

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

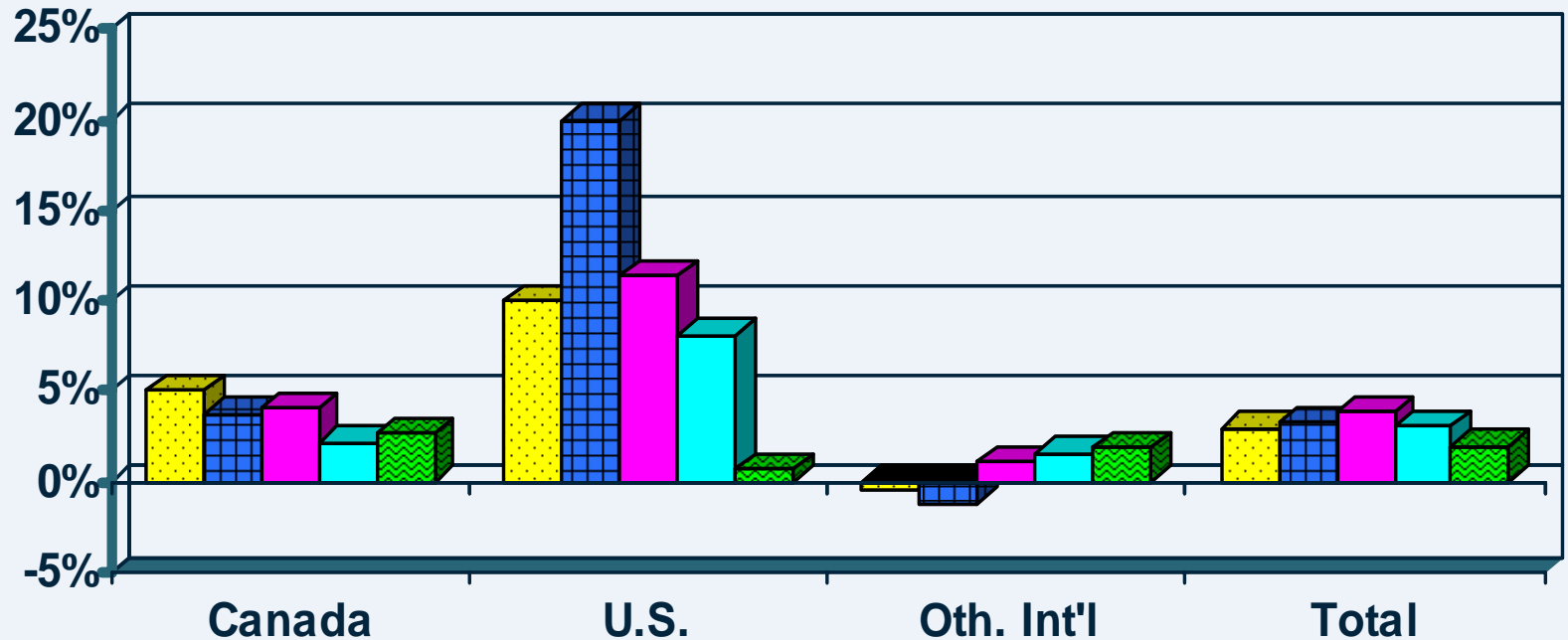
Actual vs Prior Year

	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

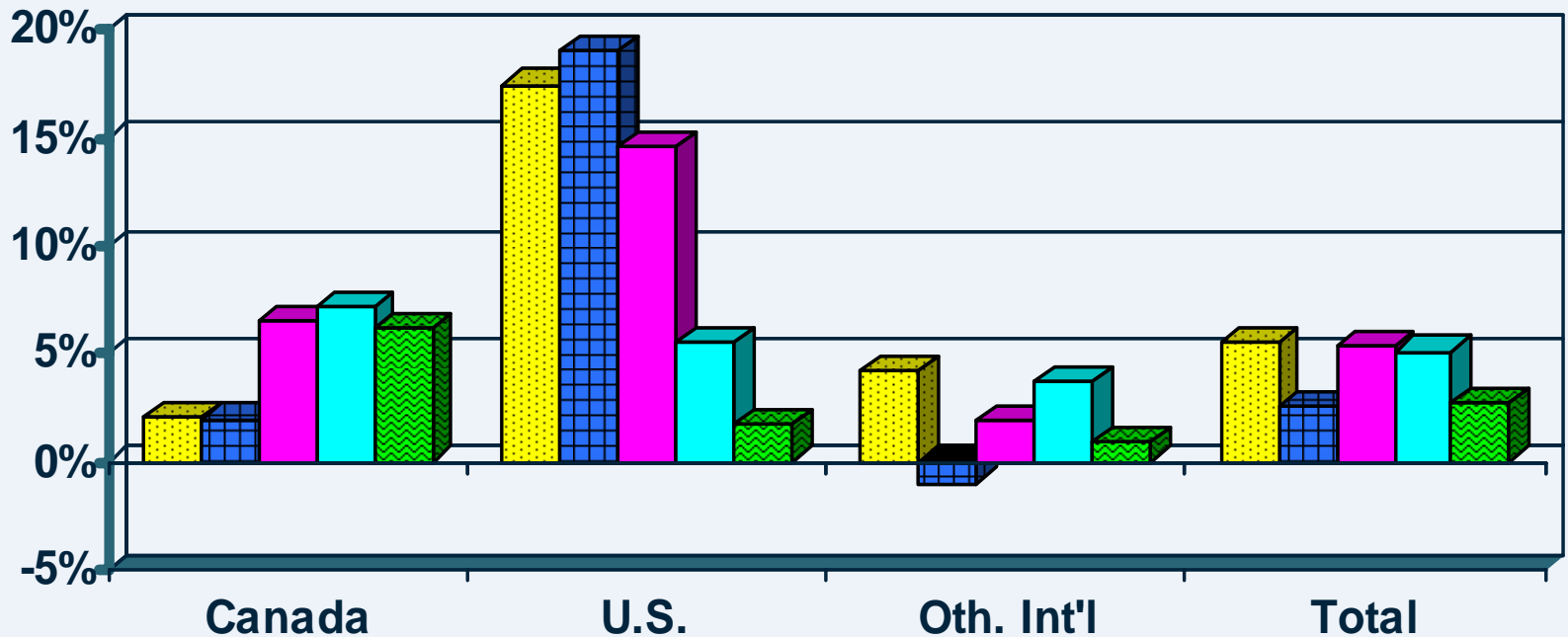


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

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

(Y-O-Y Changes in Traffic)

