Second Quarter 2007

August 10, 2007
Table of Contents

- Operating Statistics
- Revenue Highlights
- Expense Highlights
### Air Canada Operating Results Decline by $25 mln

<table>
<thead>
<tr>
<th>(millions)</th>
<th>Q2 2007</th>
<th>Q2 2006</th>
<th>Change</th>
<th>Fav./(Unfav.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oper. Revenue</td>
<td>$ 2,635</td>
<td>$ 2,576</td>
<td>$ 59</td>
<td></td>
</tr>
<tr>
<td>Oper. Expense</td>
<td>2,547</td>
<td>2,463</td>
<td>(84)</td>
<td></td>
</tr>
<tr>
<td>Oper. Income</td>
<td>88</td>
<td>113</td>
<td>(25)</td>
<td></td>
</tr>
<tr>
<td>Non-oper. Income (Expense)</td>
<td>(33)</td>
<td>(46)</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Income Before NCI, FX &amp; Tax</td>
<td>55</td>
<td>67</td>
<td>(12)</td>
<td></td>
</tr>
<tr>
<td>Non-controlling Interest</td>
<td>(4)</td>
<td>(3)</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>FX Gain</td>
<td>160</td>
<td>108</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>(56)</td>
<td>(20)</td>
<td>(36)</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>$ 155</td>
<td>$ 152</td>
<td>$ 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q2 2007</td>
<td>Change Fav./(Unfav.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------</td>
<td>----------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Interest Expense</td>
<td>$ (35)</td>
<td>$ 8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on Disposal</td>
<td>14</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Non-Operating Expense</td>
<td>(12)</td>
<td>(8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Non-Operating Expense</td>
<td>$ (33)</td>
<td>$ 13</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Q2 2007
**Actual vs Prior Year**

<table>
<thead>
<tr>
<th>Region</th>
<th>ASMs</th>
<th>RPMs</th>
<th>PLF</th>
<th>Yield</th>
<th>RASM</th>
<th>Rev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>↑ 2.7%</td>
<td>↑ 6.2%</td>
<td>↑ 2.7 PP</td>
<td>↓ 0.8%</td>
<td>↑ 2.6%</td>
<td>↑ 5.4%</td>
</tr>
<tr>
<td>US Transborder</td>
<td>↑ 0.7%</td>
<td>↑ 1.7%</td>
<td>↑ 0.9 PP</td>
<td>↓ 1.7%</td>
<td>↓ 0.6%</td>
<td>↑ 0.1%</td>
</tr>
<tr>
<td>Atlantic</td>
<td>↑ 3.3%</td>
<td>↑ 1.2%</td>
<td>↓ 1.8 PP</td>
<td>↓ 0.6%</td>
<td>↓ 2.5%</td>
<td>↑ 0.7%</td>
</tr>
<tr>
<td>Pacific</td>
<td>↓ 1.9%</td>
<td>↓ 0.9%</td>
<td>↑ 0.9 PP</td>
<td>↑ 6.0%</td>
<td>↑ 7.1%</td>
<td>↑ 5.1%</td>
</tr>
<tr>
<td>Latin Amer. &amp; Other</td>
<td>↑ 6.1%</td>
<td>↑ 3.6%</td>
<td>↓ 1.9 PP</td>
<td>↑ 1.6%</td>
<td>↓ 0.9%</td>
<td>↑ 5.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>↑ 2.0%</td>
<td>↑ 2.7%</td>
<td>↑ 0.6 PP</td>
<td>↑ 0.5%</td>
<td>↑ 1.3%</td>
<td>↑ 3.3%</td>
</tr>
</tbody>
</table>

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

(Y-O-Y Changes in Traffic)

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

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

Canada

U.S.

Oth. Int'l

Total

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

(Y-O-Y Changes in Passenger Revenue)
Canada –
Q2 RASM Increases 2.6% all Higher on LF as Yield Declines

<table>
<thead>
<tr>
<th>Y-O-Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (ASM)</td>
</tr>
<tr>
<td>Load Factor</td>
</tr>
<tr>
<td>Yield</td>
</tr>
<tr>
<td>RASM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>PP Change</td>
<td>PP Change</td>
<td>PP Change</td>
<td>PP Change</td>
<td>PP Change</td>
</tr>
<tr>
<td>-2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>0</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
</tr>
<tr>
<td>-2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>0</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

AIR CANADA
US Transborder – RASM Declines 0.6% as Better LF is Offset by a Soft Yield

Y-O-Y Change

**Capacity (ASM)**

**Load Factor**

**Yield**

**RASM**
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

AIR CANADA
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)**

- % Change
- Q2 2006: -4%
- Q3 2006: 2%
- Q4 2006: 4%
- Q1 2007: 2%
- Q2 2007: 0%

**Load Factor**

- PP Change
- Q2 2006: 6%
- Q3 2006: 2%
- Q4 2006: 0%
- Q1 2007: -2%
- Q2 2007: 0%

**Yield**

- % Change
- Q2 2006: 8%
- Q3 2006: 4%
- Q4 2006: 2%
- Q1 2007: 0%
- Q2 2007: -2%

**RASM**

- % Change
- Q2 2006: 15%
- Q3 2006: 5%
- Q4 2006: 10%
- Q1 2007: 0%
- Q2 2007: -5%
Total –
System RASM Lifts 1.3% on Higher Yield and LF

Y-O-Y Change

Capacity (ASM)

Load Factor

Yield

RASM

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

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

% Change Y-O-Y

<table>
<thead>
<tr>
<th></th>
<th>Q3'06</th>
<th>Q4'06</th>
<th>Q1'07</th>
<th>Q2'07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Salaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Average Salaries
- Employees

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

(Fuel Productivity & Unit Cost)
"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

Q3'06 | Q4'06 | Q1'07 | Q2'07
------------------------
0% | -1% | 2% | 2%
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