

AIR CANADA 

Third Quarter 2008

November 7, 2008

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3rd Quarter EBITDAR of \$355 mln

<i>(millions)</i>	Q3 2008	Q3 2007	Change Fav./Unfav.)
Oper. Revenue	\$ 3,075	\$ 2,954	\$ 121
Oper. Expense	2,963	2,603	(360)
Oper. Income	\$ 112	\$ 351	\$ (239)
EBITDAR	\$ 355	\$ 561	\$ (206)

Q3 Net Interest Expense Increased \$16 mln

<i>(millions)</i>	Q3 2008	Change Fav./((Unfav.))
Net Interest Expense	\$ (53)	\$ (16)
Gain on Disposal	-	2
Other Non-Oper. Income (Exp.)	(94)	(88) - fair value adjustment on derivatives
Total Non-Oper. Income	\$ (147)	\$(102)

Q3 2008

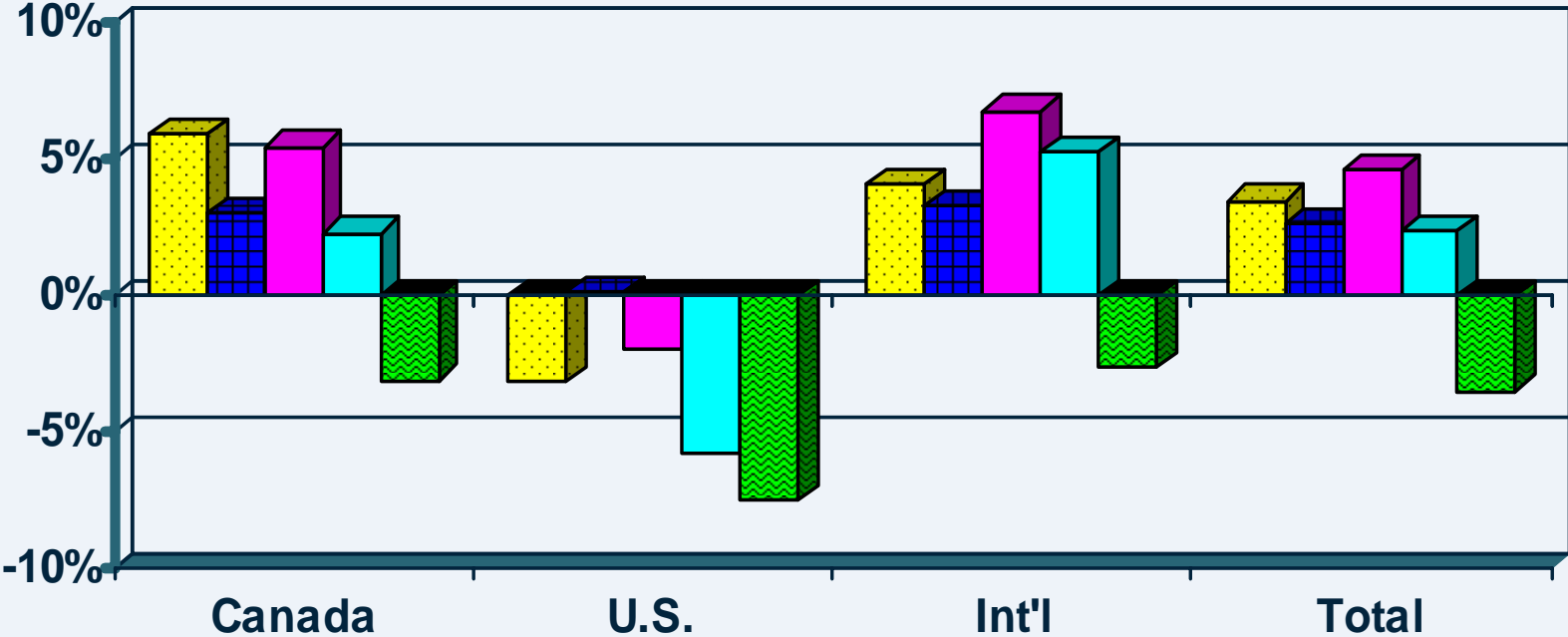
Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↓ 3.1%	↓ 4.4%	↓ 1.1 PP	↑ 5.3%	↑ 3.8%	↑ 1.0%
US Transborder	↓ 7.5%	↓ 10.0%	↓ 2.1 PP	↑ 10.2%	↑ 7.2%	↓ 0.6%
Atlantic	↓ 7.3%	↓ 1.0%	↑ 5.7 PP	↑ 6.7%	↑ 13.9%	↑ 5.6%
Pacific	↓ 4.1%	↓ 2.5%	↑ 1.3 PP	↑ 8.6%	↑ 10.3%	↑ 5.9%
Latin Amer. & Other	↑ 20.4%	↑ 20.7%	↑ 0.1 PP	↑ 9.6%	↑ 9.9%	↑ 32.3%
Total	↓ 3.5%	↓ 2.2%	↑ 1.0 PP	↑ 6.2%	↑ 7.5%	↑ 4.0%
			Total Expense			↑ 14.0%
			Total CASM		↑ 17.9%	
			Total CASM excl. Fuel		↑ 4.3%	

Capacity Reduced Throughout System

(Y-O-Y Changes in Capacity)

