

Fourth Quarter 2007

February 7, 2008

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Record Air Canada Operating Income of \$72 mln

<i>(millions)</i>	Q4 2007	Q4 2006	Change Fav./Unfav.)
Oper. Revenue	\$ 2,513	\$ 2,423	\$ 90
Oper. Expense	2,441	2,428	(13)
Oper. Income	\$ 72	\$ (5)	\$ 77
Oper. Income (excl. special charge*)	\$ 72	\$ (13)	\$ 85
EBITDAR	\$ 274	\$ 213	\$ 61
EBITDAR (excl. special charge*)	\$ 274	\$ 205	\$ 69

* Special charge for labour restructuring

Q4 Net Interest Expense Increases \$5 mln

<i>(millions)</i>	Q4 2007	Change Fav./ (Unfav.)
Net Interest Expense	\$ (47)	\$ (5)
Loss on Disposal in '06	-	10
Other Non-Operating Expense	(5)	(5)
Total Non-Operating Expense	\$ (52)	\$ -

Q4 2007

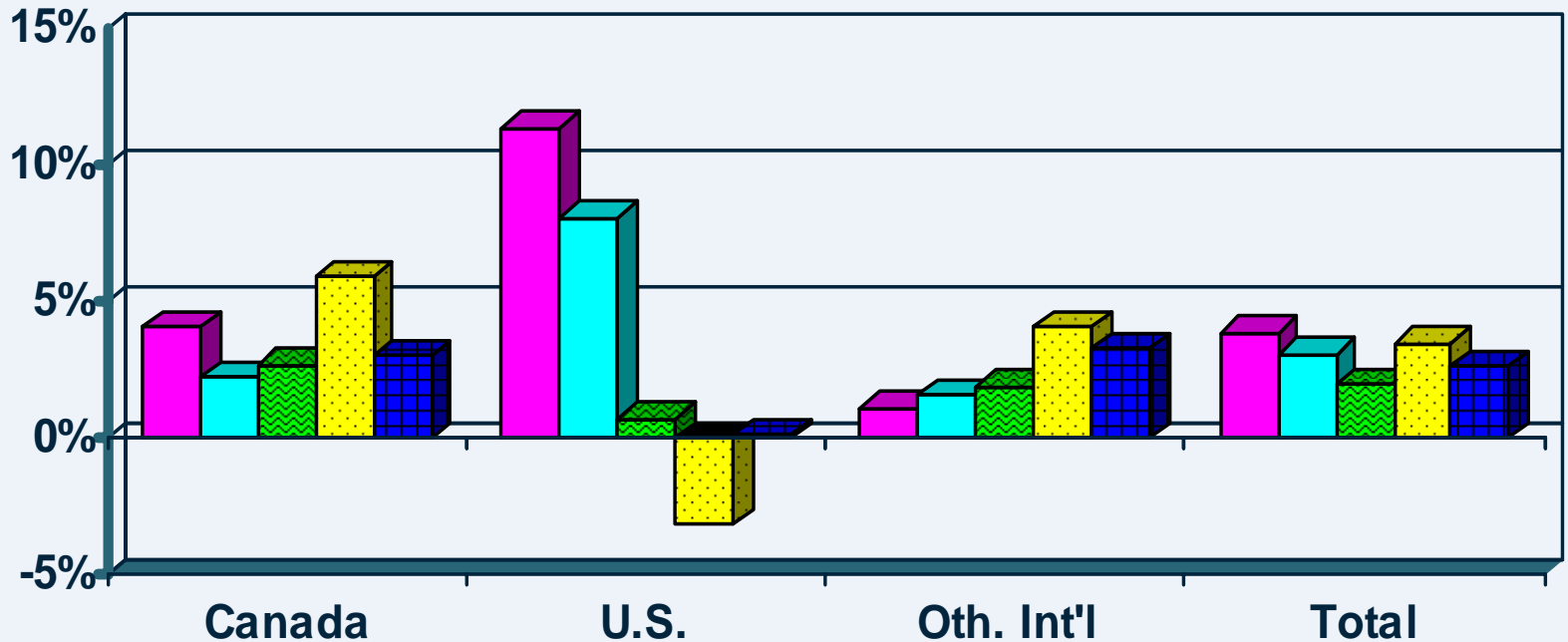
Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↑ 3.0%	↑ 2.5%	↓ 0.4 PP	↑ 5.3%	↑ 4.8%	↑ 8.0%
US Transborder	↑ 0.1%	↑ 1.0%	↑ 0.7 PP	↑ 4.3%	↑ 5.3%	↑ 5.4%
Atlantic	↑ 4.4%	↑ 4.1%	↓ 0.2 PP	↓ 3.7%	↓ 4.0%	↑ 0.3%
Pacific	↑ 0.3%	↓ 2.0%	↓ 1.9 PP	↓ 2.3%	↓ 4.5%	↓ 4.2%
Latin Amer. & Other	↑ 6.2%	↑ 11.2%	↑ 3.5 PP	↓ 2.9%	↑ 1.6%	↑ 7.9%
Total	↑ 2.6%	↑ 2.6%	0.0 PP	↑ 2.1%	↑ 2.1%	↑ 4.8%
			Total Expense			↑ 0.6%
			Total CASM		↓ 2.0%	
			Total CASM excl. Fuel		↓ 3.9%	

Capacity Growth Slows Particularly Domestic in 4th Qtr

(Y-O-Y Changes in Capacity)

