



AIR CANADA

OFFICIAL SUPPORTER
SUPPORTEUR OFFICIEL

2009 Fourth Quarter and Year-End Financial Results

February 10, 2010

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Financial Highlights – Results of Operations

Q4 09 / Q4 08

<i>(millions)</i>	Q4 2009	Q4 2008	Change
Operating Revenue	\$ 2,348	\$ 2,498	\$ (150)
Operating Loss	\$ (83)	\$ (146)	\$ 63
EBITDAR	\$ 167	\$ 108	\$ 59
Net Loss	\$ (56)	\$ (727)	\$ 671
Operating Margin	(3.5)%	(5.8)%	2.3 PP
EBITDAR Margin	7.1%	4.3%	2.8 PP
RASM (cents)	14.6	16.0	(8.8)%
CASM (cents)	17.6	19.5	(9.8)%
CASM excl. Fuel (cents)	13.2	13.6	(3.2)%

Financial Highlights – Results of Operations

2009 / 2008

<i>(millions)</i>	2009	2008	Change
Operating Revenue	\$ 9,739	\$11,082	\$ (1,343)
Operating Loss ⁽¹⁾	\$ (316)	\$ (39)	\$ (277)
EBITDAR ⁽¹⁾	\$ 679	\$ 934	\$ (255)
Net Loss	\$ (24)	\$(1,025)	\$ 1,001
Operating Margin ⁽¹⁾	(3.2)%	(0.4)%	(2.8) PP
EBITDAR Margin ⁽¹⁾	7.0%	8.4%	(1.4) PP
RASM (cents)	14.3	15.6	(8.4)%
CASM (cents)	16.9	17.9	(5.4)%
CASM excl. Fuel (cents)	12.8	12.4	3.3%

⁽¹⁾ before provision for cargo investigations and proceedings

Financial Highlights – Financial Position and Cash Flow

Q4 09 / Q4 08

<i>(millions)</i>	Q4 2009	Q4 2008	Change
Cash Flow used for Operations	\$ (10)	\$ (278)	\$ 268
Additions to Capital Assets	\$ (42)	\$ (150)	\$ 108
Free Cash Flow	\$ (52)	\$ (428)	\$ 376
Cash, Cash Equivalents & Short-term Investments at Dec 31	\$ 1,407	\$1,005	\$ 402
Adjusted debt/equity ratio % at Dec 31	80.1%	89.6%	(9.5) pp

Financial Highlights – Financial Position and Cash Flow 2009 / 2008

<i>(millions)</i>	2009	2008	Change
Cash Flow used for Operations	\$ (167)	\$ (102)	\$ (65)
Additions to Capital Assets	\$ (232)	\$ (883)	\$ 651
Free Cash Flow	\$ (399)	\$ (985)	\$ 586
Cash, Cash Equivalents & Short-term Investments at Dec 31	\$ 1,407	\$1,005	\$ 402
Adjusted debt/equity ratio % at Dec 31	80.1%	89.6%	(9.5) pp

Non-Operating Expense

Q4 09 / Q4 08

<i>(millions)</i>	Q4 2009	Q4 2008	Change
Net Interest Expense	\$ (85)	\$ (71)	\$ (14)
Loss on Assets ⁽¹⁾	\$ (25)	\$ (5)	\$ (20)
Gain on Financial Instruments	\$ 22	\$ 32	\$ (10)
Other	\$ 5	\$ -	\$ 5
Total Non-Oper. Expense	\$ (83)	\$ (44)	\$ (39)

⁽¹⁾ Includes a loss of \$24M in Q4/09 which was related to the sale and leaseback of three Boeing 777 aircraft

Non-Operating Expense

2009 / 2008

<i>(millions)</i>	2009	2008	Change
Net Interest Expense	\$ (355)	\$(225)	\$ (130)
Loss on Assets ⁽¹⁾	\$ (95)	\$ (34)	\$ (61)
Gain on Financial Instruments	\$ 95	\$ 92	\$ 3
Other	\$ -	\$ (3)	\$ 3
Total Non-Oper. Expense	\$ (355)	\$(170)	\$ (185)

(1) 2009 includes an impairment charge of \$68M related to Polaris and a loss of \$24M related to the sale and leaseback of three Boeing 777 aircraft

Q4 2009 versus Q4 2008

	Rev	ASMs	RPMs	PLF	Yield	RASM
Canada	↓ 7.9%	↓ 0.6%	↓ 1.3%	↓ 0.5 PP	↓ 6.7%	↓ 7.3%
US Transborder	↓ 3.7%	↓ 1.8%	↓ 5.0%	↓ 2.5 PP	↑ 1.4%	↓ 1.9%
Atlantic	↓ 4.8%	↑ 6.7%	↑ 2.4%	↓ 3.3 PP	↓ 7.0%	↓ 10.8%
Pacific	↓ 9.7%	↑ 6.5%	↑ 4.2%	↓ 1.8 PP	↓ 13.4%	↓ 15.2%
Other	↓ 10.8%	↓ 0.1%	↑ 3.3%	↑ 2.6 PP	↓ 13.7%	↓ 10.7%
Total	↓ 7.0%	↑ 2.0%	↑ 0.4%	↓ 1.3 PP	↓ 7.3%	↓ 8.8%

Total Oper. Expense ↓ **8.0%**

Total CASM ↓ **9.8%**

Total CASM excl. Fuel ↓ **3.2%**

2009 versus 2008

	Rev	ASMs	RPMs	PLF	Yield	RASM
Canada	↓ 12.6%	↓ 3.7%	↓ 4.1%	↓ 0.3 PP	↓ 8.7%	↓ 9.1%
US Transborder	↓ 12.5%	↓ 7.7%	↓ 9.6%	↓ 1.6 PP	↓ 3.2%	↓ 5.1%
Atlantic	↓ 8.6%	↑ 1.4%	↓ 0.6%	↓ 1.7 PP	↓ 8.0%	↓ 9.9%
Pacific	↓ 16.7%	↓ 12.5%	↓ 11.7%	↑ 0.8 PP	↓ 5.7%	↓ 4.8%
Other	↓ 15.8%	↓ 1.7%	↓ 2.3%	↓ 0.5 PP	↓ 13.8%	↓ 14.4%
Total	↓ 12.5%	↓ 4.4%	↓ 5.2%	↓ 0.7 PP	↓ 7.6%	↓ 8.4%

