

AIR CANADA 

# Second Quarter 2008

*August 8, 2008*

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- Operating Statistics
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## 2nd Quarter EBITDAR of \$249 mln

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<i>(millions)</i>	<b>Q2 2008</b>	<b>Q2 2007</b>	<b>Change Fav./Unfav.)</b>
<b>Oper. Revenue</b>	\$ 2,782	\$ 2,639	\$ 143
<b>Oper. Expense</b>	2,775	2,551	(224)
<b>Oper. Income</b>	\$ 7	\$ 88	\$ (81)
<b>EBITDAR</b>	\$ 249	\$ 299	\$ (50)

## Q2 Net Interest Expense Increased \$20 mln

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<i>(millions)</i>	Q2 2008	Change Fav./((Unfav.))
<b>Net Interest Expense</b>	\$ (55)	\$ (20)
<b>Gain on Disposal</b>	7	(7)
<b>Other Non-Oper. Income (Exp.)</b>	176	188 - fair value adjustment on derivatives
<b>Total Non-Oper. Income</b>	<b>\$ 128</b>	<b>\$ 161</b>

# Q2 2008

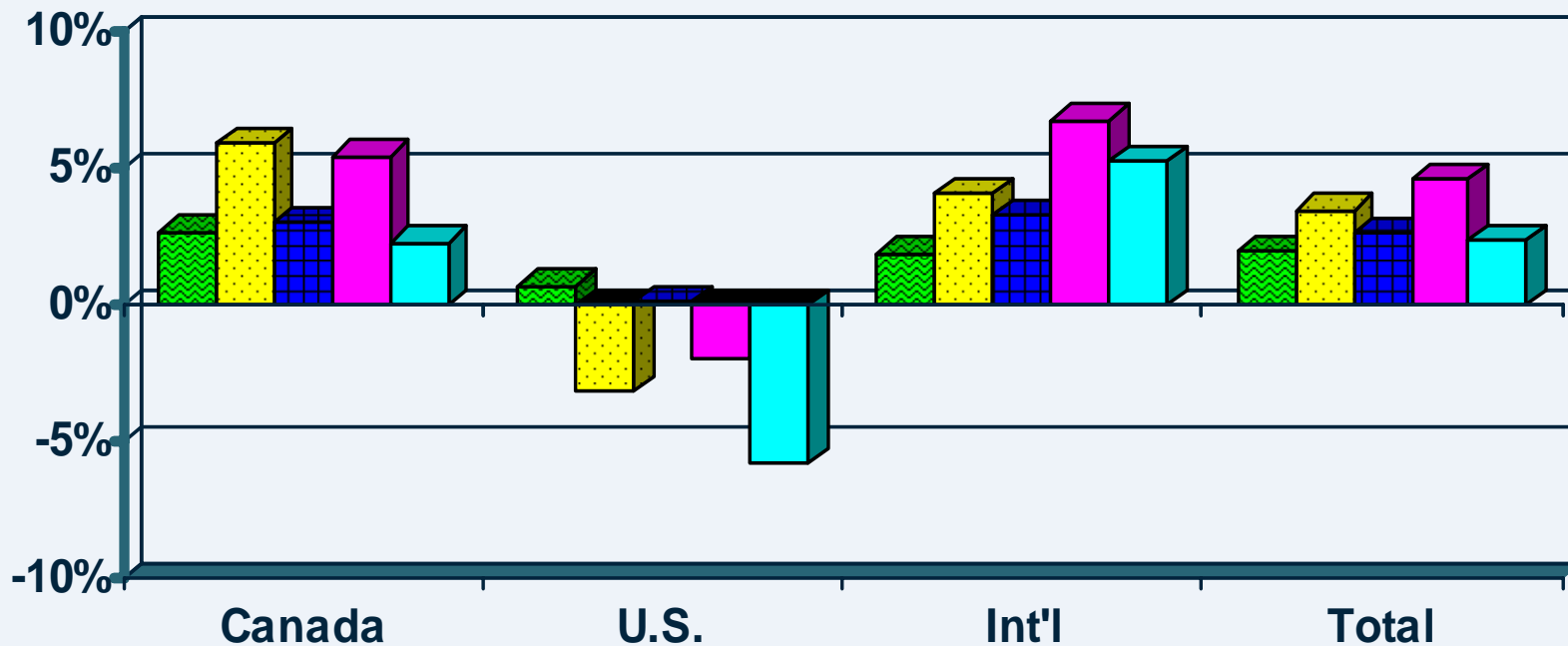
## Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↑ 2.3%	↑ 2.2%	0.0 PP	↑ 4.1%	↑ 4.0%	↑ 6.4%
US Transborder	↓ 5.8%	↓ 7.7%	↓ 1.6 PP	↑ 5.5%	↑ 3.5%	↓ 2.5%
Atlantic	↑ 0.8%	↑ 0.7%	0.0 PP	↑ 1.6%	↑ 1.6%	↑ 2.4%
Pacific	↑ 2.5%	↑ 3.5%	↑ 0.9 PP	↓ 0.9%	↑ 0.1%	↑ 2.6%
Latin Amer. & Other	↑ 25.0%	↑ 28.8%	↑ 2.3 PP	↑ 3.4%	↑ 6.5%	↑ 33.1%
<b>Total</b>	<b>↑ 2.4%</b>	<b>↑ 2.4%</b>	<b>0.0 PP</b>	<b>↑ 2.5%</b>	<b>↑ 2.6%</b>	<b>↑ 5.1%</b>
			<b>Total Expense</b>			<b>↑ 8.8%</b>
			<b>Total CASM</b>		<b>↑ 6.3%</b>	
			<b>Total CASM excl. Fuel</b>		<b>↓ -1.7%</b>	

# Capacity Growth Slows on Domestic Services and Decreases in the U.S.

(Y-O-Y Changes in Capacity)