% Change in RPMs

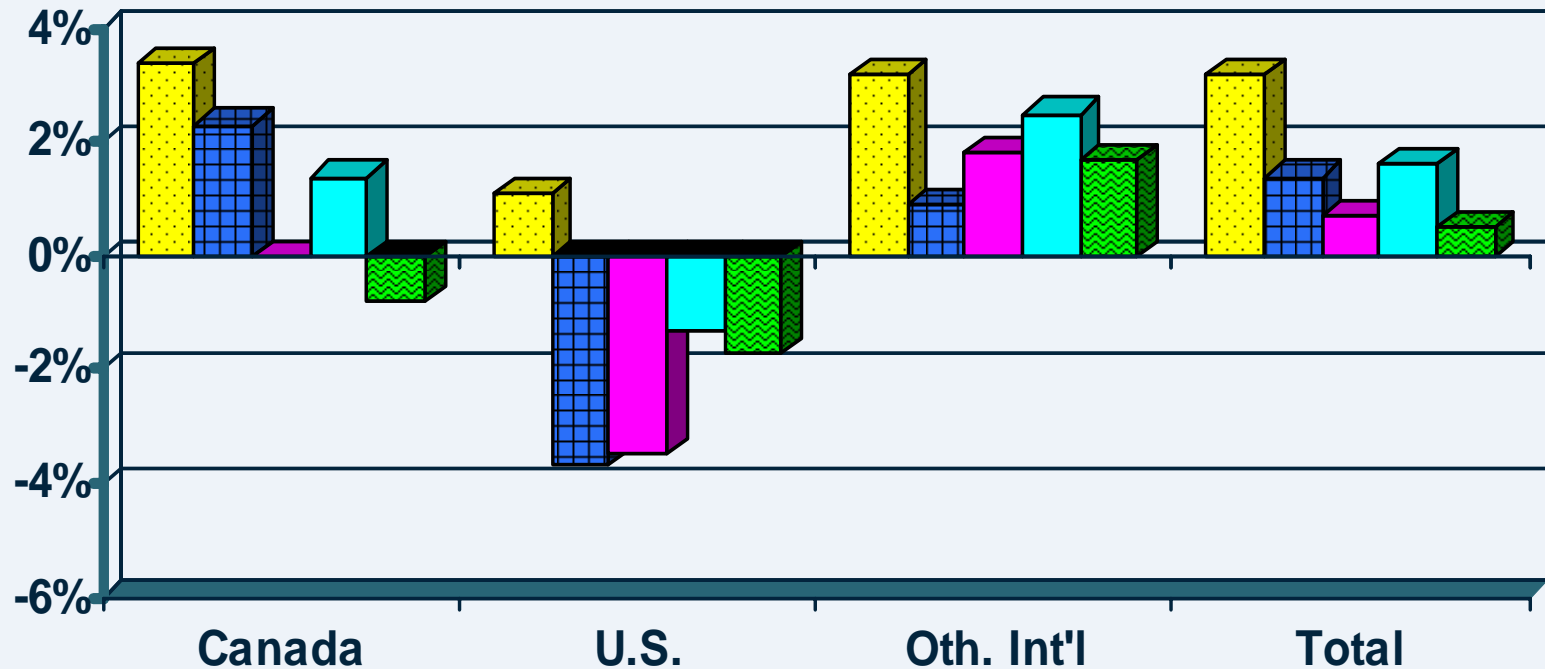


■ Q2 2006/2005
 ■ Q3 2006/2005
 ■ Q4 2006/2005
 ■ Q1 2007/2006
 ■ Q2 2007/2006

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

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

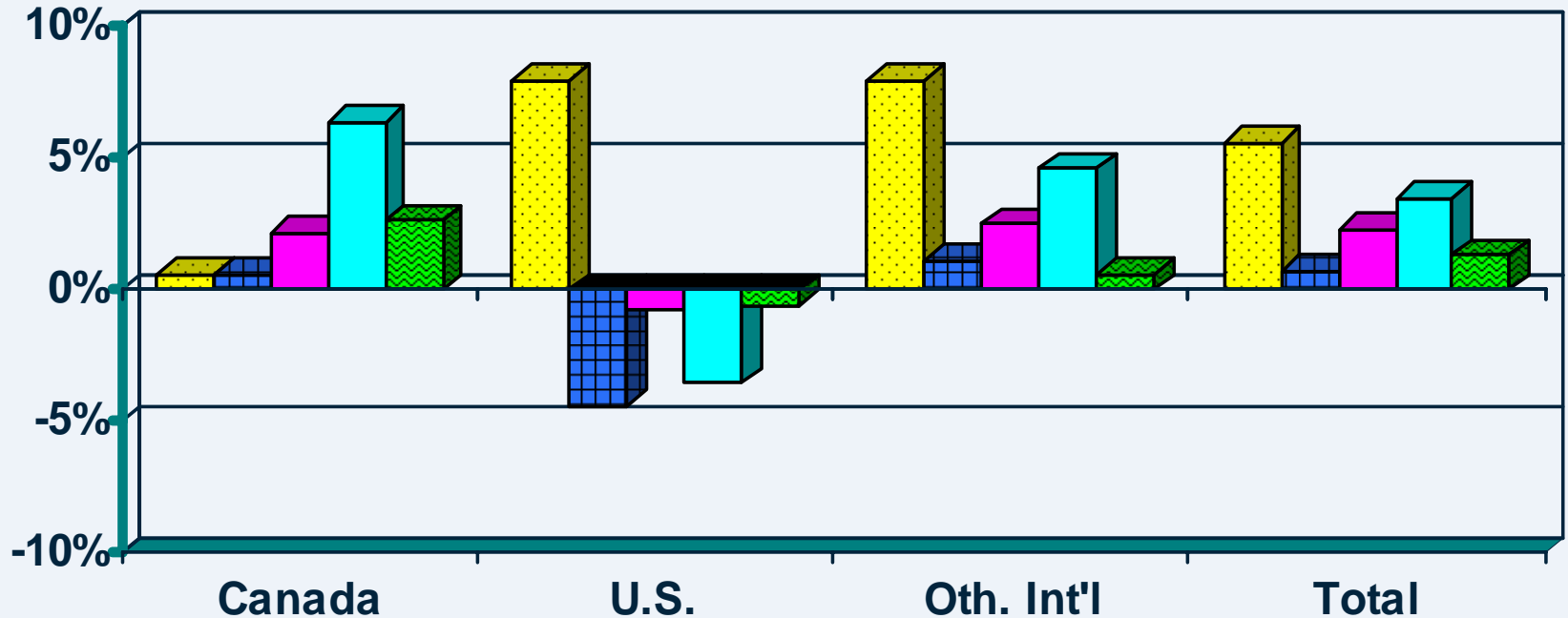


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

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

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