Total Oper. Expense ↓ 10.0%

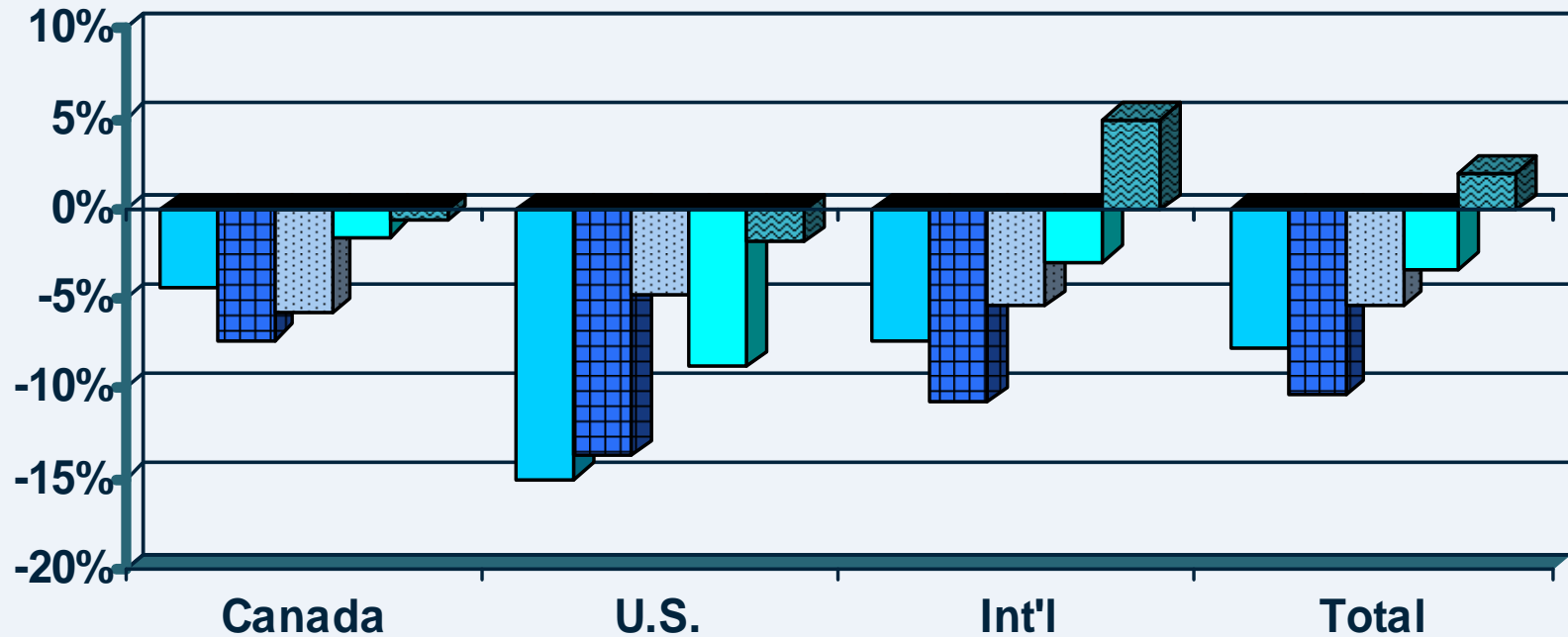
Total CASM ↓ 5.4%

Total CASM excl. Fuel ↑ 3.3%

System Capacity Increased 2.0% in Q4 09

(Y-O-Y Changes in Capacity)

% Change in ASMs

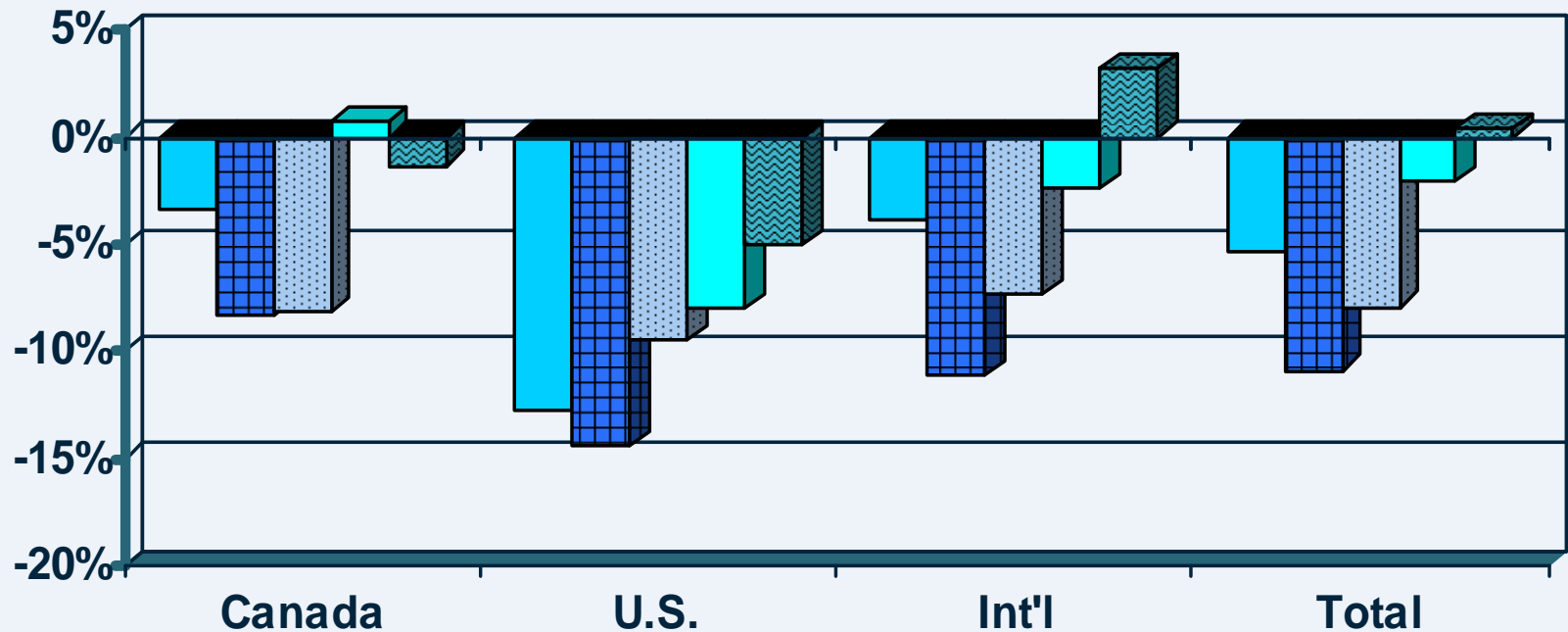


■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008

Q4 09 System Traffic Increased 0.4%

(Y-O-Y Changes in Traffic)