*% Change in ASMs*

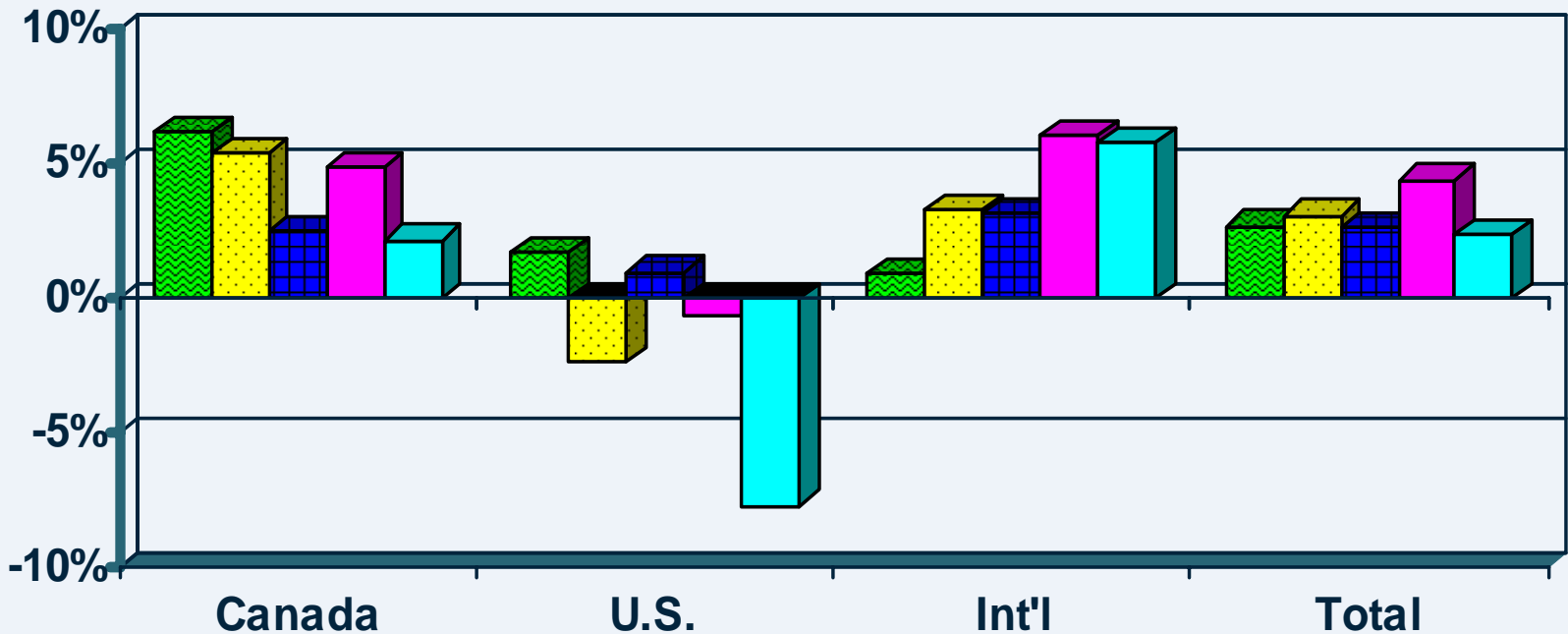


■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007

# System Traffic Growth Matches Increase in Capacity

(Y-O-Y Changes in Traffic)

*% Change in RPMs*

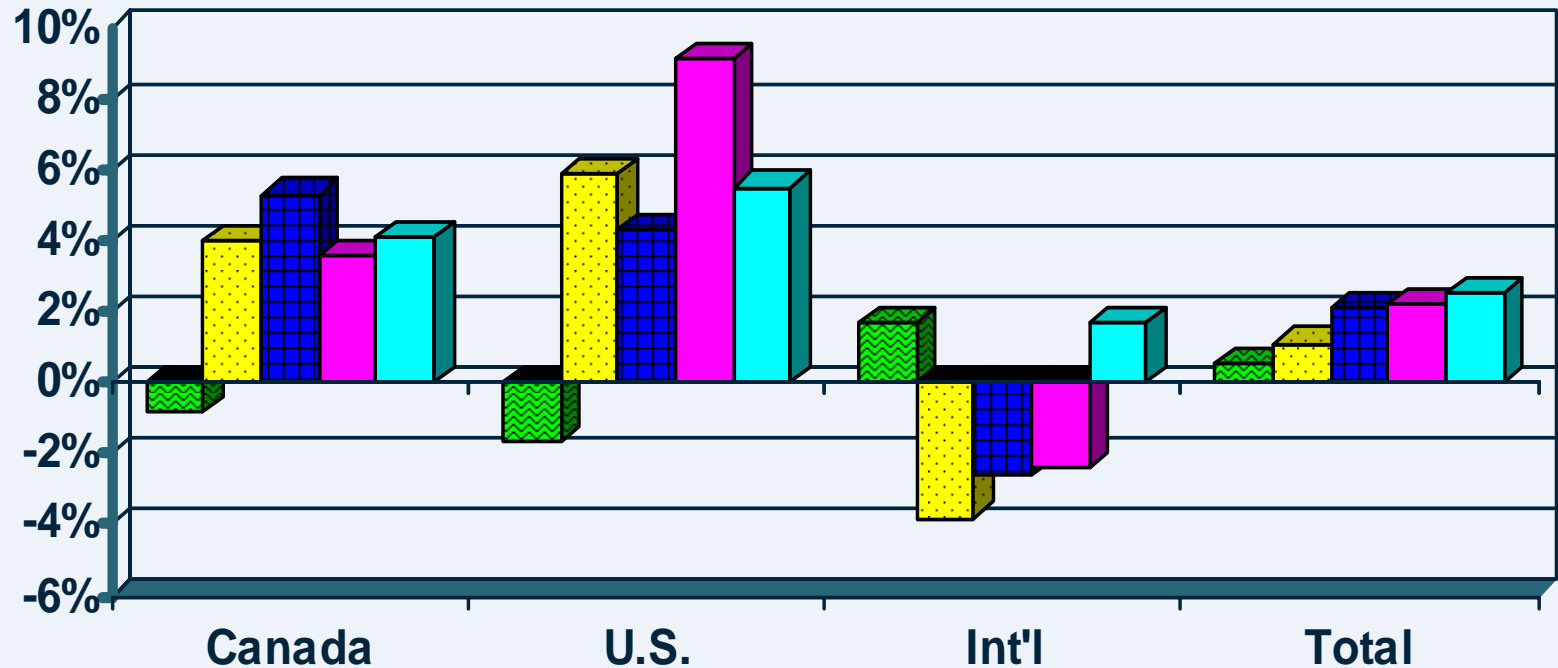


■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007

# International Yield Resumes Growth

(Y-O-Y Changes in Passenger Yield)

