2008
Year-End and Fourth Quarter
Financial Results

February 13, 2009
Table of Contents

• Operating Statistics
• Revenue Highlights
• Expense Highlights
4th Quarter EBITDAR of $108 mln

<table>
<thead>
<tr>
<th>(millions)</th>
<th>Q4 2008</th>
<th>Q4 2007</th>
<th>Change Fav./ (Unfav.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oper. Revenue</td>
<td>$2,498</td>
<td>$2,513</td>
<td>$ (15)</td>
</tr>
<tr>
<td>Oper. Expense</td>
<td>2,644</td>
<td>2,441</td>
<td>(203)</td>
</tr>
<tr>
<td>Oper. Income (Loss)</td>
<td>$ (146)</td>
<td>$ 72</td>
<td>$ (218)</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>$108</td>
<td>$274</td>
<td>$ (166)</td>
</tr>
</tbody>
</table>
### Q4 Net Interest Expense Increased $24 mln

<table>
<thead>
<tr>
<th>(millions)</th>
<th>Q4 2008</th>
<th>Change Fav./(Unfav.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Expense</td>
<td>$(71)</td>
<td>$(24)</td>
</tr>
<tr>
<td>Loss on Disposal</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Other Non-Oper. Income</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>$ (44)</td>
<td>$ 8</td>
</tr>
</tbody>
</table>

- $33 million fair value adjustment on derivatives
# Q4 2008
## Actual vs Prior Year

<table>
<thead>
<tr>
<th>Region</th>
<th>ASMs</th>
<th>RPMs</th>
<th>PLF</th>
<th>Yield</th>
<th>RASM</th>
<th>Rev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>↓ 4.3%</td>
<td>↓ 3.3%</td>
<td>↑ 0.9 PP</td>
<td>↑ 2.2%</td>
<td>↑ 3.2%</td>
<td>↓ 1.2%</td>
</tr>
<tr>
<td>US Transborder</td>
<td>↓ 15.0%</td>
<td>↓ 12.8%</td>
<td>↑ 2.0 PP</td>
<td>↑ 5.9%</td>
<td>↑ 8.6%</td>
<td>↓ 7.7%</td>
</tr>
<tr>
<td>Atlantic</td>
<td>↓ 7.2%</td>
<td>↓ 3.7%</td>
<td>↑ 2.9 PP</td>
<td>↑ 9.5%</td>
<td>↑ 13.5%</td>
<td>↑ 5.3%</td>
</tr>
<tr>
<td>Pacific</td>
<td>↓ 17.7%</td>
<td>↓ 10.4%</td>
<td>↑ 7.1 PP</td>
<td>↑ 17.4%</td>
<td>↑ 27.9%</td>
<td>↑ 5.2%</td>
</tr>
<tr>
<td>Latin Amer. &amp; Other</td>
<td>↑ 10.2%</td>
<td>↑ 7.3%</td>
<td>↓ 2.0 PP</td>
<td>↓ 5.9%</td>
<td>↓ 8.4%</td>
<td>↑ 1.0%</td>
</tr>
<tr>
<td>Latin Amer. &amp; Other*</td>
<td>↑ 10.2%</td>
<td>↑ 7.3%</td>
<td>↓ 2.0 PP</td>
<td>↑ 9.3%</td>
<td>↑ 6.5%</td>
<td>↑ 17.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>↓ 7.8%</td>
<td>↓ 5.3%</td>
<td>↑ 2.1 PP</td>
<td>↑ 4.9%</td>
<td>↑ 7.8%</td>
<td>↓ 0.6%</td>
</tr>
<tr>
<td><strong>Total</strong>*</td>
<td>↓ 7.8%</td>
<td>↓ 5.3%</td>
<td>↑ 2.1 PP</td>
<td>↑ 6.2%</td>
<td>↑ 9.1%</td>
<td>↑ 0.5%</td>
</tr>
</tbody>
</table>

- **Total Expense**: ↑ 8.0%
- **Total CASM**: ↑ 17.4%
- **Total CASM excl. Fuel**: ↑ 9.9%

* $26 million favourable adjustment removed from 4th quarter 2007 revenues
## 2008
Actual vs Prior Year

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<tr>
<th>Region</th>
<th>ASMs</th>
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<th>Yield</th>
<th>RASM</th>
<th>Rev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canada</strong></td>
<td>↓ 0.2%</td>
<td>↓ 0.4%</td>
<td>↓ 0.2 PP</td>
<td>↑ 3.8%</td>
<td>↑ 3.6%</td>
<td>↑ 3.5%</td>
</tr>
<tr>
<td><strong>US Transborder</strong></td>
<td>↓ 7.4%</td>
<td>↓ 7.5%</td>
<td>↓ 0.1 PP</td>
<td>↑ 7.5%</td>
<td>↑ 7.4%</td>
<td>↓ 0.5%</td>
</tr>
<tr>
<td><strong>Atlantic</strong></td>
<td>↓ 2.5%</td>
<td>↓ 0.4%</td>
<td>↑ 1.8 PP</td>
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</tr>
<tr>
<td><strong>Pacific</strong></td>
<td>↓ 4.4%</td>
<td>↓ 2.1%</td>
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<td>↑ 5.1%</td>
<td>↑ 7.7%</td>
<td>↑ 3.0%</td>
</tr>
<tr>
<td><strong>Latin Amer. &amp; Other</strong></td>
<td>↑ 16.4%</td>
<td>↑ 18.2%</td>
<td>↑ 1.2 PP</td>
<td>↑ 2.5%</td>
<td>↑ 4.1%</td>
<td>↑ 21.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>↓ 1.2%</td>
<td>↓ 0.2%</td>
<td>↑ 0.8 PP</td>
<td>↑ 4.3%</td>
<td>↑ 5.3%</td>
<td>↑ 4.1%</td>
</tr>
</tbody>
</table>

