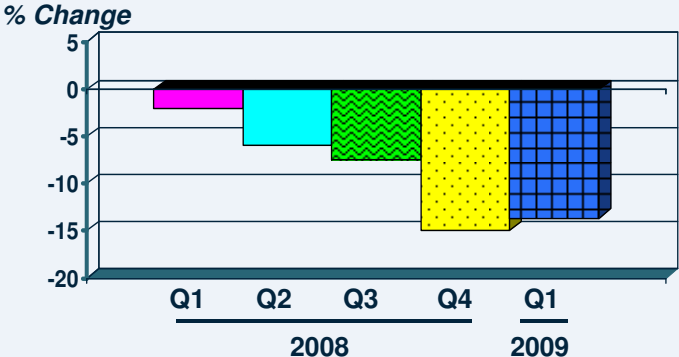
#### RASM



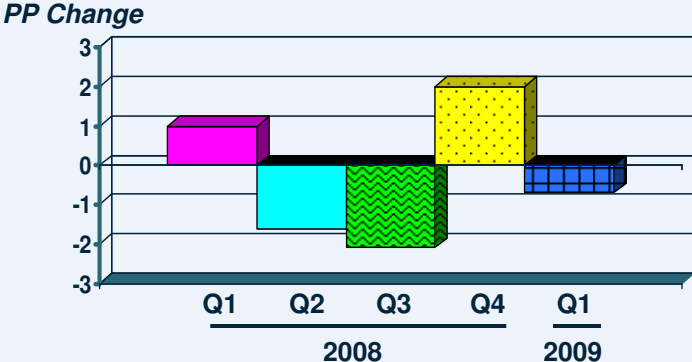
# US Transborder – RASM Decreased 4.1% Largely Due to Lower Yield