% Change in ASMs

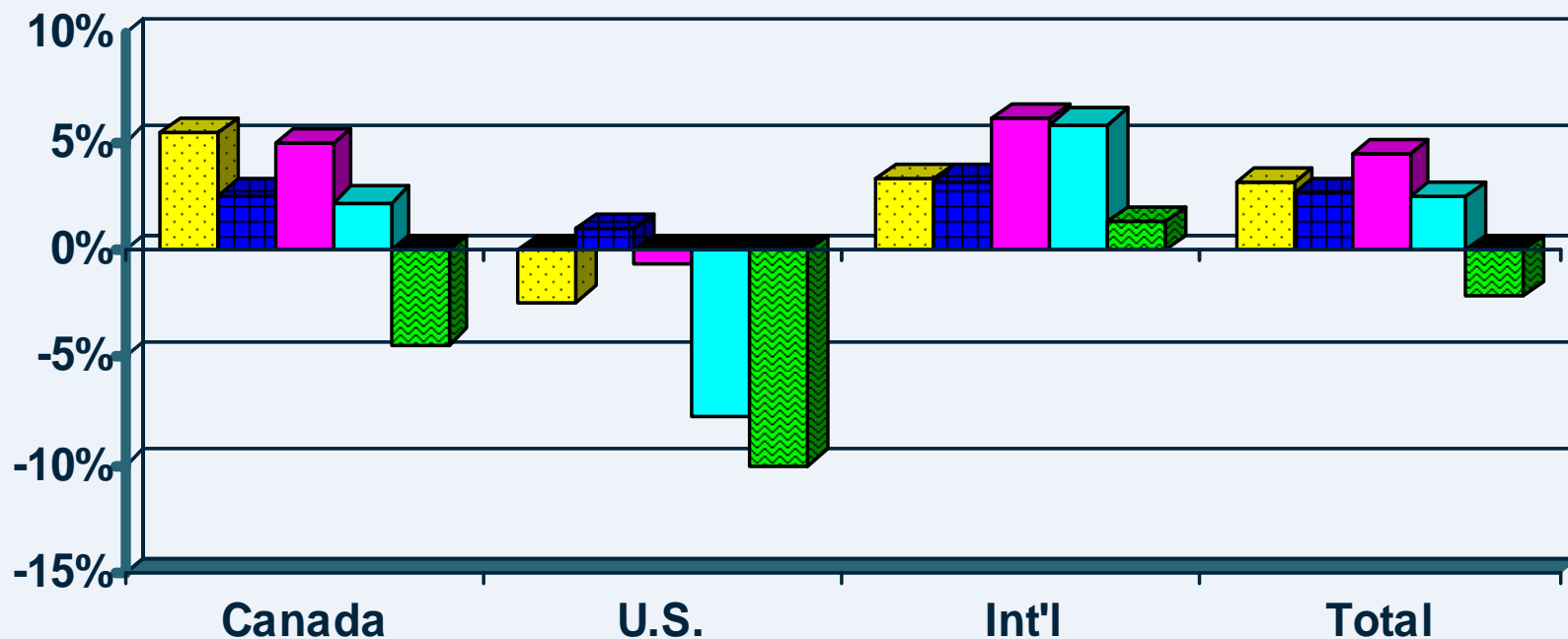


■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007

System Traffic Decrease Less Than Capacity Reduction

(Y-O-Y Changes in Traffic)