% Change in RPMs

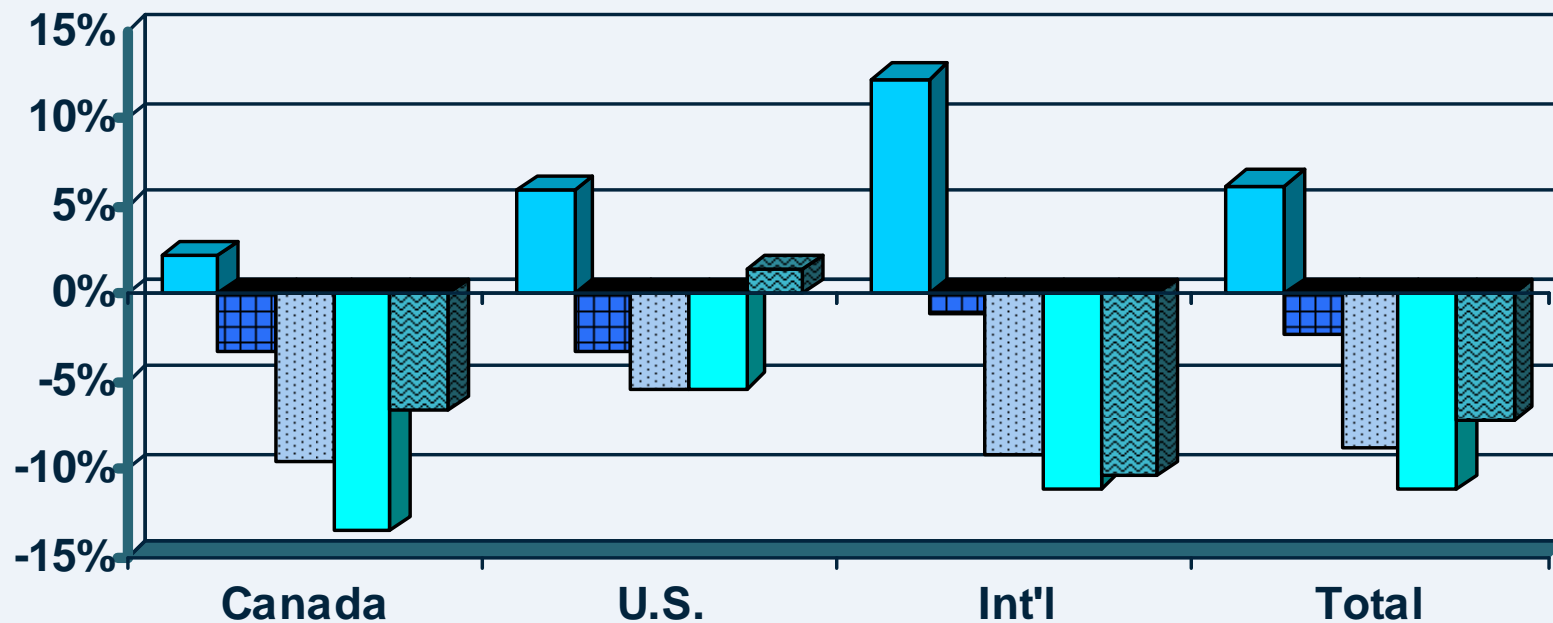


■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008

Q4 09 YOY Yield Down 7.3% – Improvement From Previous Quarters

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

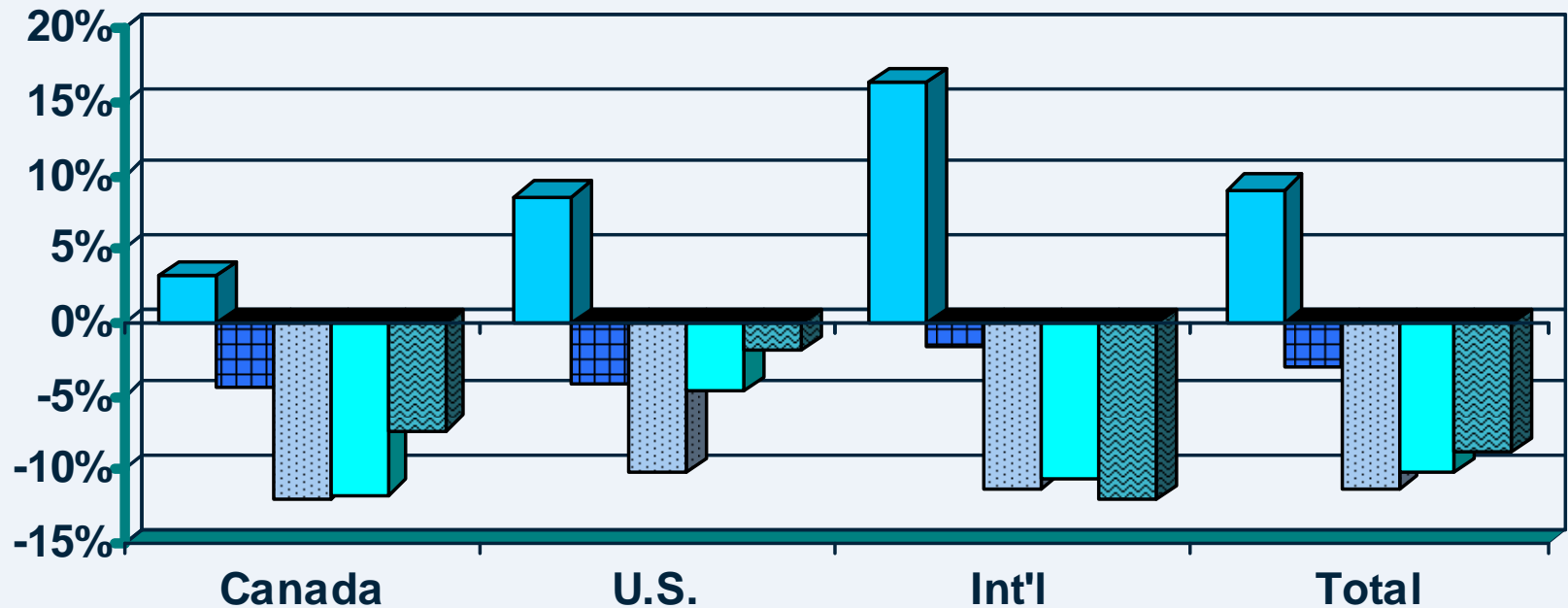


■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008

System RASM Declined 8.8% in Q4 09 Due to Lower Yield of 7.3% and Load Factor Decrease of 1.3 pp

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

% Change in RASM

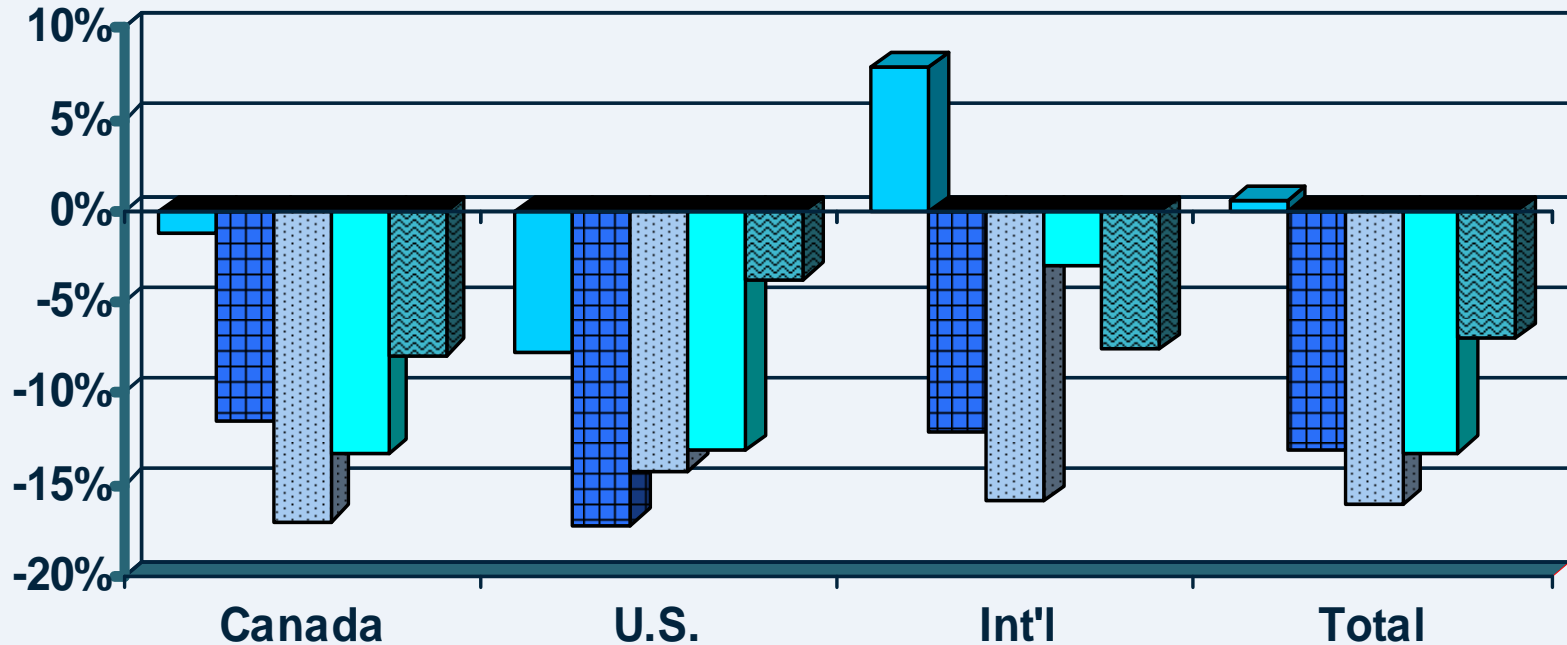


■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008

Lower Avg. Fares and Reduced Fuel Surcharges YOY in Q4 09 Resulted in Lower Revenues

