

Second Quarter 2009

Financial Results

August 7, 2009

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Financial Highlights – Results of Operations

<i>(millions)</i>	Q2 2009	Q2 2008	Change
Operating Revenue	\$ 2,330	\$ 2,782	\$ (452)
Operating Income (Loss)	\$ (113)	\$ 7	\$ (120)
EBITDAR	\$ 135	\$ 249	\$ (114)
Income for the Period	\$ 155	\$ 122	\$ 33
Operating Margin	(4.8%)	0.3%	(5.1) PP
EBITDAR Margin	5.8%	9.0%	(3.1) PP
P-RASM (cents)	13.9¢	15.7¢	(11.3%)
CASM (cents)	16.6¢	17.8¢	(7.0%)
CASM excl. Fuel (cents)	12.7¢	12.4¢	2.6%

Financial Highlights – Financial Position and Cash Flow

<i>(millions)</i>	Q2 2009	Q2 2008	Change
Cash Flow from (used for) Operations	\$ (91)	\$ 214	\$ (305)
Free Cash Flow	\$(140)	\$ (11)	\$ (129)
Cash, Cash Equivalents & Short-term Investments	\$ 907	\$1,497	\$ (590)
Adjusted debt/equity ratio %	89.7%	65.9%	23.8 pp

Q2 Non-operating Income (Expense)

<i>(millions)</i>	Q2 2009	Q2 2008	Change
Net Interest Expense ⁽¹⁾	\$ (88)	\$ (55)	\$ (33)
Gain (Loss) on Capital Assets ⁽²⁾	\$ (71)	\$ 7	\$ (78)
Gain on Fin. Instruments	\$ 79	\$ 176	\$ (97)
Total Non-Oper. Income (Expense)	\$ (80)	\$ 128	\$ (208)

(1) Q2 09 includes a charge of \$9M related to the termination of the capital lease of two Airbus A340 aircraft and the subsequent sale of these aircraft

(2) Q2 09 includes an impairment charge of \$67M related to the previously capitalized costs of a new reservation system - POLARIS

Q2 2009

Actual vs Prior Year

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↓ 5.8%	↓ 8.2%	↓ 2.1 PP	↓ 9.5%	↓ 11.9%	↓ 17.0%
US Transborder	↓ 4.7%	↓ 9.5%	↓ 3.9 PP	↓ 5.4%	↓ 10.2%	↓ 14.4%
Atlantic	↓ 0.1%	↓ 1.6%	↓ 1.3 PP	↓ 9.7%	↓ 11.0%	↓ 11.1%
Pacific	↓ 12.6%	↓ 15.7%	↓ 3.1 PP	↓ 4.9%	↓ 8.3%	↓ 19.8%
Latin Amer. & Other	↓ 6.6%	↓ 8.0%	↓ 1.2 PP	↓ 16.7%	↓ 17.9%	↓ 23.3%
Total	↓ 5.4%	↓ 7.9%	↓ 2.2 PP	↓ 8.9%	↓ 11.3%	↓ 16.1%

Total Oper. Expense ↓ 12.0%

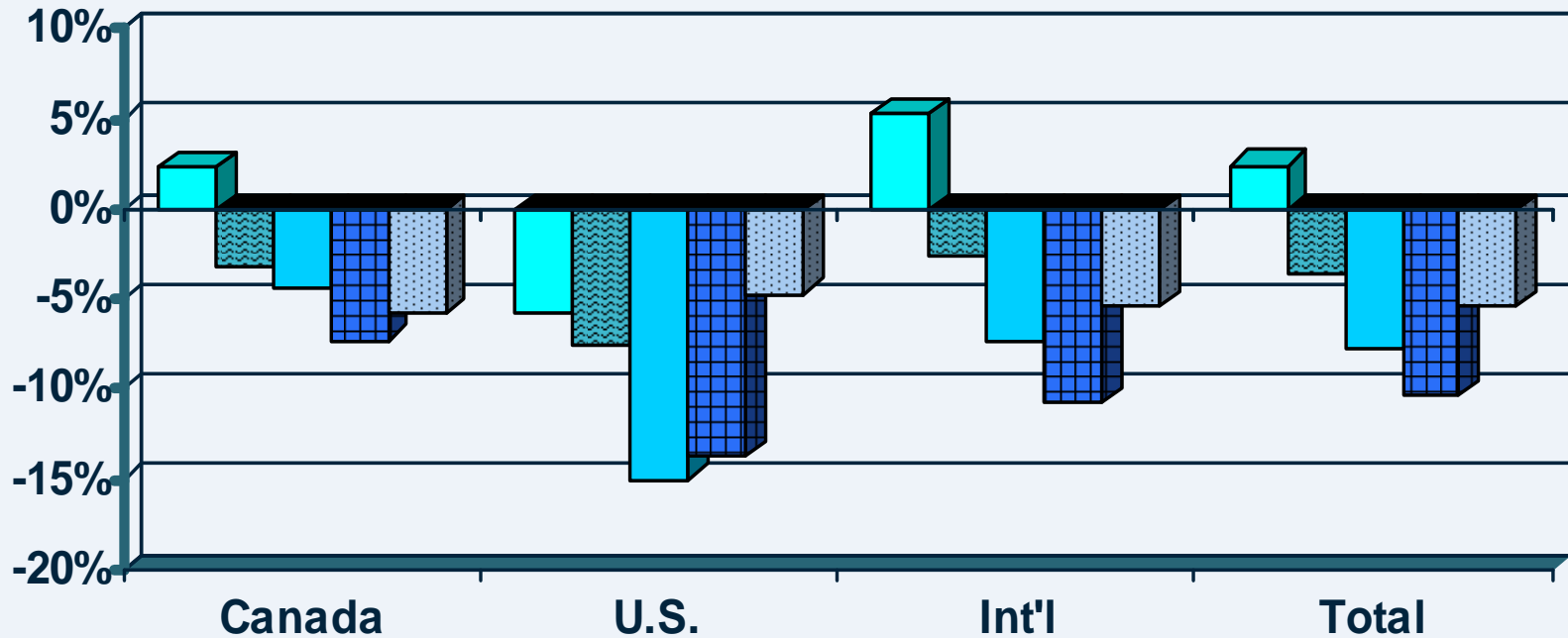
Total CASM ↓ 7.0%

Total CASM excl. Fuel ↑ 2.6%

System Capacity Reduced by 5.4% to Adjust to Passenger Demand

(Y-O-Y Changes in Capacity)