% Change in RASM

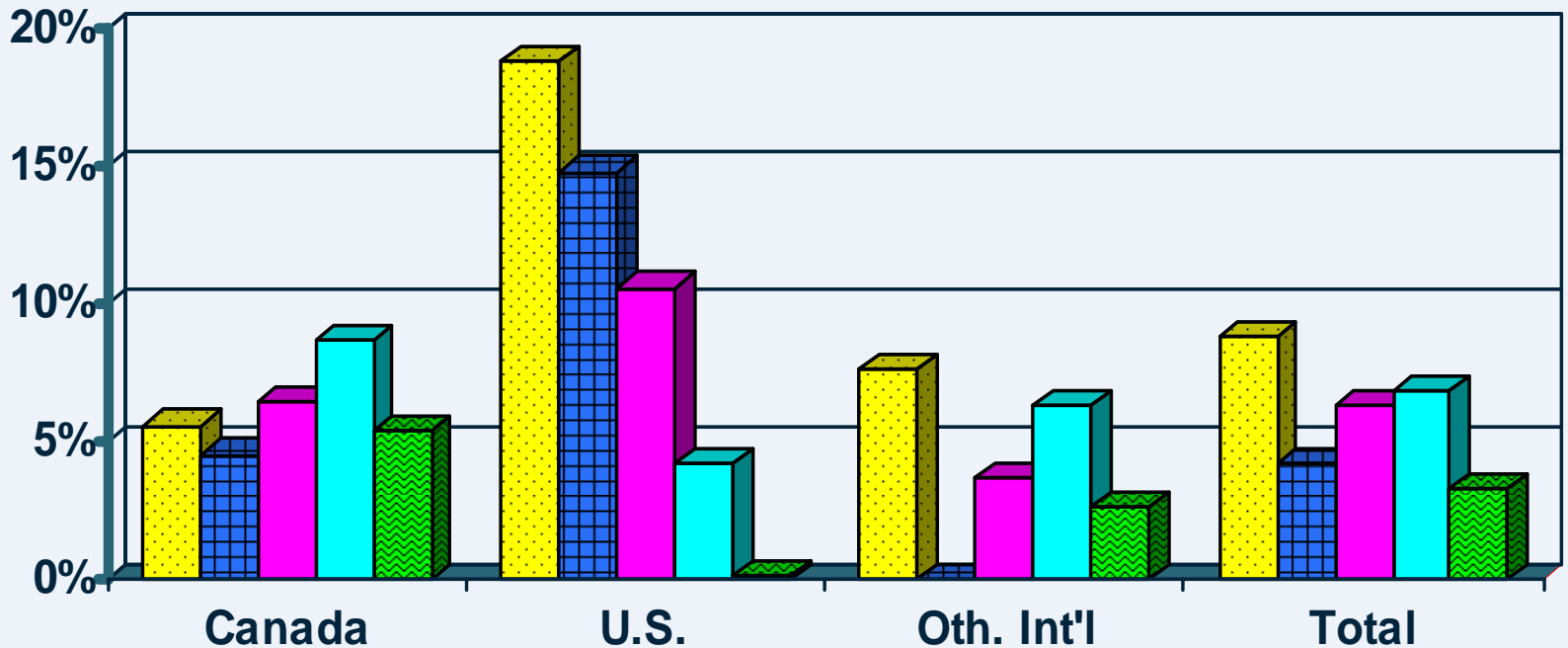


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

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

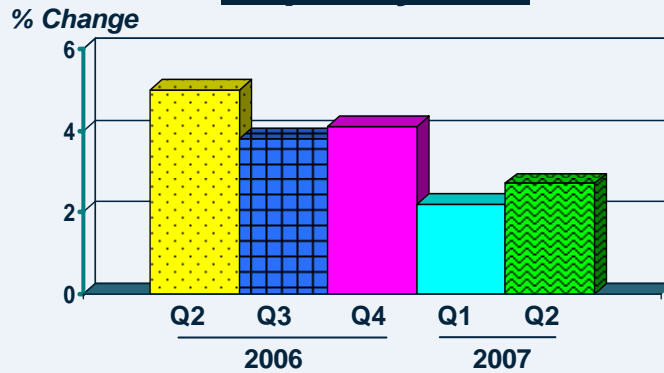


■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006

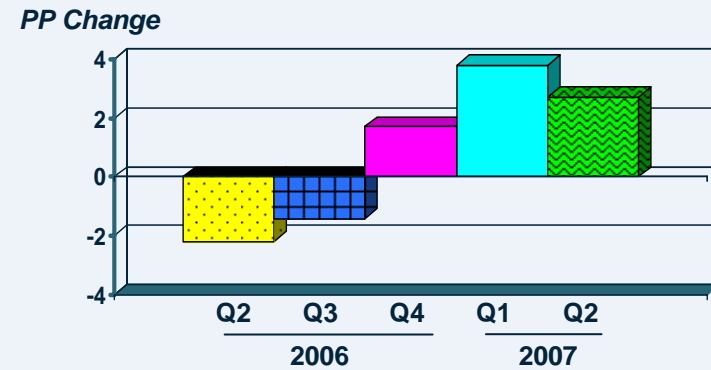
Canada – Q2 RASM Increases 2.6% all Higher on LF as Yield Declines

Y-O-Y Change

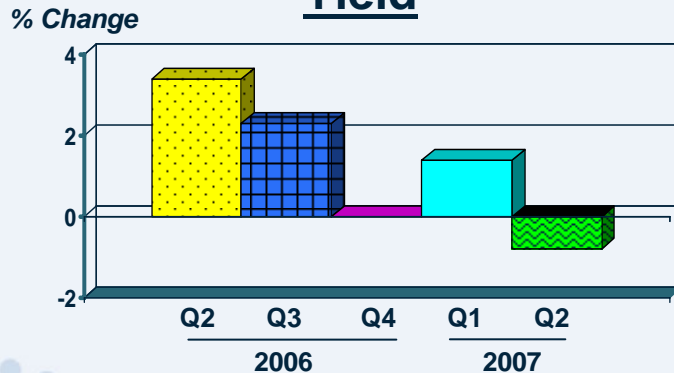
Capacity (ASM)