*% Change in Yield*



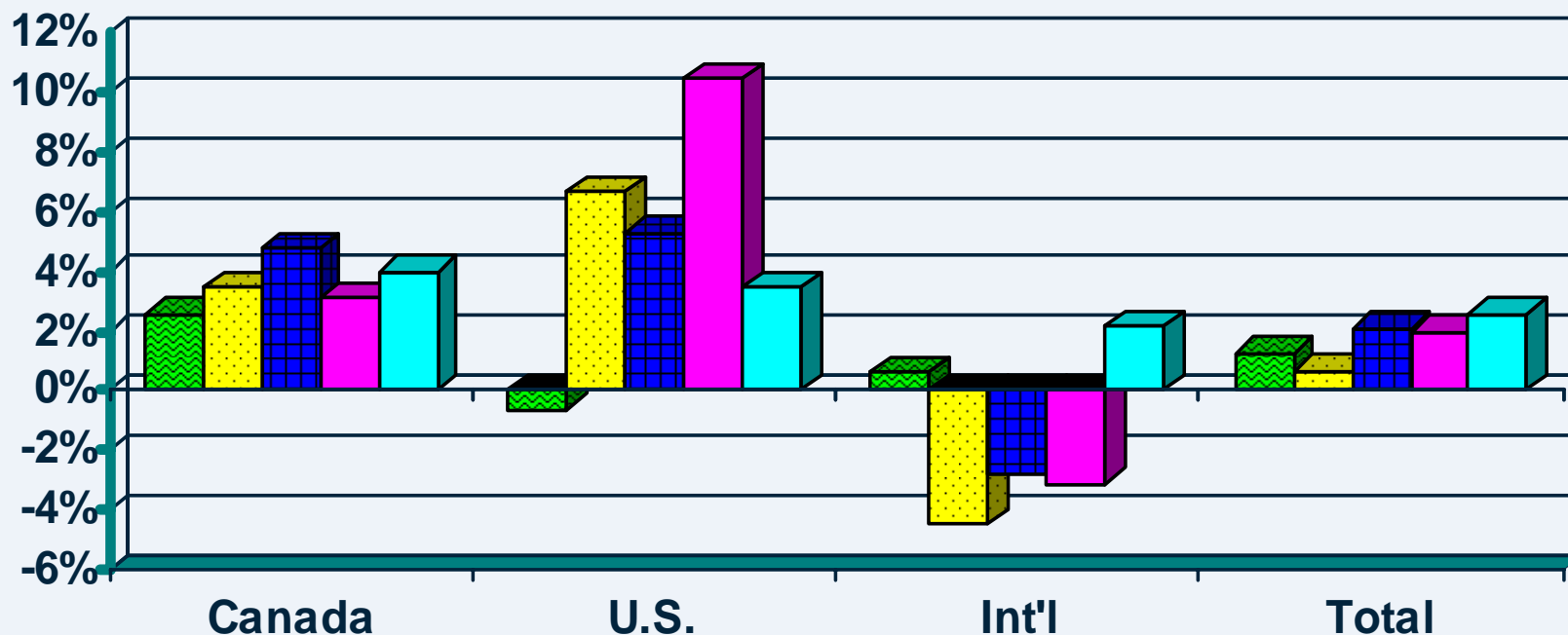
■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007



# Solid RASM Performance on All Services

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

*% Change in RASM*

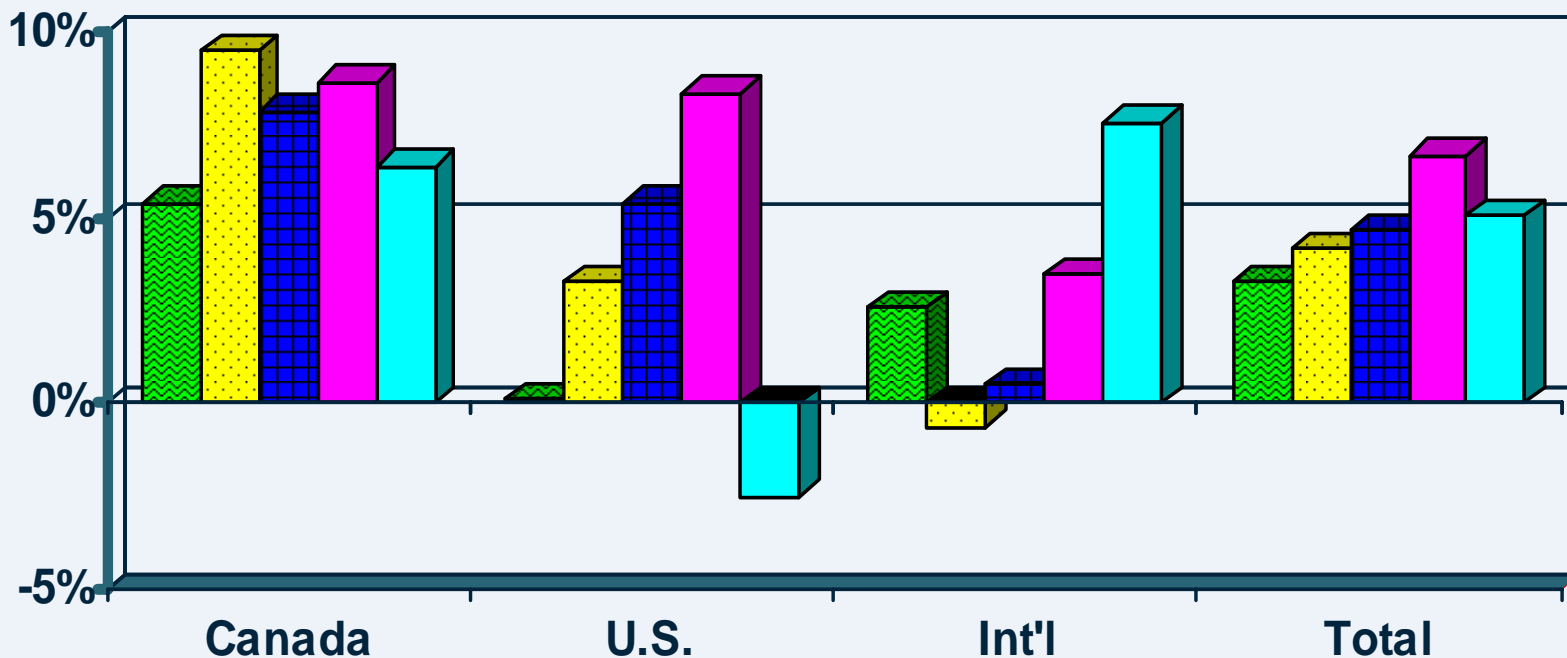


■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007

# Solid Domestic & International Revenue Performance While U.S. Revenues Contract

(Y-O-Y Changes in Passenger Revenue)

*% Change in Revenue*

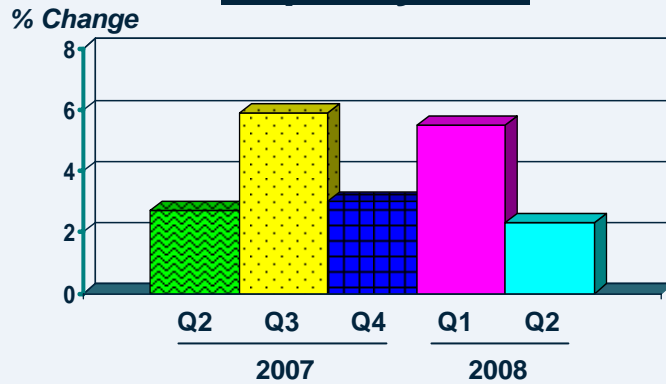


■ Q2 2007/2006 ■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007

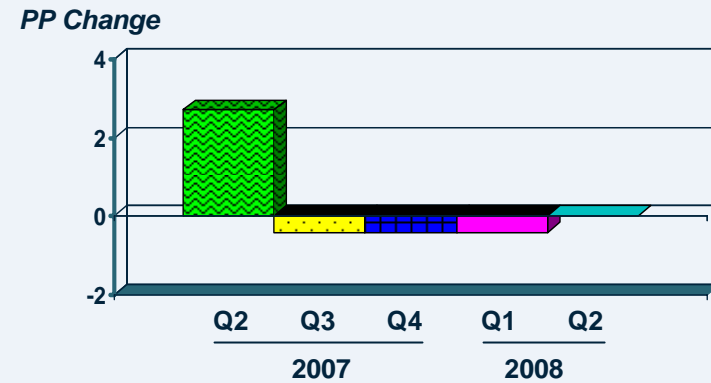
# Canada – Q2 RASM Increases 4.0% all on Higher Yield