% Change in RPMs

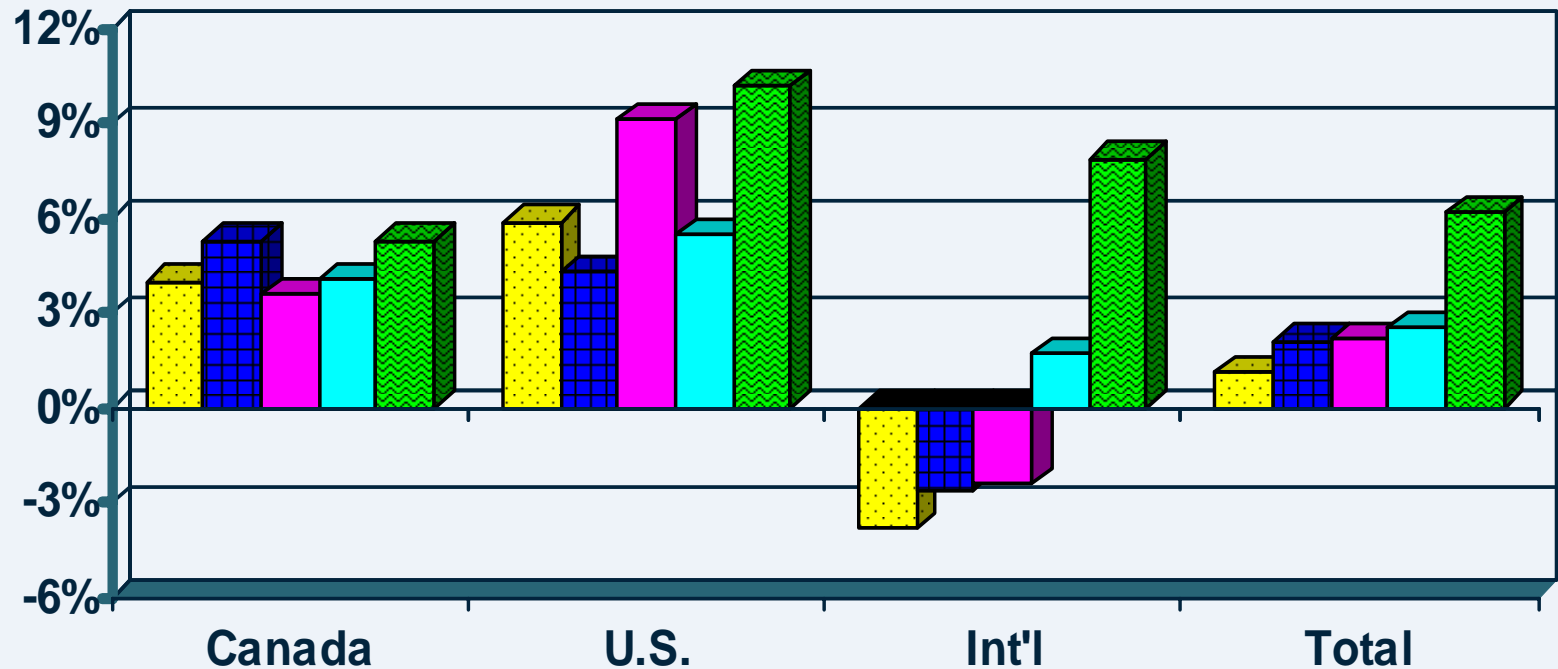


■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007

Yield Rises Sharply on All Services

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

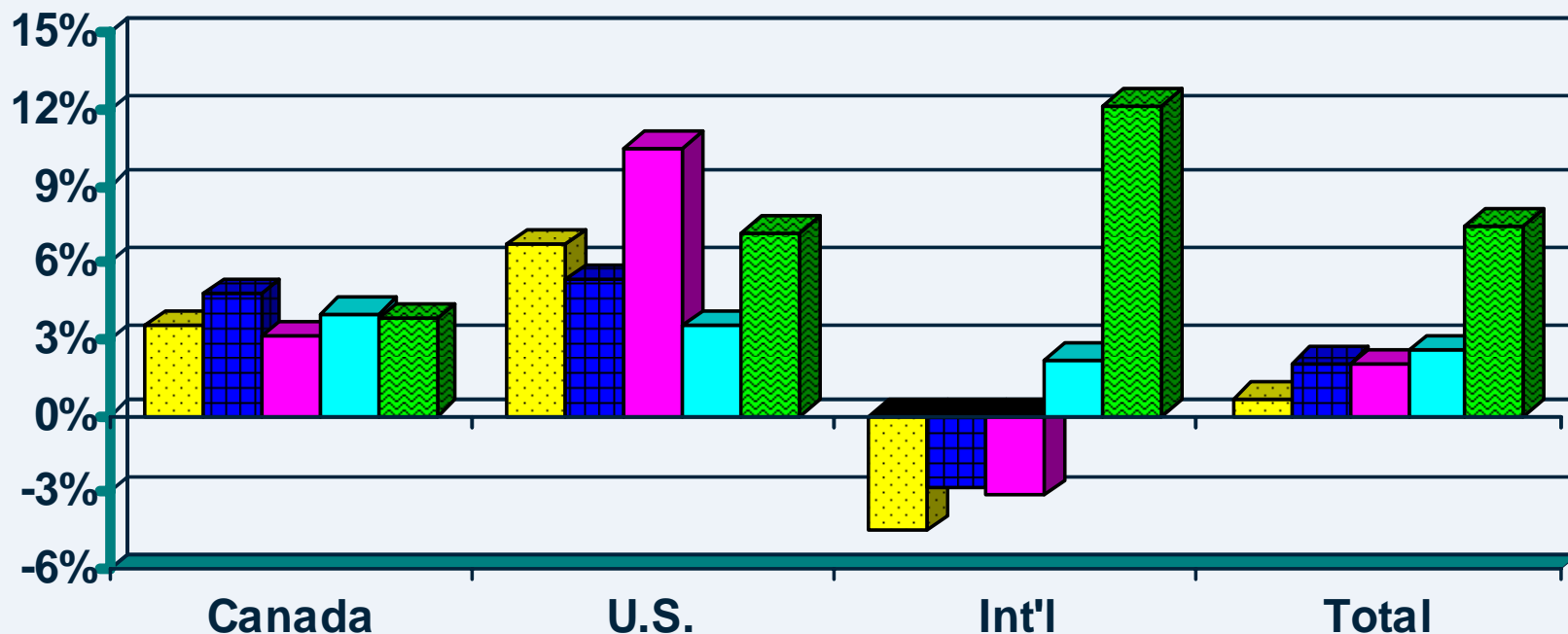


■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007

Solid RASM Performance on All Services – But Particularly International

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

% Change in RASM

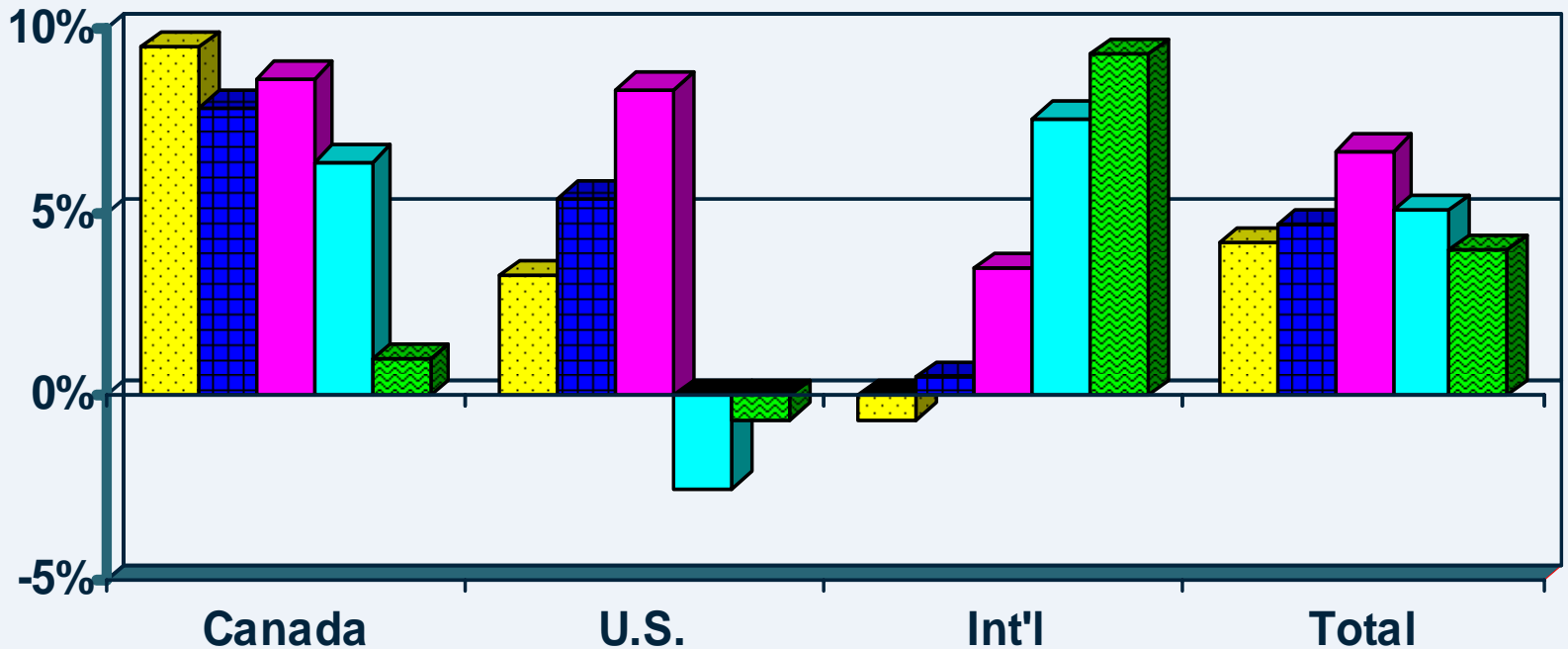


■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007

Solid International Revenue Performance While U.S. Revenues Contract

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue

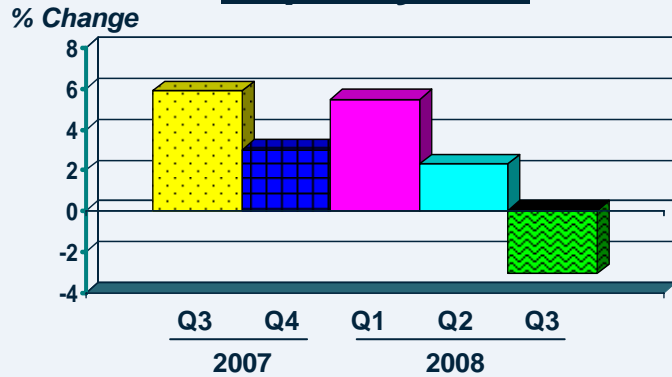


■ Q3 2007/2006 ■ Q4 2007/2006 ■ Q1 2008/2007 ■ Q2 2008/2007 ■ Q3 2008/2007

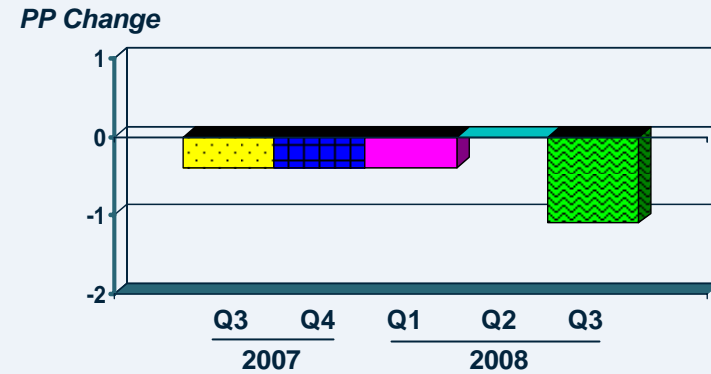
Canada – Q3 RASM Increases 3.8% All on Higher Yield

Y-O-Y Change

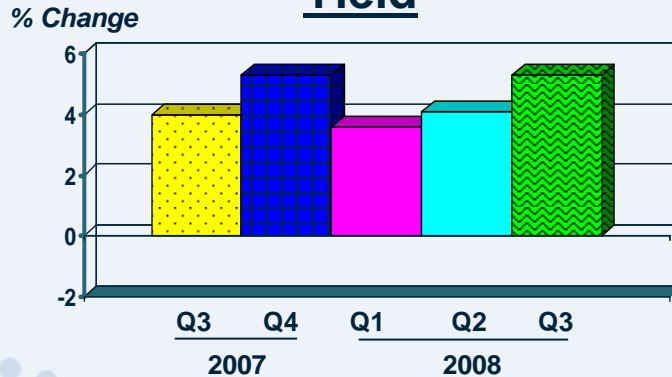
Capacity (ASM)