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



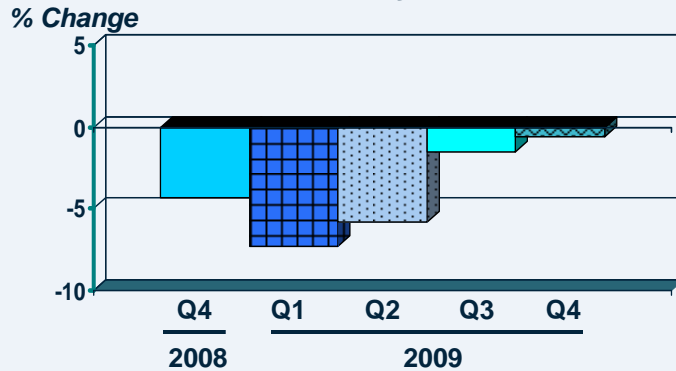
■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008 ■ Q3 2009/2008 ■ Q4 2009/2008

Canada –

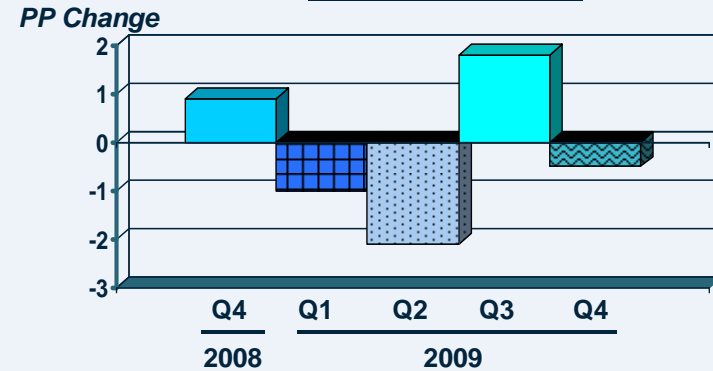
Q4 09 RASM Decreased 7.3% Mainly Due to Lower Yield

Y-O-Y Change

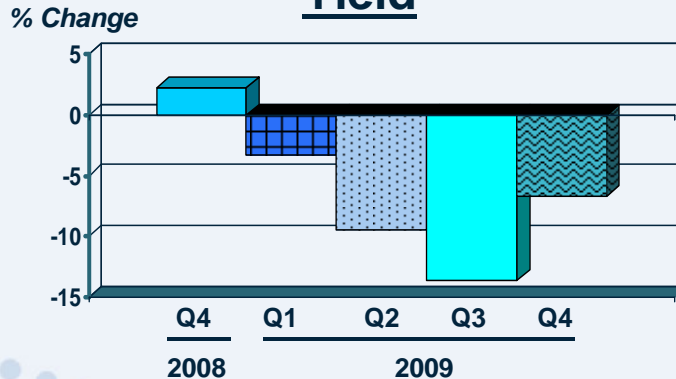
Capacity (ASM)



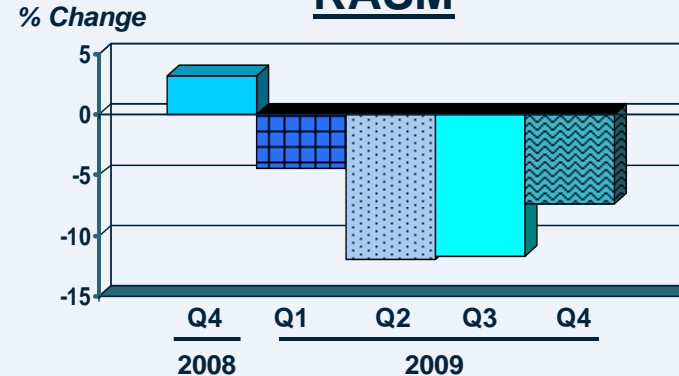
Load Factor



Yield



RASM

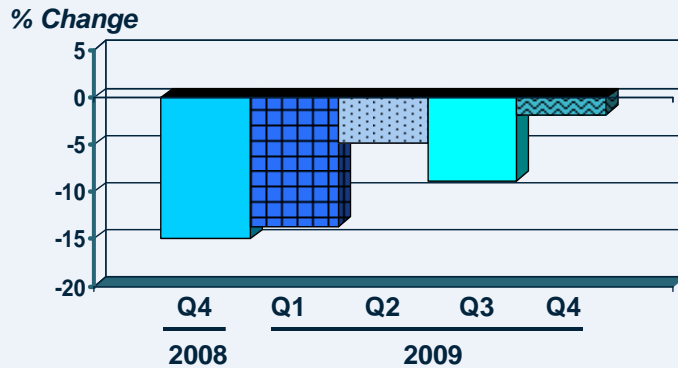


US Transborder –

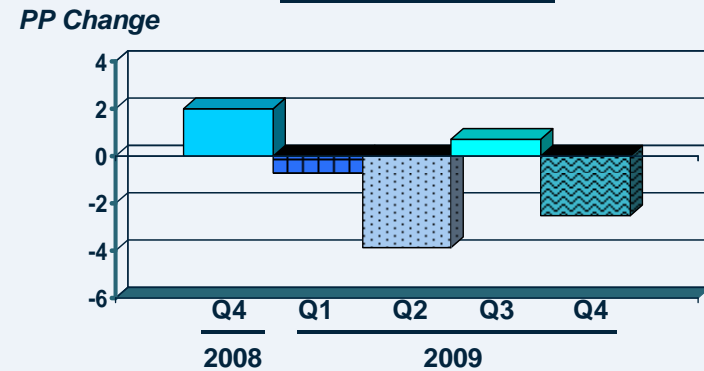
Q4 09 RASM Decreased 1.9% Due to Lower LF as Yield Up 1.4%

Y-O-Y Change

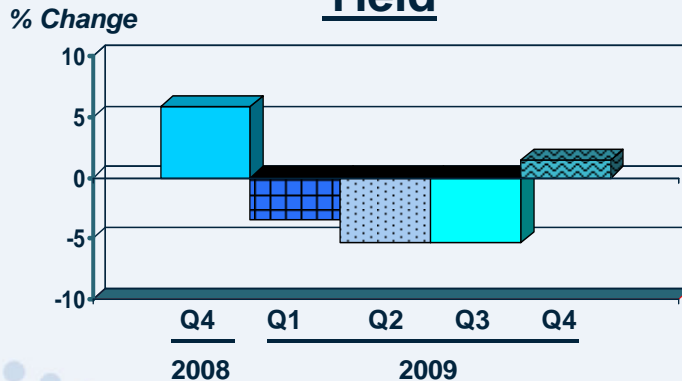
Capacity (ASM)