## Y-O-Y Change

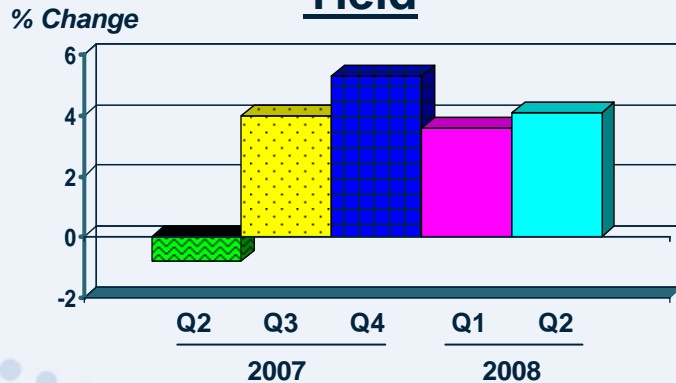
### Capacity (ASM)



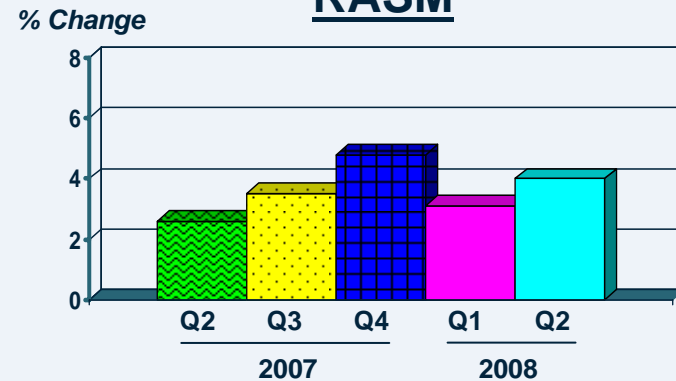
### Load Factor



### Yield



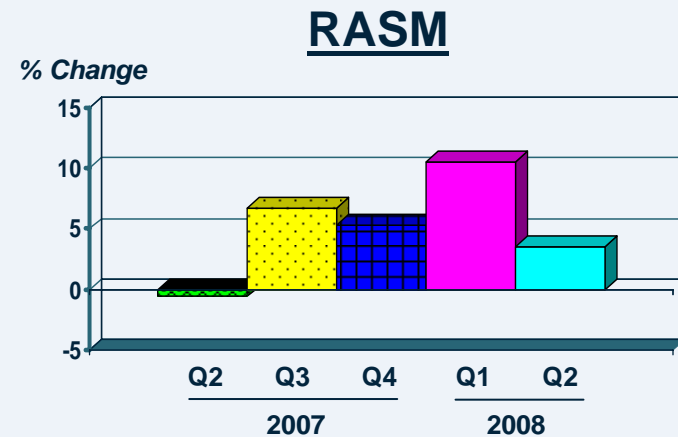
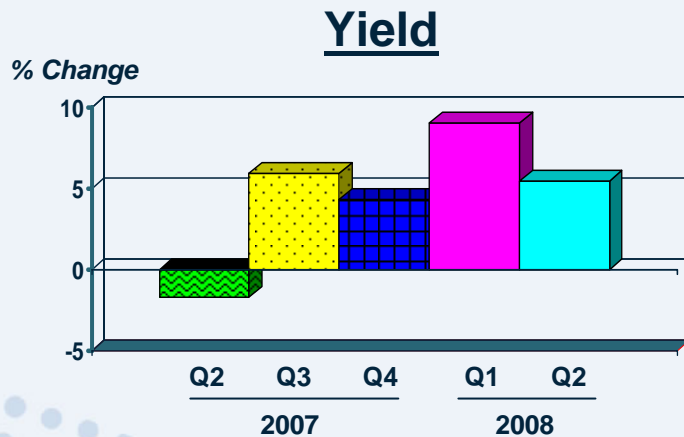
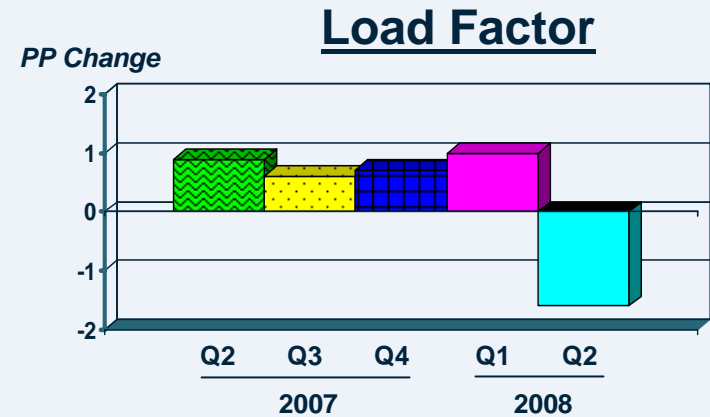
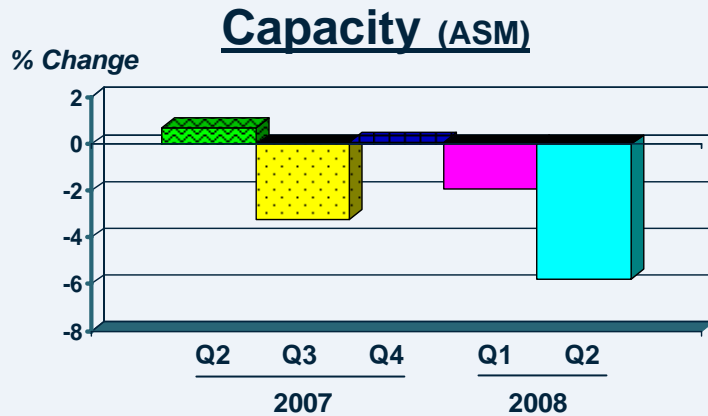
### RASM



# US Transborder –

## RASM Improves 3.5% All on Yield as LF Declines 1.6 Points

### Y-O-Y Change

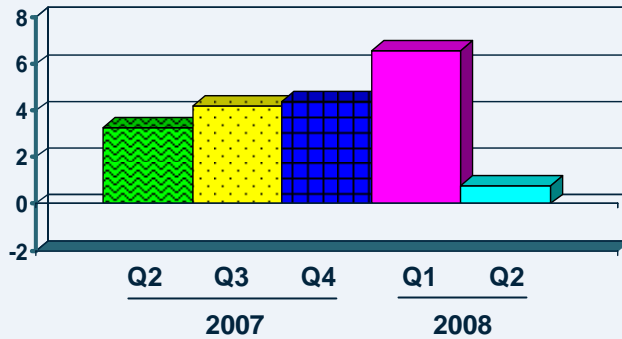


# Atlantic – Tight Capacity Improves LF and Yield

## Y-O-Y Change

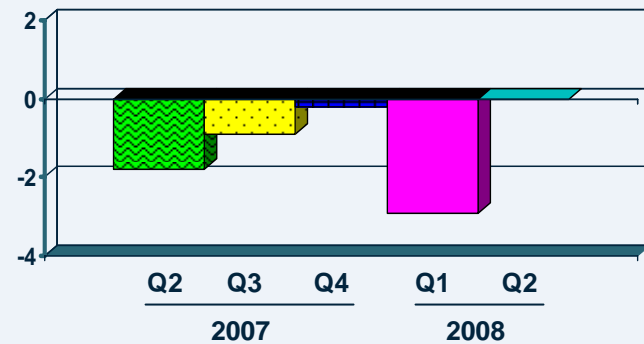
### Capacity (ASM)