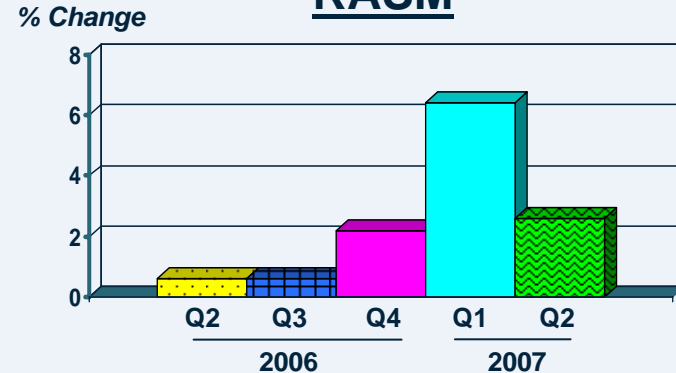
Load Factor



Yield



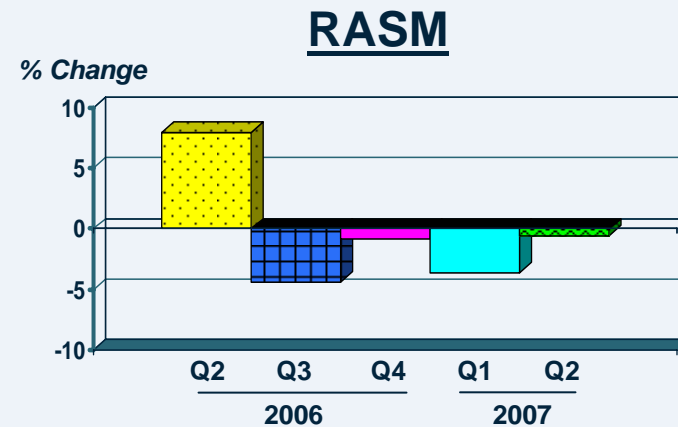
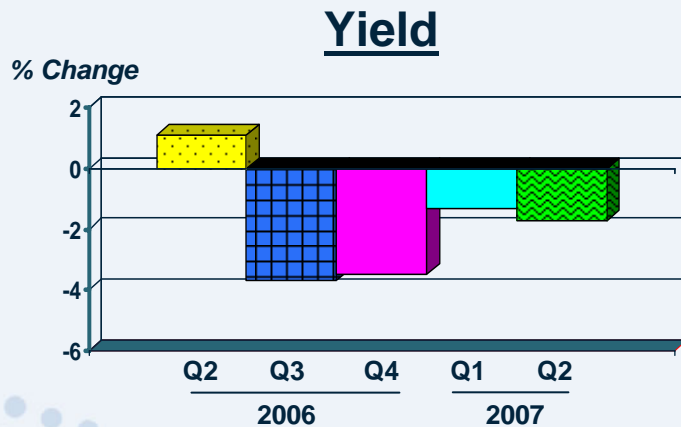
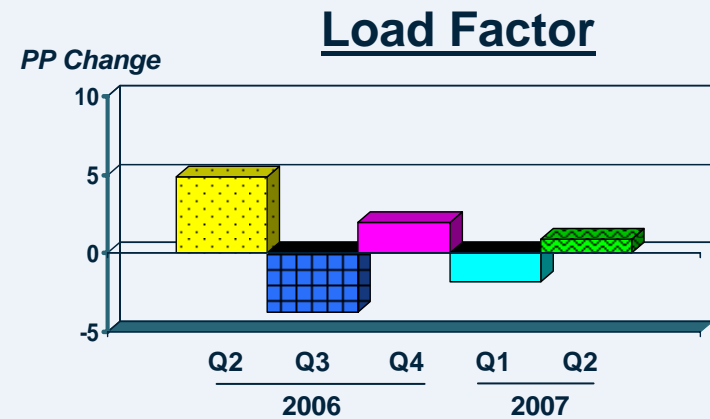
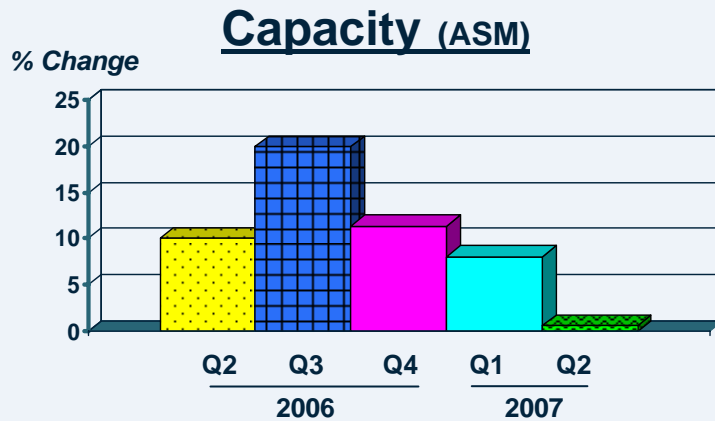
RASM



US Transborder –

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

Y-O-Y Change



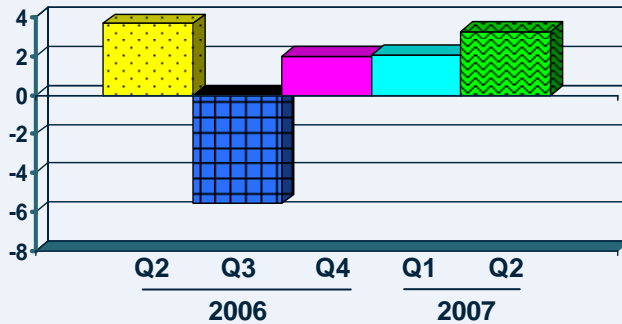
Atlantic –

A Weak UK Performance Pushes Atlantic RASM Down 2.5%

Y-O-Y Change

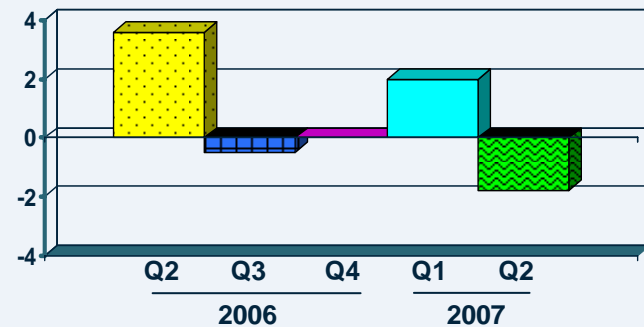
Capacity (ASM)