% Change in ASMs

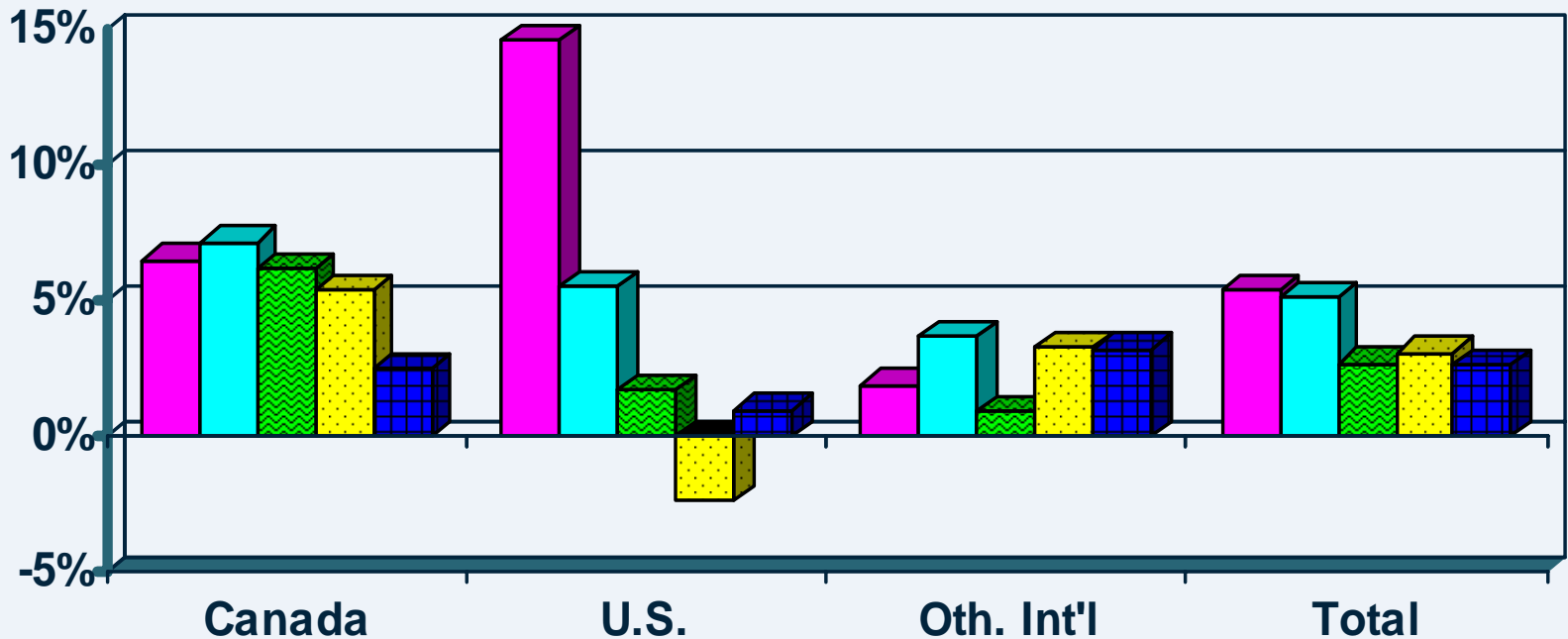


■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006

System Traffic Growth Matches Increase in Capacity

(Y-O-Y Changes in Traffic)