% Change in ASMs

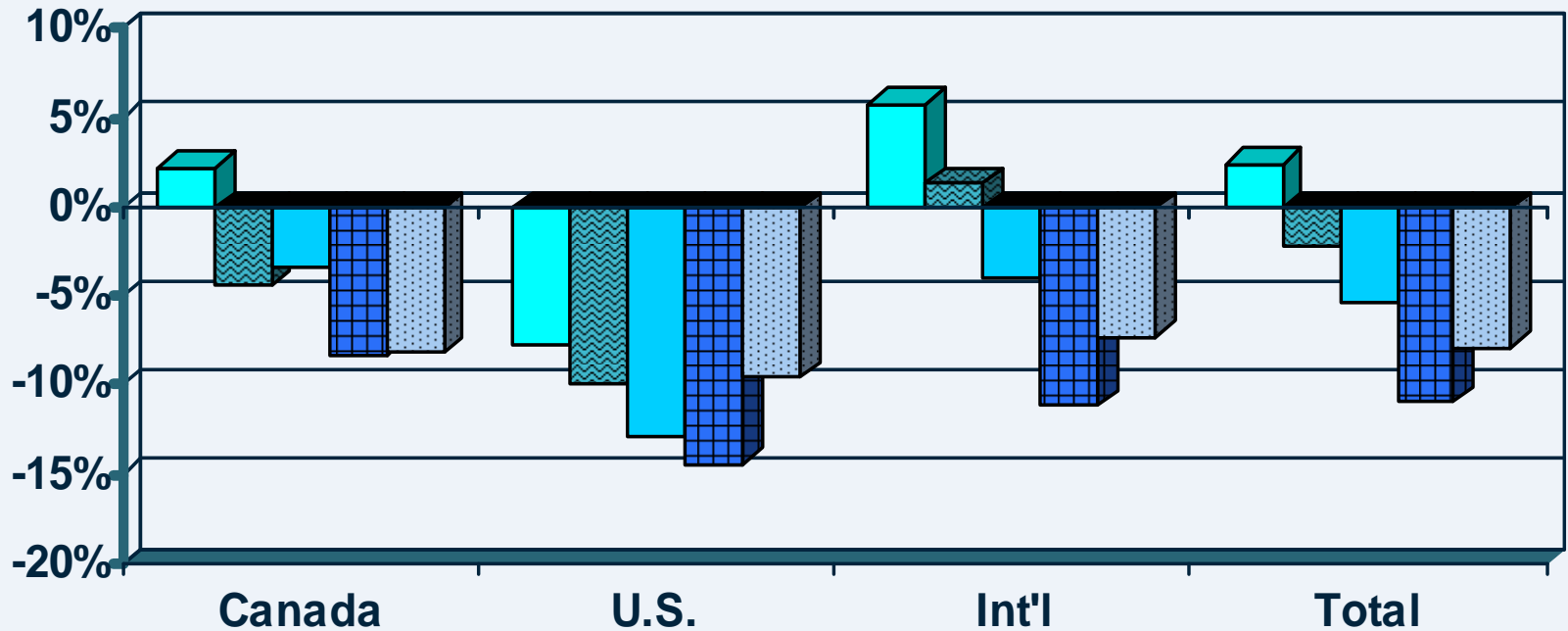


■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008

Traffic Shortfall of 7.9% Exceeded Capacity Reduction

(Y-O-Y Changes in Traffic)

% Change in RPMs



■ Q2 2008/2007 ■ Q3 2008/2007 ■ Q4 2008/2007 ■ Q1 2009/2008 ■ Q2 2009/2008

Weaker Economy Put Pressure on Yield – Down 8.9%

(Y-O-Y Changes in Passenger Yield)

% Change in Yield



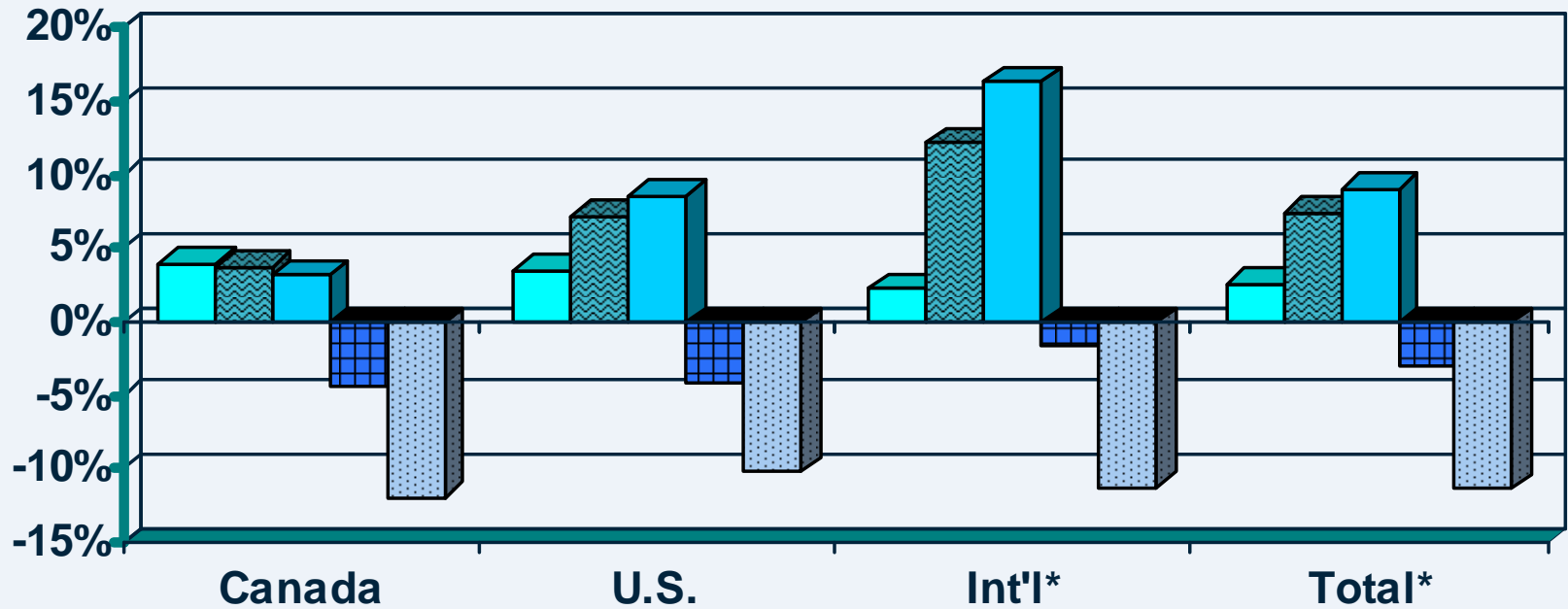
■ Q2 2008/2007
 ■ Q3 2008/2007
 ■ Q4 2008/2007
 ■ Q1 2009/2008
 ■ Q2 2009/2008