% Change



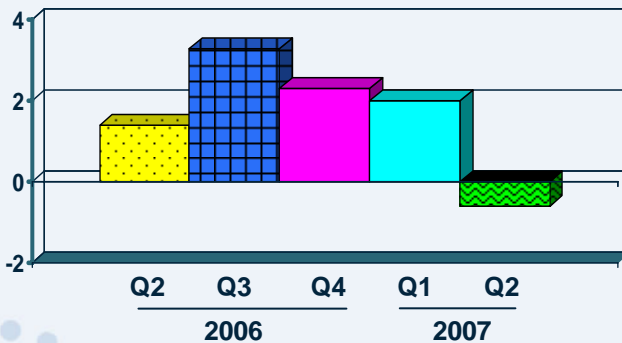
Load Factor

PP Change



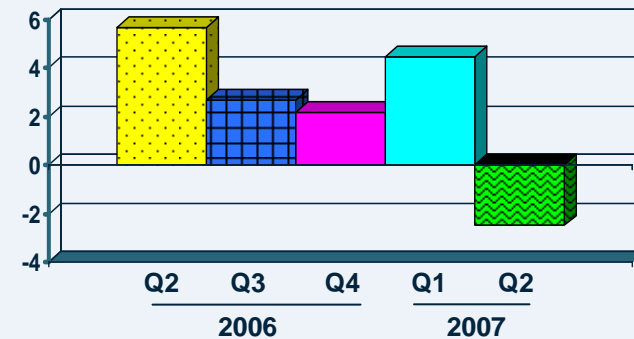
Yield

% Change



RASM

% Change



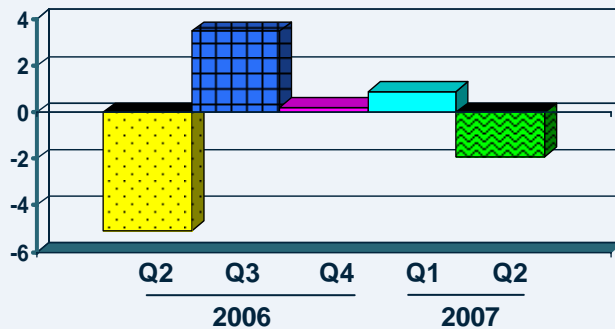
Pacific –

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

Y-O-Y Change

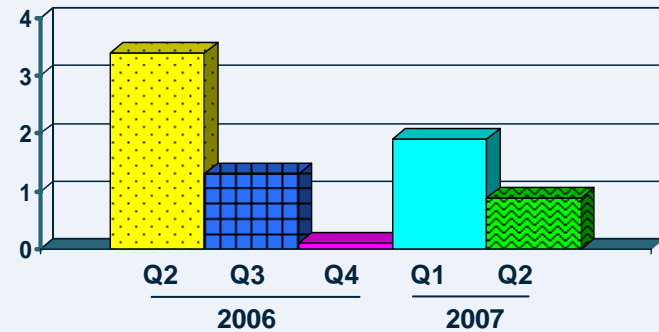
Capacity (ASM)

% Change



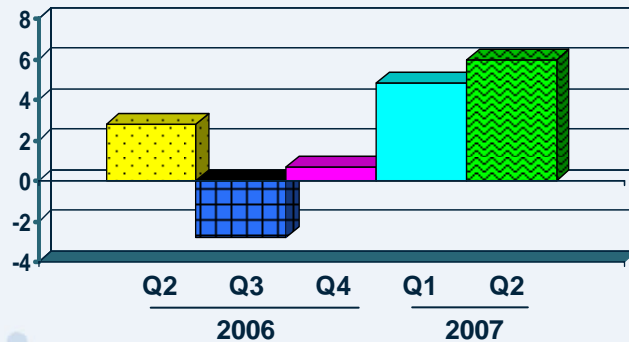
Load Factor

PP Change



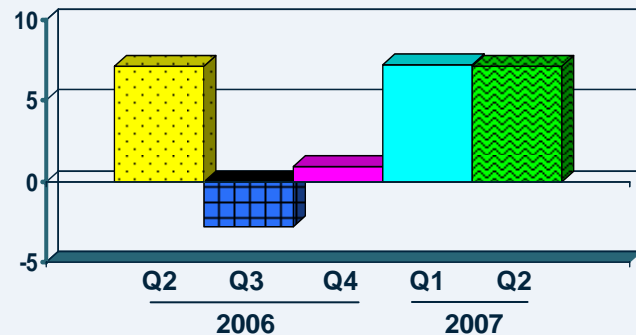
Yield

% Change



RASM

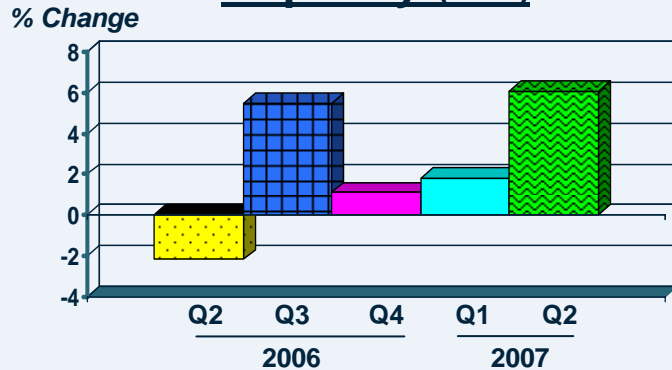
% Change



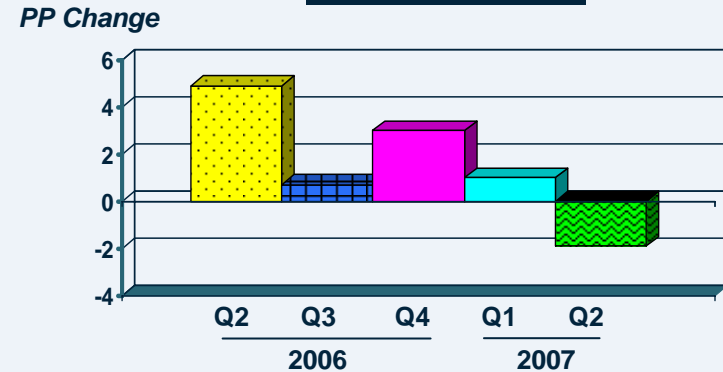
Caribbean, Latin America & Australia – RASM Declines 0.9% as Soft LF Offsets Yield Gains

Y-O-Y Change

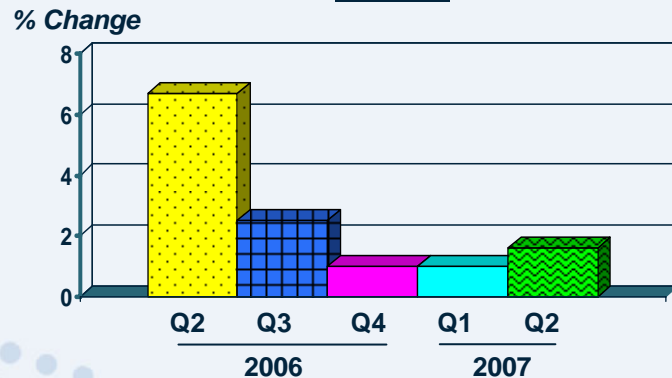
Capacity (ASM)