## Y-O-Y Change

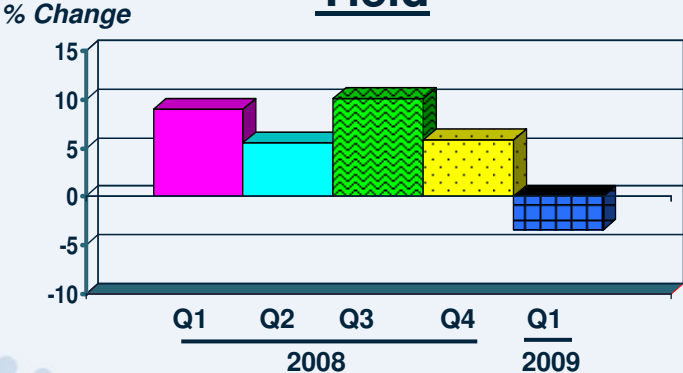
**Capacity (ASM)**



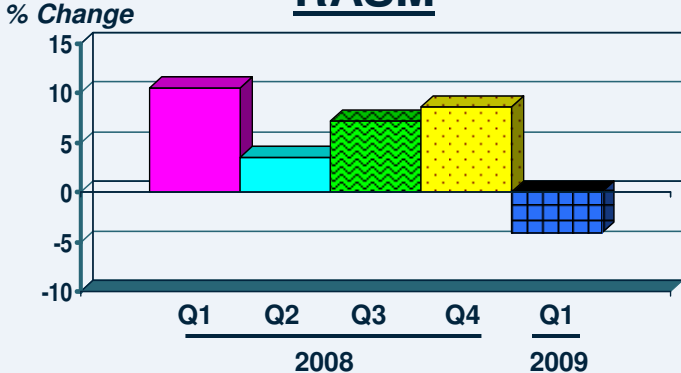
**Load Factor**



**Yield**



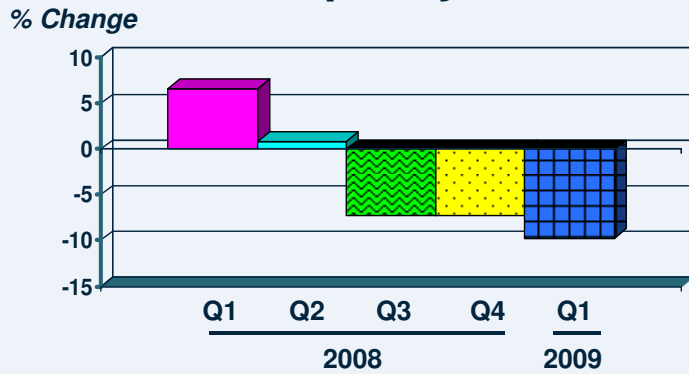
**RASM**



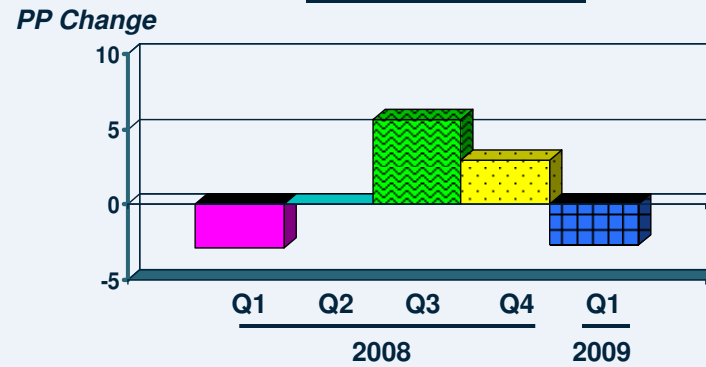
# Atlantic – RASM Decreased 3.4% on Load Factor Decline

## Y-O-Y Change

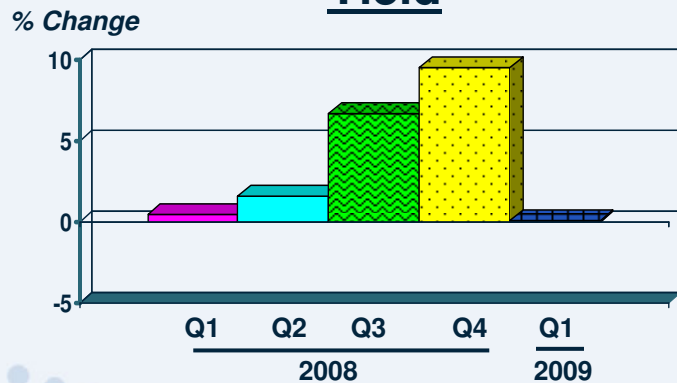
### Capacity (ASM)



