

**AIR CANADA** 

# **Third Quarter 2007**

*November 9, 2007*

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# Record Air Canada Operating Income of \$351 mln

<i>(millions)</i>	<b>Q3 2007</b>	<b>Q3 2006</b>	<b>Change Fav./Unfav.)</b>
<b>Psgr, Cargo &amp; Other Revenue</b>	\$ 2,954	\$ 2,861	\$ 93
<b>Special Aeroplan Charge</b>	-	(102)	102
<b>Oper. Revenue</b>	<b>2,954</b>	<b>2,759</b>	<b>195</b>
<b>Oper. Expense</b>	2,603	2,629	26
<b>Oper. Income</b>	<b>\$ 351</b>	<b>\$ 130</b>	<b>\$ 221</b>
<b>Oper. Income (excl. Aeroplan charge)</b>	<b>\$ 351</b>	<b>\$ 232</b>	<b>\$ 119</b>
<b>EBITDAR</b>	<b>\$ 561</b>	<b>\$ 335</b>	<b>\$ 226</b>
<b>EBITDAR (excl. Aeroplan charge)</b>	<b>\$ 561</b>	<b>\$ 437</b>	<b>\$ 124</b>

## Q3 Net Interest Expense Down \$3 mln

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<i>(millions)</i>	Q3 2007	Change Fav./Unfav.)
<b>Net Interest Expense</b>	\$ (37)	\$ 3
<b>Loss on Disposal</b>	(2)	(3)
<b>Other Non-Operating Expense</b>	(6)	8
<b>Total Non-Operating Expense</b>	<b>\$ (45)</b>	<b>\$ 8</b>

# Q3 2007

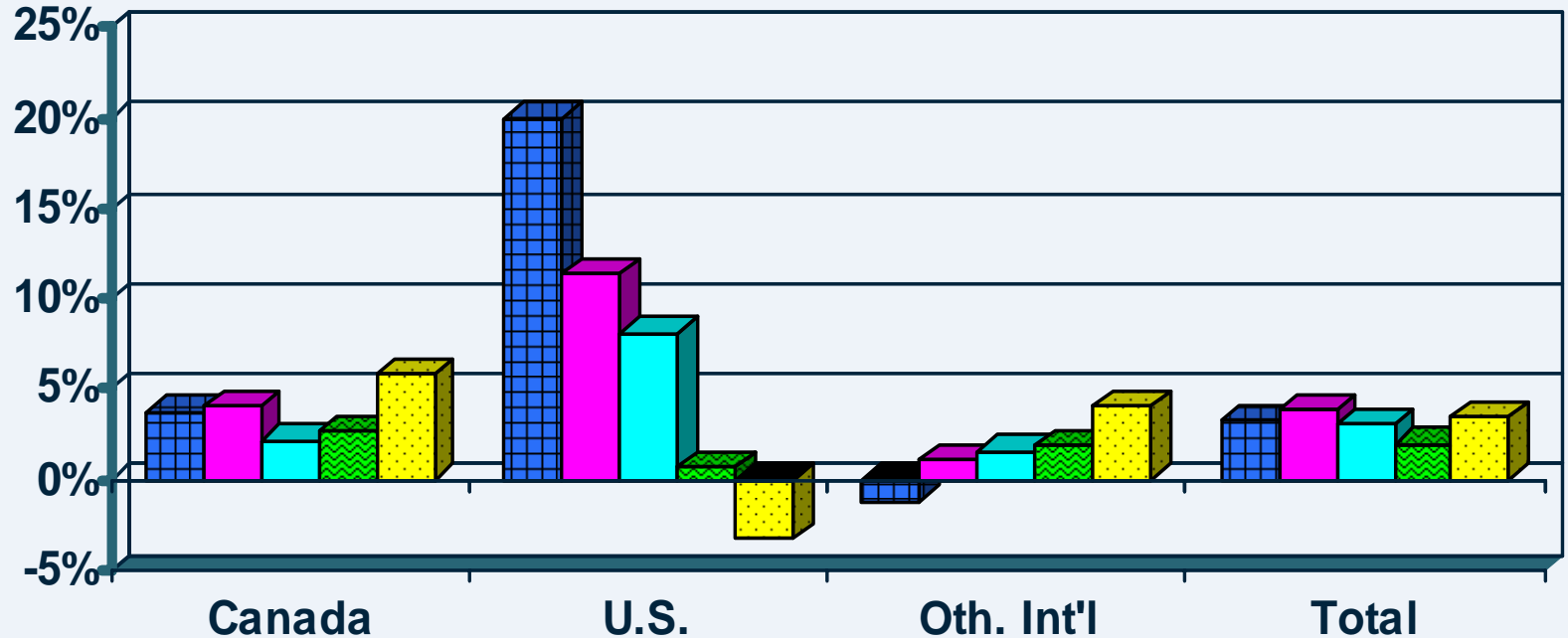
## Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↑ 5.9%	↑ 5.4%	↓ 0.4 PP	↑ 4.0%	↑ 3.5%	↑ 9.5%
US Transborder	↓ 3.2%	↓ 2.4%	↑ 0.6 PP	↑ 5.9%	↑ 6.7%	↑ 3.3%
Atlantic	↑ 4.2%	↑ 3.0%	↓ 0.9 PP	↓ 5.5%	↓ 6.5%	↓ 2.6%
Pacific	↑ 3.1%	↑ 2.2%	↓ 0.8 PP	↓ 1.5%	↓ 2.4%	↑ 0.7%
Latin Amer. & Other	↑ 6.8%	↑ 7.6%	↑ 0.6 PP	↓ 1.5%	↓ 0.8%	↑ 6.0%
<b>Total</b>	<b>↑ 3.5%</b>	<b>↑ 3.1%</b>	<b>↓ 0.3 PP</b>	<b>↑ 1.1%</b>	<b>↑ 0.7%</b>	<b>↑ 4.2%</b>
			<b>Total Expense</b>			<b>↓ 1.0%</b>
			<b>Total CASM</b>		<b>↓ 4.4%</b>	
			<b>Total CASM excl. Fuel</b>		<b>↓ 2.4%</b>	

# U.S. Capacity Reduced in Third Quarter

(Y-O-Y Changes in Capacity)