% Change



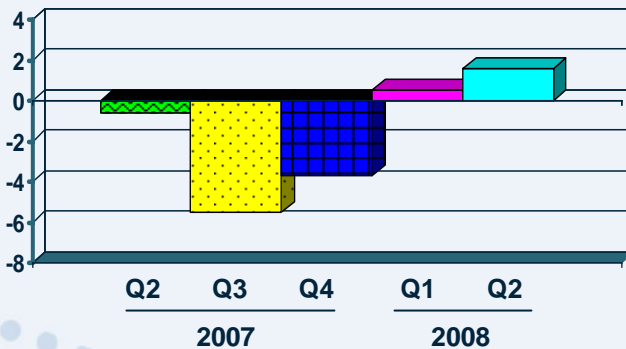
### Load Factor

PP Change



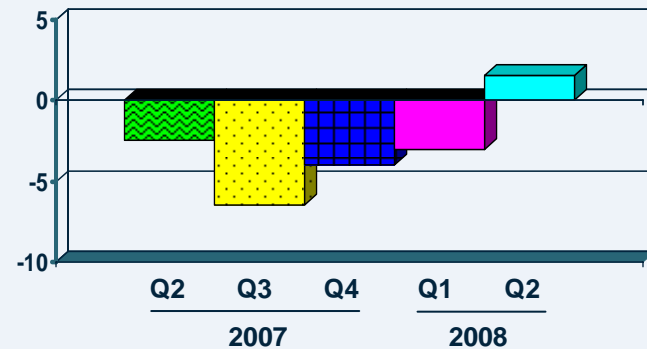
### Yield

% Change



### RASM

% Change

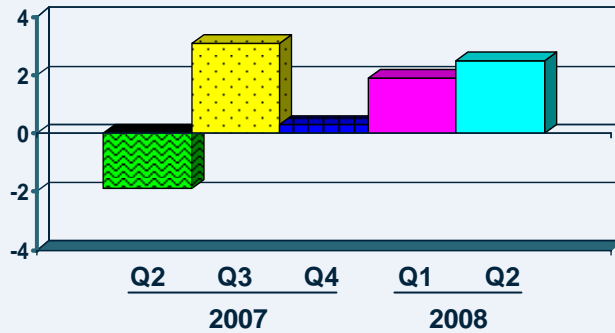


# Pacific – RASM Flat as Better Load Factor Offsets Soft Yield

## Y-O-Y Change

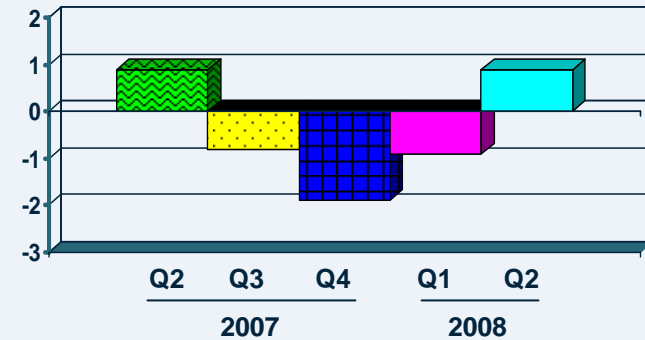
### Capacity (ASM)

% Change



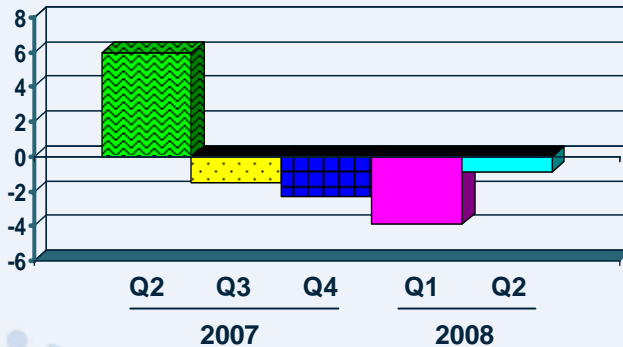
### Load Factor

PP Change



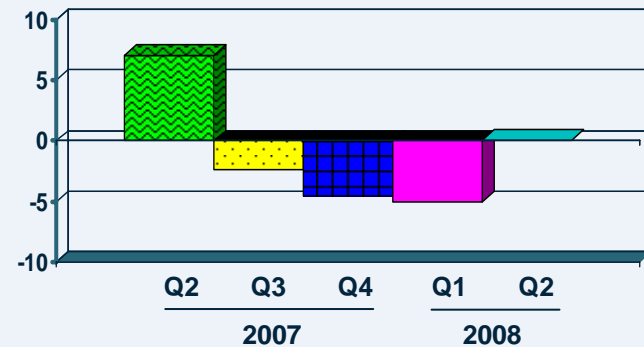
### Yield

% Change



### RASM

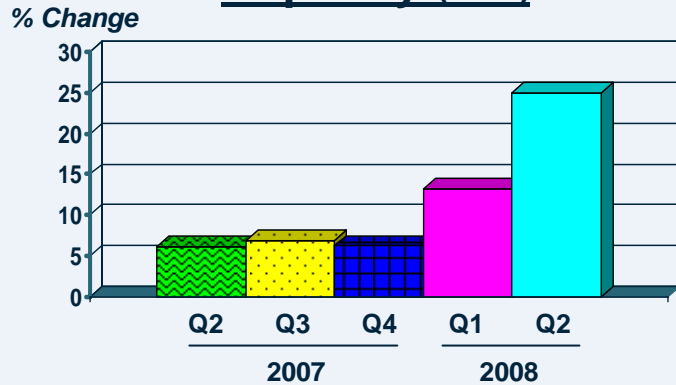
% Change



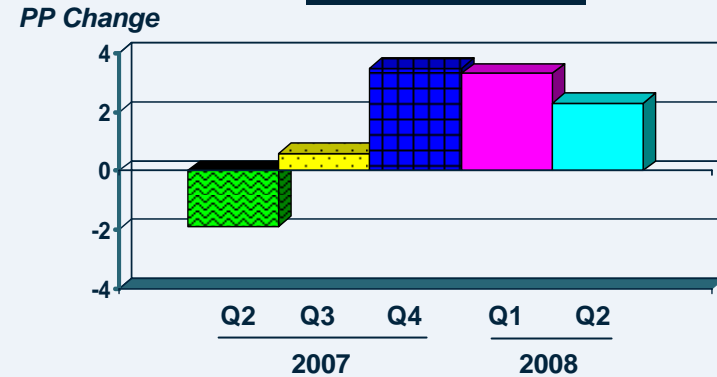
# Caribbean, Latin America & Australia – RASM Jumps 6.5% on Strong Yield and LF