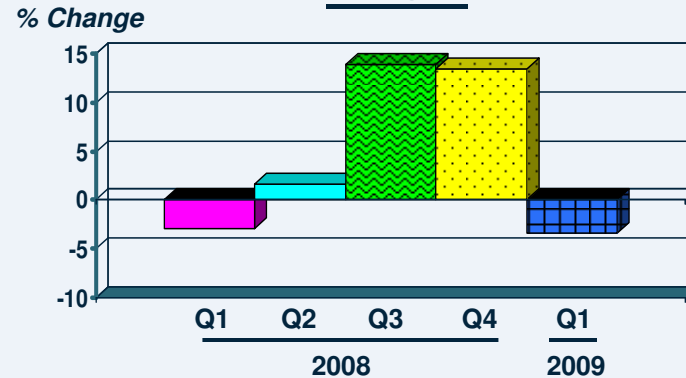
### Load Factor



### Yield



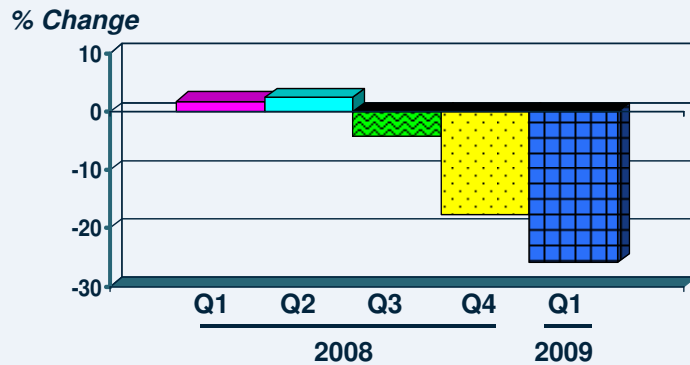
### RASM



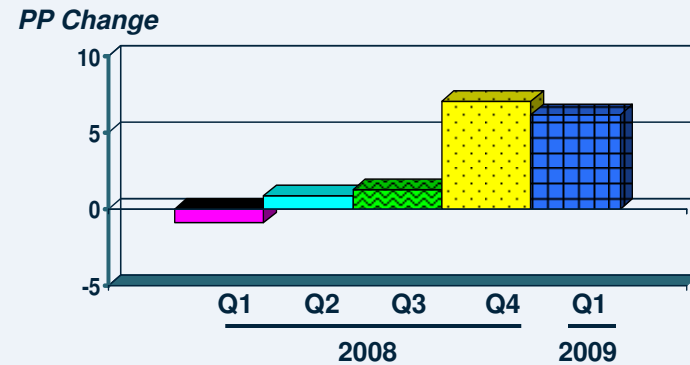
# Pacific – Maintains Solid RASM Growth on Strong Yield & Load Factor as Capacity Cut Further

## Y-O-Y Change

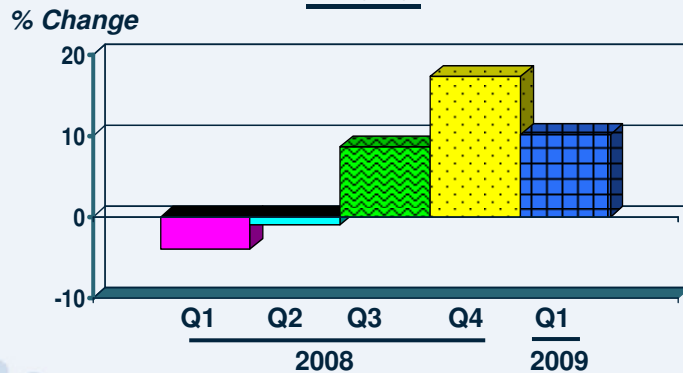
### Capacity (ASM)



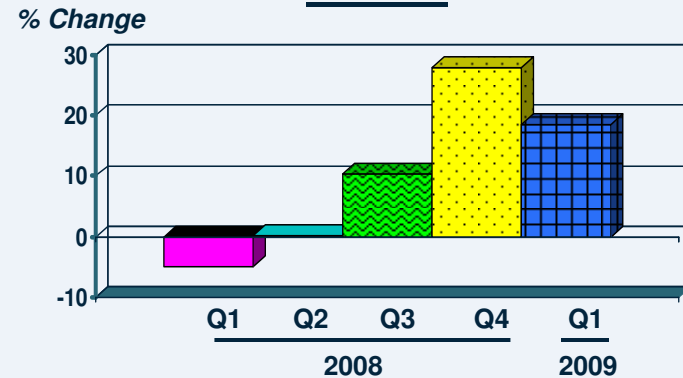
### Load Factor



### Yield



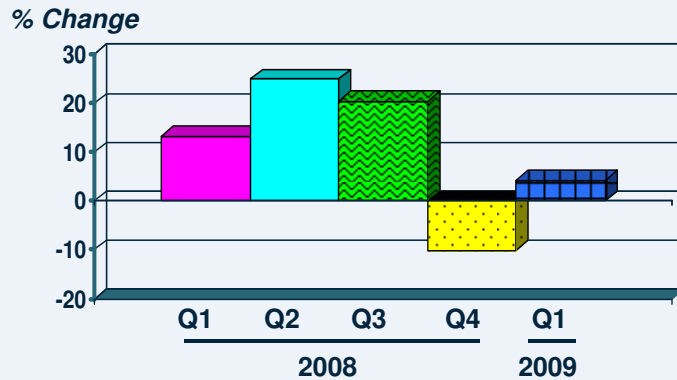
### RASM



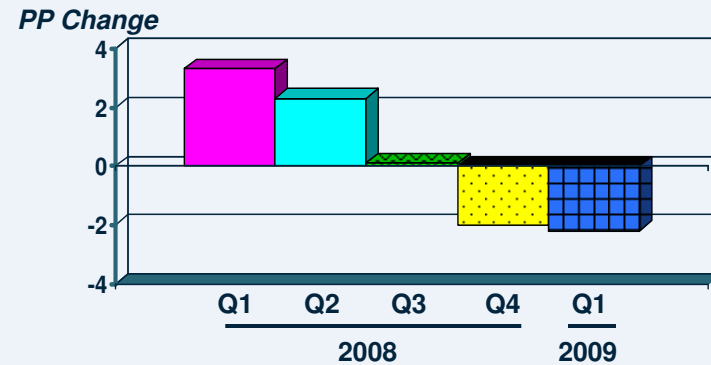
# Caribbean, Latin America & Australia – RASM Down 14.8% Due Primarily to Decline in Yield