% Change in RPMs

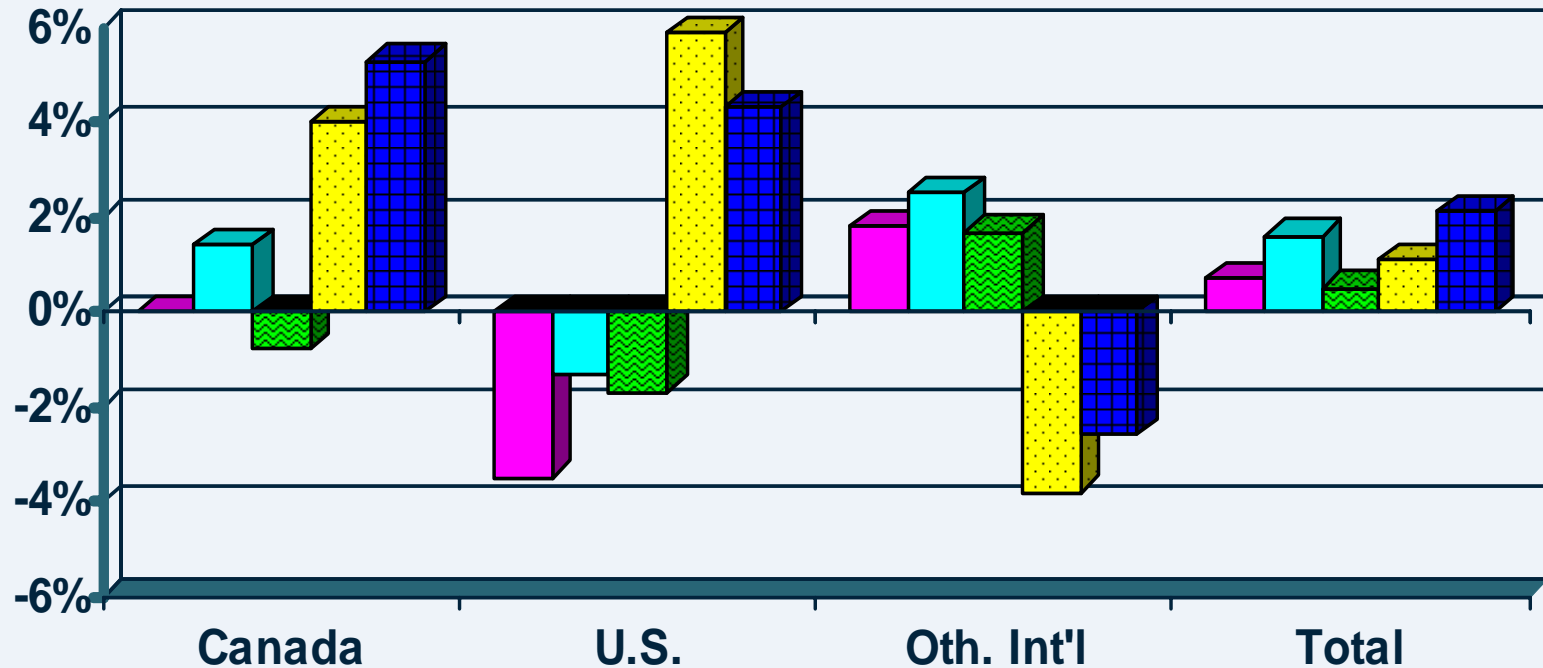


■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006

Very Strong North American Yields

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

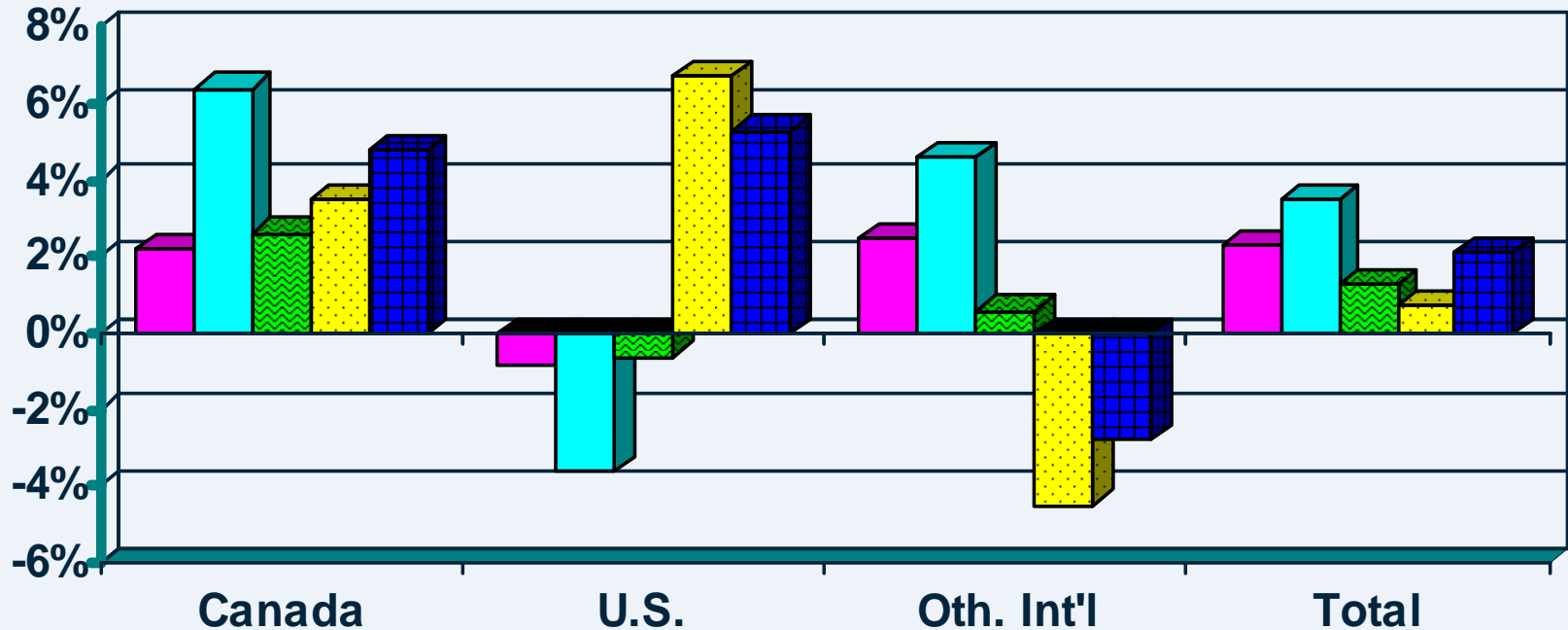


■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006

RASM Also Shows Strong N.A. performance – Weak International

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

% Change in RASM

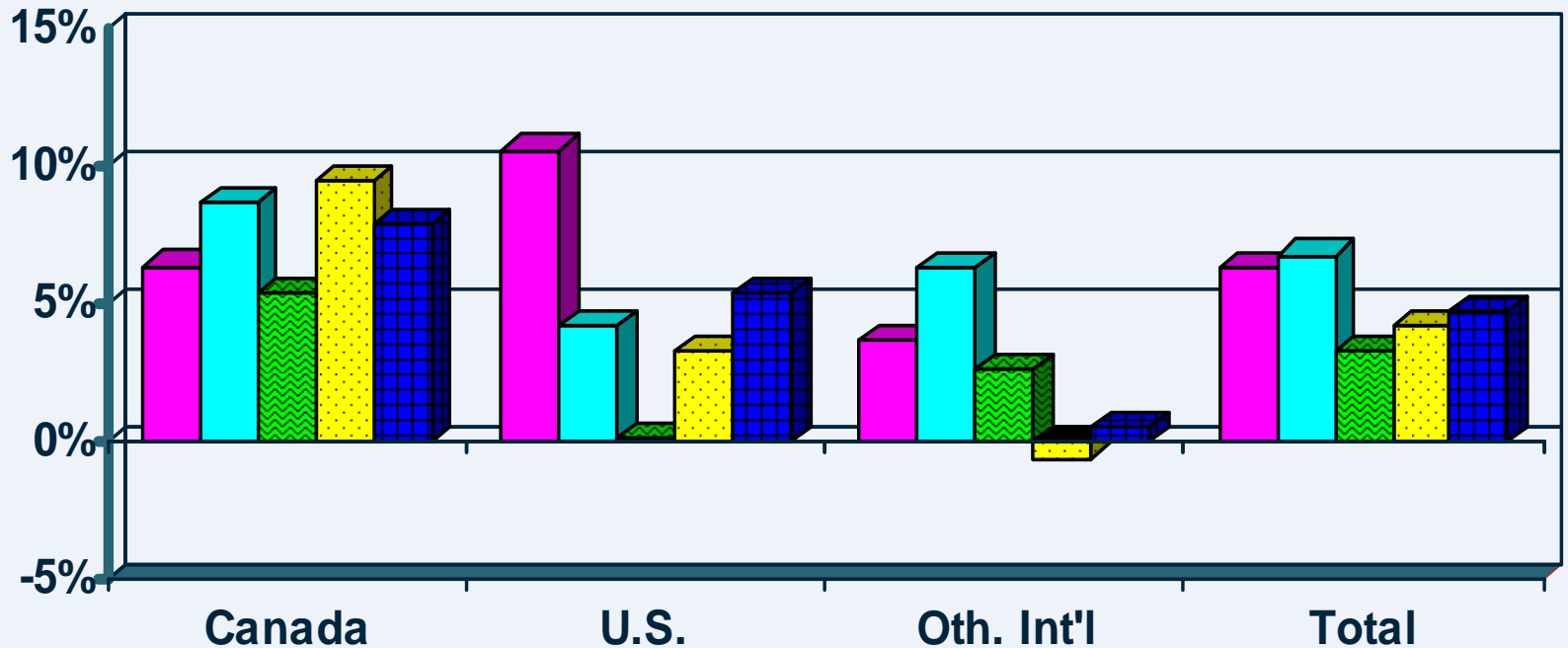


■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006

Close to $\frac{3}{4}$ of System Psgr. Revenue Growth Generated by Domestic Services

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue

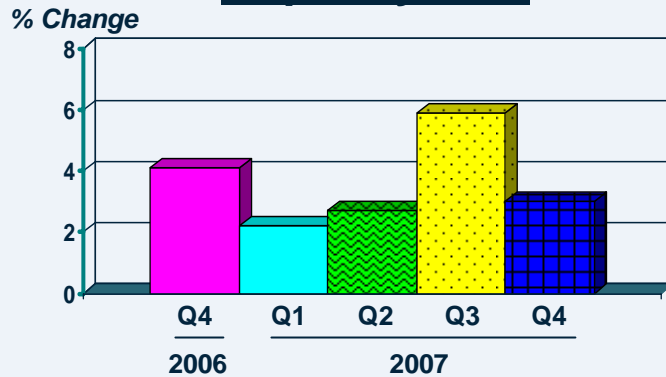


■ Q4 2006/2005 ■ Q1 2007/2006 ■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006

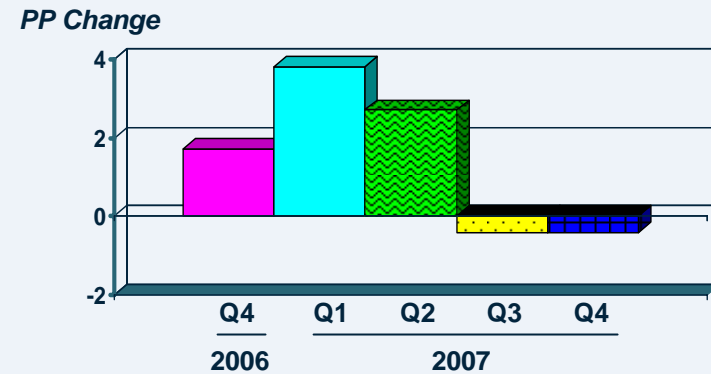
Canada – Q4 RASM Increases 4.8% all on Higher Yield