* \$26 million favourable adjustment removed from 4th quarter 2007 revenues

System RASM Declined 11.3% in a Large Part Due to Lower Yield

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

% Change in RASM



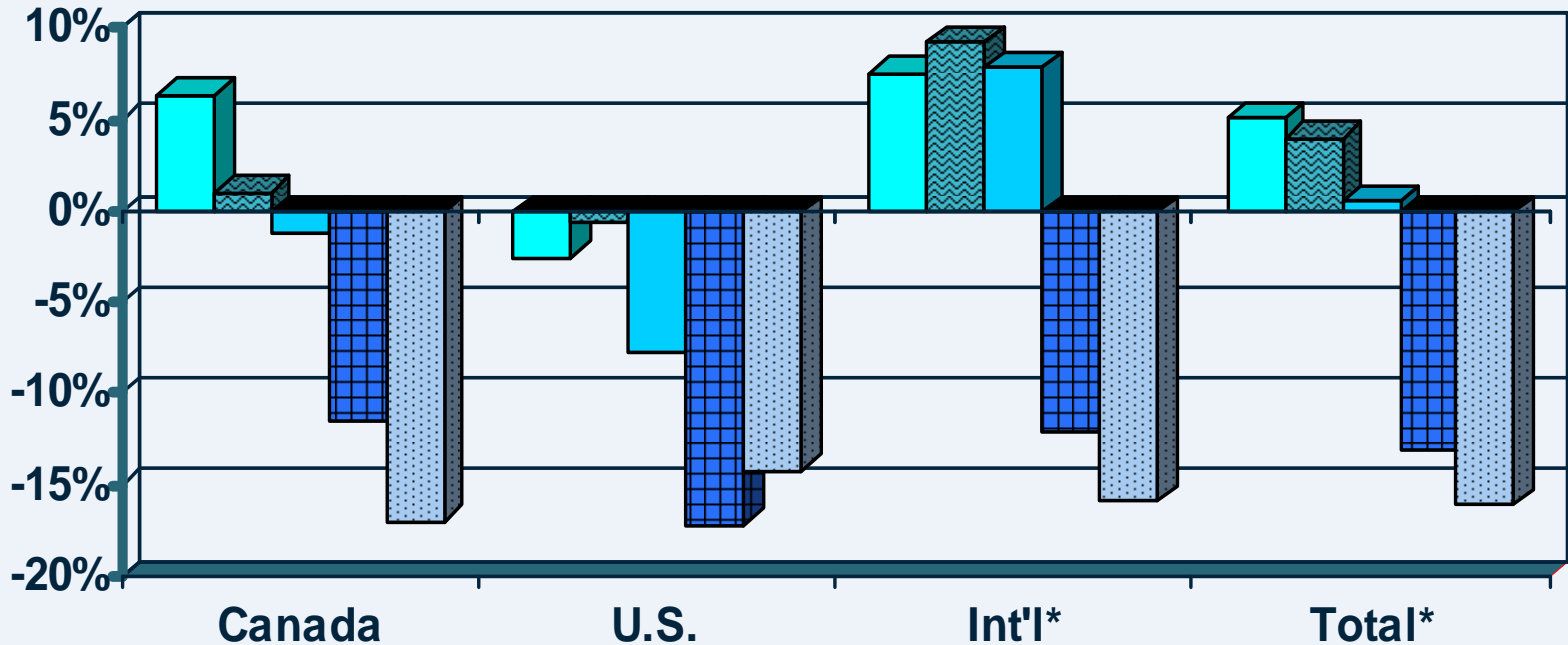
■ Q2 2008/2007
 ▨ Q3 2008/2007
 ■ Q4 2008/2007
 ▤ Q1 2009/2008
 ▦ Q2 2009/2008

* \$26 million favourable adjustment removed from 4th quarter 2007 revenues

Capacity Reduction & Lower Avg. Fares Resulted in Lower Revenues – Significant Weakness in Premium Cabin

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue



■ Q2 2008/2007
 ▨ Q3 2008/2007
 ■ Q4 2008/2007
 ■ Q1 2009/2008
 ■ Q2 2009/2008

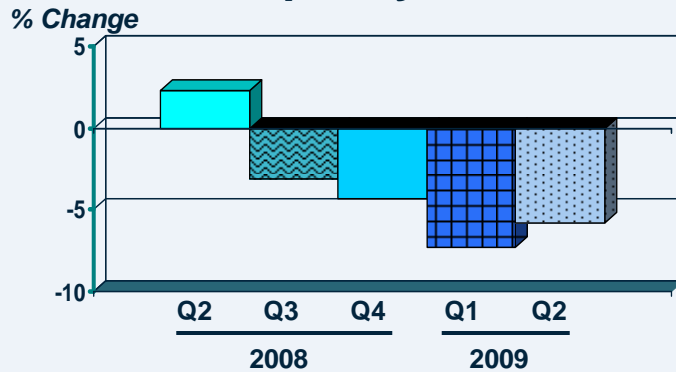
* \$26 million favourable adjustment removed from 4th quarter 2007 revenues

Canada –

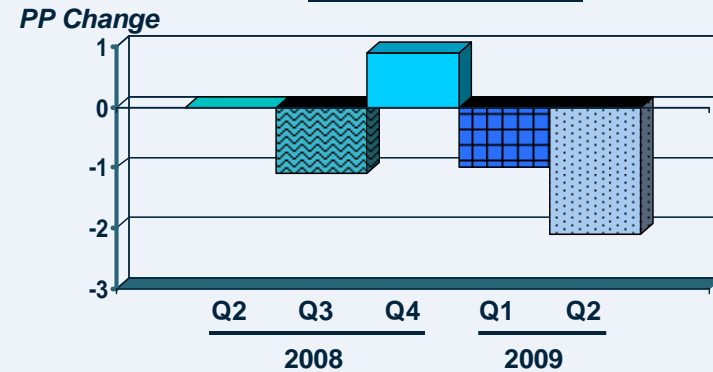
Q2 RASM Decreased 11.9% Largely Due to Lower Yield