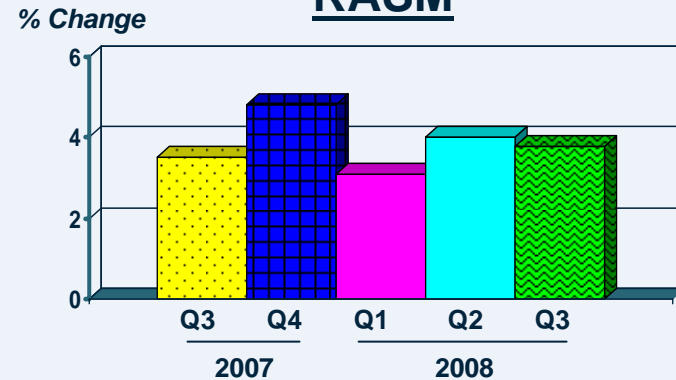
Load Factor



Yield



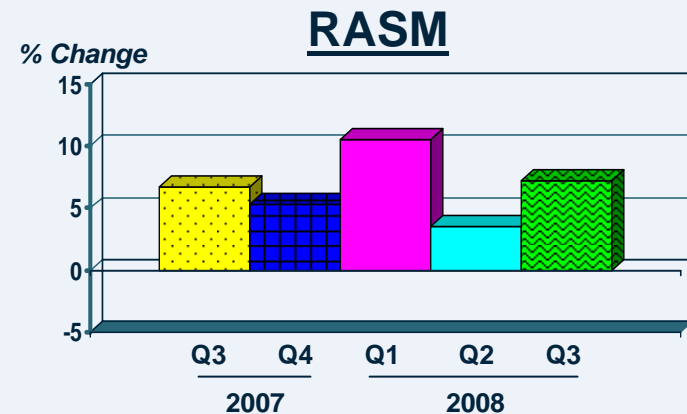
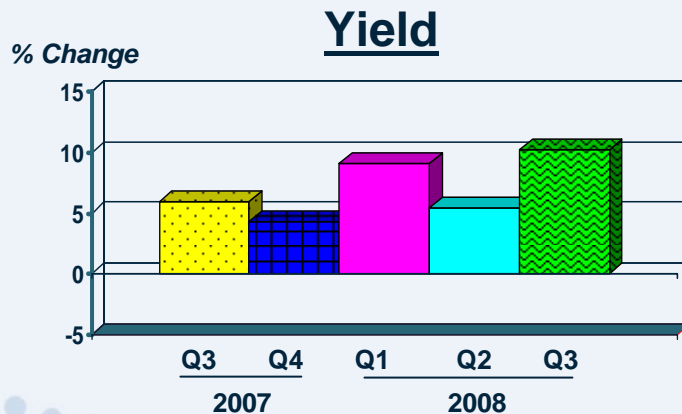
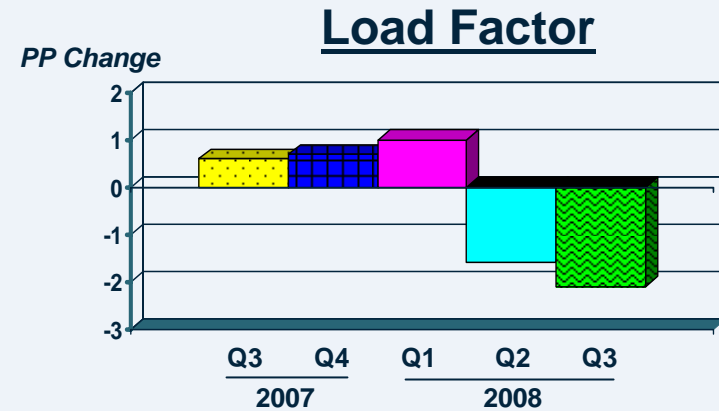
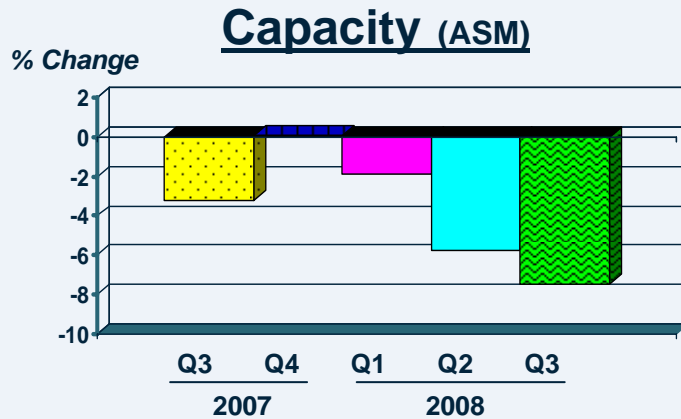
RASM



US Transborder –

RASM Improves 7.2% All on Yield as LF Declines 2.1 Pts

Y-O-Y Change



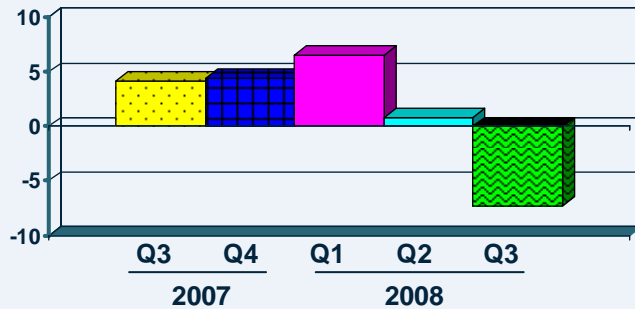
Atlantic –

Tight Capacity Improves LF and Yield – RASM Up 13.9%

Y-O-Y Change

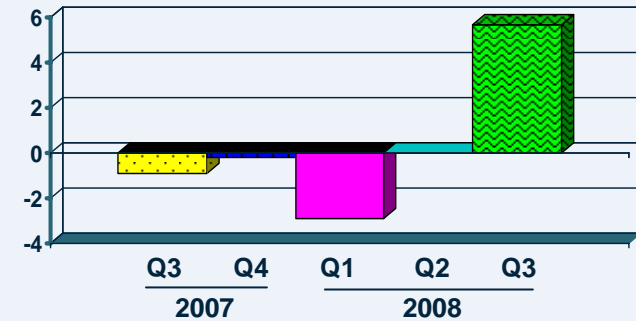
Capacity (ASM)