## Y-O-Y Change

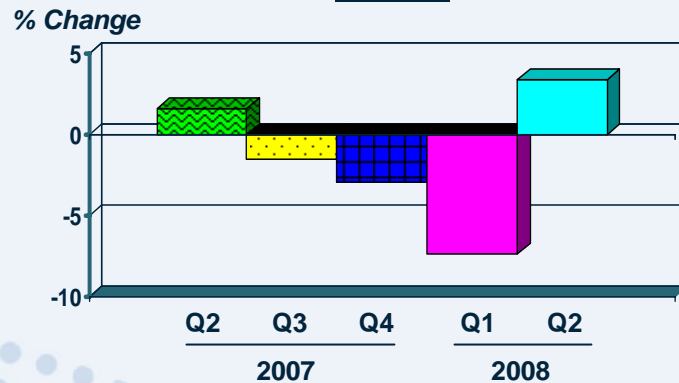
### Capacity (ASM)



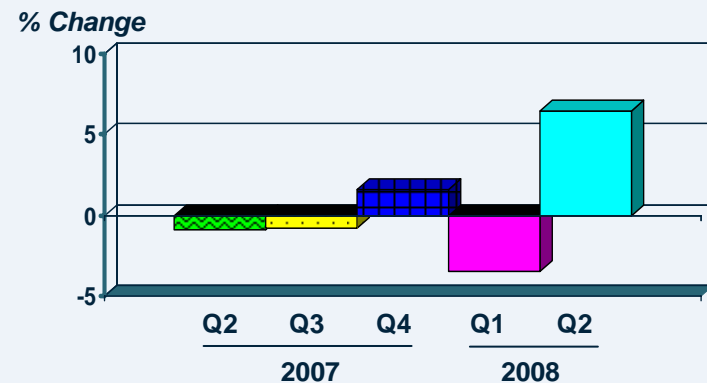
### Load Factor



### Yield



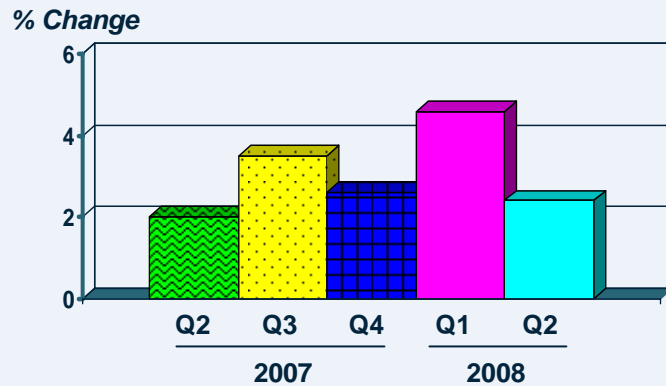
### RASM



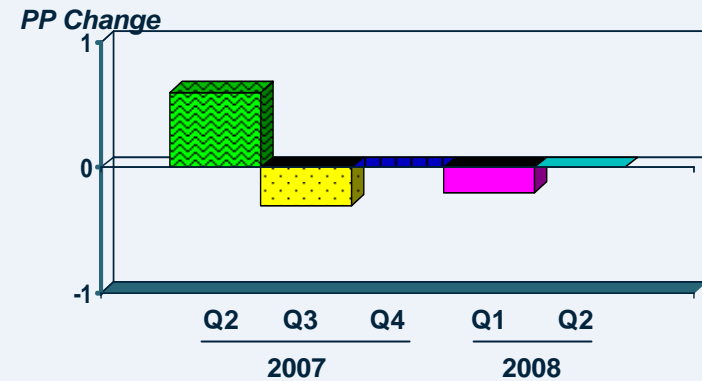
# Total – System RASM Lifts 2.6% All on Higher Yield – Total CASM Incr. 6.3% All on Fuel – Ex. Fuel CASM Down 1.7%

## Y-O-Y Change

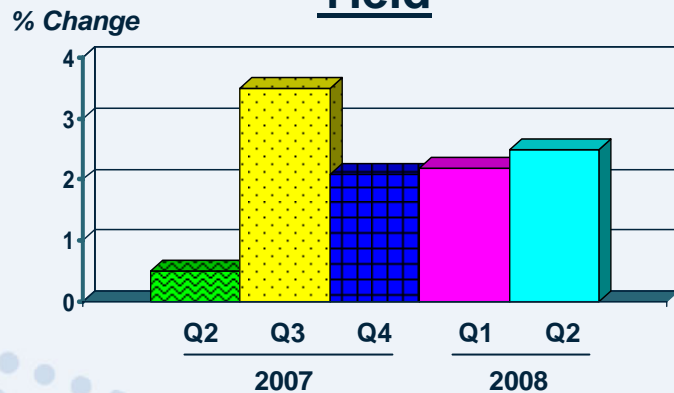
### Capacity (ASM)