## Y-O-Y Change

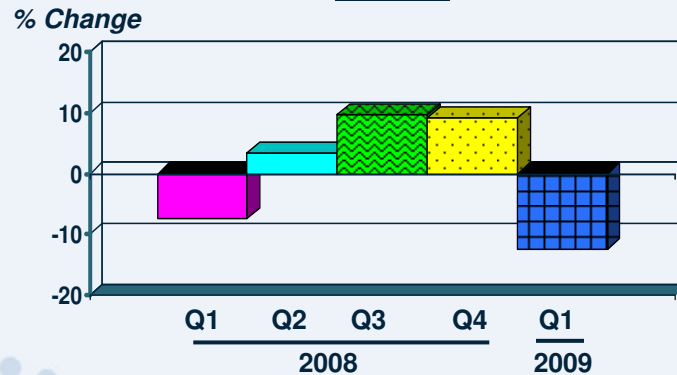
### Capacity (ASM)



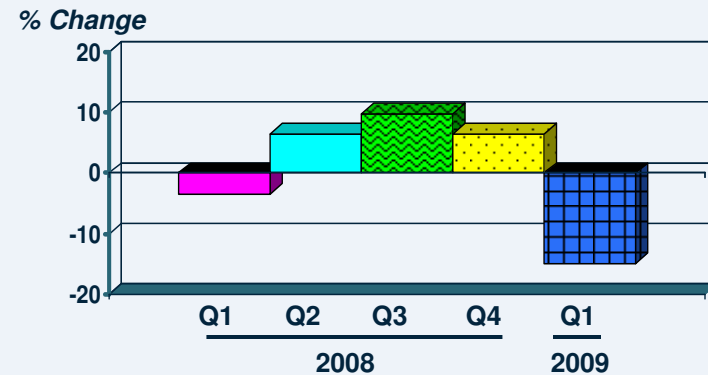
### Load Factor



### Yield



### RASM

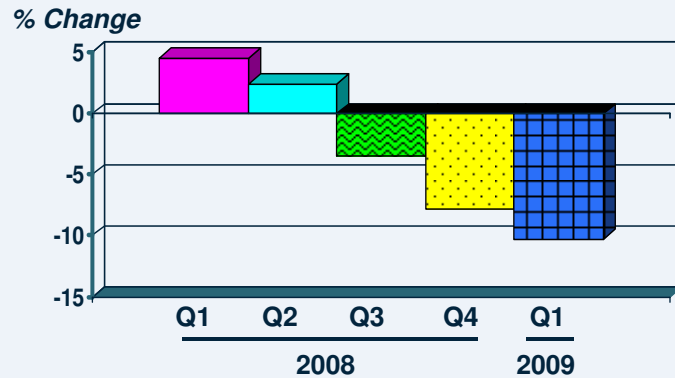


\*\$26 million favourable adjustment removed from 4th quarter 2007 revenues

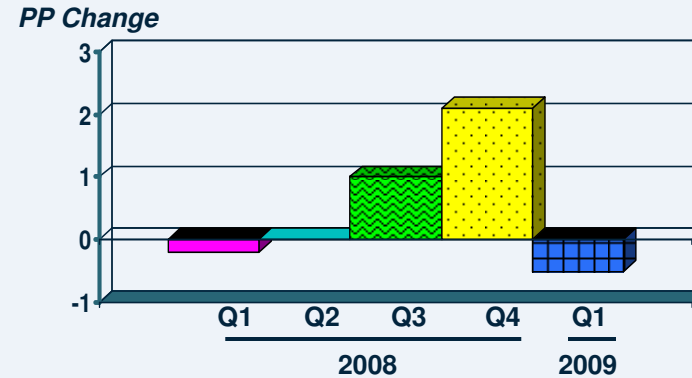
**Total – Sys. RASM Down 3.0% Mostly on Lower Yield – Total CASM Incr. 5.0%; Ex. Fuel CASM Up 9.4%. Unfav. FX a Factor**