% Change



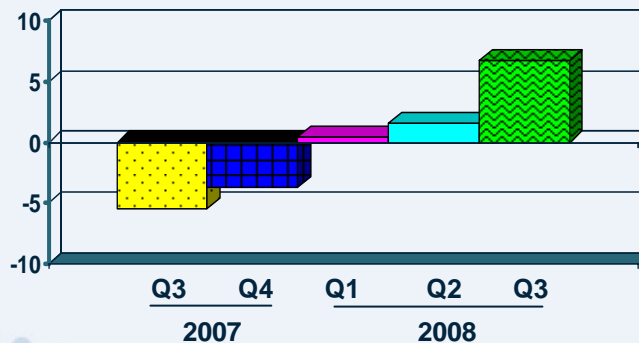
Load Factor

PP Change



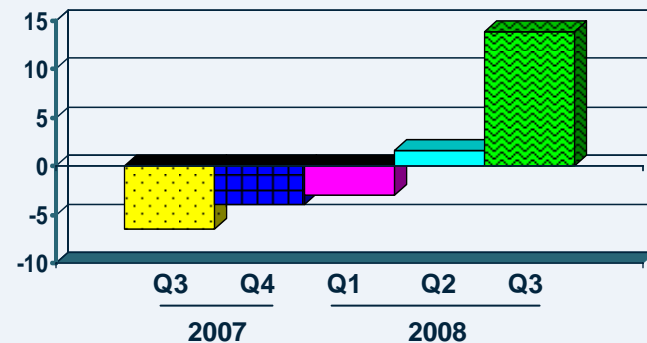
Yield

% Change



RASM

% Change

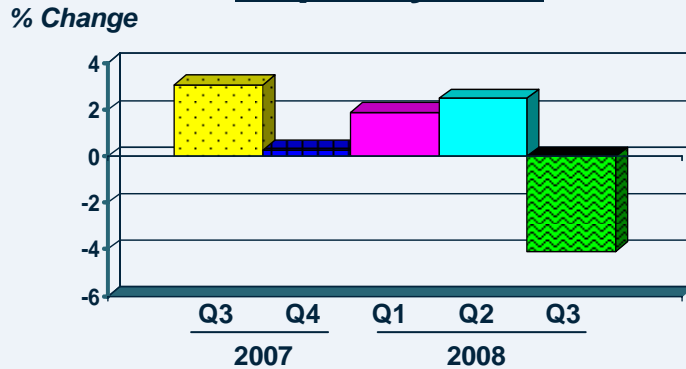


Pacific –

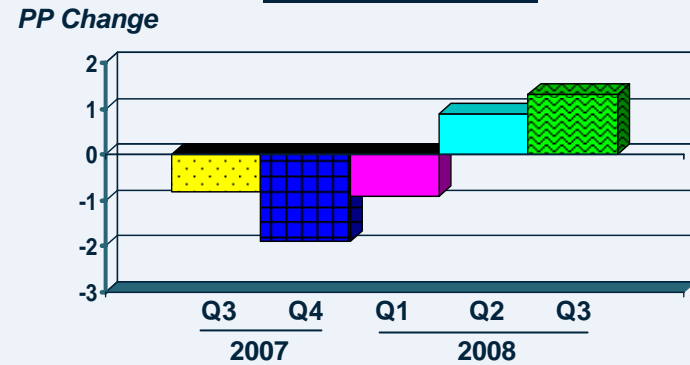
RASM Jumps 10.3% on Strong Yield as Capacity Cut

Y-O-Y Change

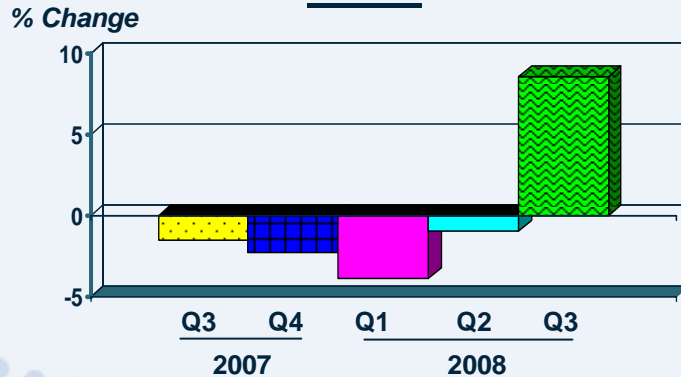
Capacity (ASM)



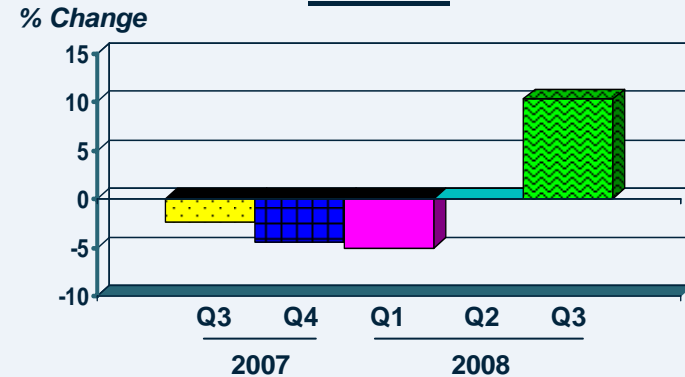
Load Factor



Yield

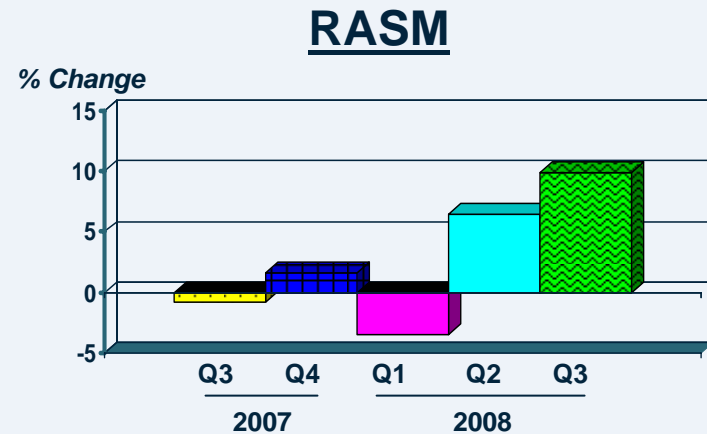
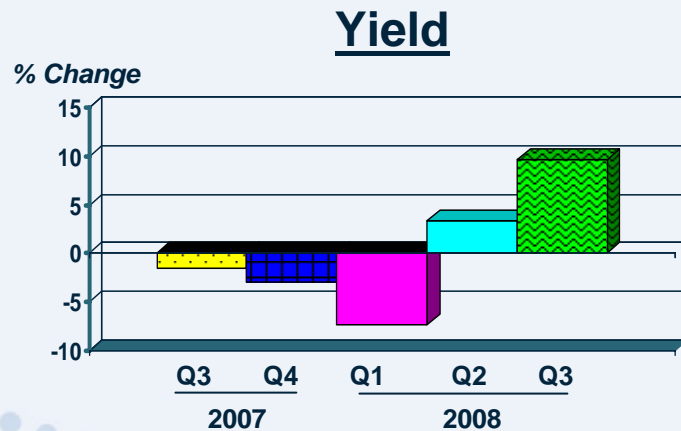
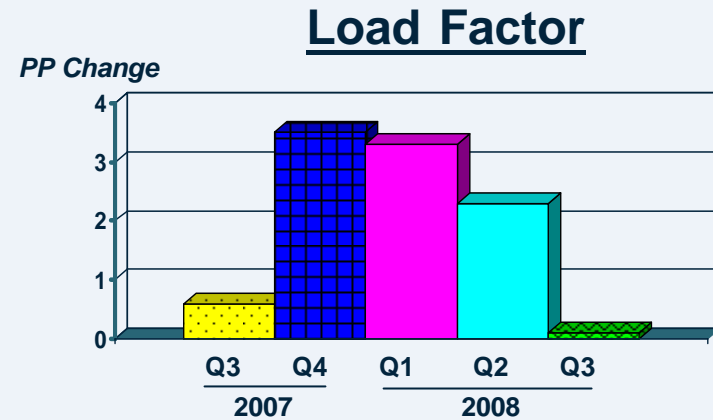
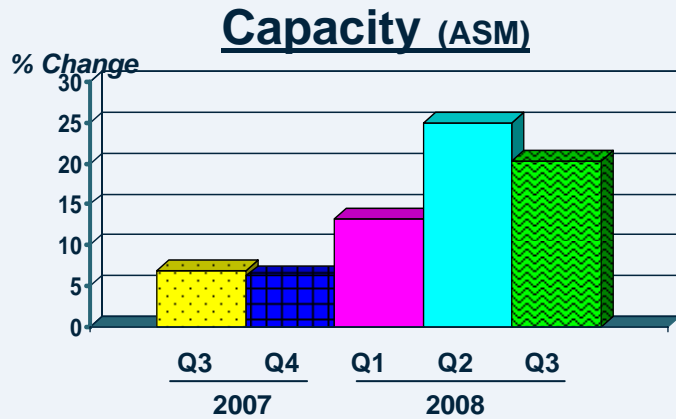