- **Total Expense**: ↑ 9.0%
- **Total CASM**: ↑ 10.2%
- **Total CASM excl. Fuel**: ↑ 1.7%
Capacity Reduction Accelerates

(Y-O-Y Changes in Capacity)

% Change in ASMs
Traffic Decrease Less Than Capacity Reduction

(Y-O-Y Changes in Traffic)

% Change in RPMs

-15% -10% -5% 0% 5% 10%

Canada U.S. Int'l Total

Yield Continues to Rise on All Services

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

-5% 0% 5% 10% 15%

Canada  U.S.  Int'l*  Total*


* $26 million favourable adjustment removed from 4th quarter 2007 revenues
Very Strong RASM Performance on All Services

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

% Change in RASM

Canada U.S. Int'l* Total*


Very Strong RASM Performance on All Services

* $26 million favourable adjustment removed from 4th quarter 2007 revenues
Solid International Revenue Performance – Domestic and U.S. Revenues Contract

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue

-10%  -5%  0%  5%  10%

Canada  U.S.  Int'l*  Total*


* $26 million favourable adjustment removed from 4th quarter 2007 revenues
Canada – Q4 RASM Increases 3.2% on Higher Yield & Load Factor

Y-O-Y Change

**Capacity (ASM)**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2007</th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4 2008</th>
</tr>
</thead>
</table>

**Load Factor**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2007</th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4 2008</th>
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**Yield**

<table>
<thead>
<tr>
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<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4 2008</th>
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**RASM**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2007</th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4 2008</th>
</tr>
</thead>
</table>
US Transborder – RASM Improves 8.6% on Higher Yield & Load Factor

Y-O-Y Change

Capacity (ASM)

% Change

Load Factor

PP Change

Yield

% Change

RASM

% Change

Capacity (ASM)

Load Factor

Yield

RASM

AIR CANADA
Atlantic –
Tight Capacity Improves LF and Yield – RASM Up 13.5%

Y-O-Y Change

Capacity (ASM)

% Change

Load Factor

PP Change

Yield

% Change

RASM

% Change

Q4 2007 Q1 2008 Q2 2008 Q3 2008 Q4 2008

Q4 2007 Q1 2008 Q2 2008 Q3 2008 Q4 2008

Q4 2007 Q1 2008 Q2 2008 Q3 2008 Q4 2008

Q4 2007 Q1 2008 Q2 2008 Q3 2008 Q4 2008
Pacific –
RASM Soars 27.9% on Strong Yield & LF as Capacity Cut

Y-O-Y Change

Capacity (ASM)

Yield

Load Factor

RASM
Caribbean, Latin America & Australia – RASM Up 6.5% on Strong Yield

Y-O-Y Change

**Capacity (ASM)**

- % Change
- Q4 2007, Q1 2008, Q2 2008, Q3 2008, Q4 2008

**Load Factor**

- PP Change
- Q4 2007, Q1 2008, Q2 2008, Q3 2008, Q4 2008

**Yield**

- % Change
- Q4 2007, Q1 2008, Q2 2008, Q3 2008, Q4 2008

**RASM**

- % Change
- Q4 2007, Q1 2008, Q2 2008, Q3 2008, Q4 2008

*$26 million favourable adjustment removed from 4th quarter 2007 revenues*
Total – Sys. RASM Lifts 9.1% Mostly on Higher Yield – Total CASM Incr. 17.4% – Ex. Fuel CASM Up 9.9%

Y-O-Y Change

**Capacity (ASM)**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2007</th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>-5</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

**Load Factor**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2007</th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP Change</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

**Yield**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2007</th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4* 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

**RASM**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2008</th>
<th>Q2 2008</th>
<th>Q3 2008</th>
<th>Q4* 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>0</td>
<td>5</td>
<td>15</td>
<td>20</td>
</tr>
</tbody>
</table>

*$26 million favourable adjustment removed from 4th quarter 2007 revenues
Average Salary Up 2.5%; Employee Levels Down 319 or 1.3%

(Y-O-Y Change – Average Salaries & Employees)
Cost/Litre Up 42% While Fuel Productivity Improves 1.6% Reflecting the New 777's and the Removal of One Freighter

(Fuel Productivity & Unit Cost)

% Change Y-O-Y

- Fuel Productivity (ASMs/Lt)
- Fuel Cost (Cdn cts/Lt)
"Other" Cat. Flat on Higher ACV Gr. Pkg. Costs, Terminal Handling Offset by Decreases in Many Categories

% Change Y-O-Y

Q4 2008/2007

AIR CANADA
Unit Cost Up 17.4% Due to Soaring Fuel Costs – Ex Fuel
Unit Cost Up 9.9% on FX, Ownership Cost Increases and
Fixed Costs Spread Over Fewer ASMs

(Cost Per ASM)

% Change Y-O-Y
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