**Y-O-Y Change**

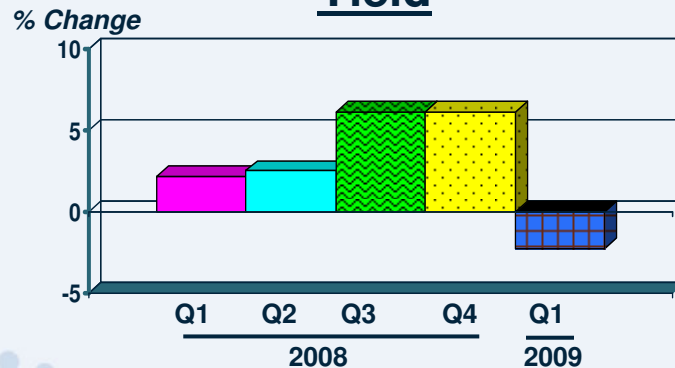
**Capacity (ASM)**



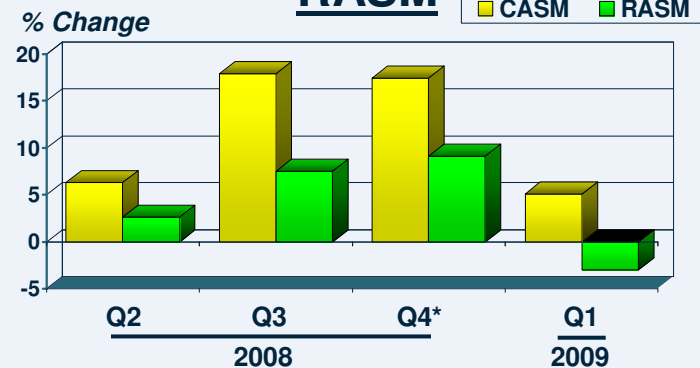
**Load Factor**



**Yield**



**RASM**

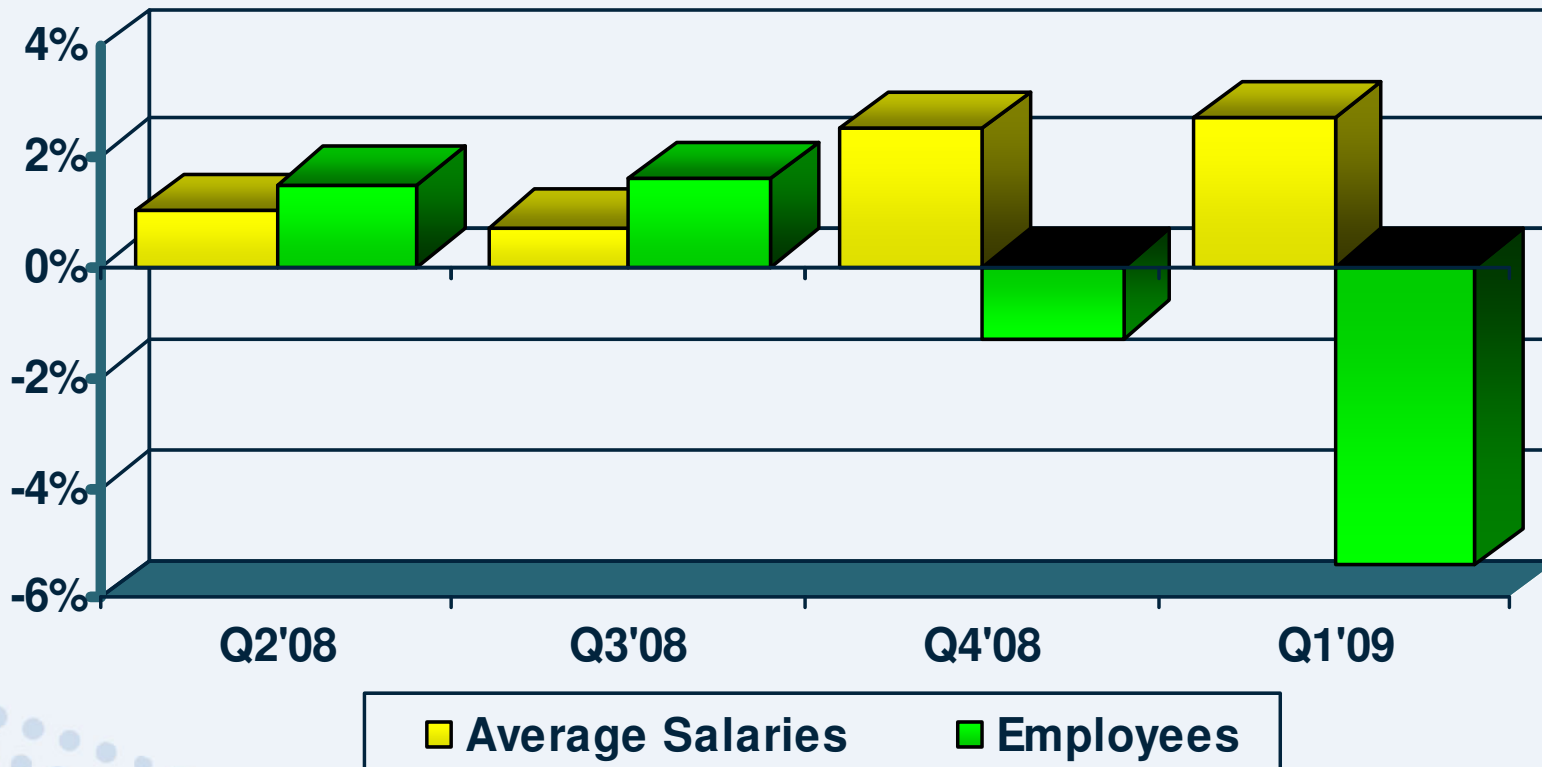