Y-O-Y Change

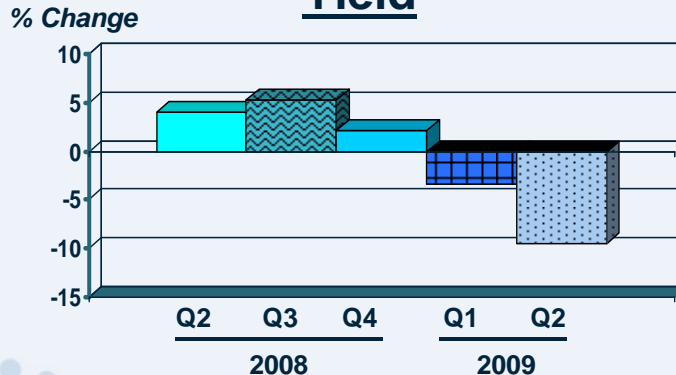
Capacity (ASM)



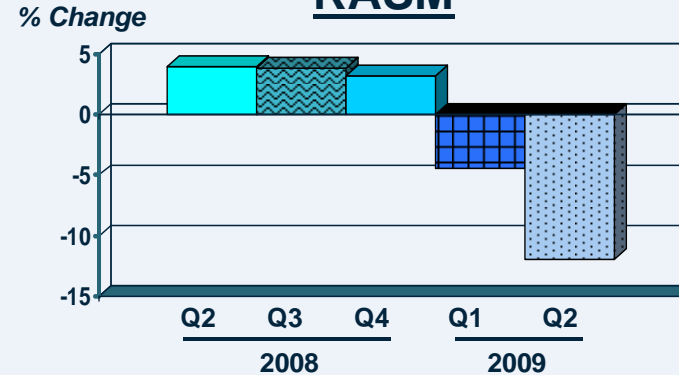
Load Factor



Yield



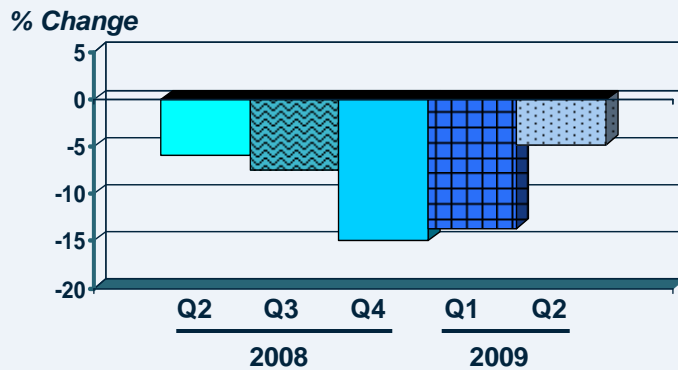
RASM



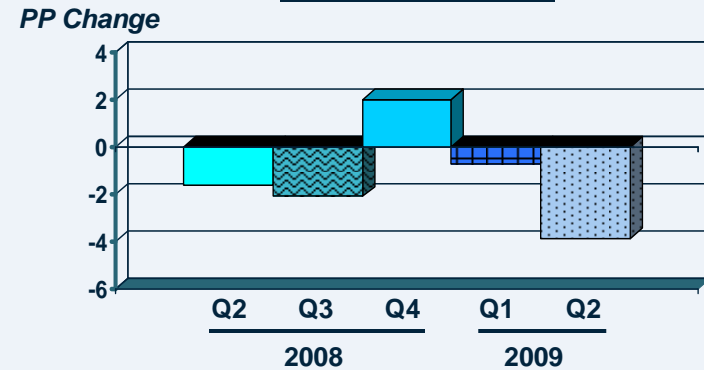
US Transborder – RASM Decreased 10.2% on Lower Yield and Load Factor

Y-O-Y Change

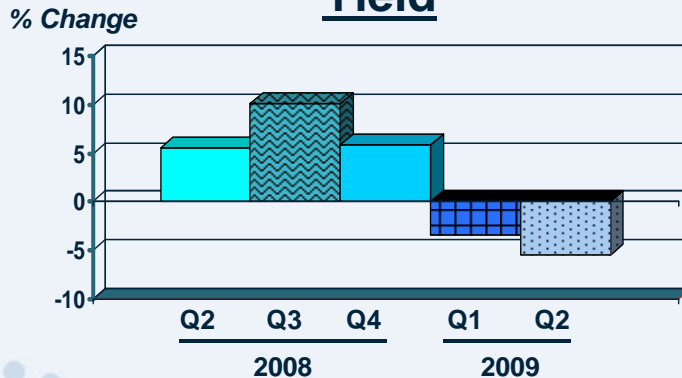
Capacity (ASM)



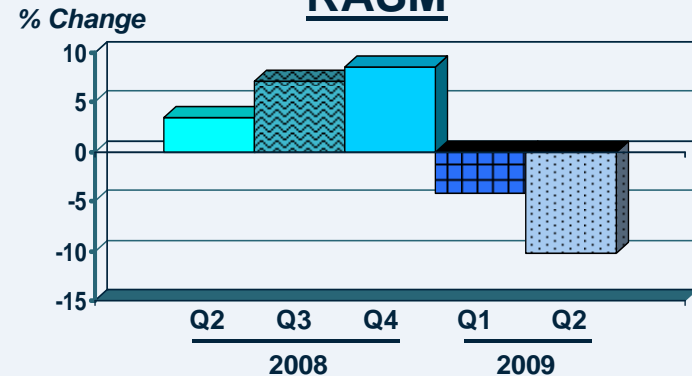
Load Factor



Yield



RASM

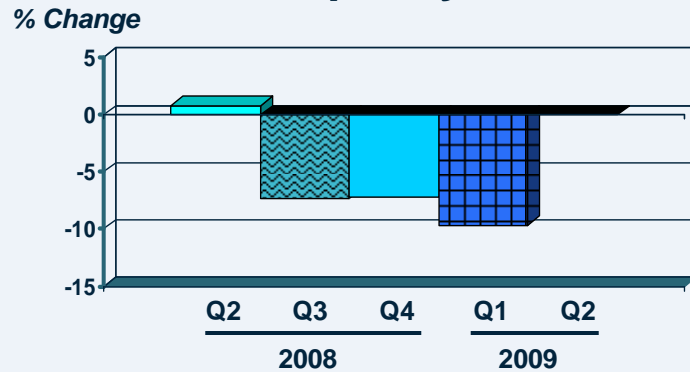


Atlantic –

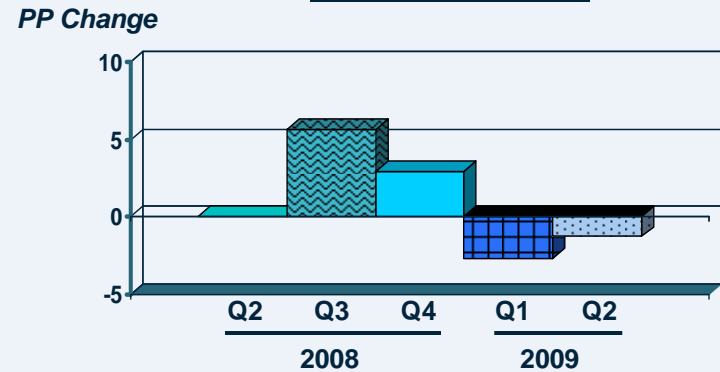
RASM Decreased 11.0% Largely Due to Lower Yield