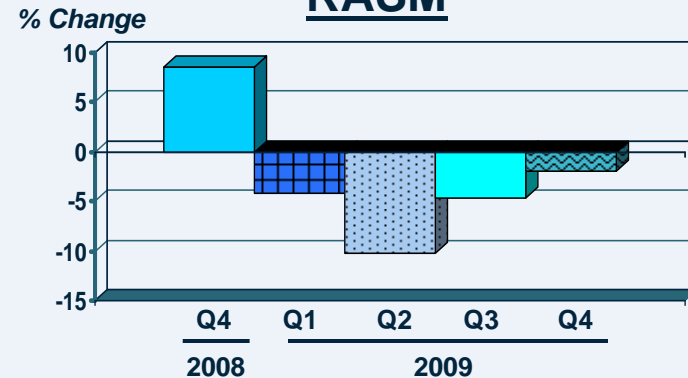
Load Factor



Yield



RASM



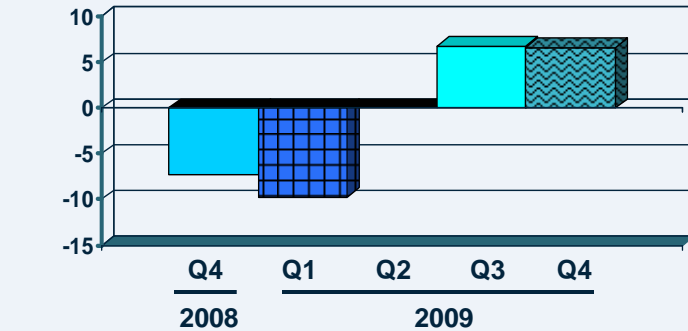
Atlantic –

Q4 09 RASM Declined 10.8% on Lower Yield and Load Factor

Y-O-Y Change

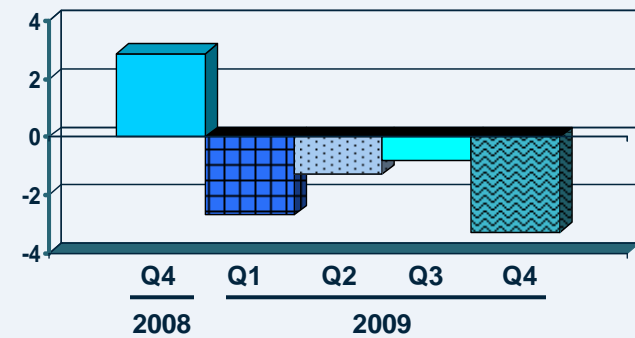
Capacity (ASM)

% Change



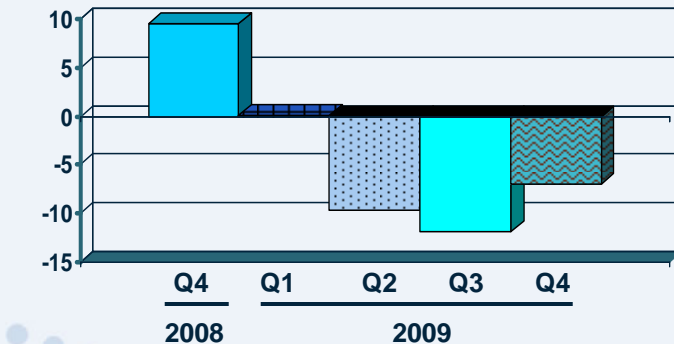
Load Factor

PP Change



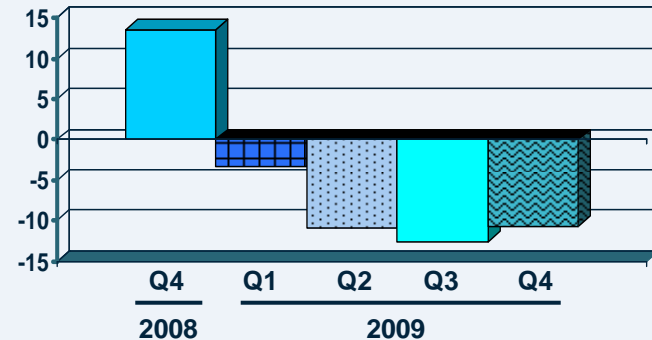
Yield

% Change



RASM

% Change

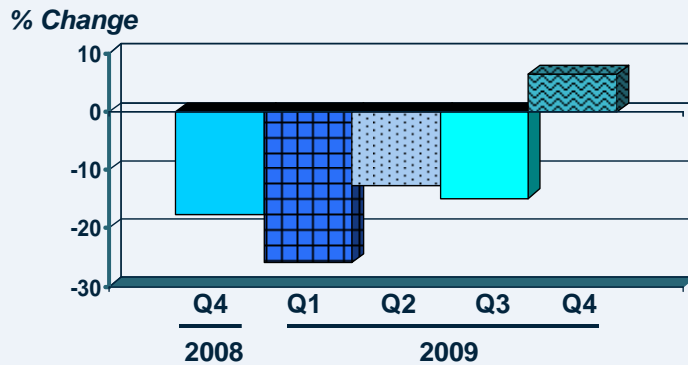


Pacific –

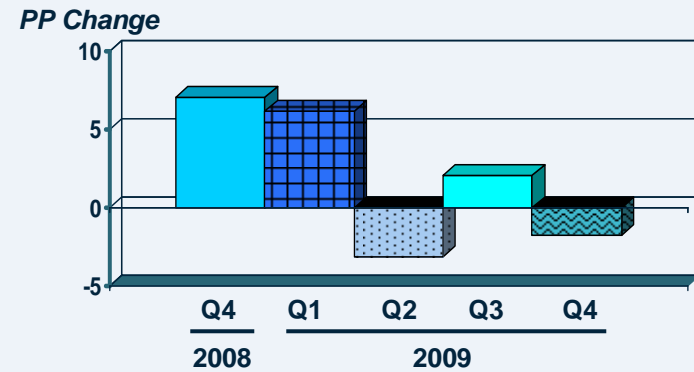
Q4 09 RASM Down 15.2% Due Mostly to Lower Yield But Also LF

Y-O-Y Change

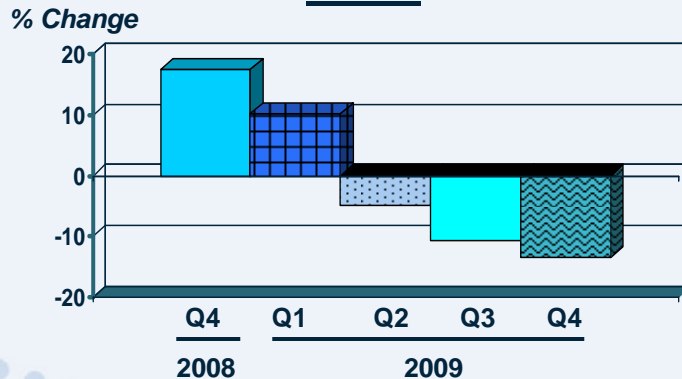
Capacity (ASM)