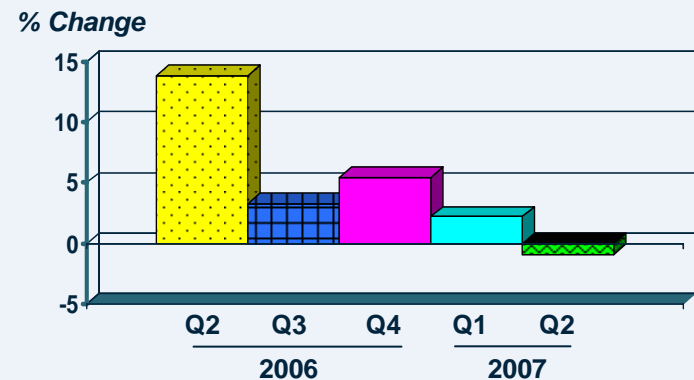
Load Factor



Yield



RASM

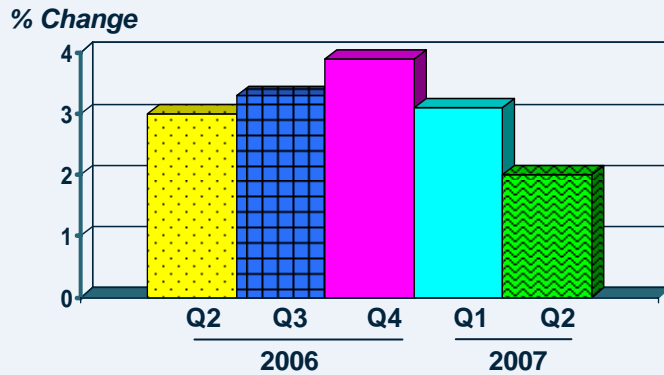


Total –

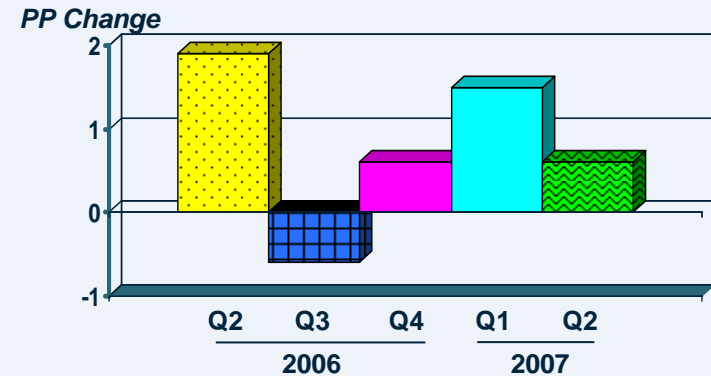
System RASM Lifts 1.3% on Higher Yield and LF

Y-O-Y Change

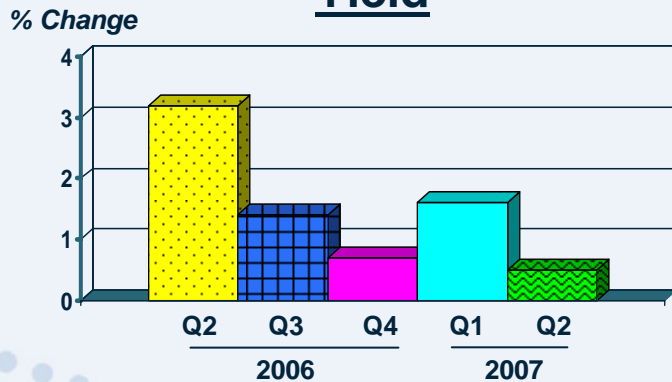
Capacity (ASM)