Y-O-Y Change

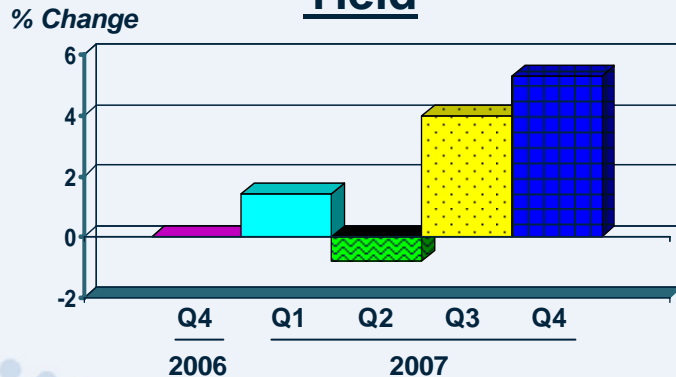
Capacity (ASM)



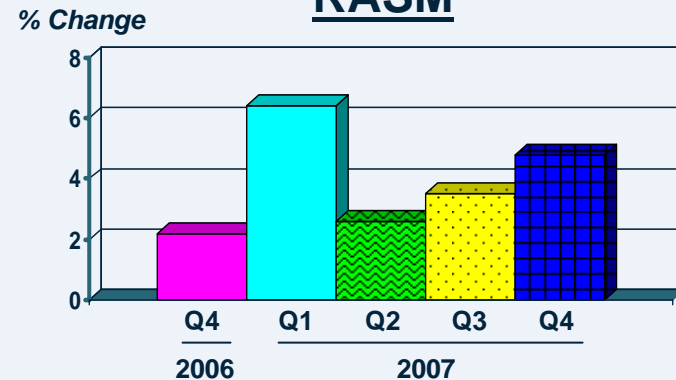
Load Factor



Yield

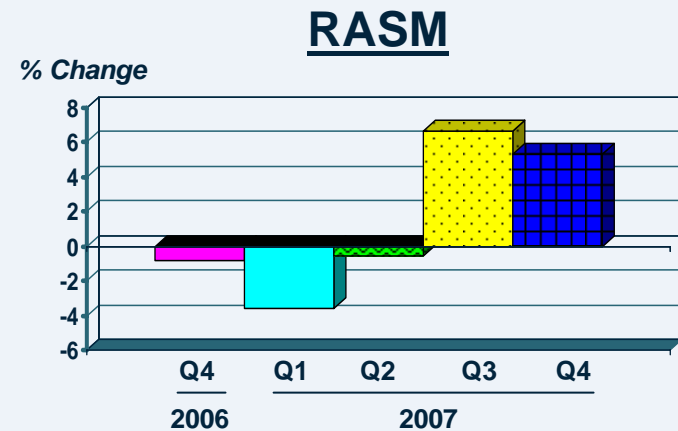
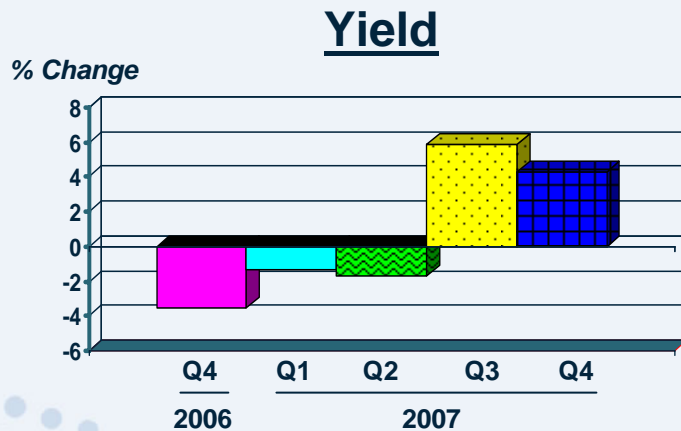
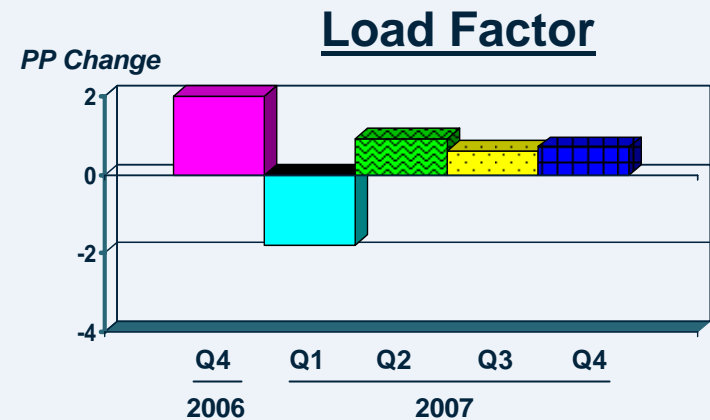
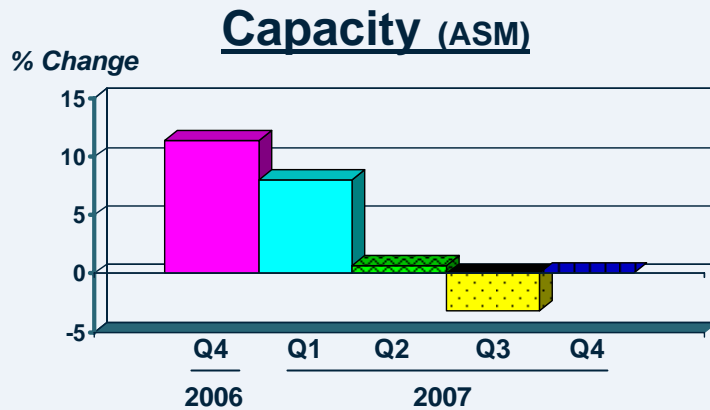


RASM



US Transborder – RASM Improves 5.3% Also on Strong Yield

Y-O-Y Change

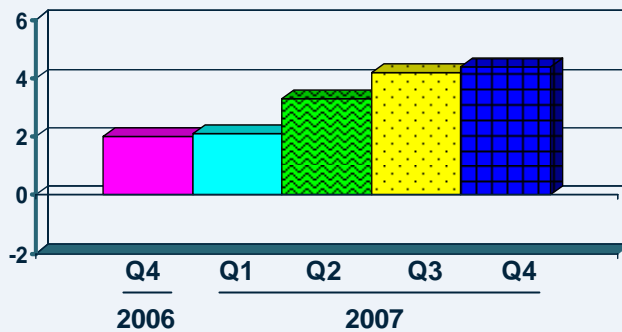


Atlantic – Difficult Competitive Environment Pushes Fares Down

Y-O-Y Change

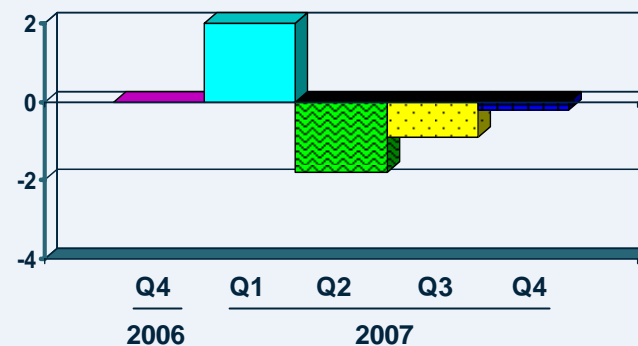
Capacity (ASM)