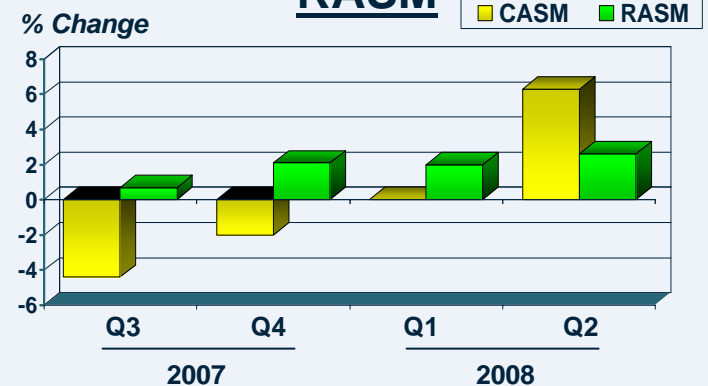
### Load Factor



### Yield



### RASM

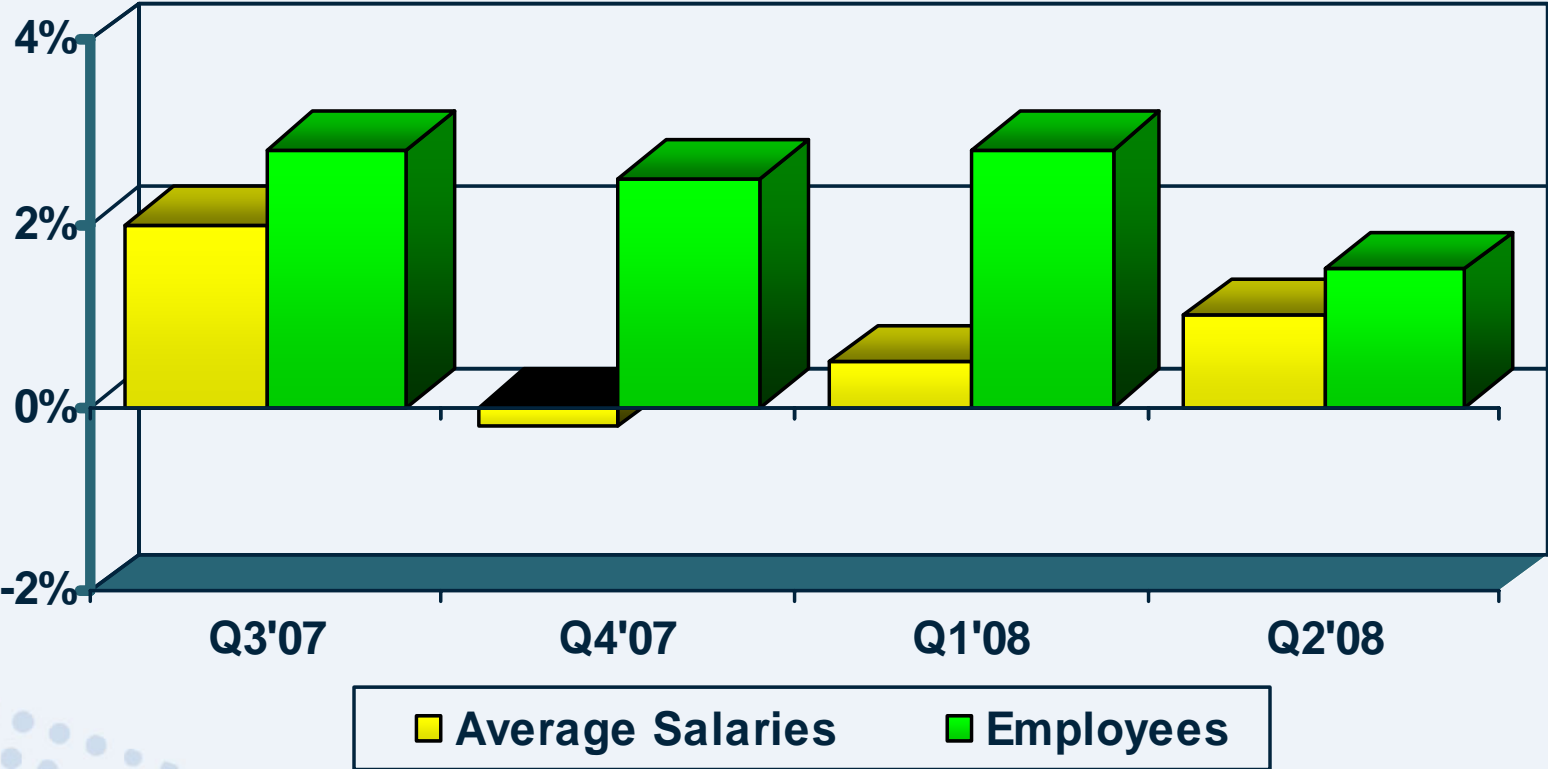




# Average Salary Up 1%; Employee Levels Up 353 or 1.5%

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

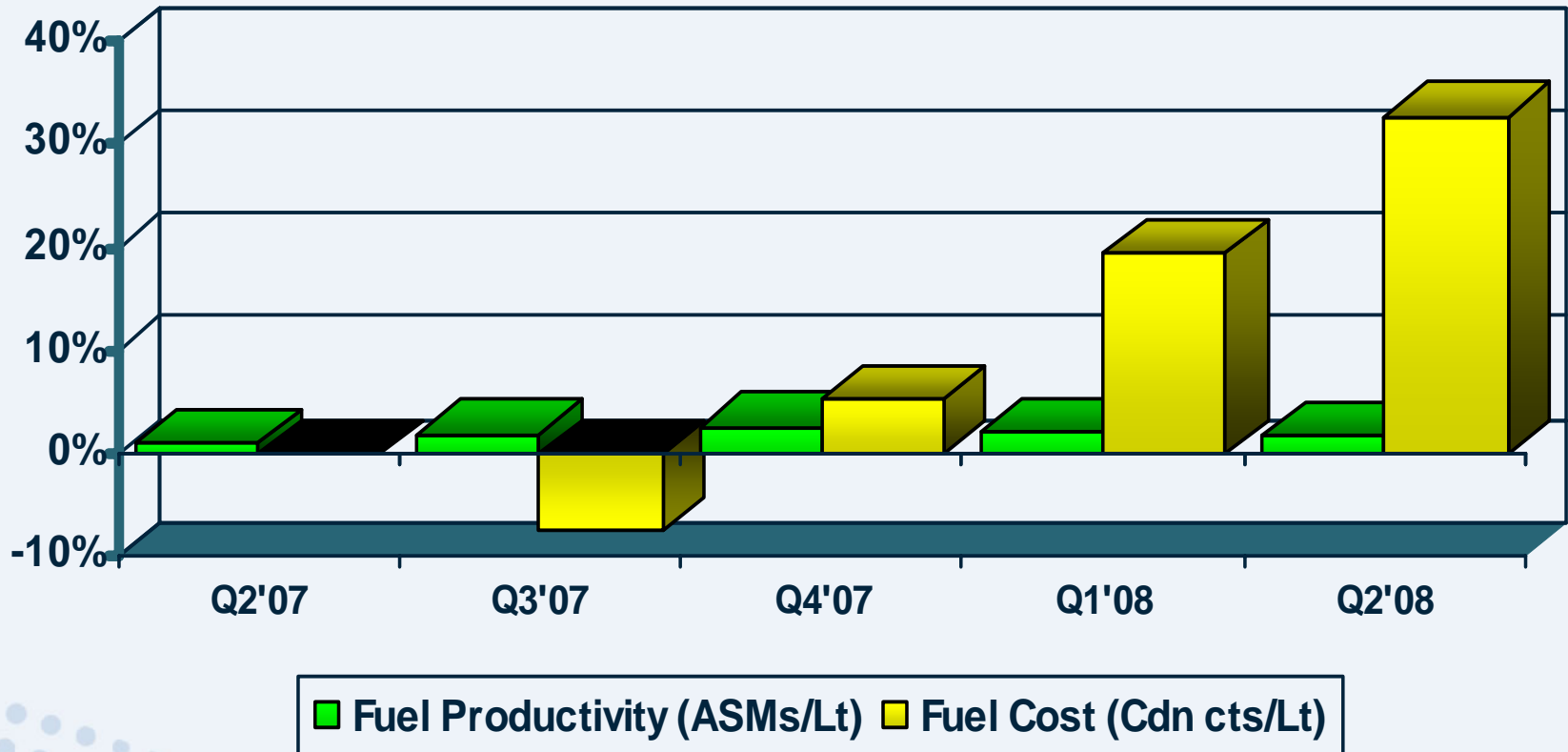
% Change Y-O-Y



# Cost/Litre Up 32.6% While Fuel Productivity Improves 1.8% Reflecting the New 777's and the Removal of Two Freighters

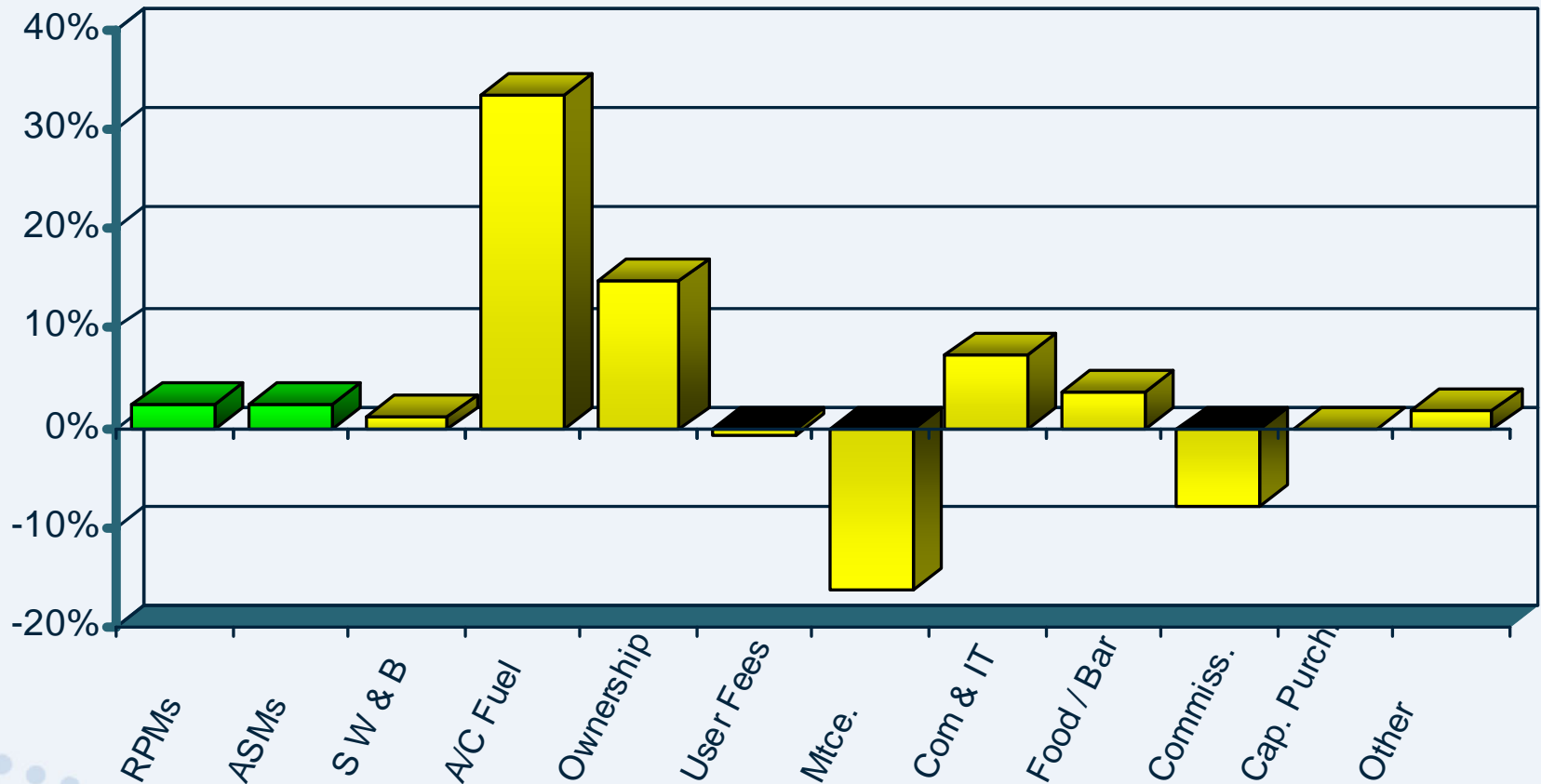