RASM



Caribbean, Latin America & Australia – RASM Jumps 9.9% on Strong Yield

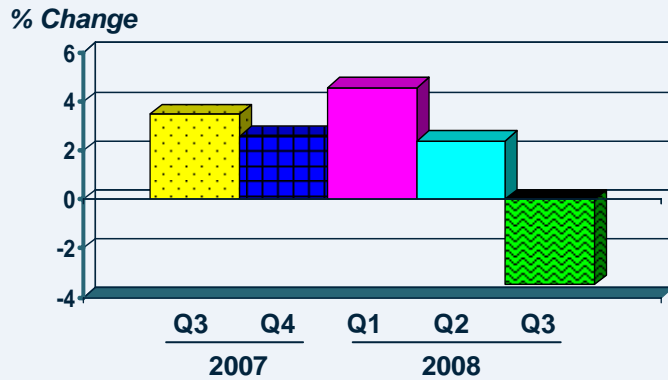
Y-O-Y Change



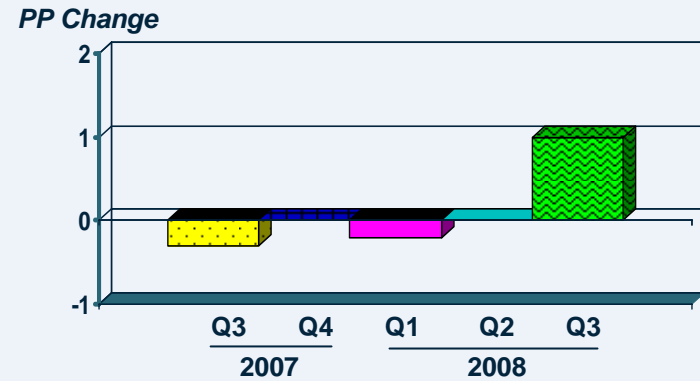
Total – Sys. RASM Lifts 7.5% Mostly on Higher Yield – Total CASM Incr. 17.9% Mostly on Fuel – Ex. Fuel CASM Up 4.3%

Y-O-Y Change

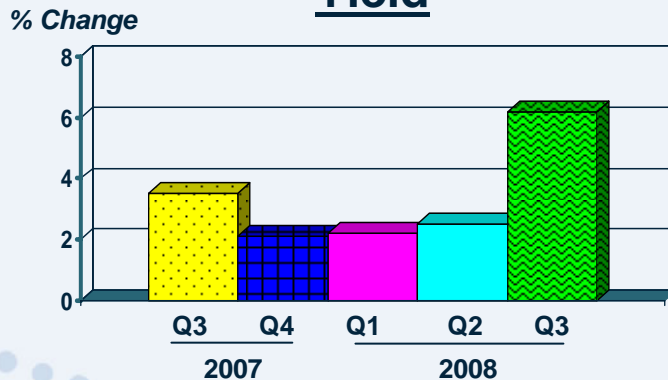
Capacity (ASM)