Y-O-Y Change

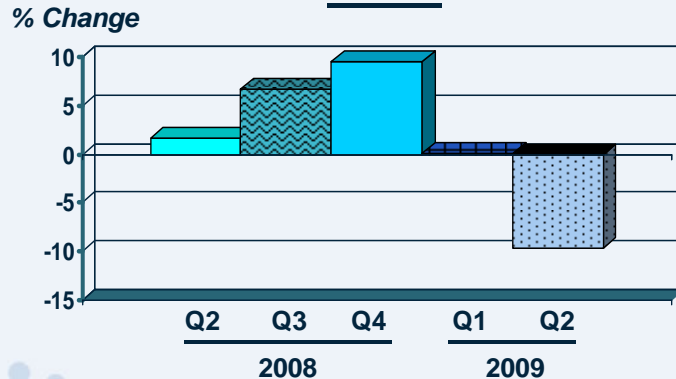
Capacity (ASM)



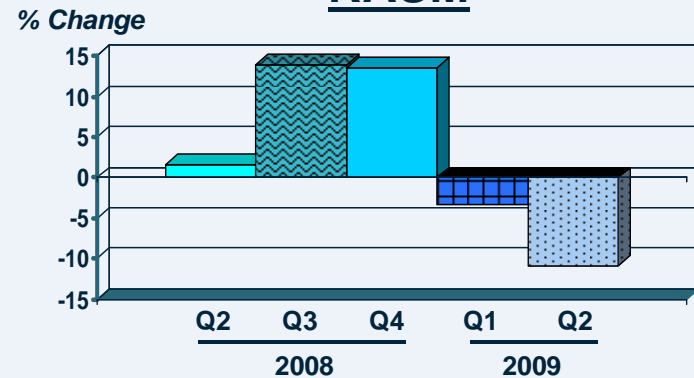
Load Factor



Yield



RASM

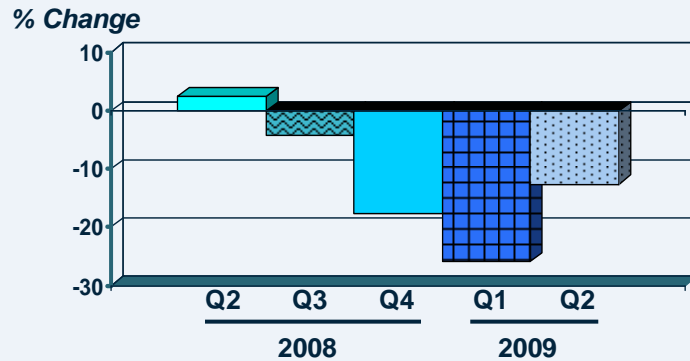


Pacific –

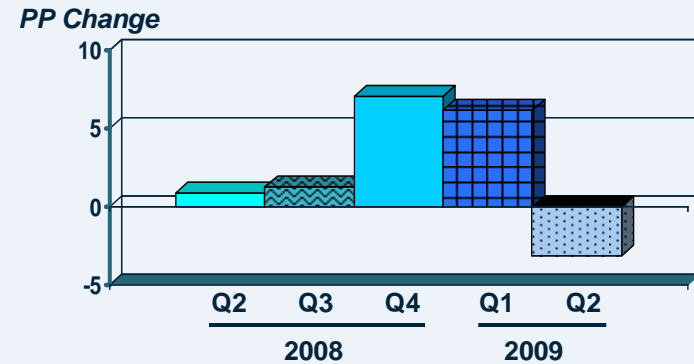
RASM Decreased 8.3% on Yield and Load Factor Decline

Y-O-Y Change

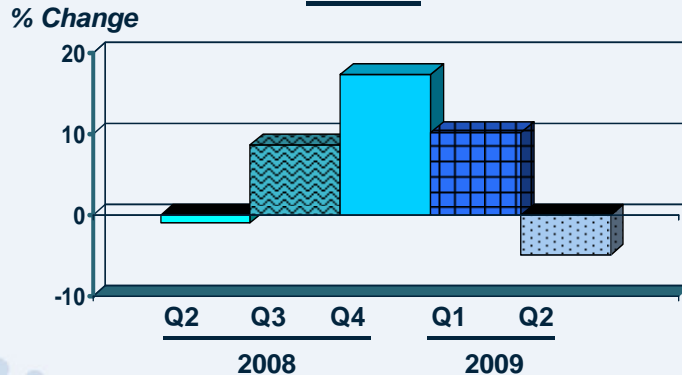
Capacity (ASM)