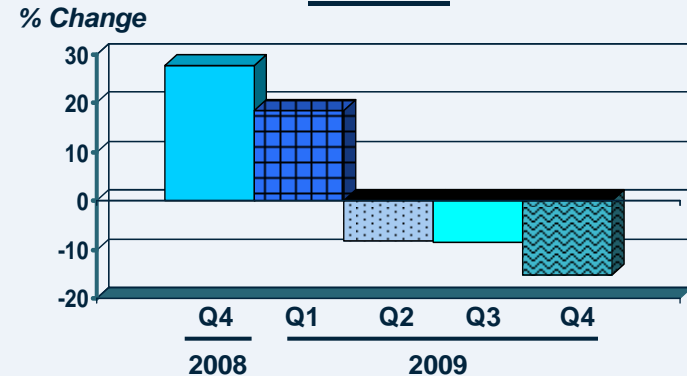
Load Factor



Yield



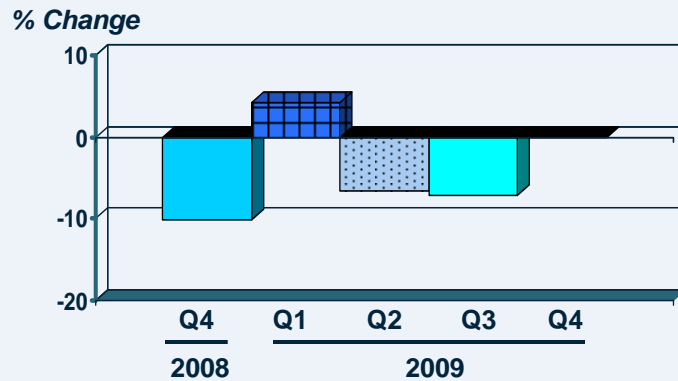
RASM



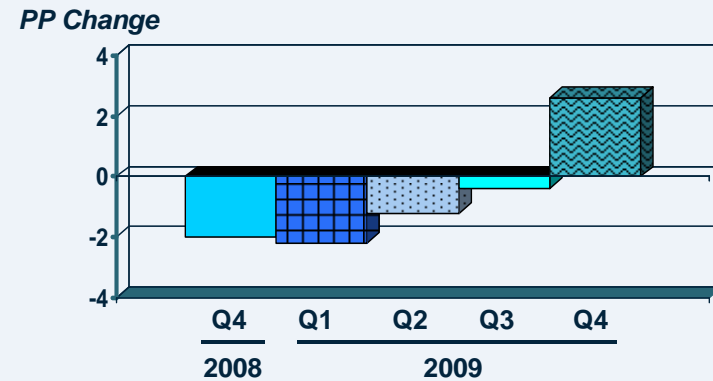
Caribbean, Latin America & Australia ("Others") – Q4 09 RASM Down 10.7% on Lower Yield as Load Factor Up 2.6 pp

Y-O-Y Change

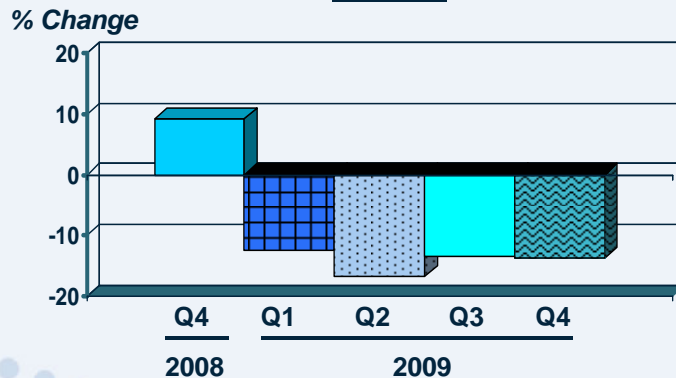
Capacity (ASM)



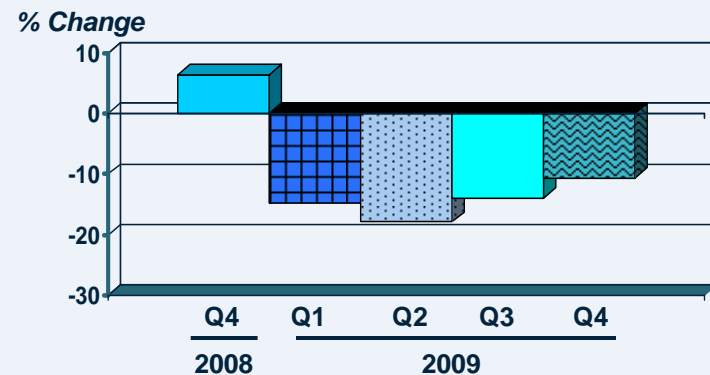
Load Factor



Yield



RASM

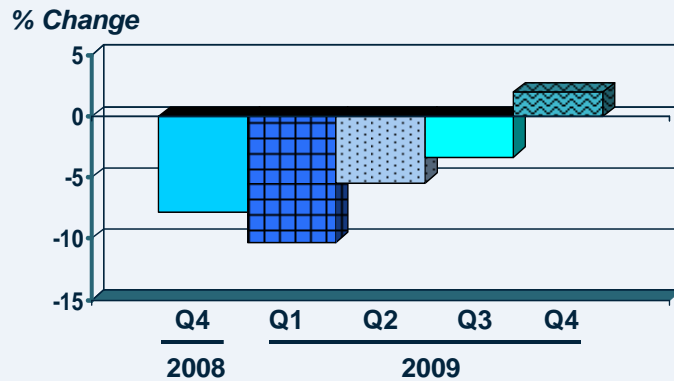


Total –

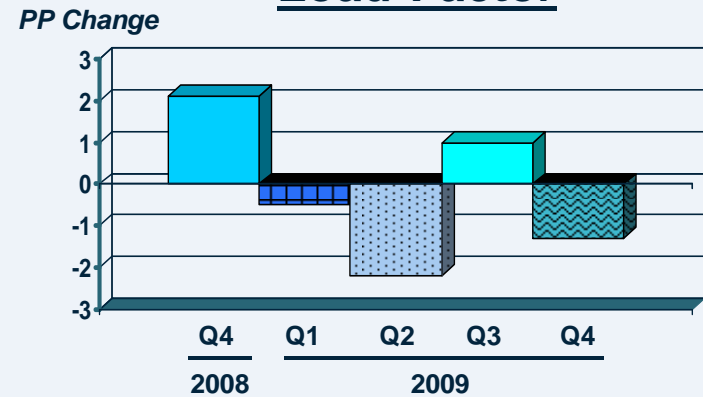
Q4 09 RASM Down 8.8% Mainly on Lower Yield But Also LF

Y-O-Y Change

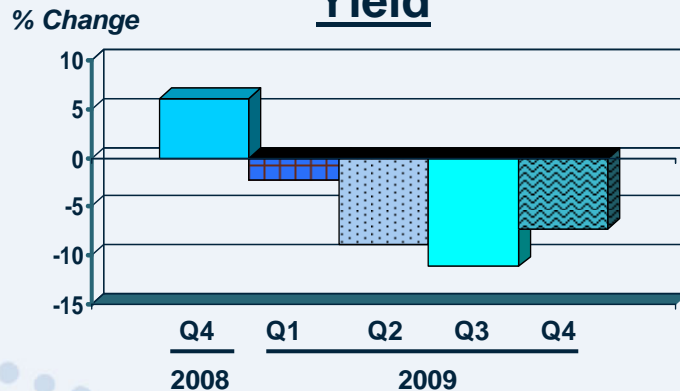
Capacity (ASM)