*% Change in ASMs*

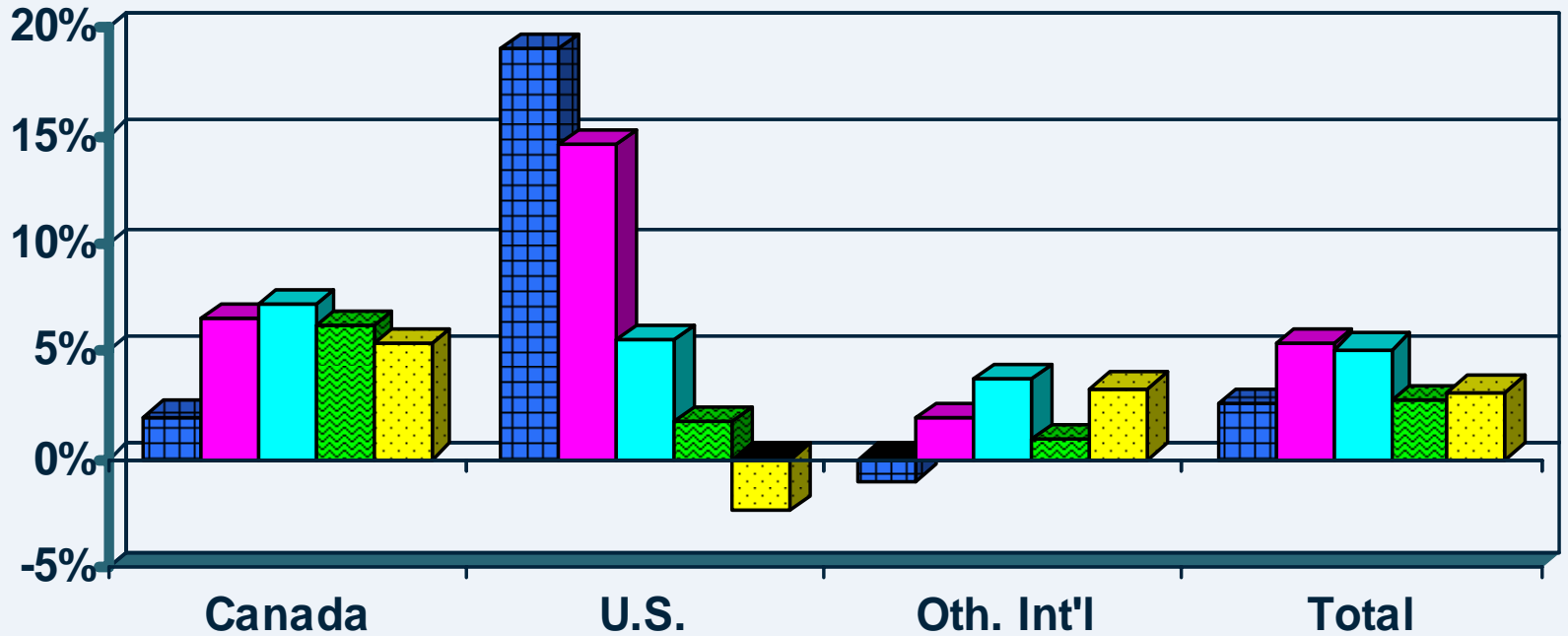


■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006

# Strong Domestic Traffic Growth Accounts for 2/3 of Total Increase

(Y-O-Y Changes in Traffic)

% Change in RPMs

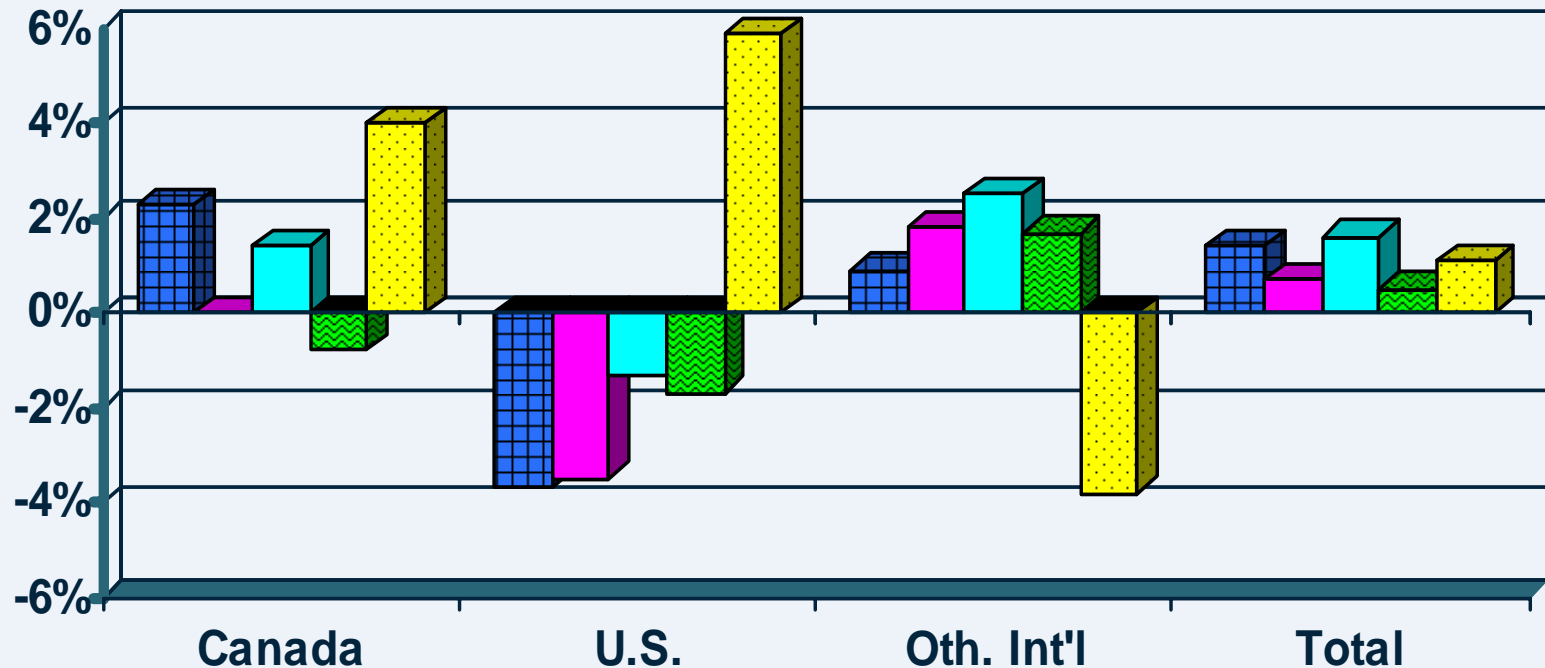


■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006

# System Yield Growth Accelerates on Very Strong N/A Yields

(Y-O-Y Changes in Passenger Yield)