% Change



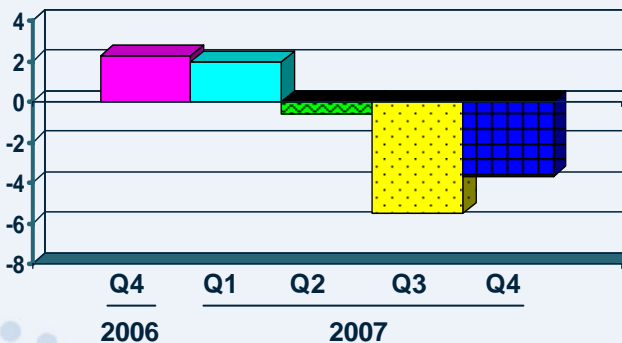
Load Factor

PP Change



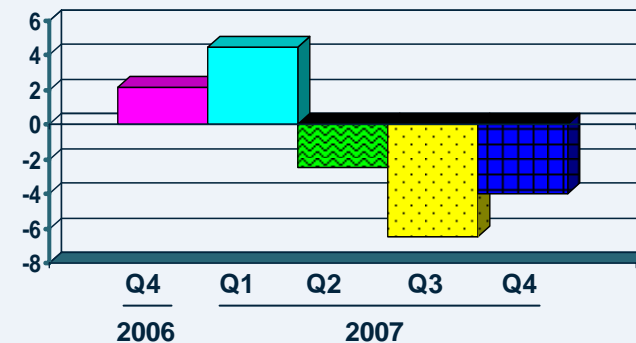
Yield

% Change



RASM

% Change



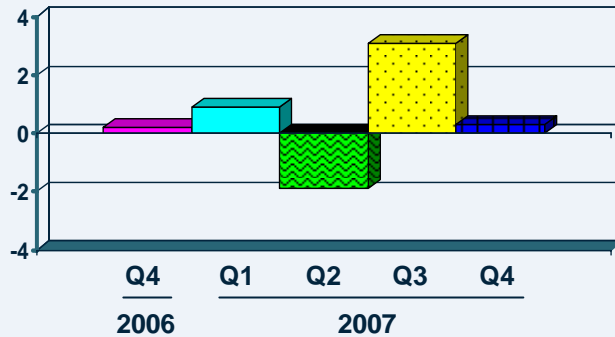
Pacific –

4.5% RASM Decline on Weaker Yield and LF

Y-O-Y Change

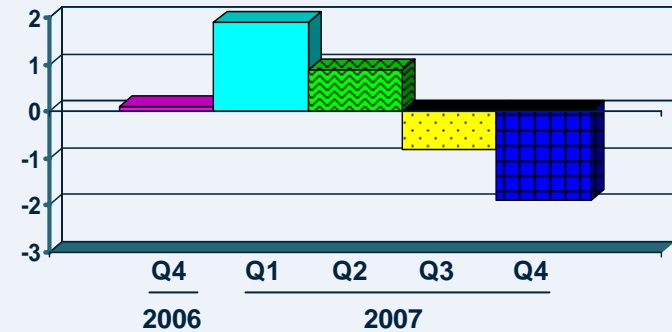
Capacity (ASM)

% Change



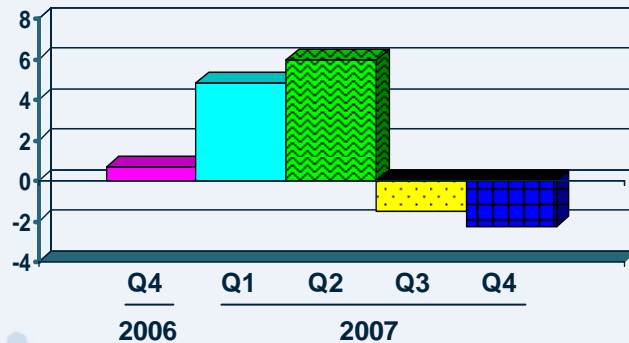
Load Factor

PP Change



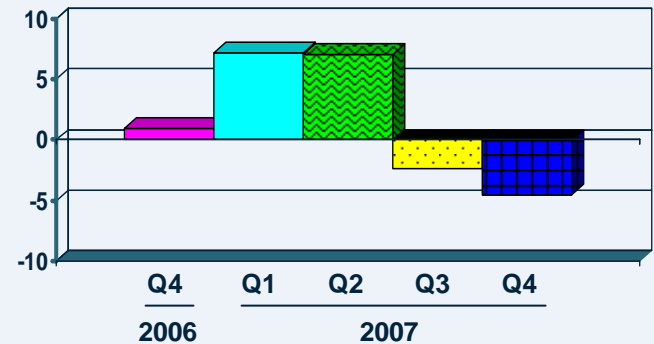
Yield

% Change



RASM

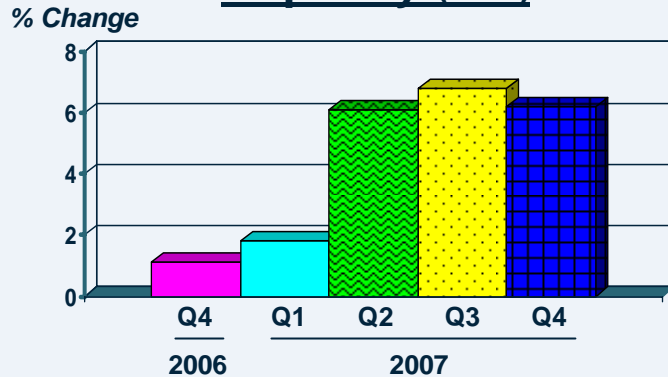
% Change



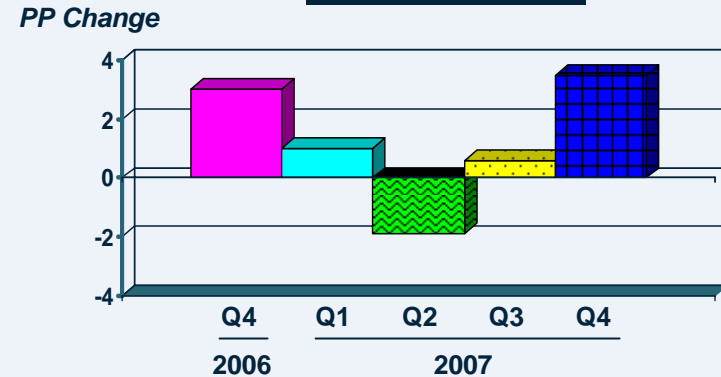
Caribbean, Latin America & Australia – RASM Increases 1.6% on Very Strong Traffic