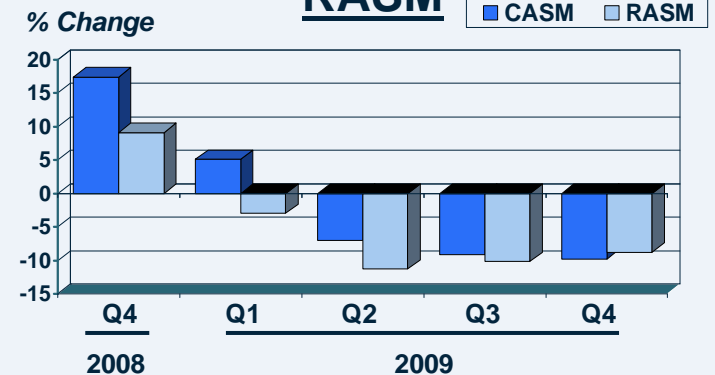
Load Factor



Yield



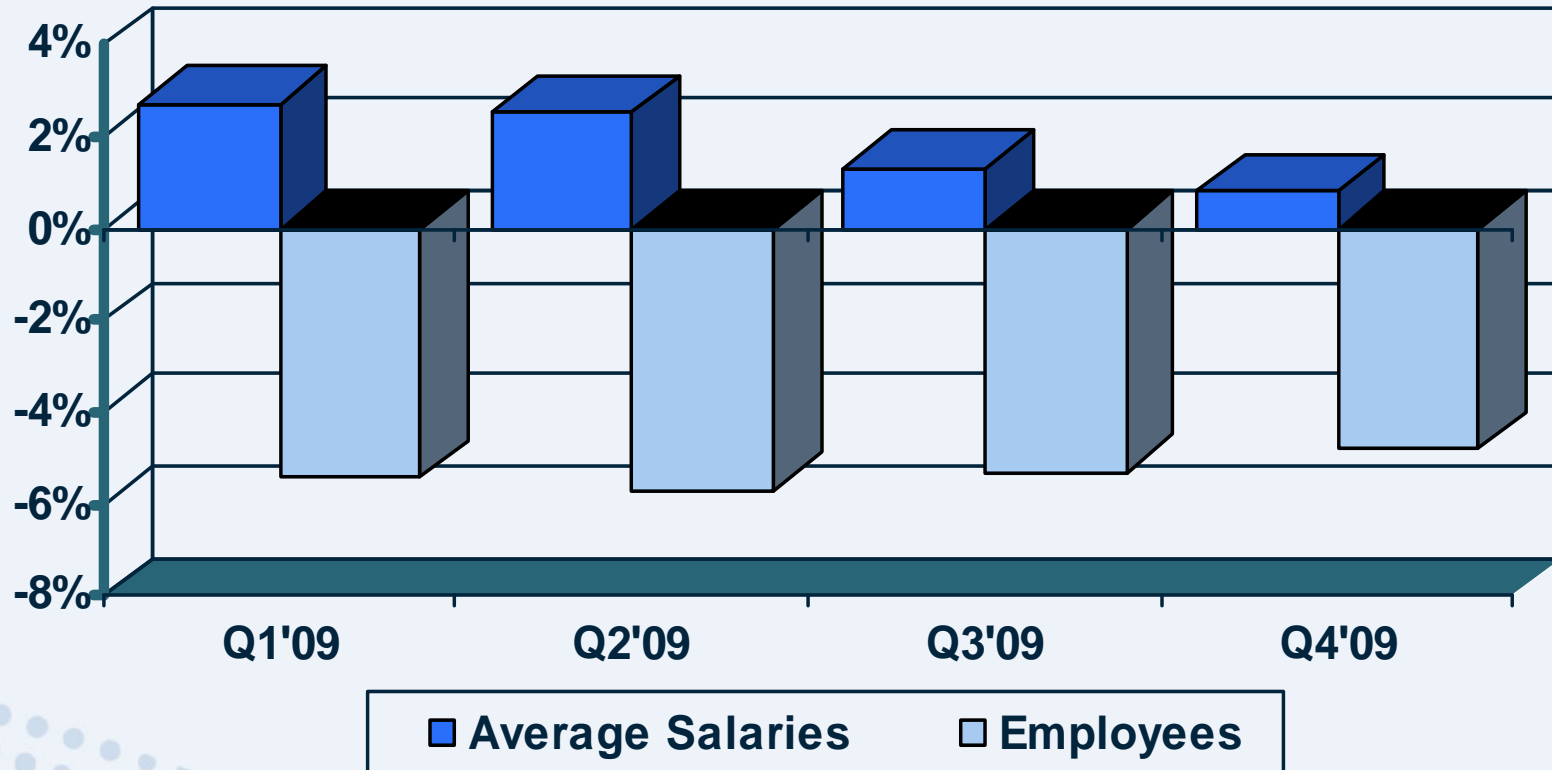
RASM



Q4 09 Employee Levels Reduced by 4.8% – Average Salary Up 0.8%

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

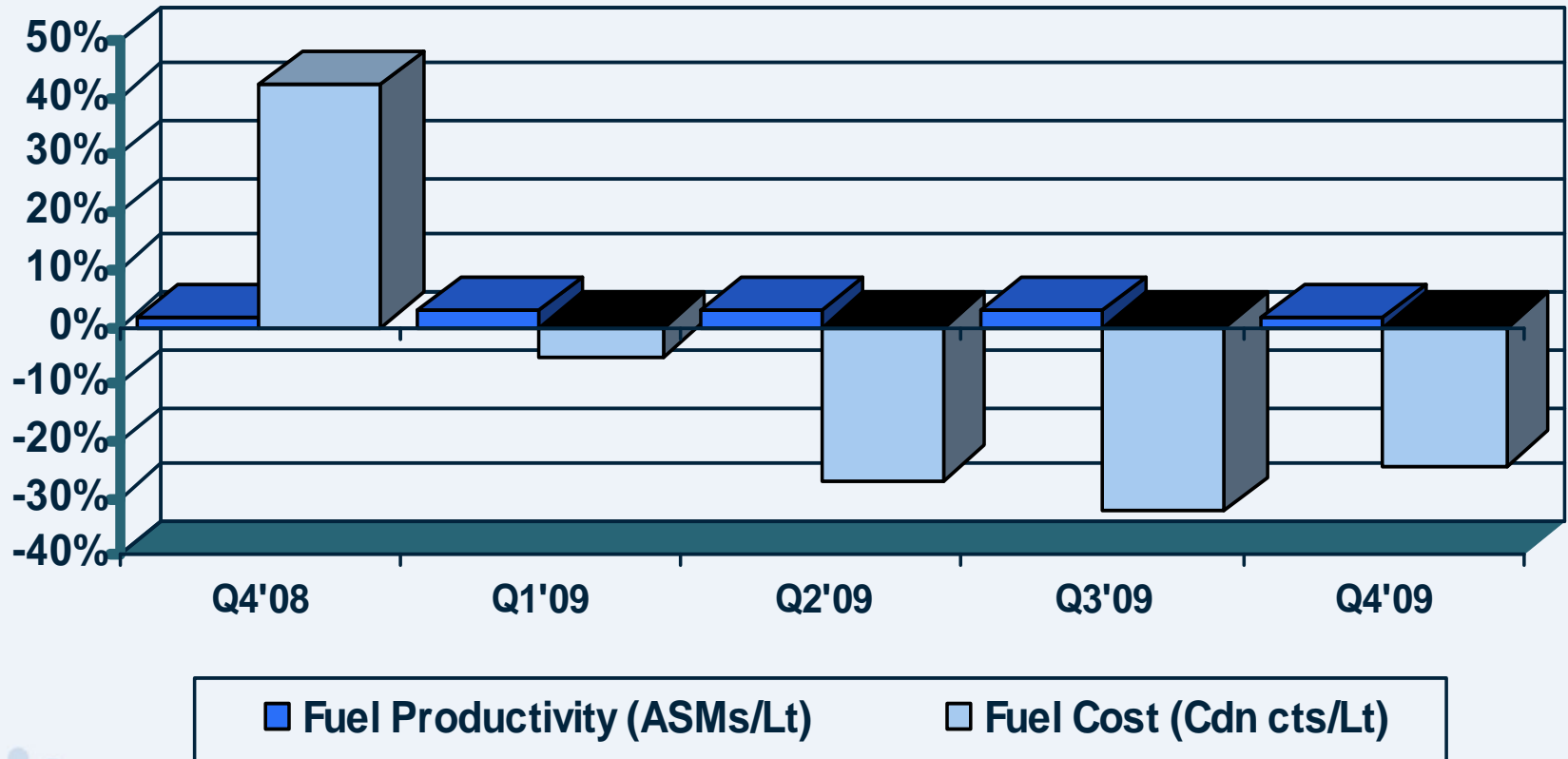
% Change Y-O-Y



Q4 09 Fuel Cost per Litre Down 24.2% While Fuel Productivity Improves 1.6%

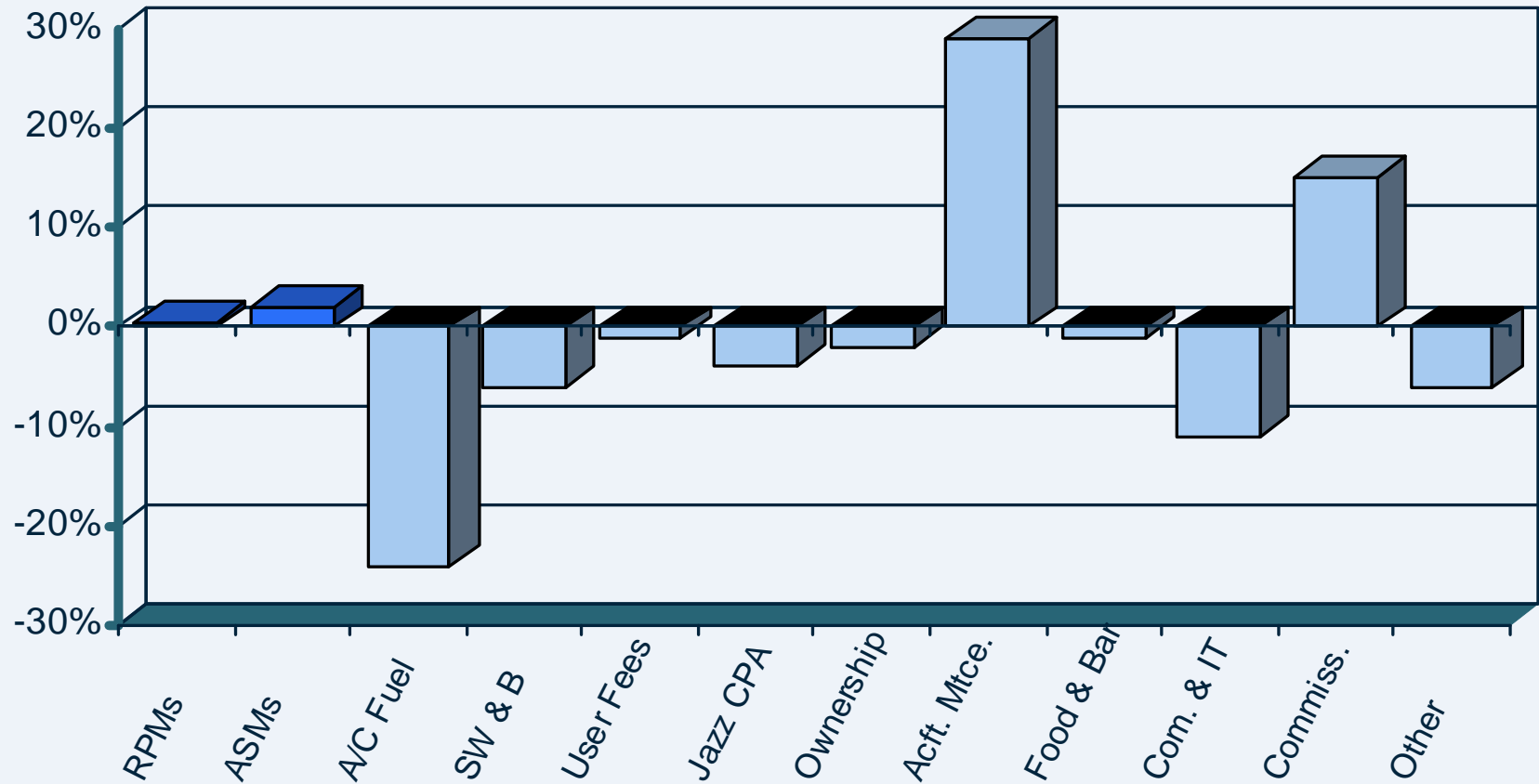
(Fuel Productivity & Cost per Litre)

% Change Y-O-Y



Q4 09 Operating Expenses Down \$213M – Favourable FX of \$105M – Fuel Down \$191M