*% Change in Yield*



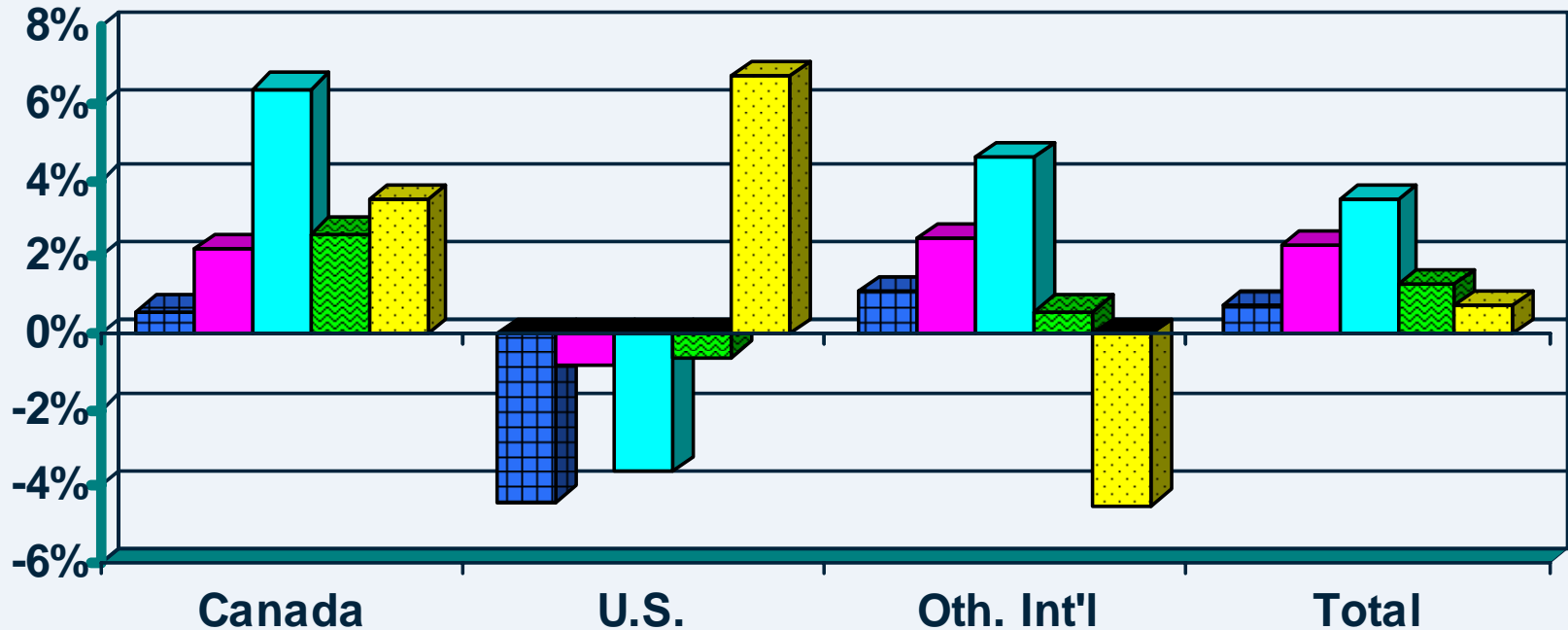
■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006



# RASM Also Shows Strong N/A performance – Weak International

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

*% Change in RASM*

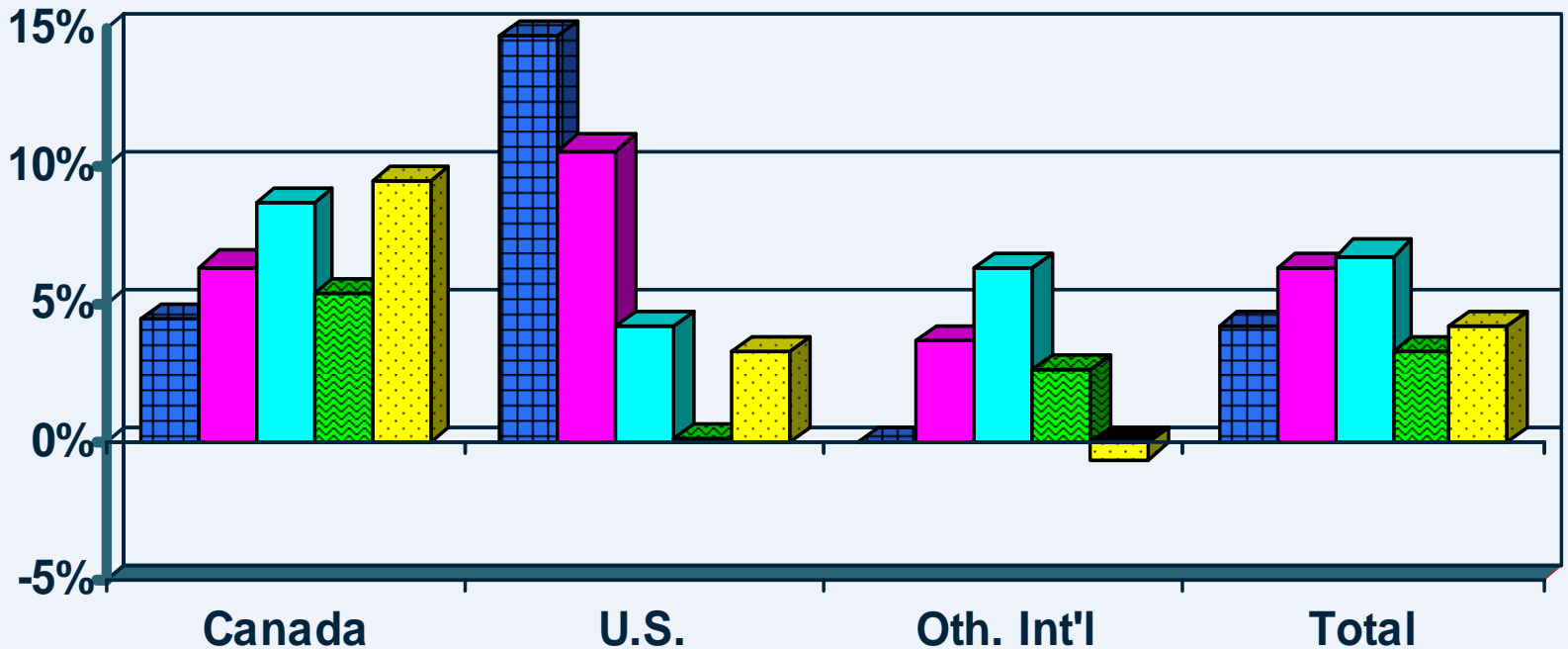


■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006

# 92% of System Psgr. Revenue Growth Generated by Domestic Services

(Y-O-Y Changes in Passenger Revenue)

*% Change in Revenue*

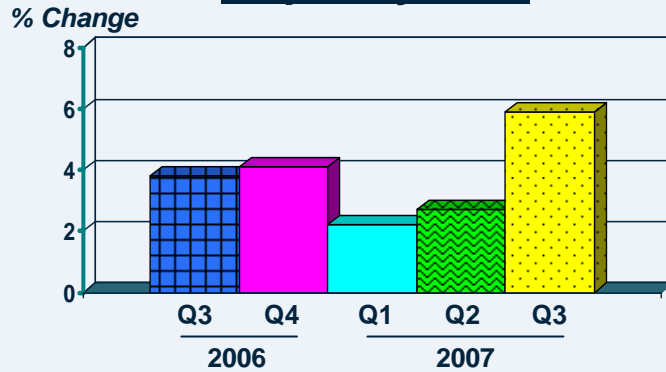


■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006

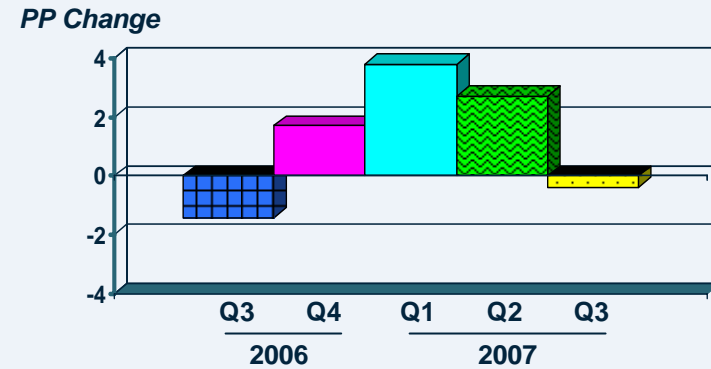
# Canada – Q3 RASM Increases 3.5% all on Higher Yield