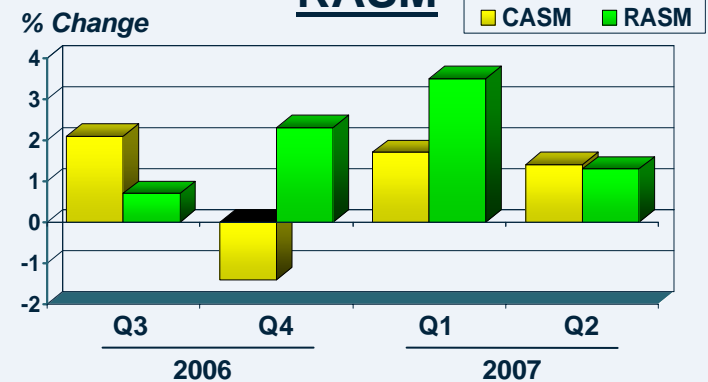
Load Factor



Yield



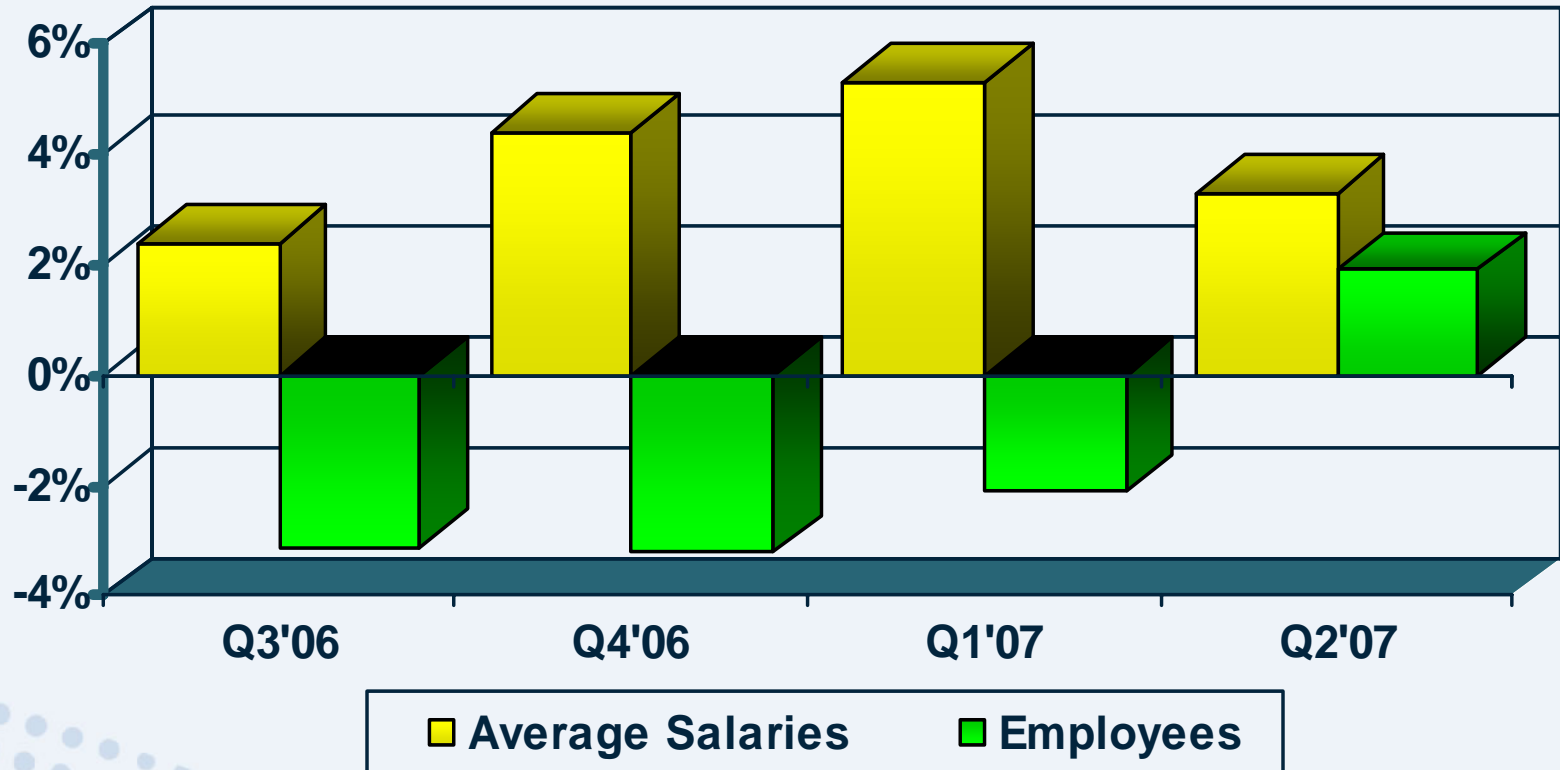
RASM



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

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

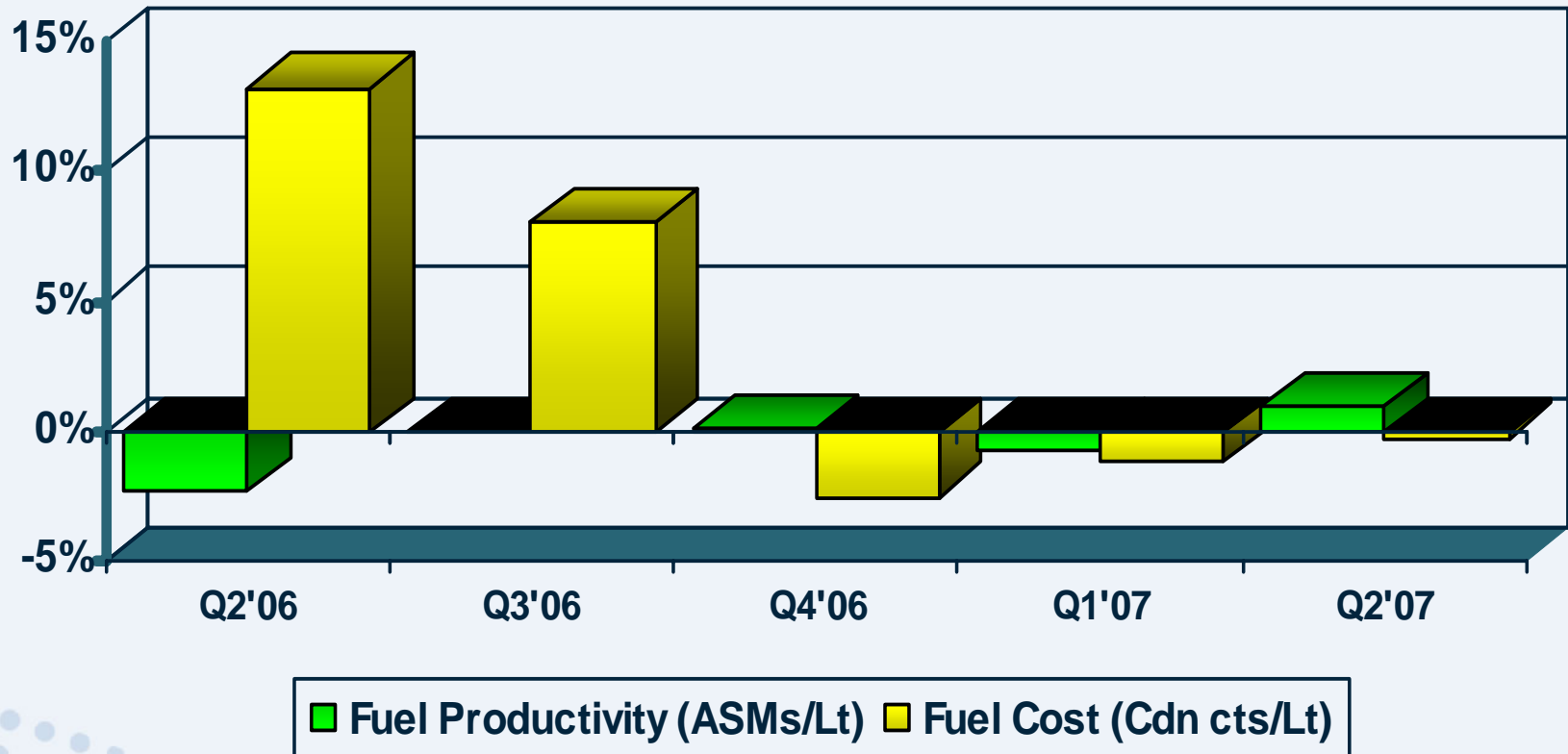
% Change Y-O-Y



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