Y-O-Y Change

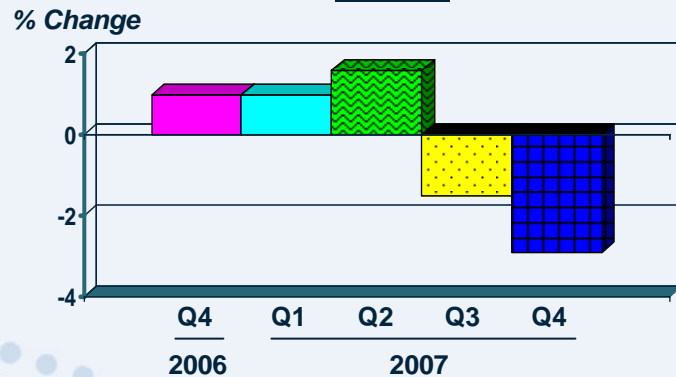
Capacity (ASM)



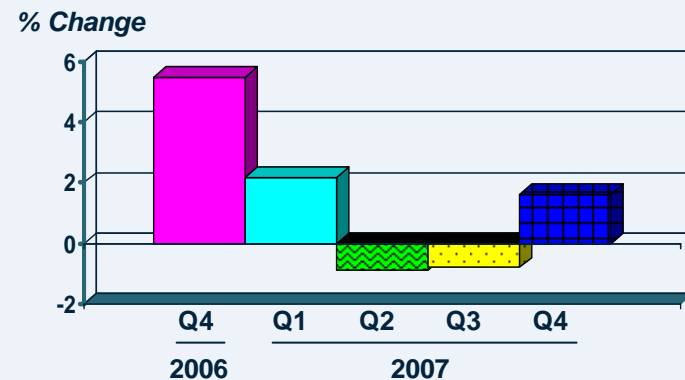
Load Factor



Yield



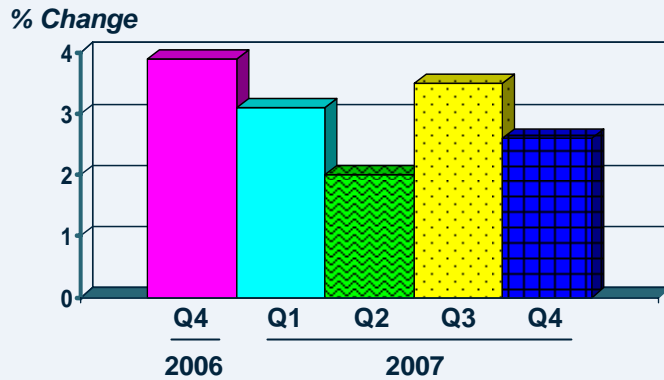
RASM



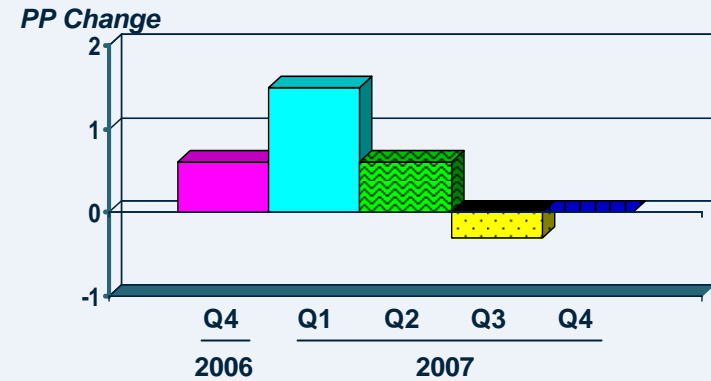
Total – System RASM Lifts 2.1% All on Higher Yield – CASM Declines 2.0%

Y-O-Y Change

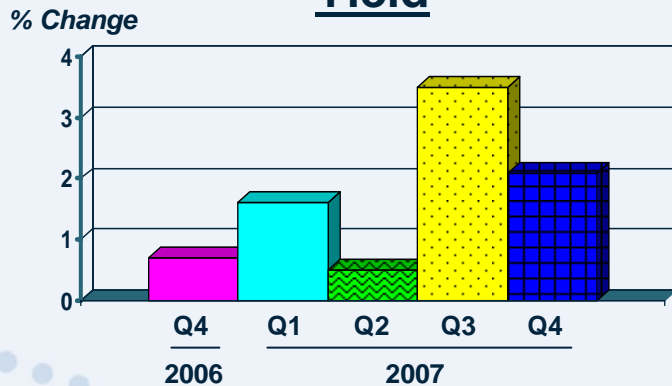
Capacity (ASM)