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



# "Other" Cat. Incr. 1.8% on Higher ACV Gr. Pkg. Costs, Credit Card Fees & Advertising

**% Change Y-O-Y**

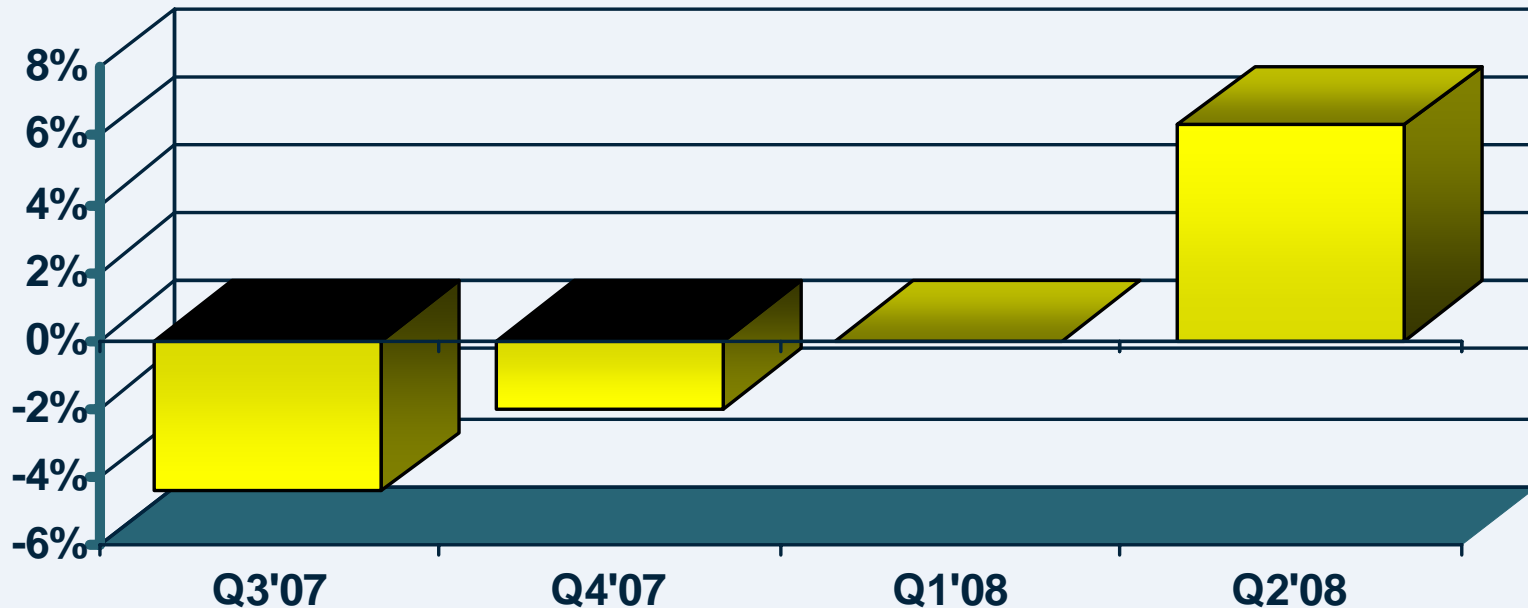


**Q2 2008/2007**

# Unit Cost Up 6.3% as Positive 777 Impact, Currency Benefit and Other Cost Reductions More Than Offset by Soaring Fuel – Ex Fuel Unit Cost Down 1.7%

(Cost Per ASM)

% Change Y-O-Y



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