\*\$26 million favourable adjustment removed from 4th quarter 2007 revenues

# Employee Levels Reduced 1,300 Adjusting to Lower Capacity; Avg. Salary Up 2.7% Due to Contractual Oblig.

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

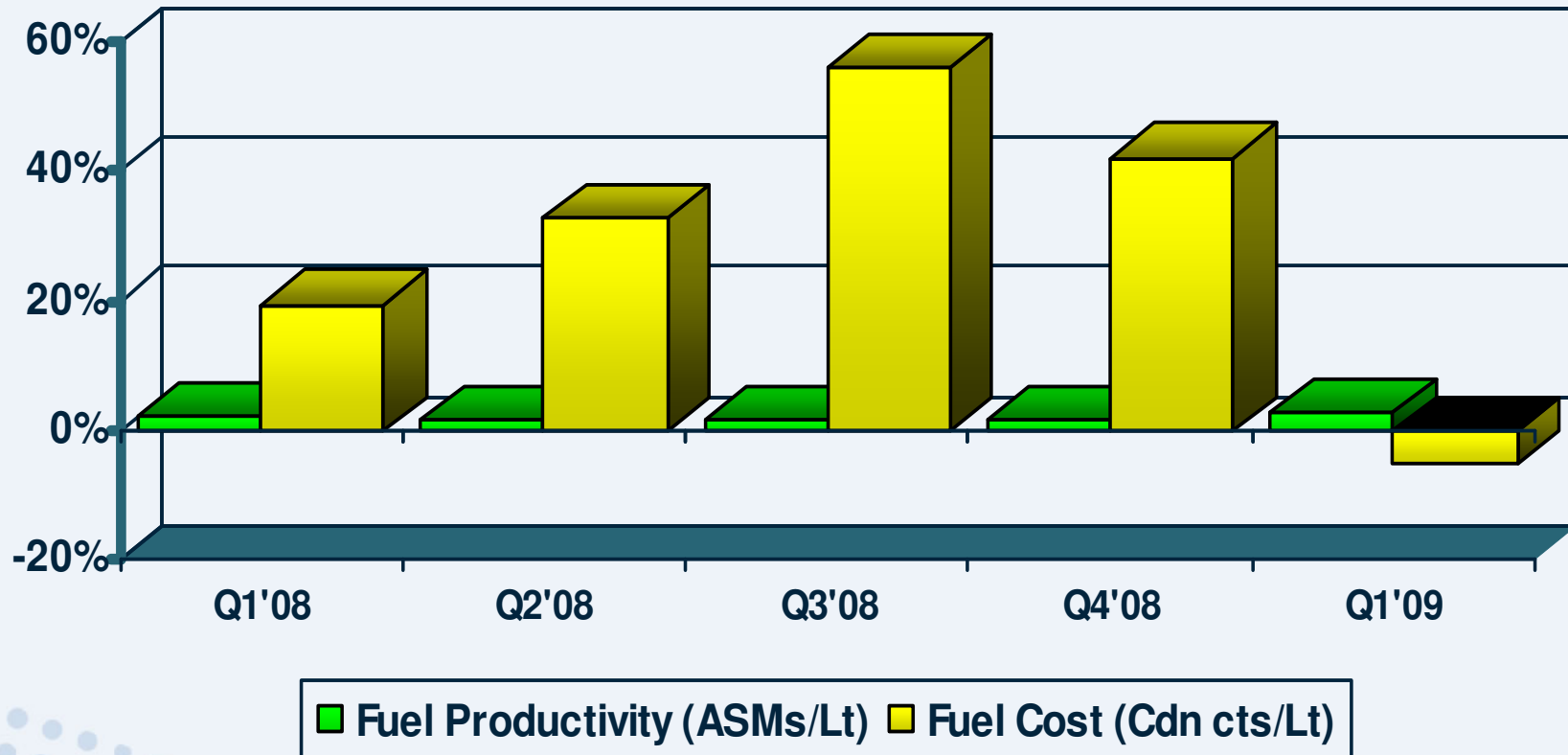