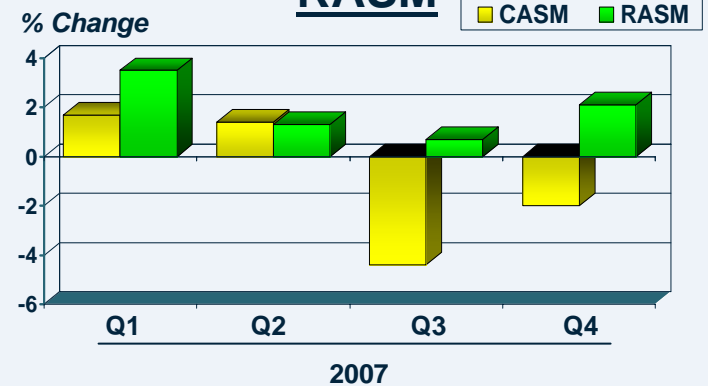
Load Factor



Yield



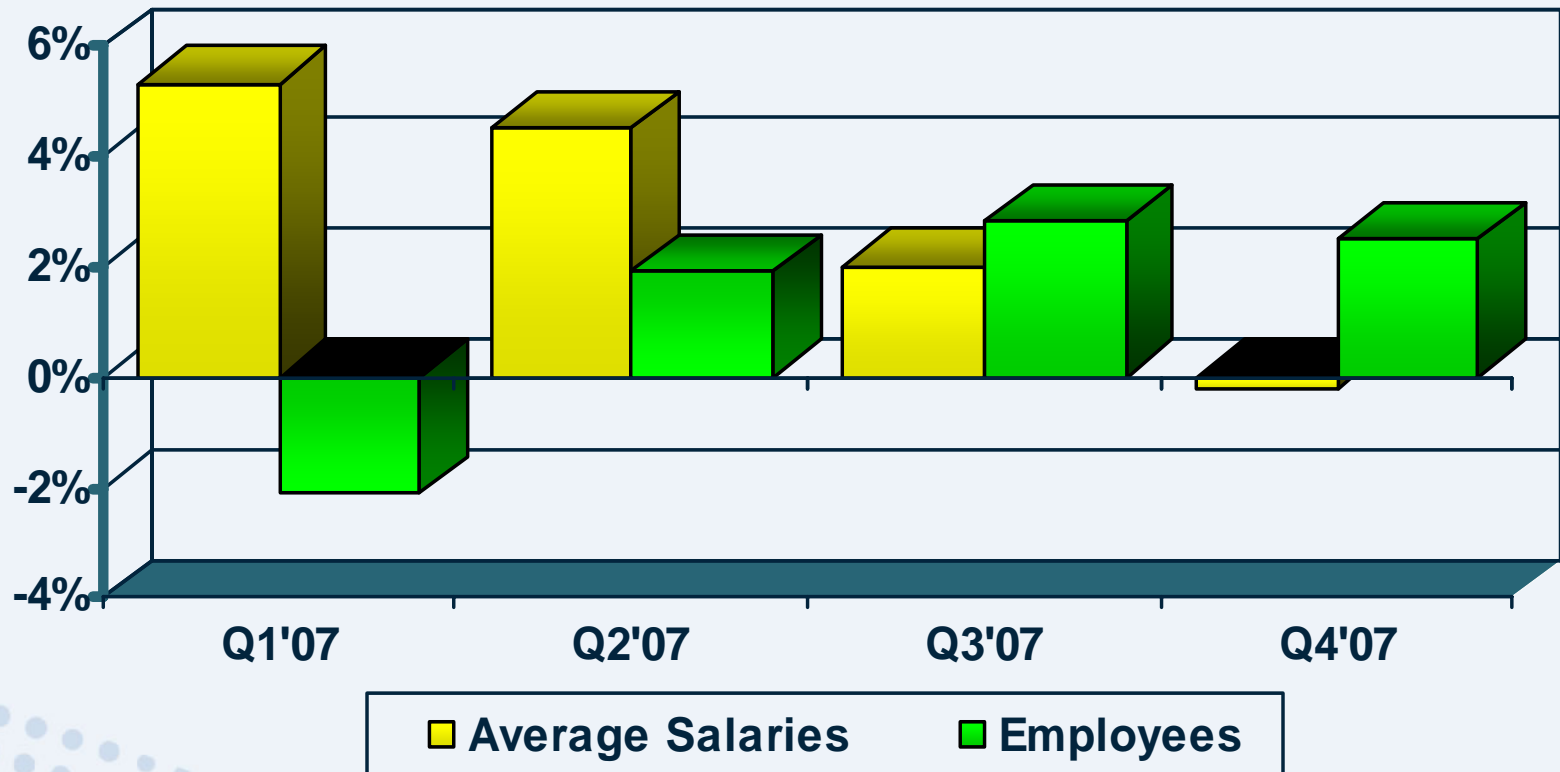
RASM



Average Salary Declines 0.2%; Employee Levels Up 583 or 2.5%.

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

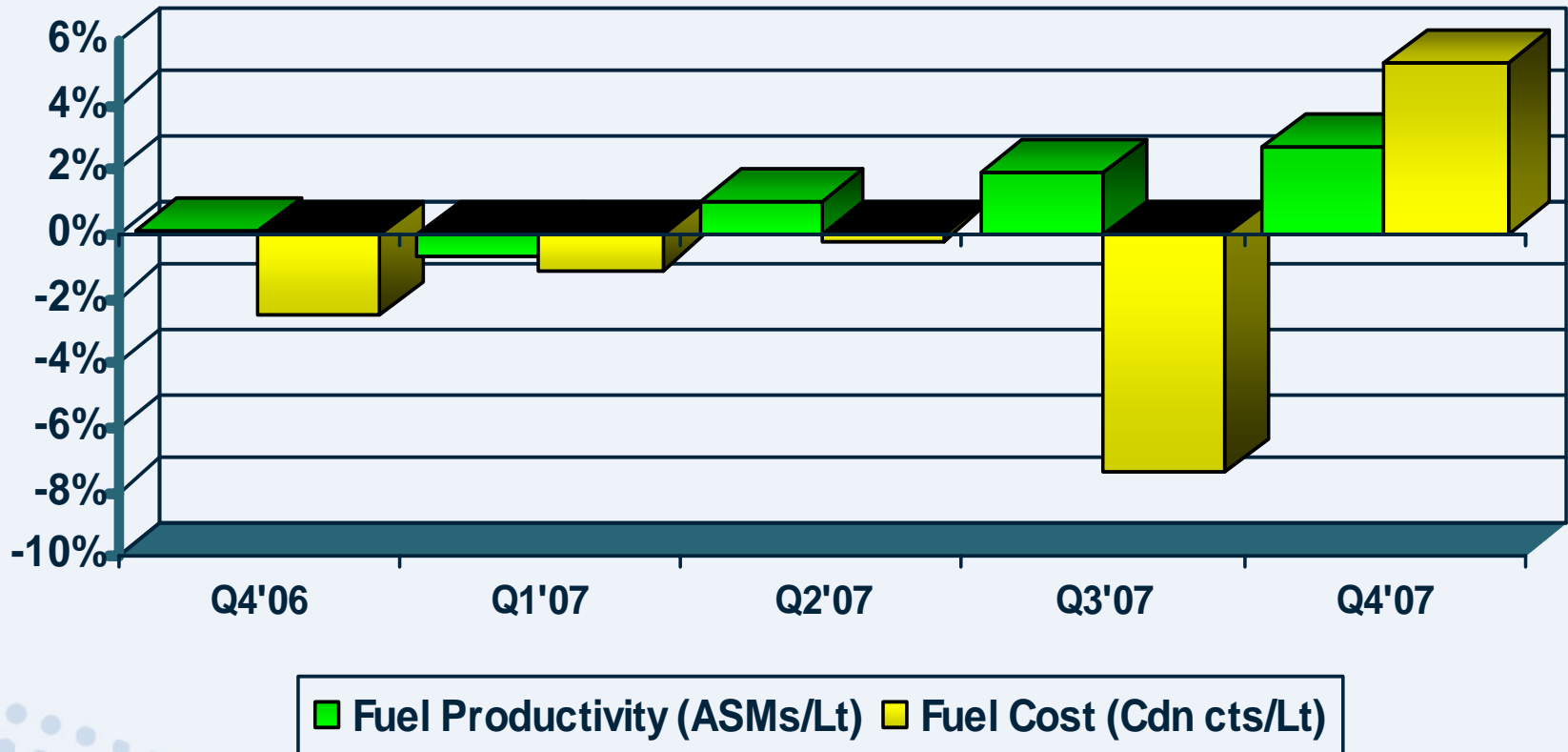
% Change Y-O-Y



Cost/Litre Up 5.3% While Fuel Productivity Improves 2.7% Reflecting the New 777's and the Removal of Two Freighters