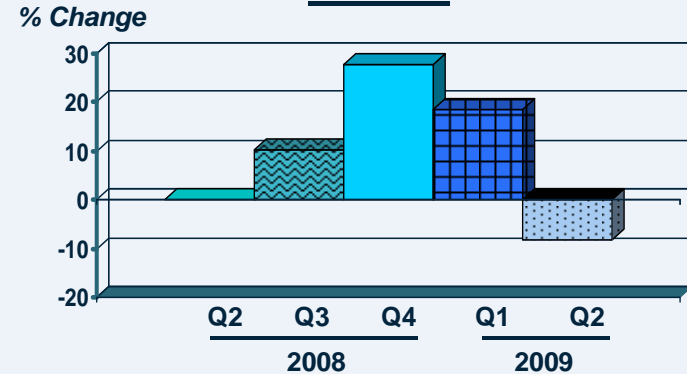
Load Factor



Yield



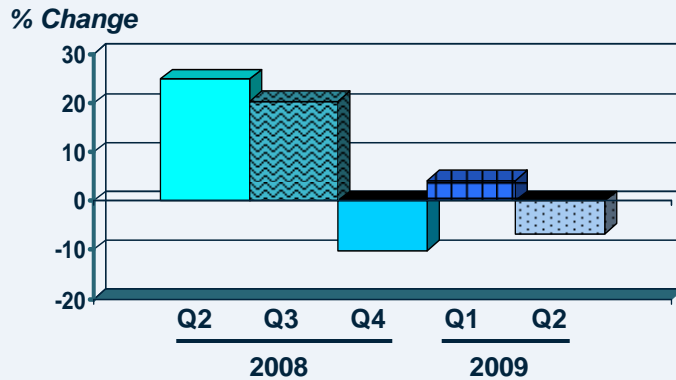
RASM



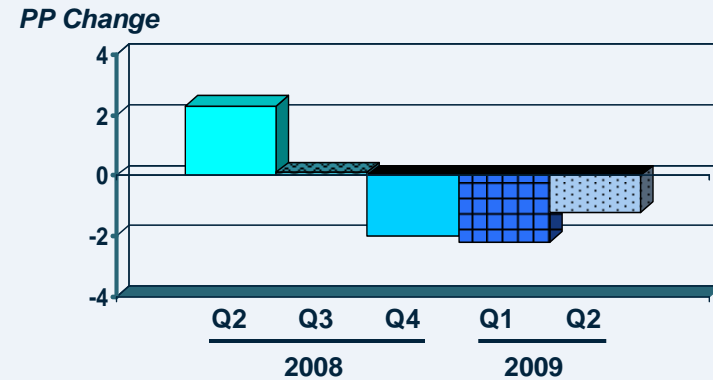
Caribbean, Latin America & Australia – RASM Down 17.9% Due Primarily to Decline in Yield

Y-O-Y Change

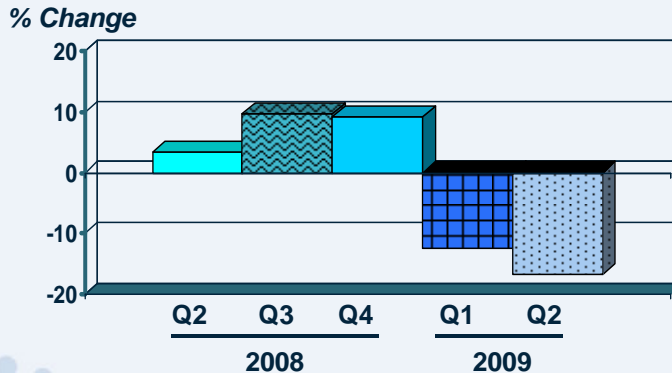
Capacity (ASM)



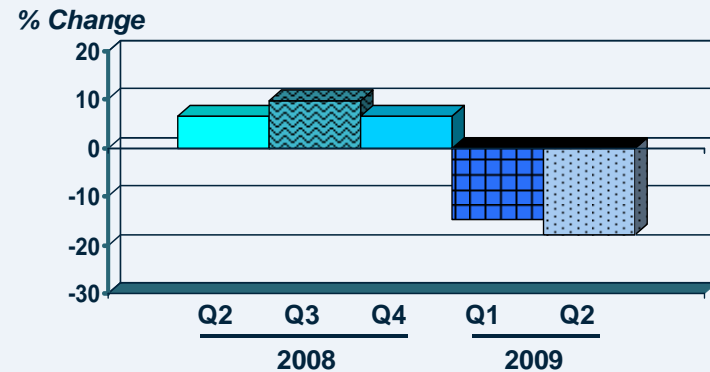
Load Factor



Yield



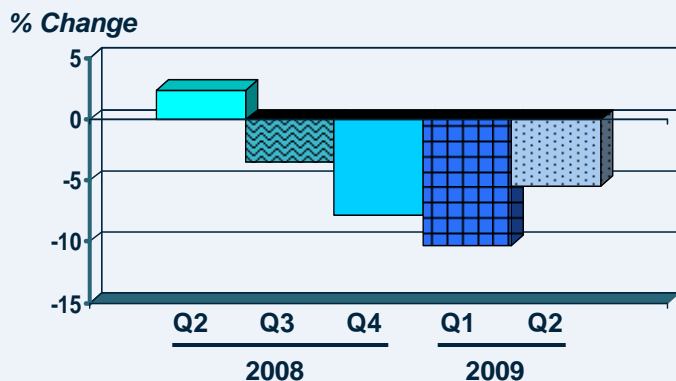
RASM



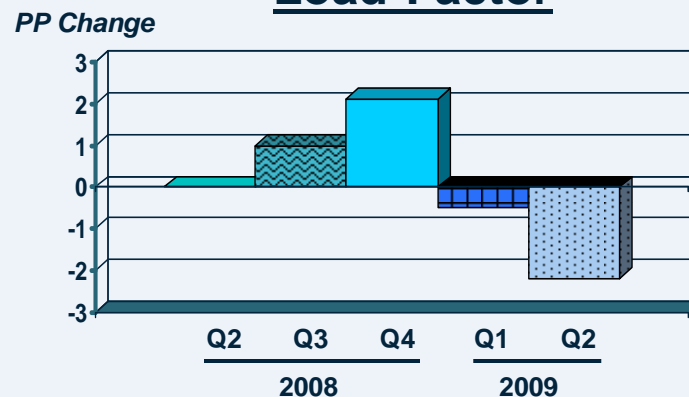
Total – RASM Down 11.3% on Lower Yield & LF – CASM Decr. 7.0%; Ex. Fuel, Up 2.6%. Unfav. FX a significant Factor

Y-O-Y Change

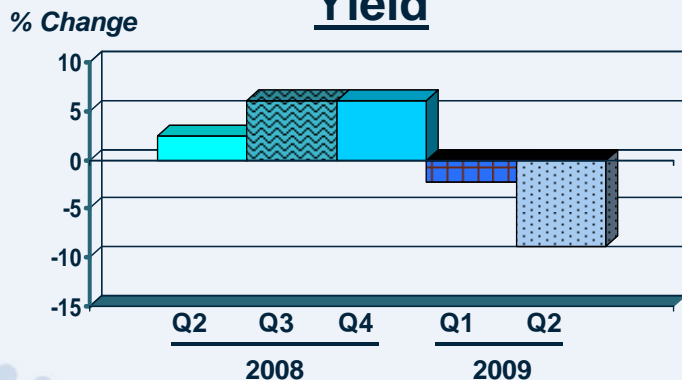
Capacity (ASM)