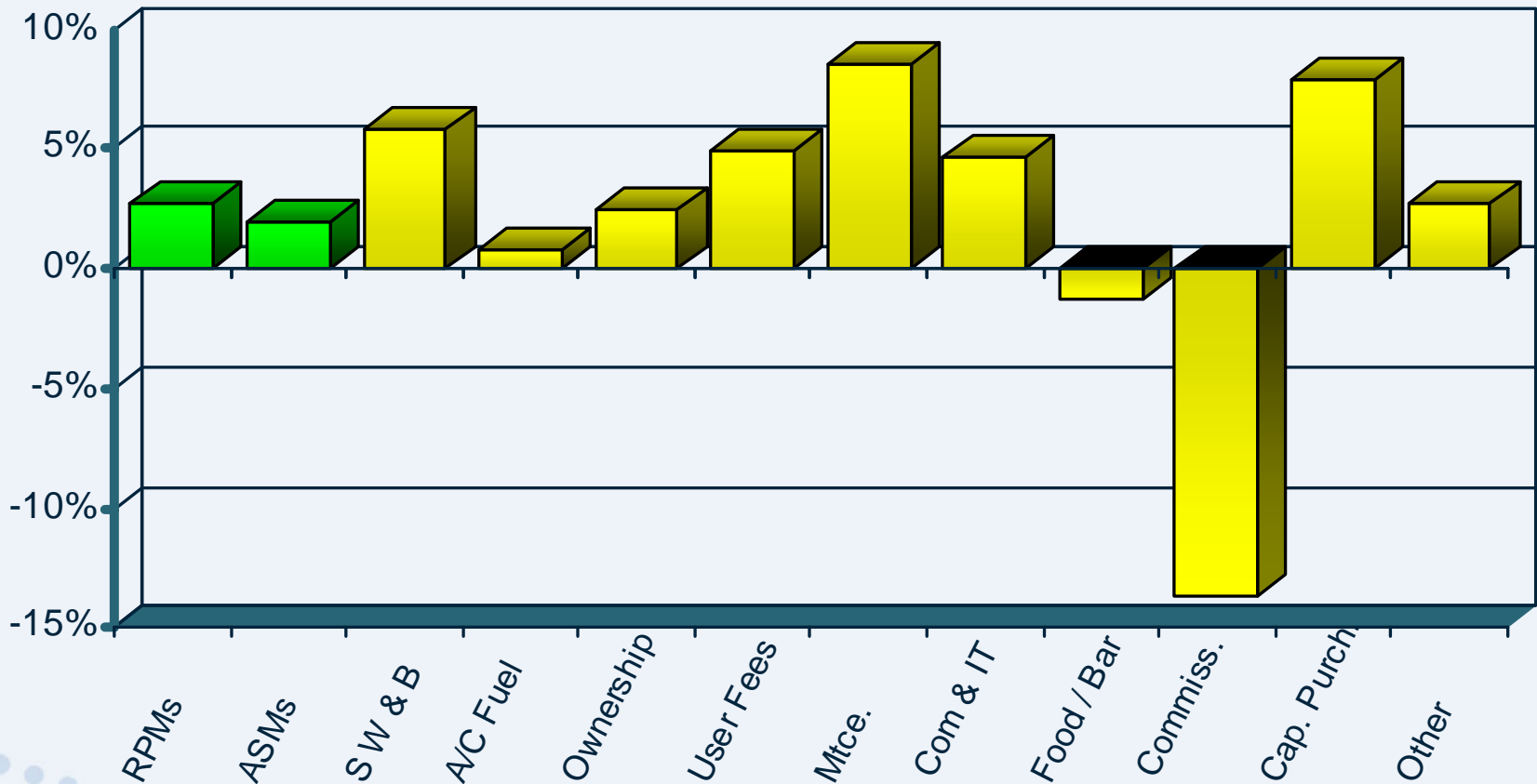
(Fuel Productivity & Unit Cost)

% 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

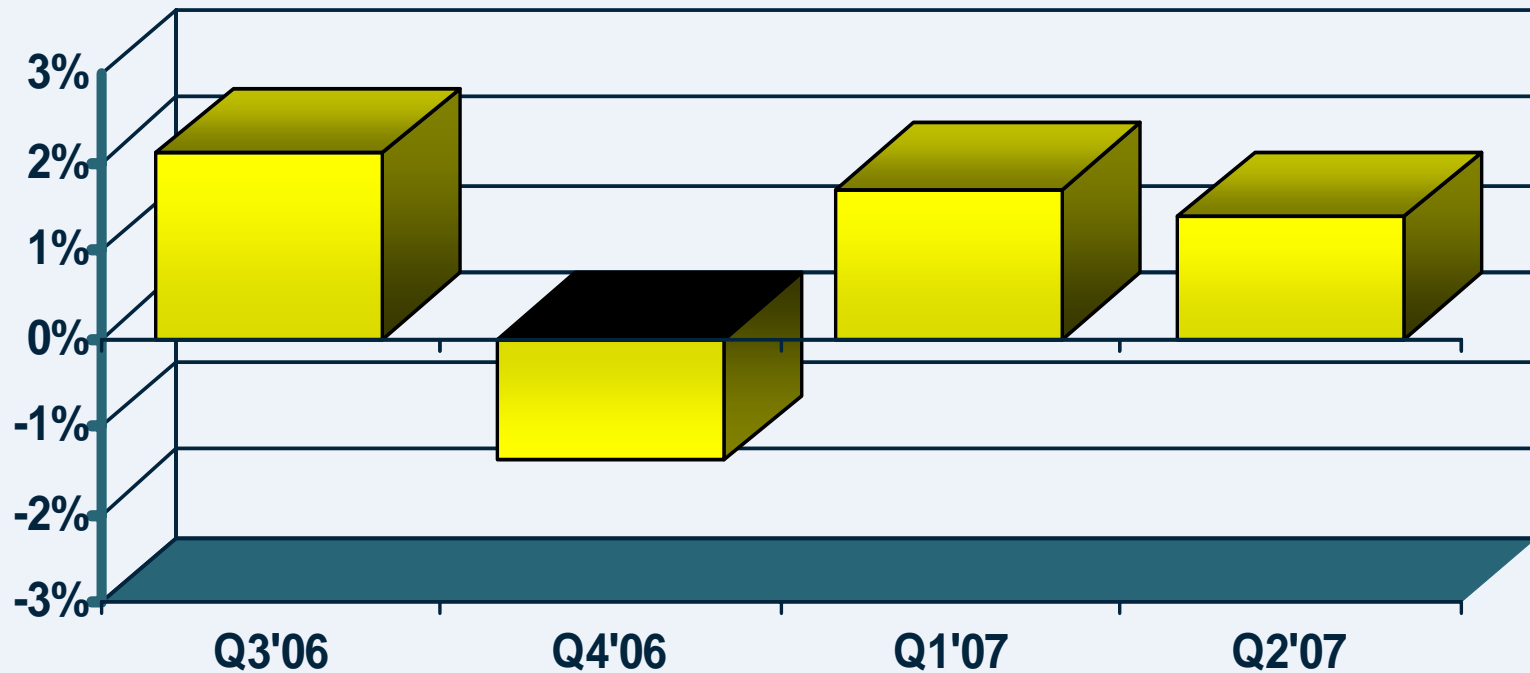


Q2 2007/2006

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

(Cost Per ASM)

% Change Y-O-Y



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