## Y-O-Y Change

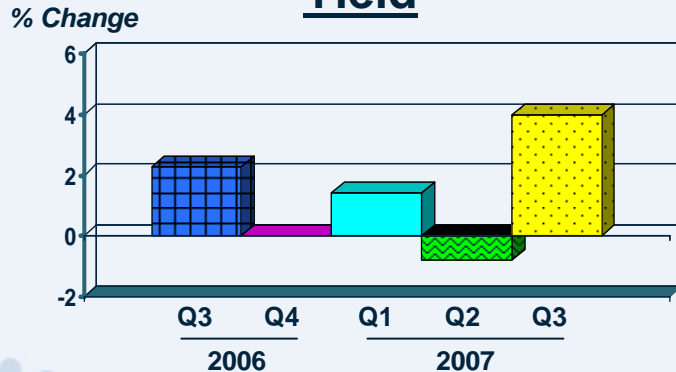
### Capacity (ASM)



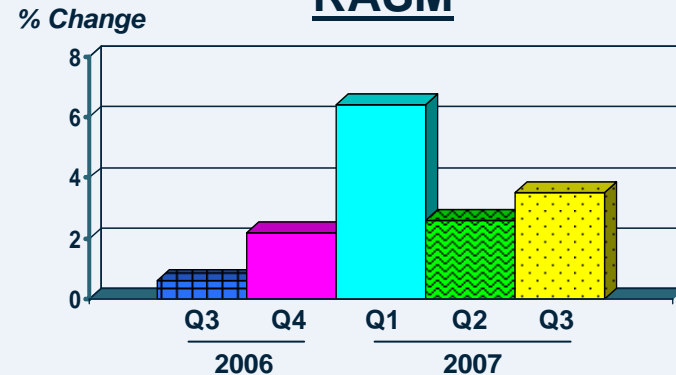
### Load Factor



### Yield



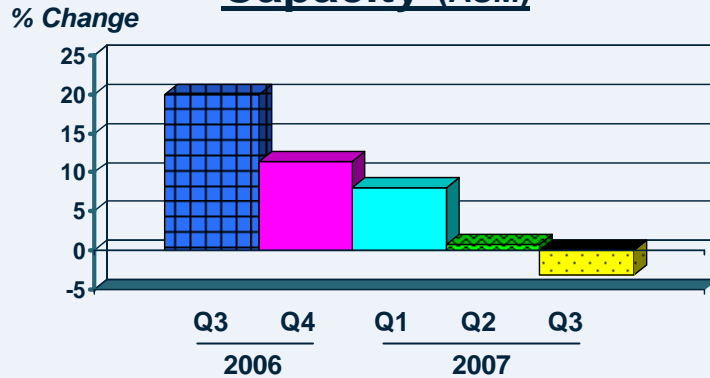
### RASM



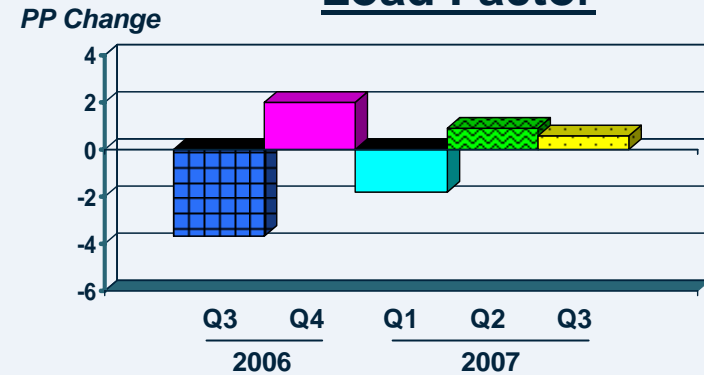
# US Transborder – RASM Improves 6.7% on Strong Yield – Best Performance in a Year

## Y-O-Y Change

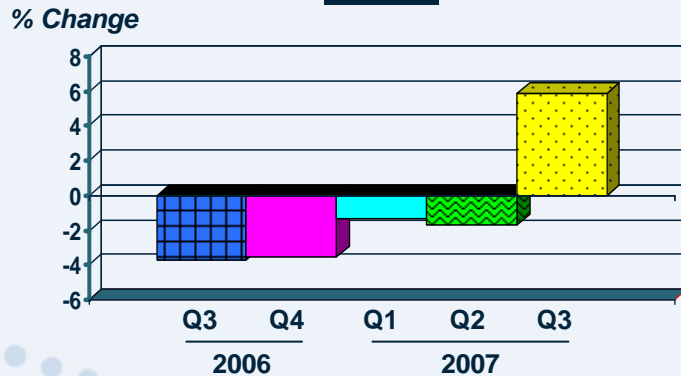
### Capacity (ASM)



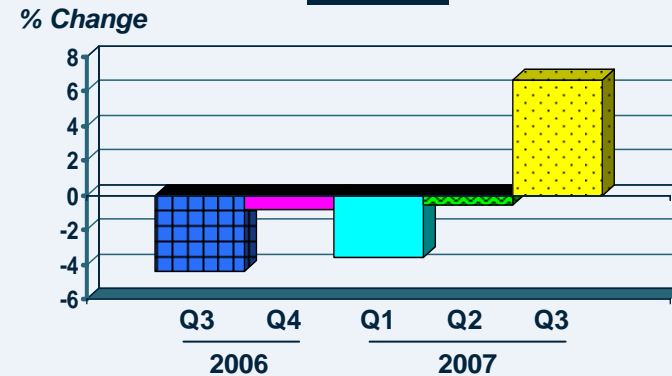
### Load Factor



### Yield



### RASM

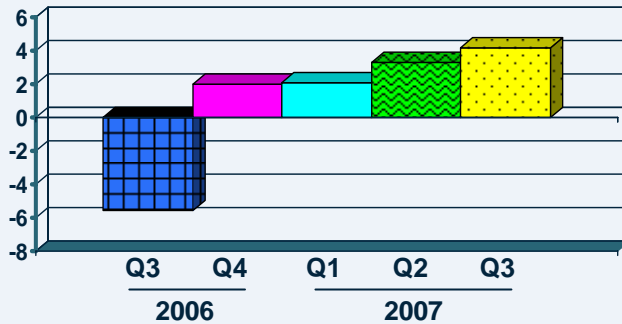


# Atlantic – Difficult Competitive Environment Pushes Fares Down

## Y-O-Y Change

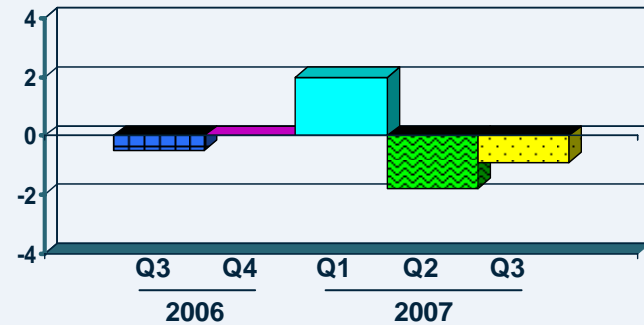
### Capacity (ASM)