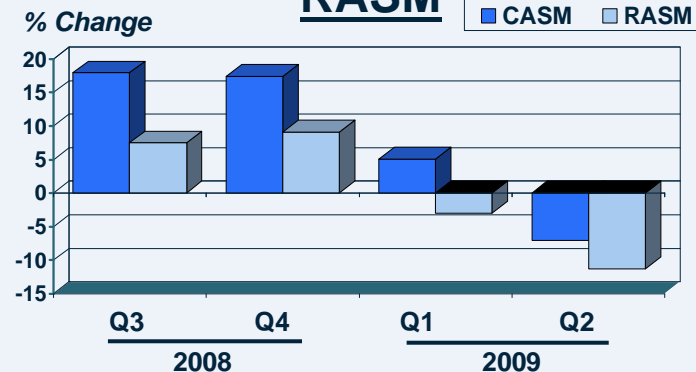
Load Factor



Yield



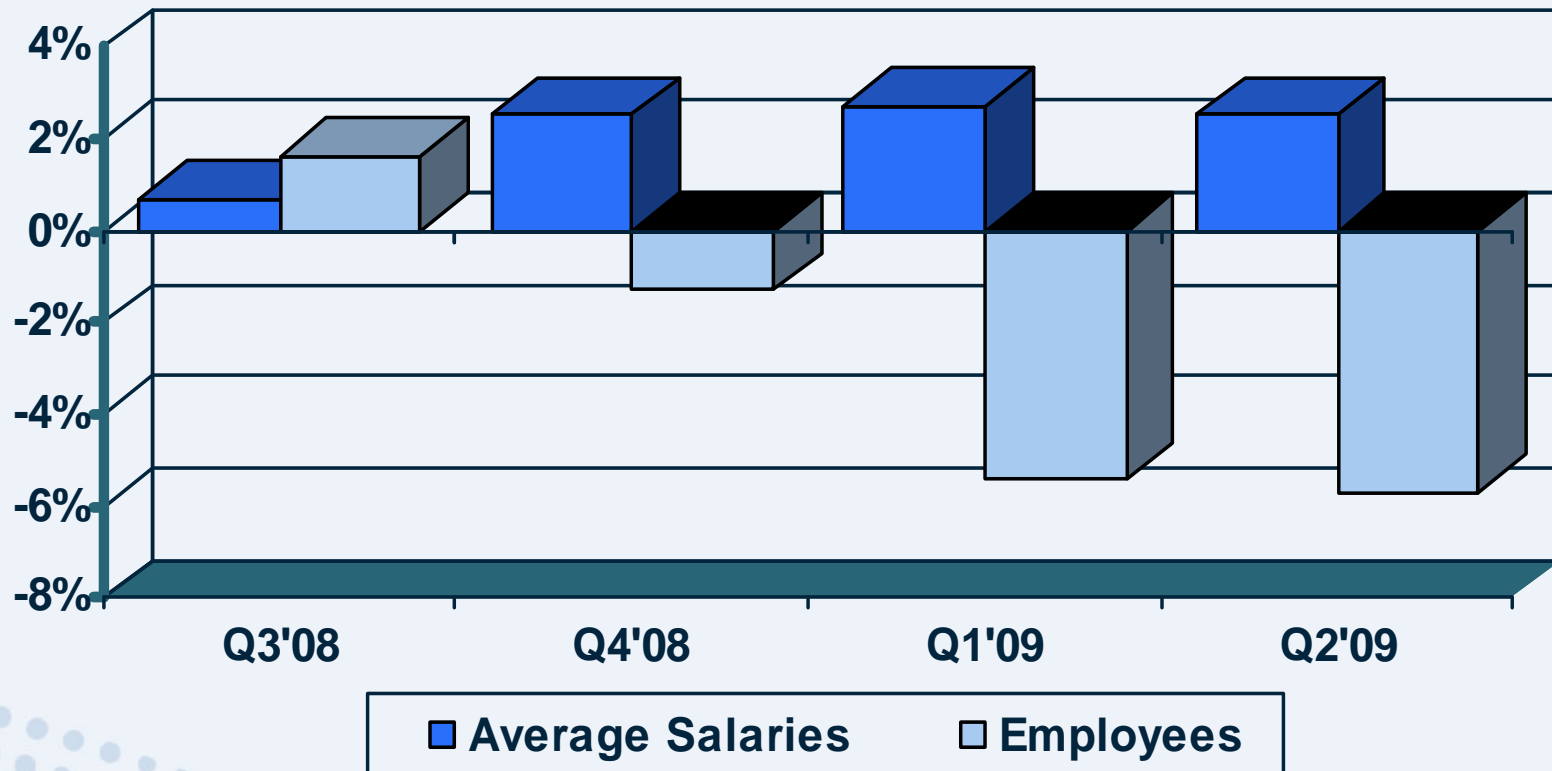
RASM



Employee Levels Reduced by 1,400 FTEs, Adjusting to Lower Capacity; Avg. Salary Up 2.5% Mainly Due to Contractual Oblig.