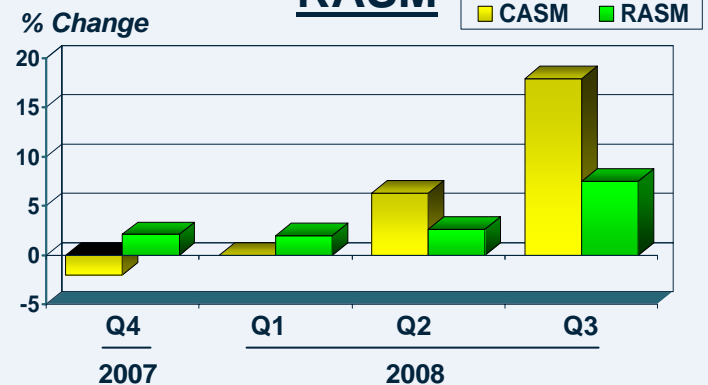
Load Factor



Yield



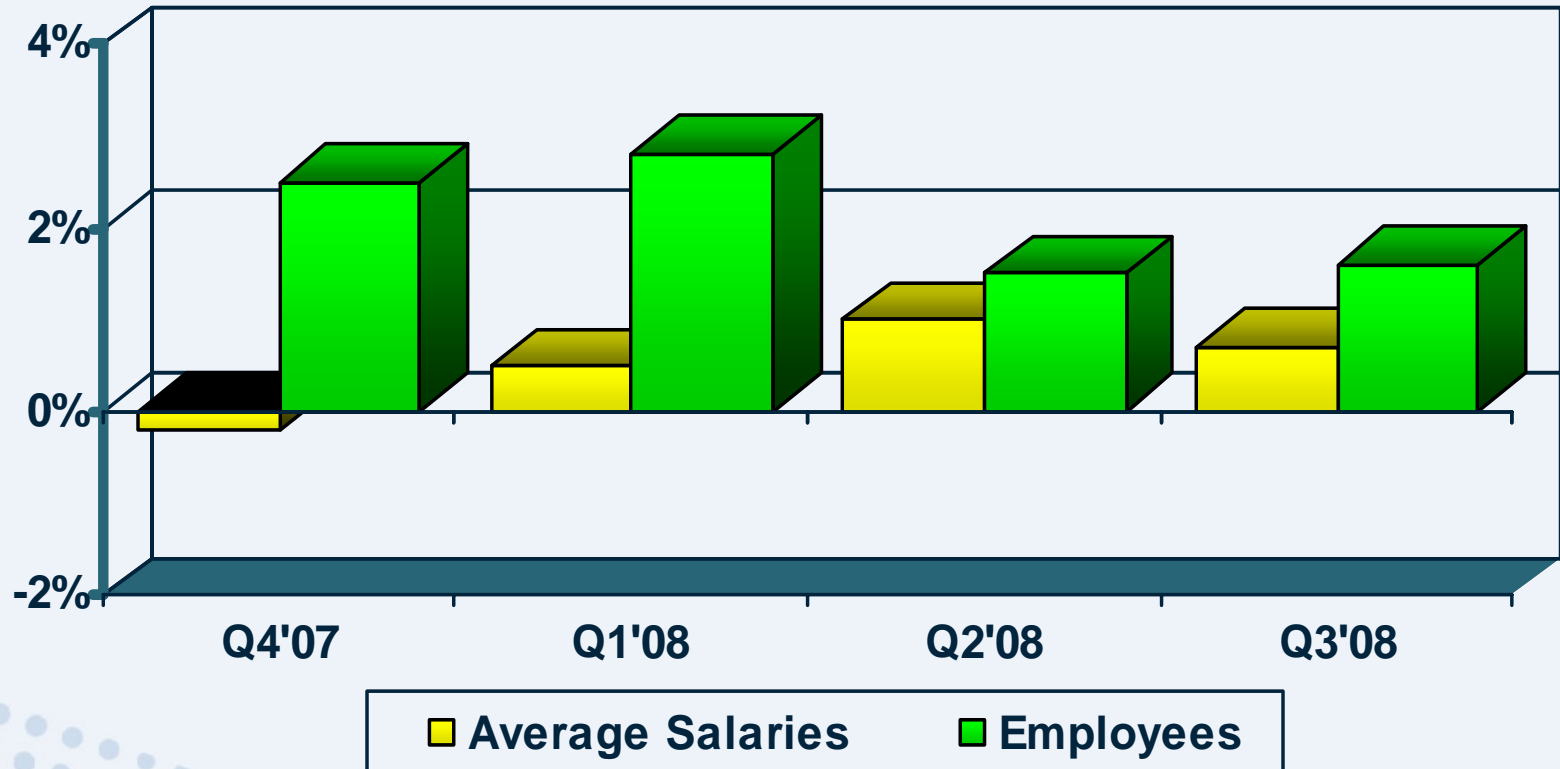
RASM



Average Salary Up 0.7%; Employee Levels Up 397 or 1.6%

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

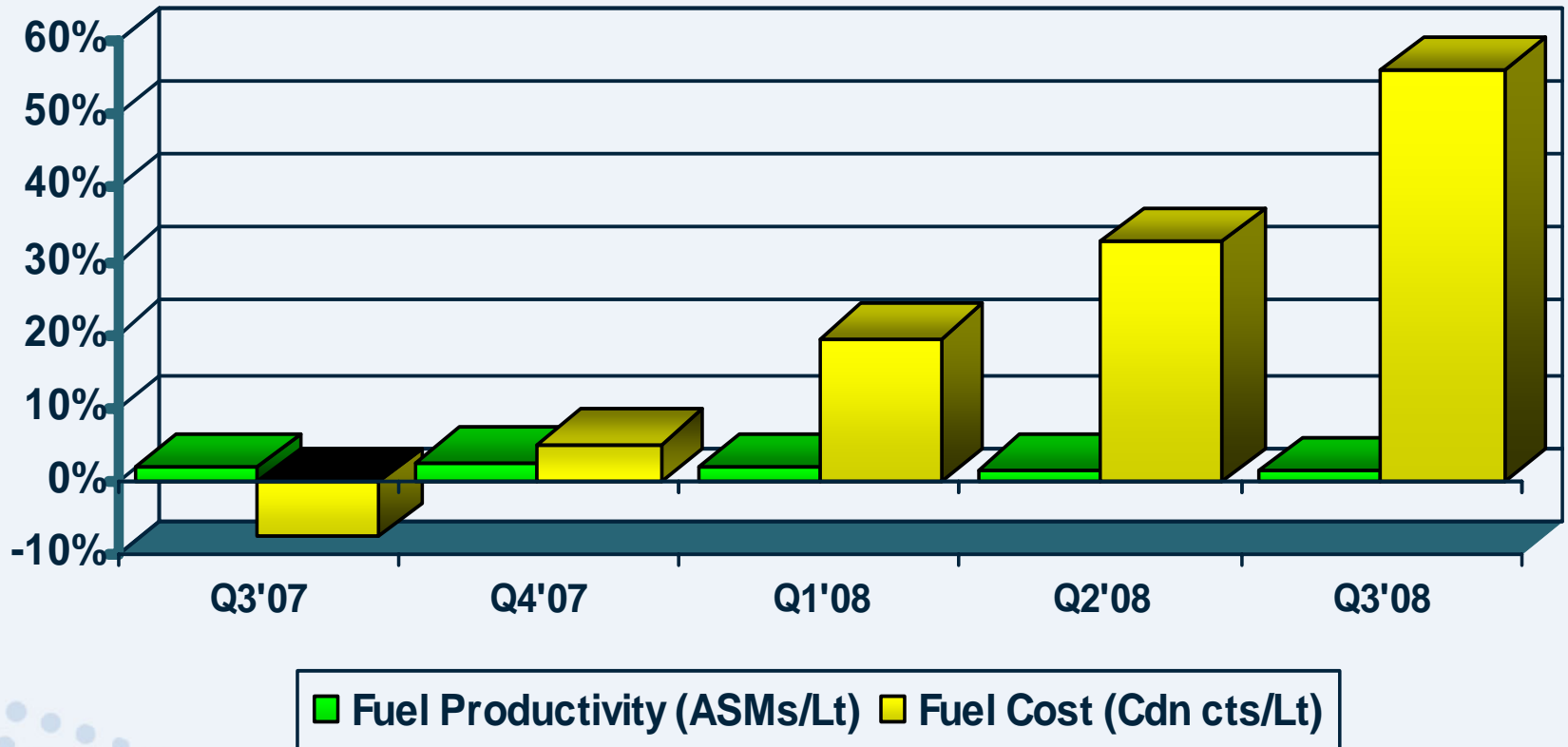
% Change Y-O-Y



Cost/Litre Up 56% While Fuel Productivity Improves 1.5% Reflecting the New 777's and the Removal of One Freighter