% Change Y-O-Y



# Cost/Litre Down 5.1% While Fuel Productivity Improves 2.7% Reflecting the New 777's and the Removal of One Freighter

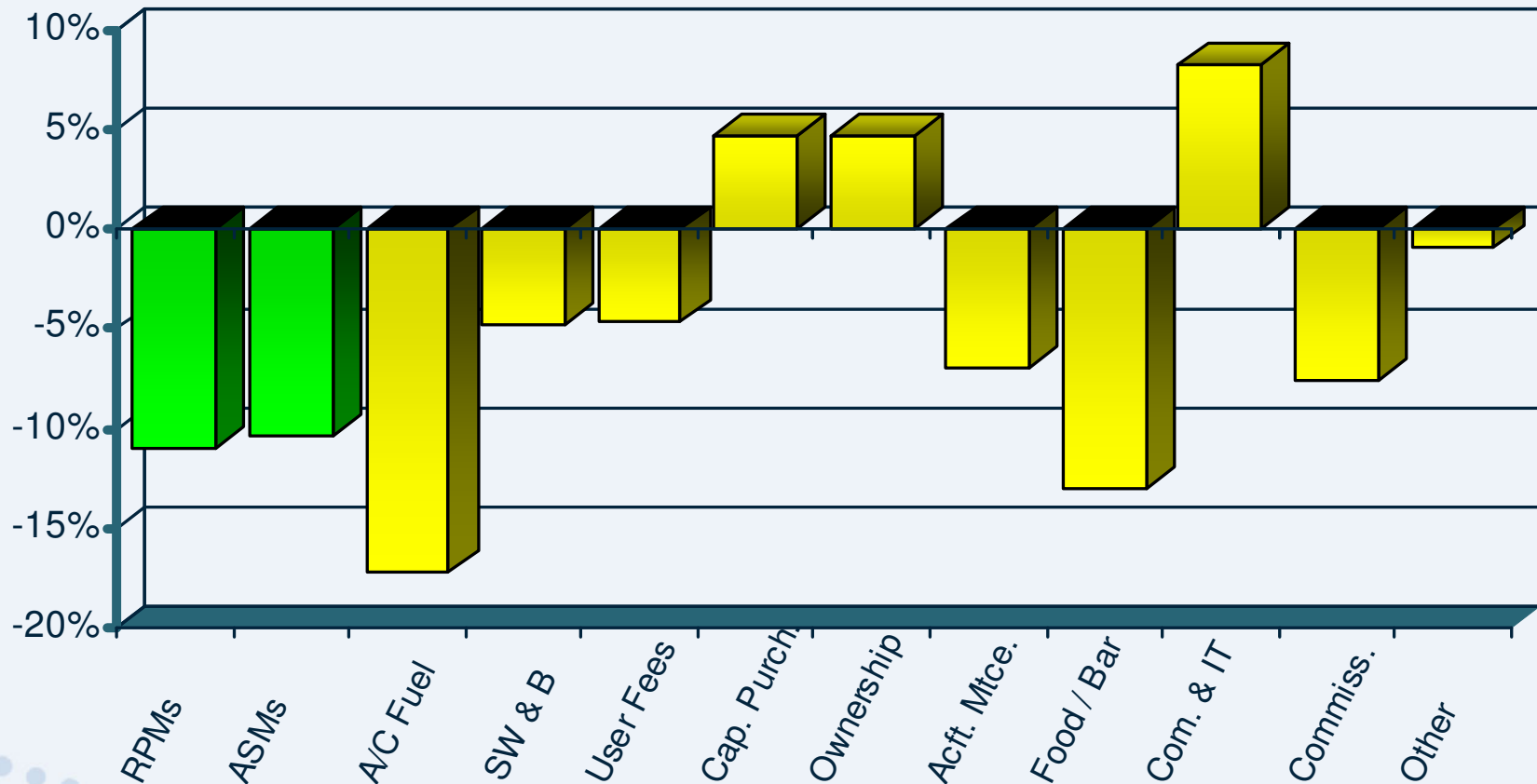
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