% Change



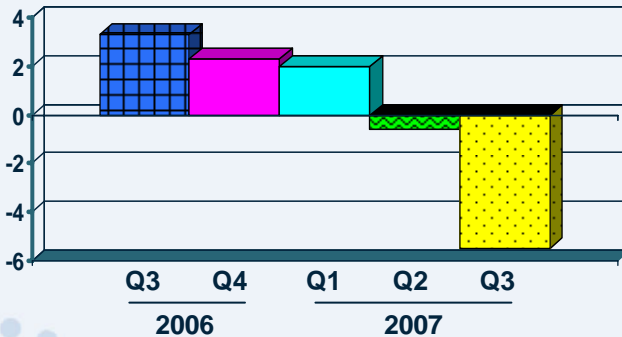
### Load Factor

PP Change



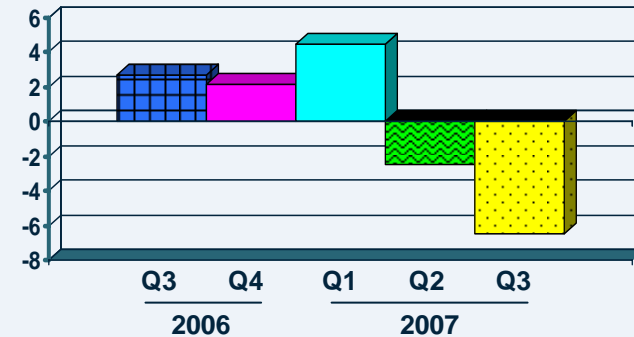
### Yield

% Change



### RASM

% Change



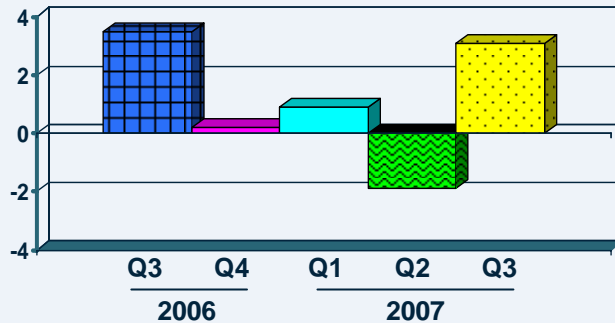
# Pacific –

## 2.4% RASM Decline on Weaker Yield and LF

### Y-O-Y Change

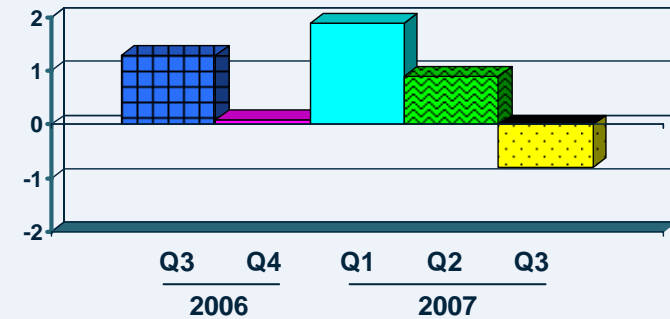
#### Capacity (ASM)

% Change



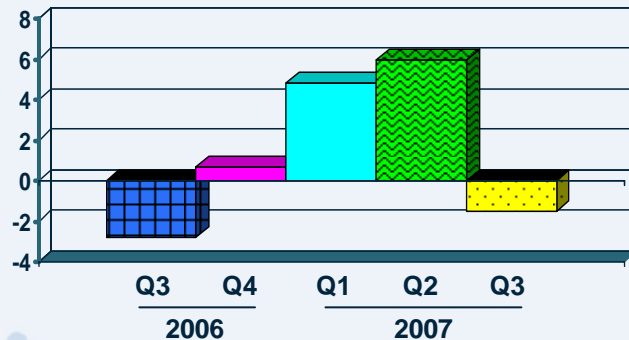
#### Load Factor

PP Change



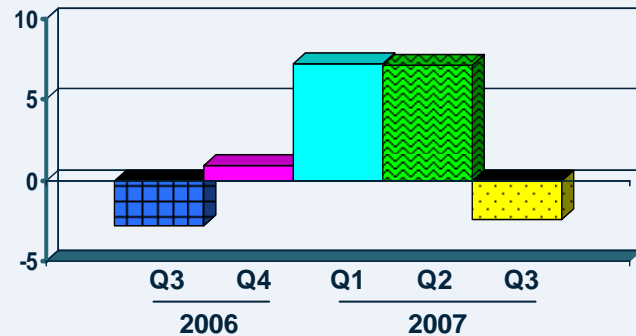
#### Yield

% Change



#### RASM

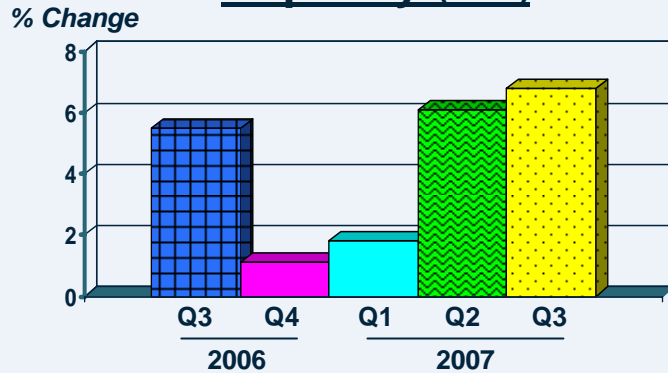
% Change



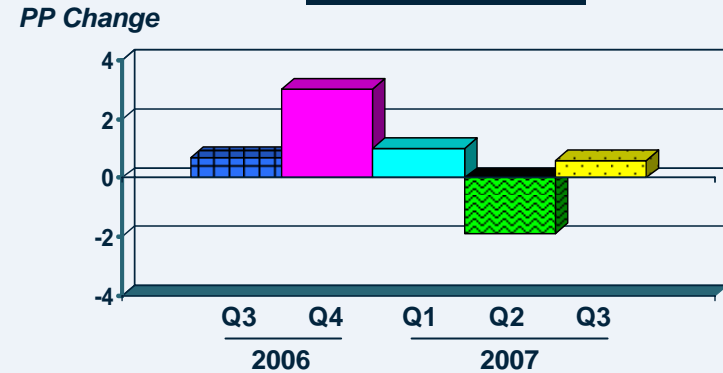
# Caribbean, Latin America & Australia – RASM Declines 0.8% as Soft Yield Offsets LF Gain