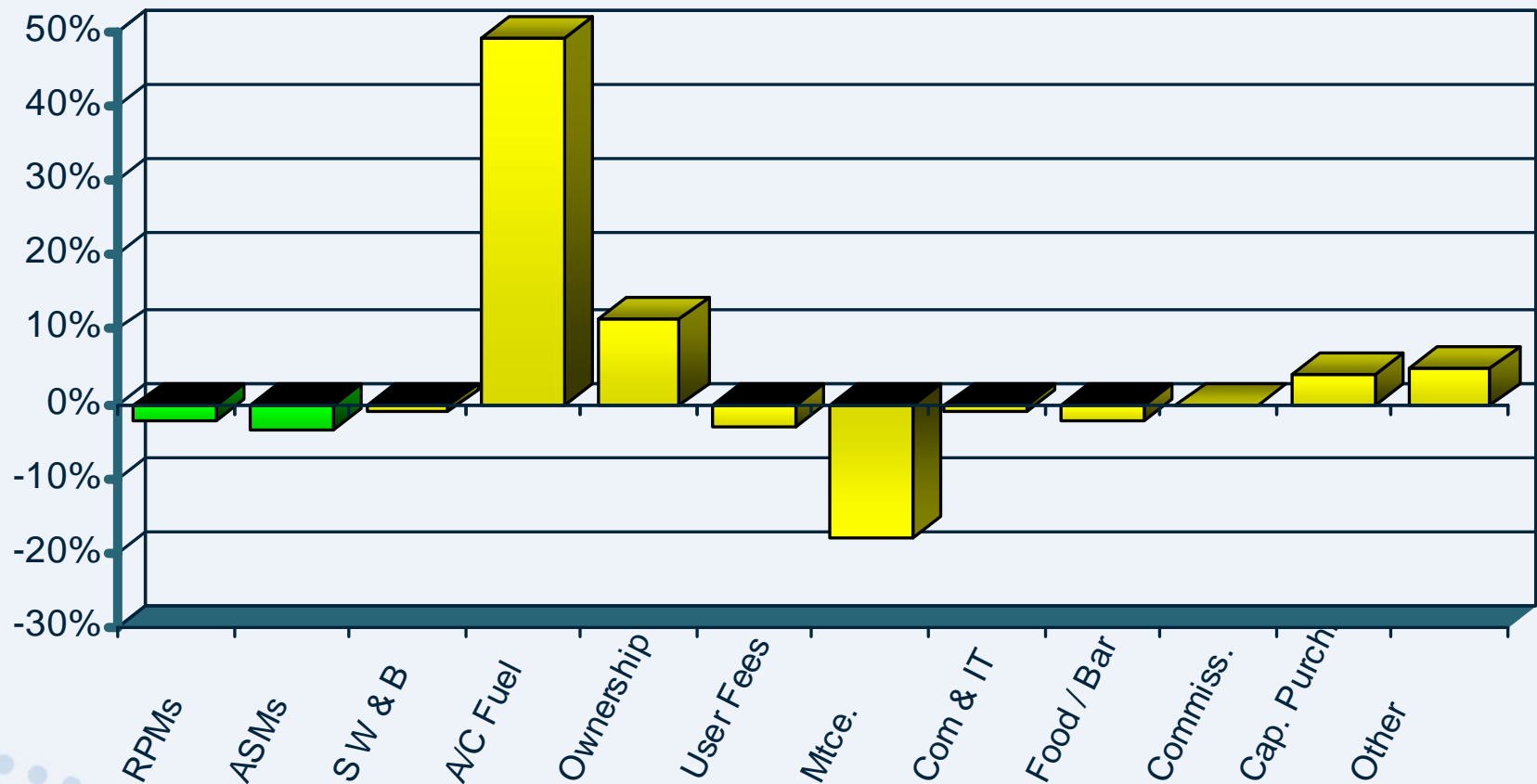
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



"Other" Cat. Incr. 5% on Higher ACV Gr. Pkg. Costs, Credit Card Fees & Advertising

% Change Y-O-Y

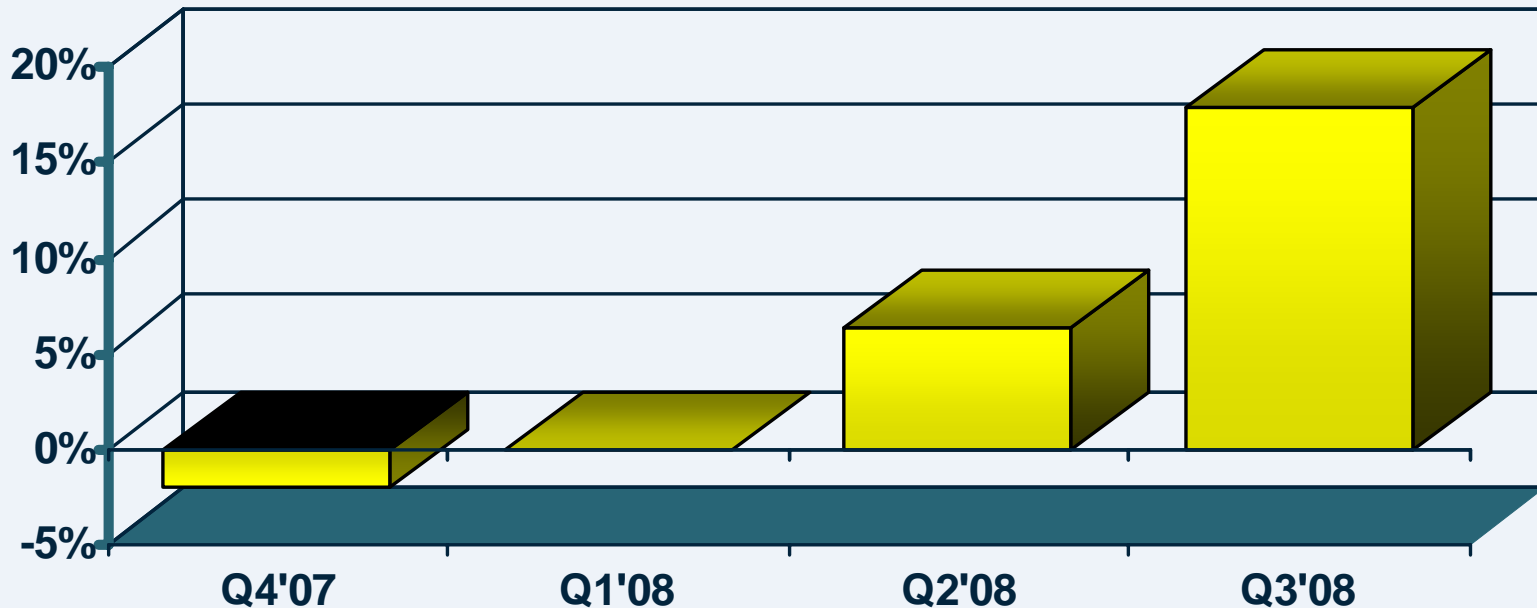


Q3 2008/2007

Unit Cost Up 17.9% Due to Soaring Fuel Costs – Ex Fuel Unit Cost Up 4.3% as Fixed Costs Spread Over Fewer ASMs

(Cost Per ASM)

% Change Y-O-Y



Caution Regarding Forward-looking Information

Air Canada's public communications may include written or oral forward looking statements within the meaning of applicable securities laws. Such statements are included in this presentation and may be included in filings with regulatory authorities and securities regulators. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions, including those described below, 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, credit and economic conditions, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, insurance issues and costs, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs, employee and labour relations, pension issues, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this MD&A and, in particular, those identified in the "Risk Factors" section of Air Canada's 2007 MD&A dated February 6, 2008 and section 13 of this MD&A. The forward-looking statements contained in this MD&A represent the Corporation's expectations as of the date of this MD&A 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.

Assumptions were made by Air Canada in preparing and making forward-looking statements. The current instability in the world's financial system and the possibility that the US and global economies are currently in recession make the economic landscape in Canada uncertain and forecasting difficult. However, in addition to other assumptions contained in this MD&A, Air Canada assumes that Canada's economy will contract in the fourth quarter of 2008 and will show no meaningful growth in the first quarter of 2009. Air Canada also assumes that the Canadian dollar will trade, on average, at Cdn \$1.18 per US dollar in the fourth quarter of 2008 and Cdn \$1.05 per US dollar for the full year 2008 and that the price of fuel will average 91 cents per litre in the fourth quarter of 2008 and 89 cents per litre for the full year 2008 (both net of fuel hedging positions).

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