# Operating Expenses Down \$160 mln Despite Additional Expense of \$170 mln Due to Unfavourable FX

*% Change Y-O-Y*



**Q1 2009/2008**

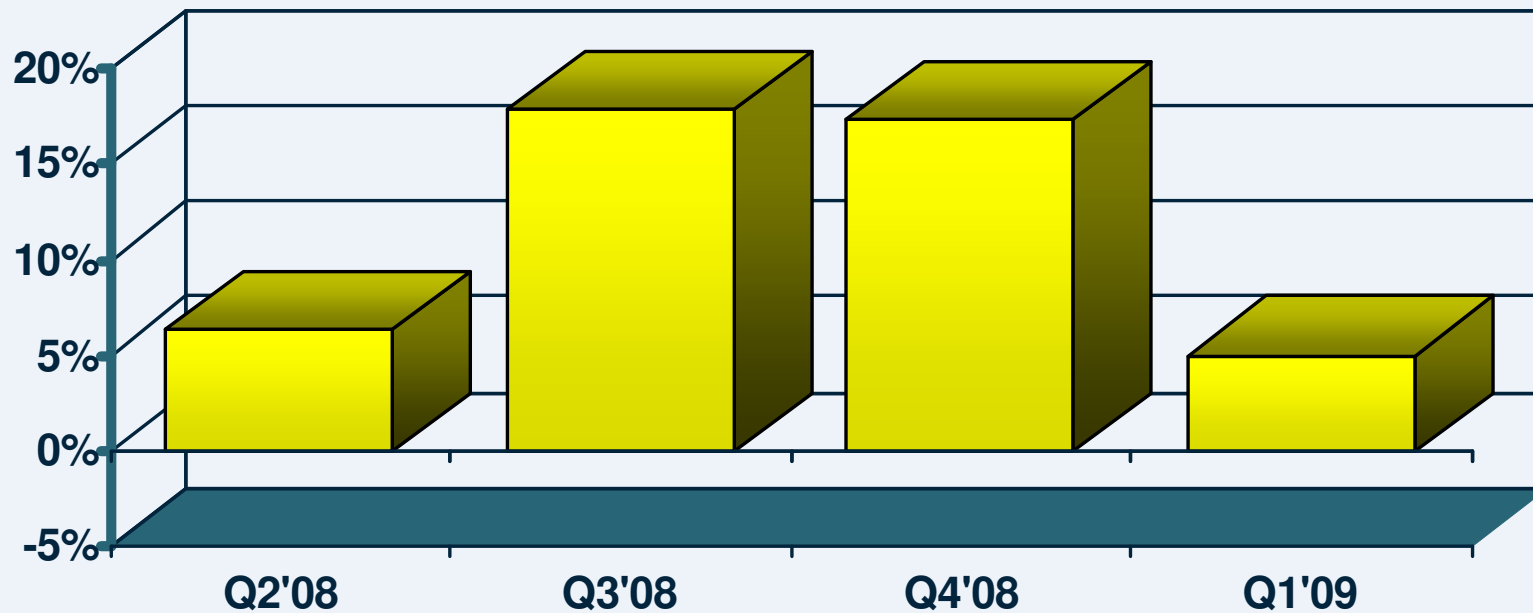
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# Unit Cost Up 5.0% on FX, Ownership Cost Incr. & Fixed Costs Spread Over Fewer ASMs

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(Cost Per ASM)

*% Change Y-O-Y*



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