## Y-O-Y Change

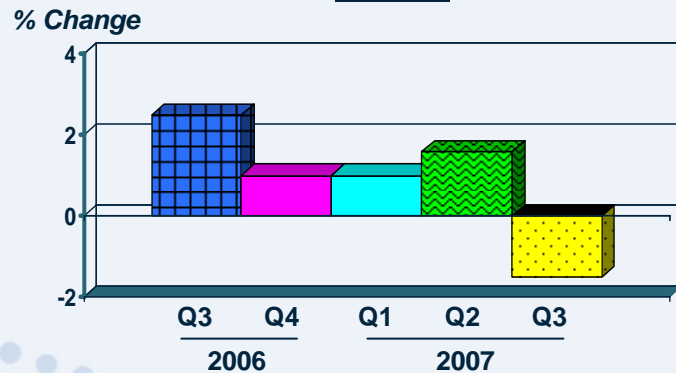
### Capacity (ASM)



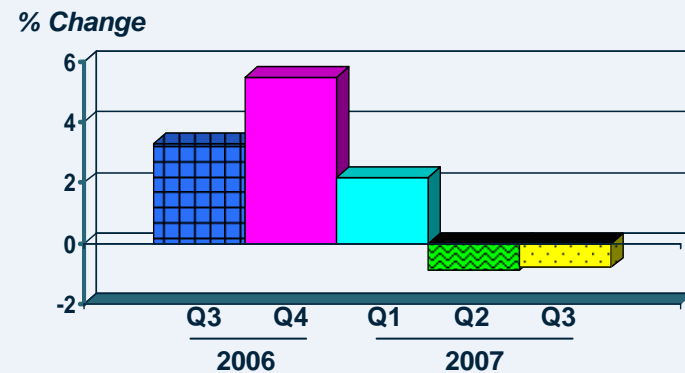
### Load Factor



### Yield



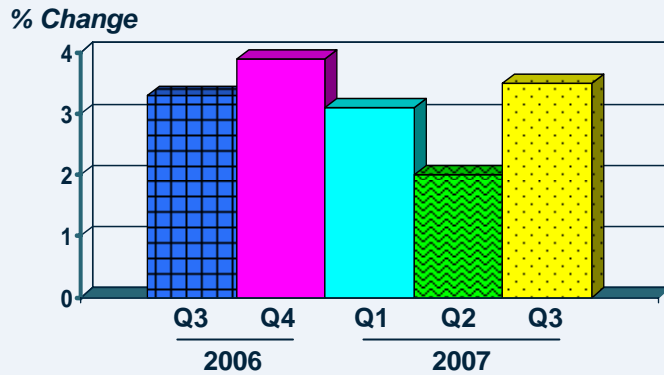
### RASM



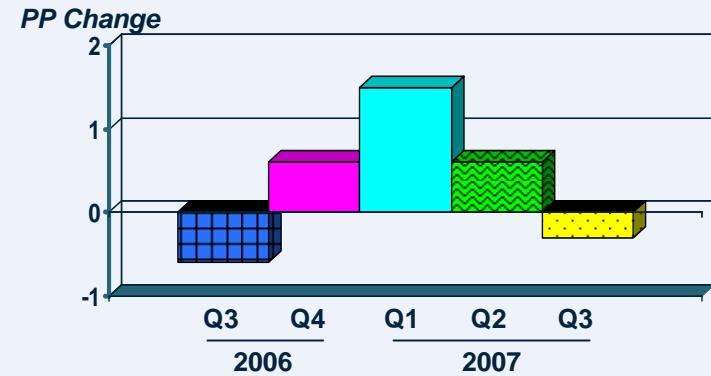
# Total – System RASM Lifts 0.7% on Higher Yield – CASM Declines 4.4%

## Y-O-Y Change

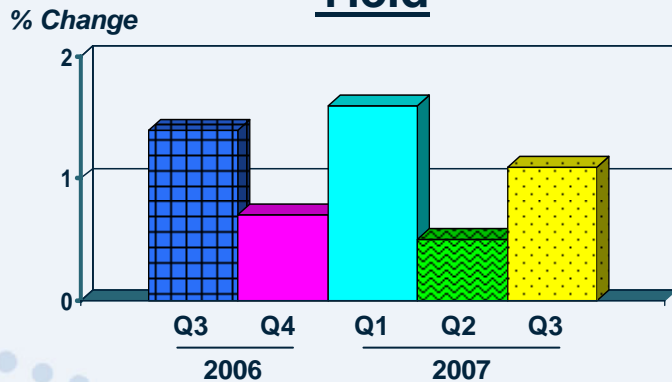
### Capacity (ASM)