% Change Y-O-Y

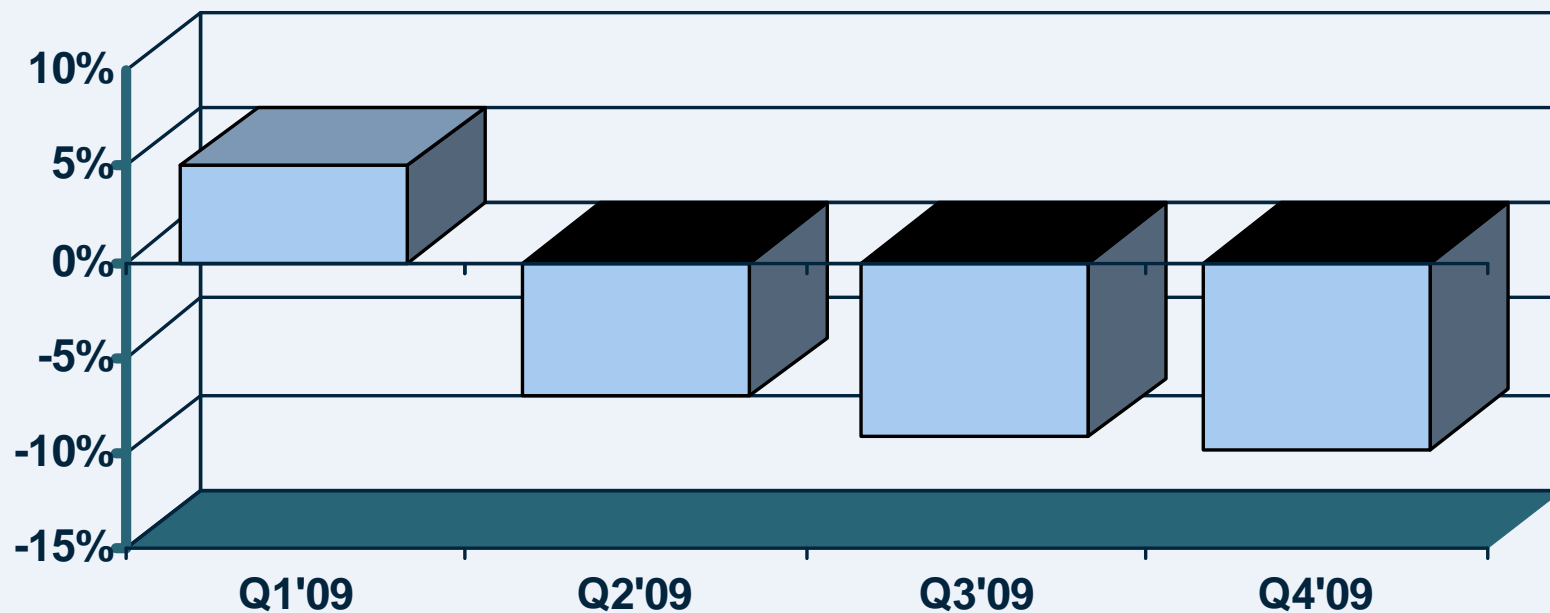


Q4 2009/2008

Q4 09 Unit Cost Down 9.8% on Lower Fuel & Fav. FX

(Cost Per ASM)

% Change Y-O-Y



Further Information

For further information on Air Canada's public disclosure file, including *Air Canada's 2009 MD&A* dated February 10, 2010 and *Air Canada's Annual Information Form*, consult SEDAR at **sedar.com** or Air Canada's website at **aircanada.ca**





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