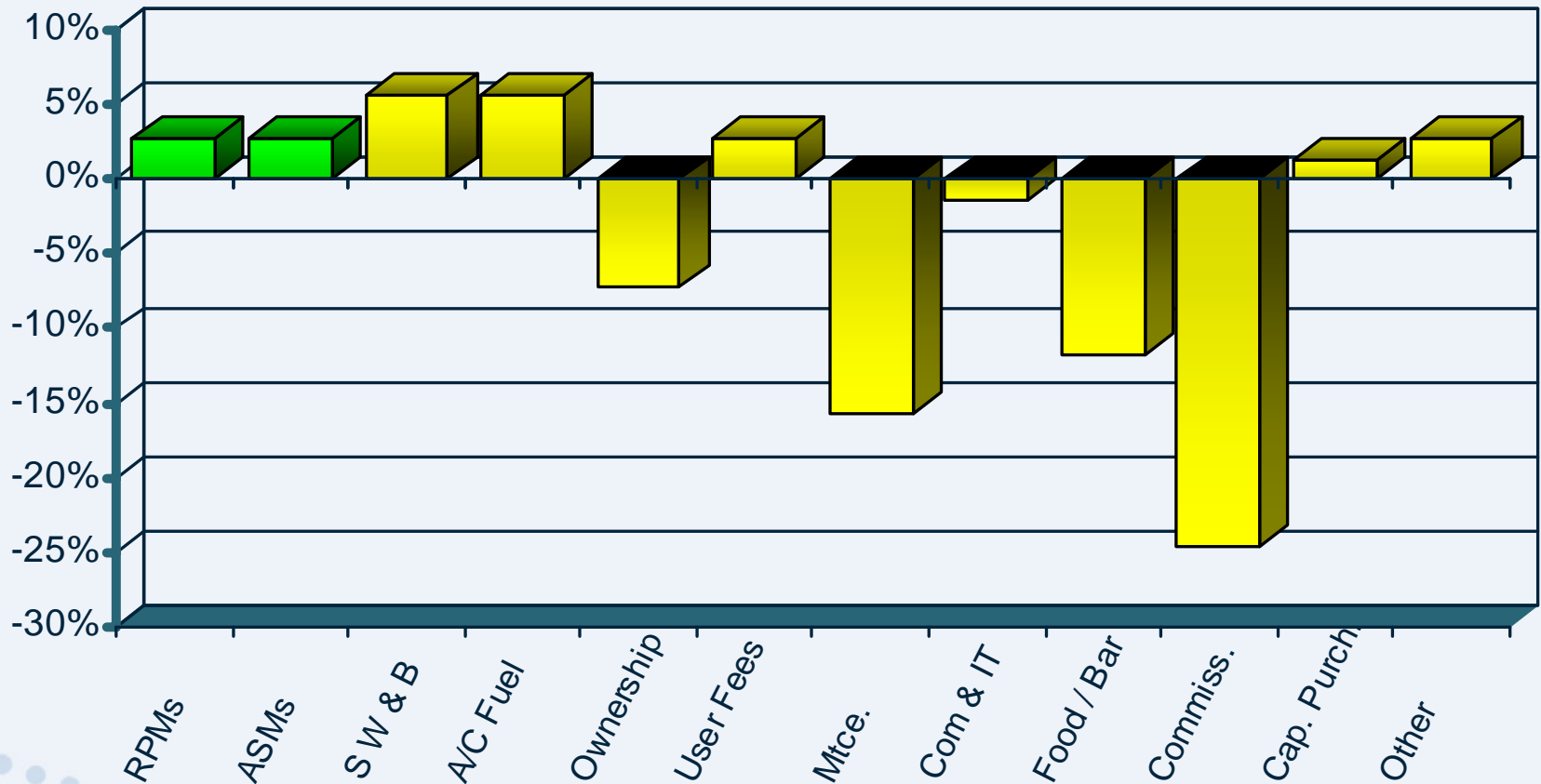
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



"Other" Cat. Incr. 2.7% as Higher ACV Gr. Pkg. Costs, Cr. Card Fees & Taxes are Partially Offset by Lower Utilities, Uniform Charges, Terminal Handling & Misc. Fees

% Change Y-O-Y

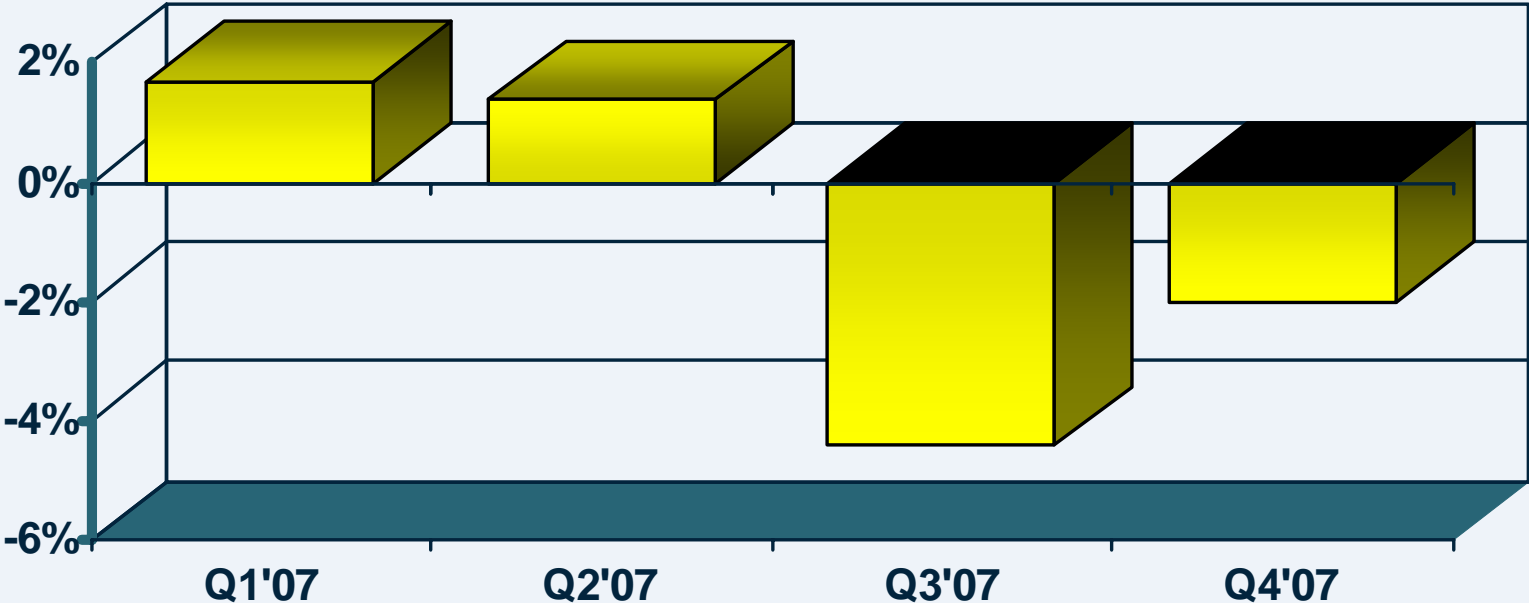


Q4 2007/2006

Unit Cost Down 2.0% Due to the Positive 777 Impact and Large Reductions in Ownership, Mtce. and Commissions

(Cost Per ASM)

% Change Y-O-Y



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