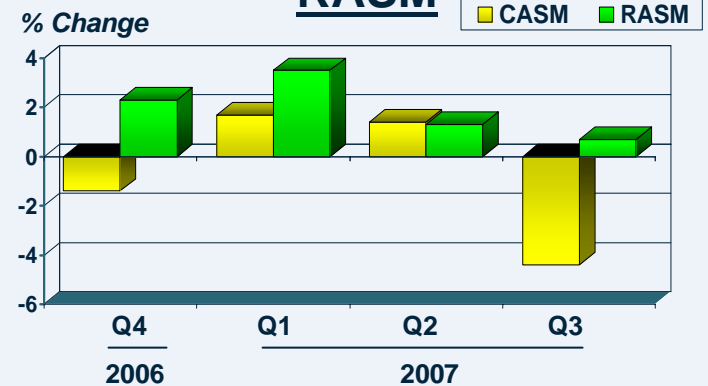
### Load Factor



### Yield



### RASM



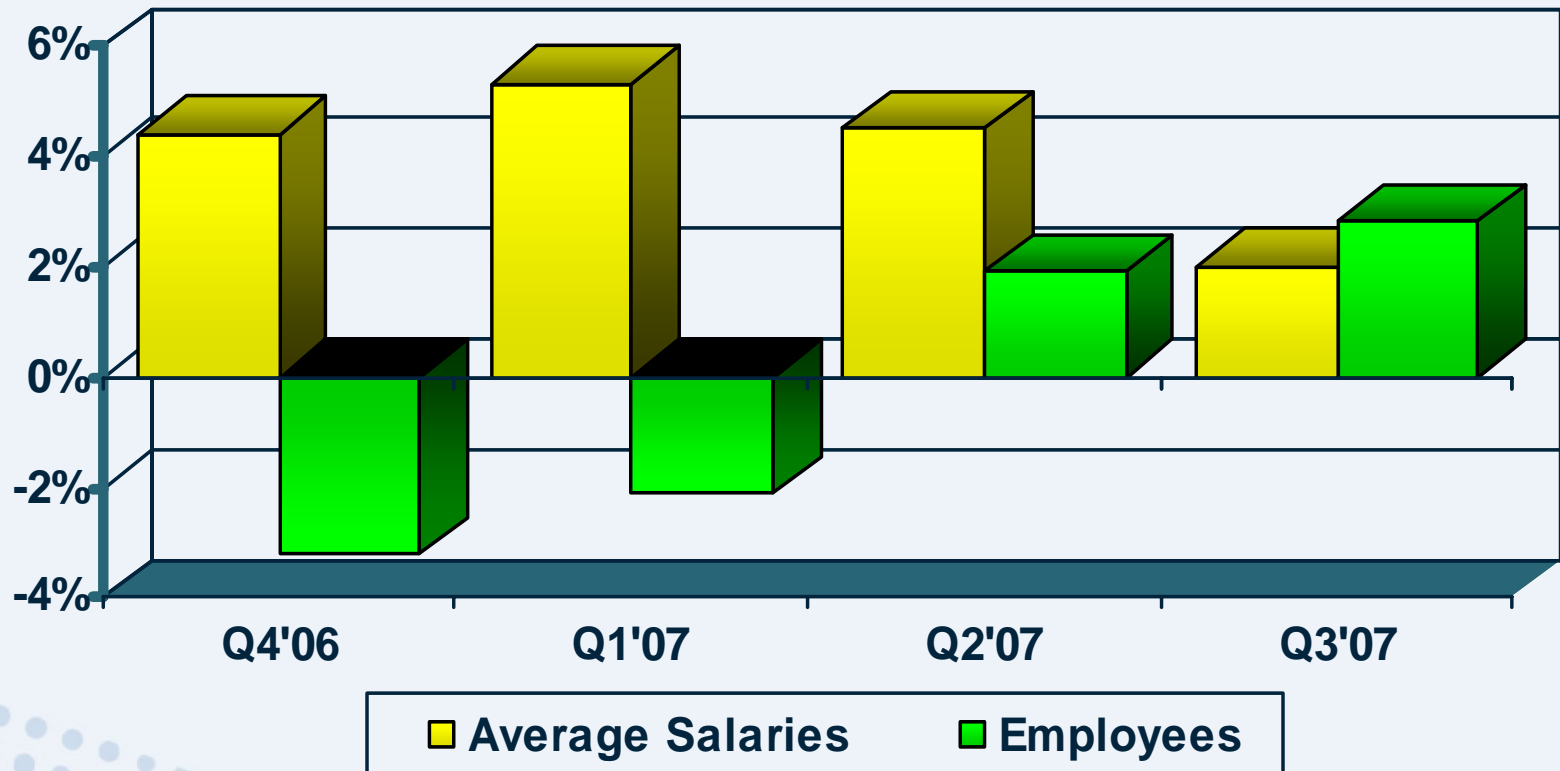


# Average Salary Up 2%; Employee Levels Up 662 or 2.8%.

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

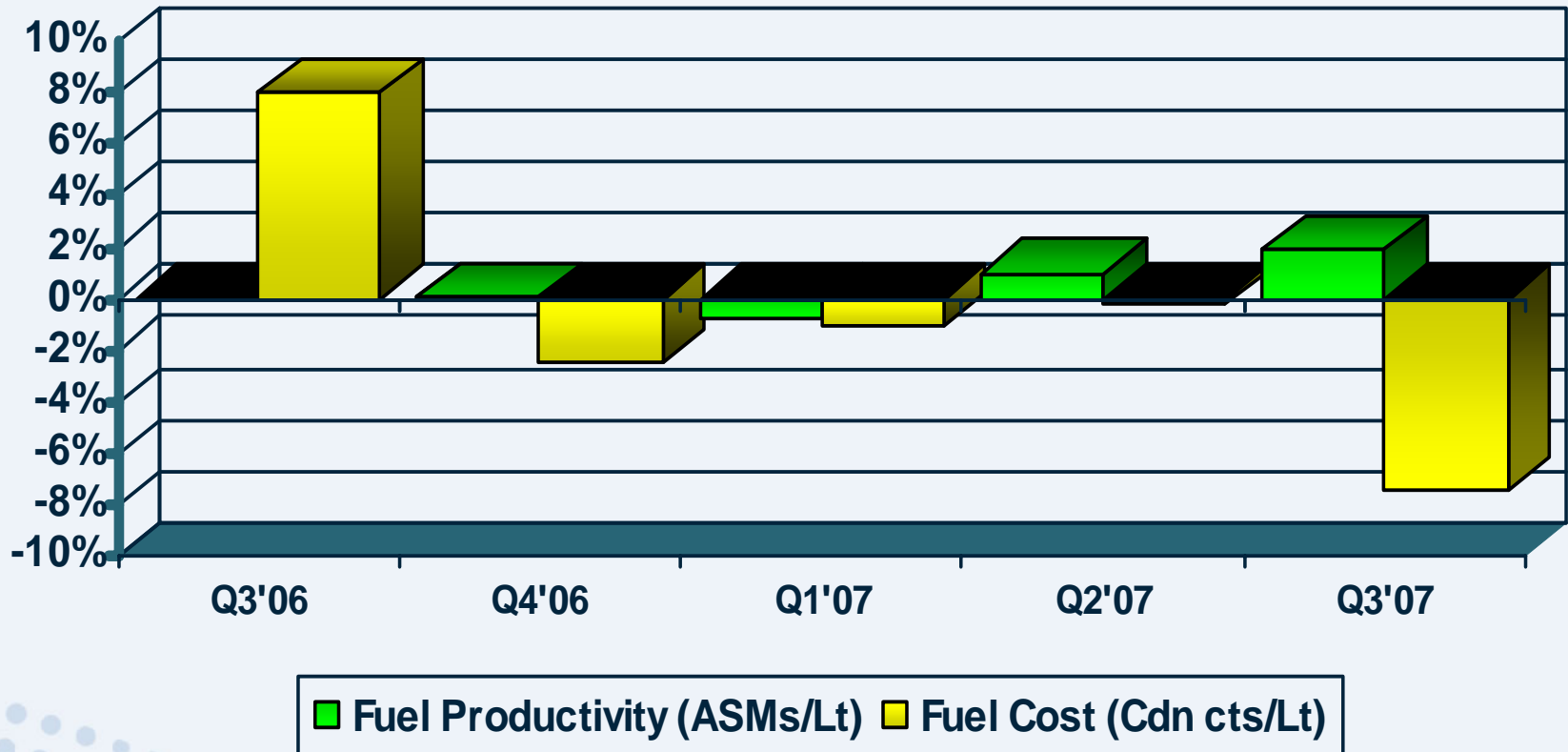
% Change Y-O-Y



# Cost/Litre Down 7.4% While Fuel Productivity Improves 1.9% Reflecting the New 777's and the Removal of Two Freighters

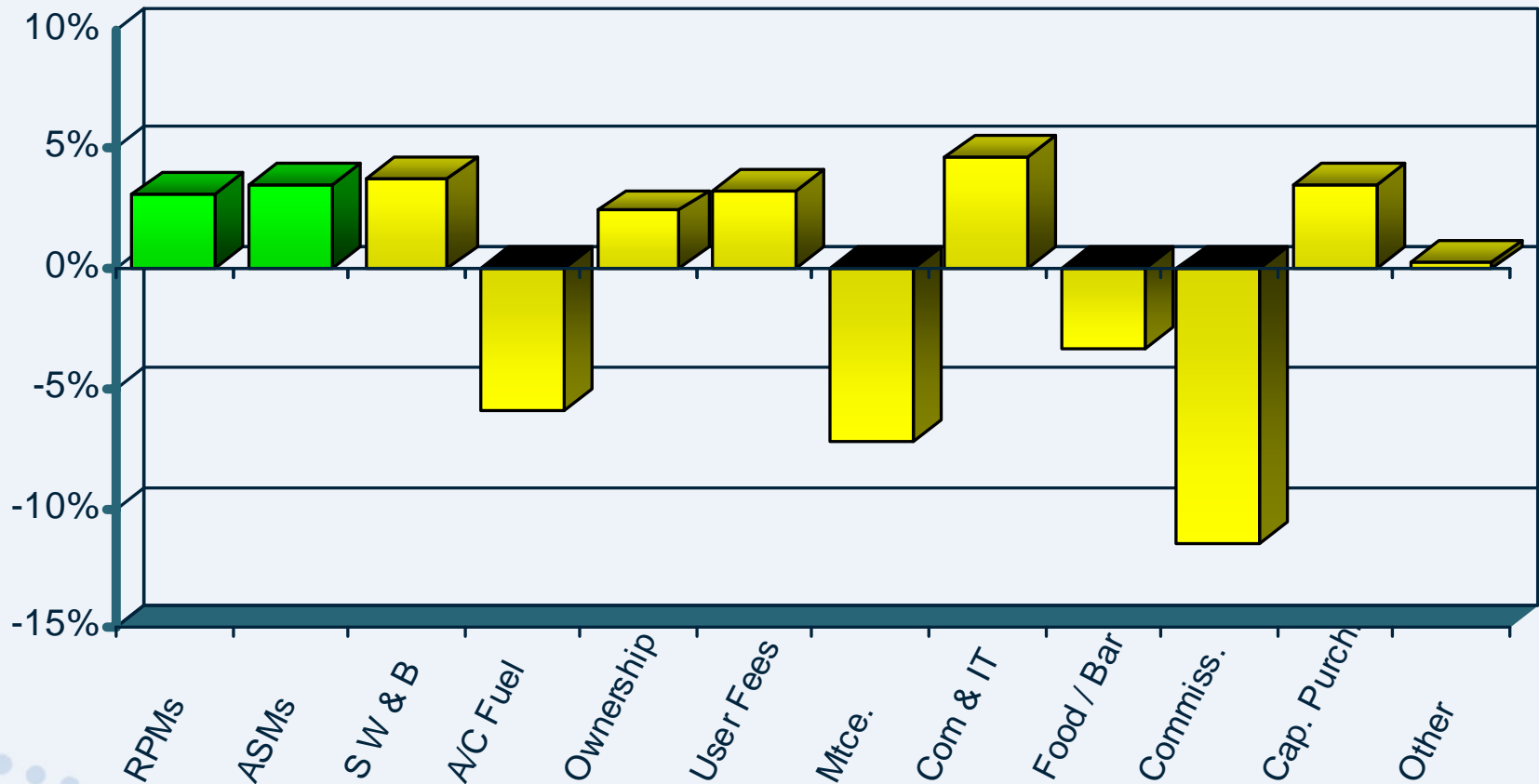
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



# "Other" Cat. Flat as Incr. in ACV Gr. Pkg. Costs, Equip. Rental, Cr. Card Fees Offset by Lower Cust. Inconv. Chrgs., Terminal Handling & Misc. Fees

*% Change Y-O-Y*



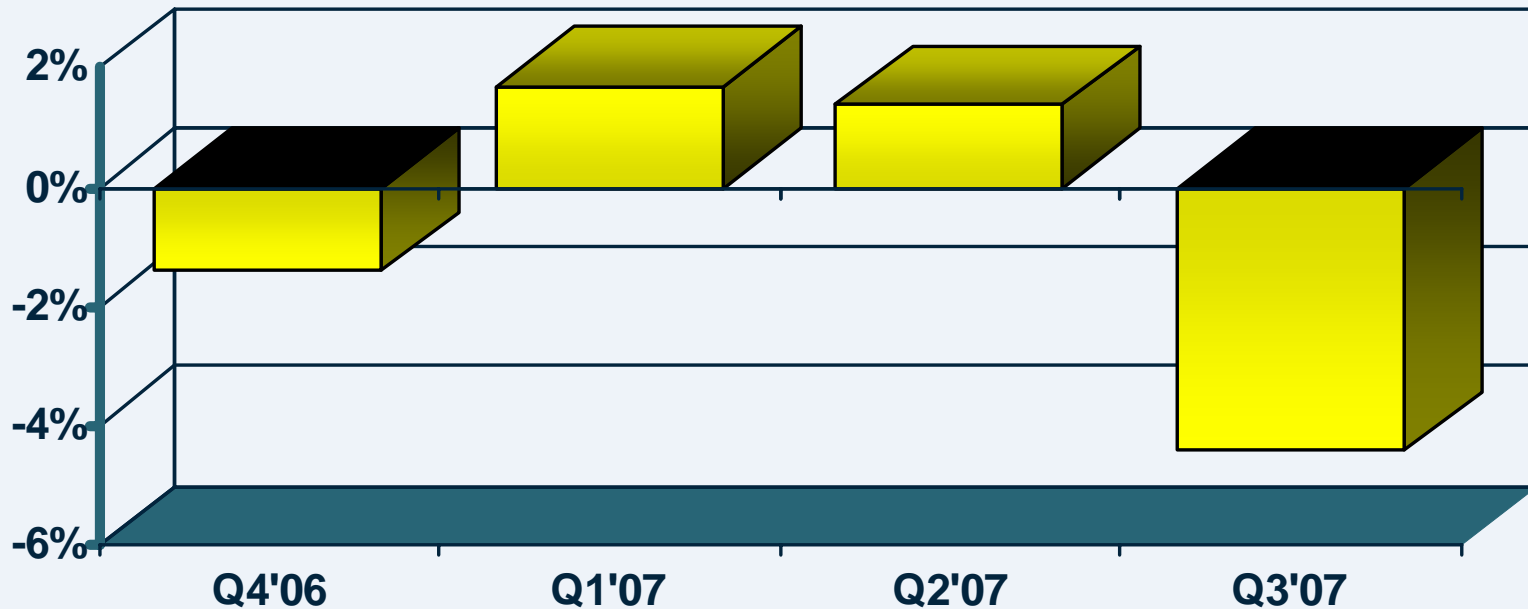
**Q3 2007/2006**

# Unit Cost Down 4.4% Due Primarily to FX Benefit, the Positive 777 Impact and Hedging Gains

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(Cost Per ASM)

% Change Y-O-Y



## **Caution Concerning Forward-looking Information:**

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Certain statements made in this Q3 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 Q3 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 11 of the Q3 2007 MD&A dated November 8, 2007. The forward-looking statements contained in this Q3 2007 presentation represent the Corporation's expectations as of November 8, 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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