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

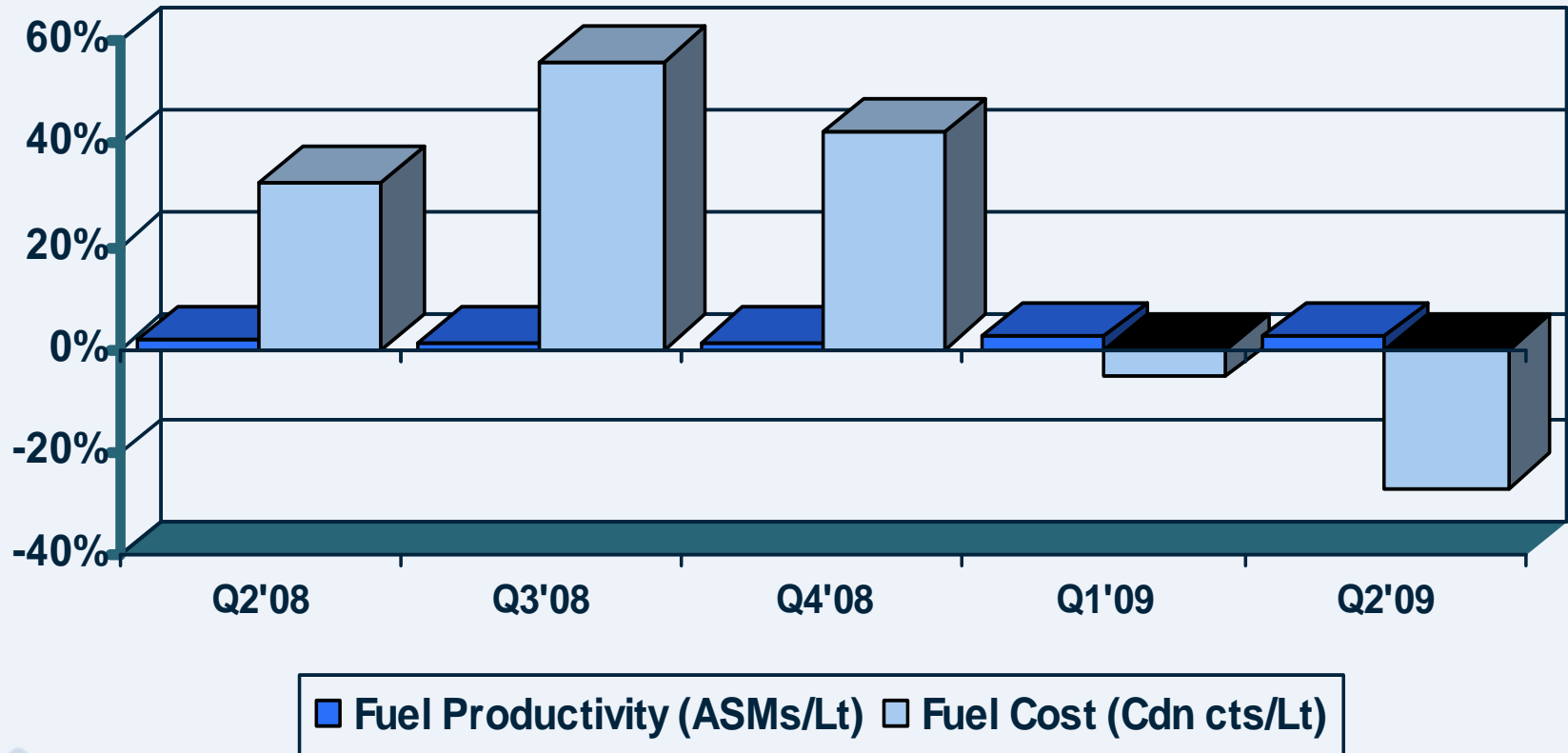
% Change Y-O-Y



Fuel Cost/Litre Down 26.7% While Fuel Productivity Improves 2.8% - Fuel Cost/Litre Down 47% Excluding Hedges (non-GAAP measure)

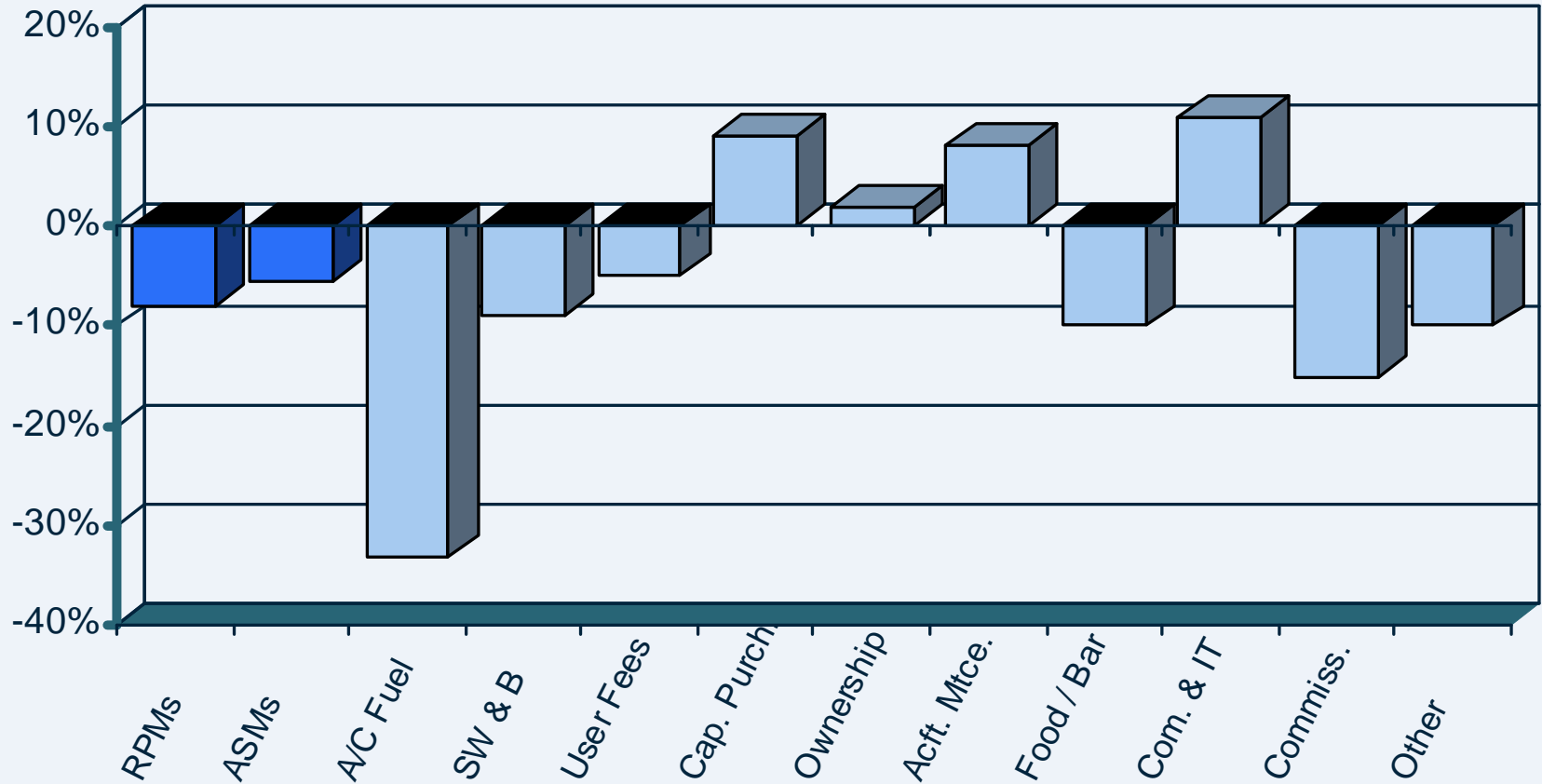
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



Operating Expenses Down \$332M Despite Additional Expense of \$105M Due to Unfav. FX – Fuel Down \$276M

% Change Y-O-Y

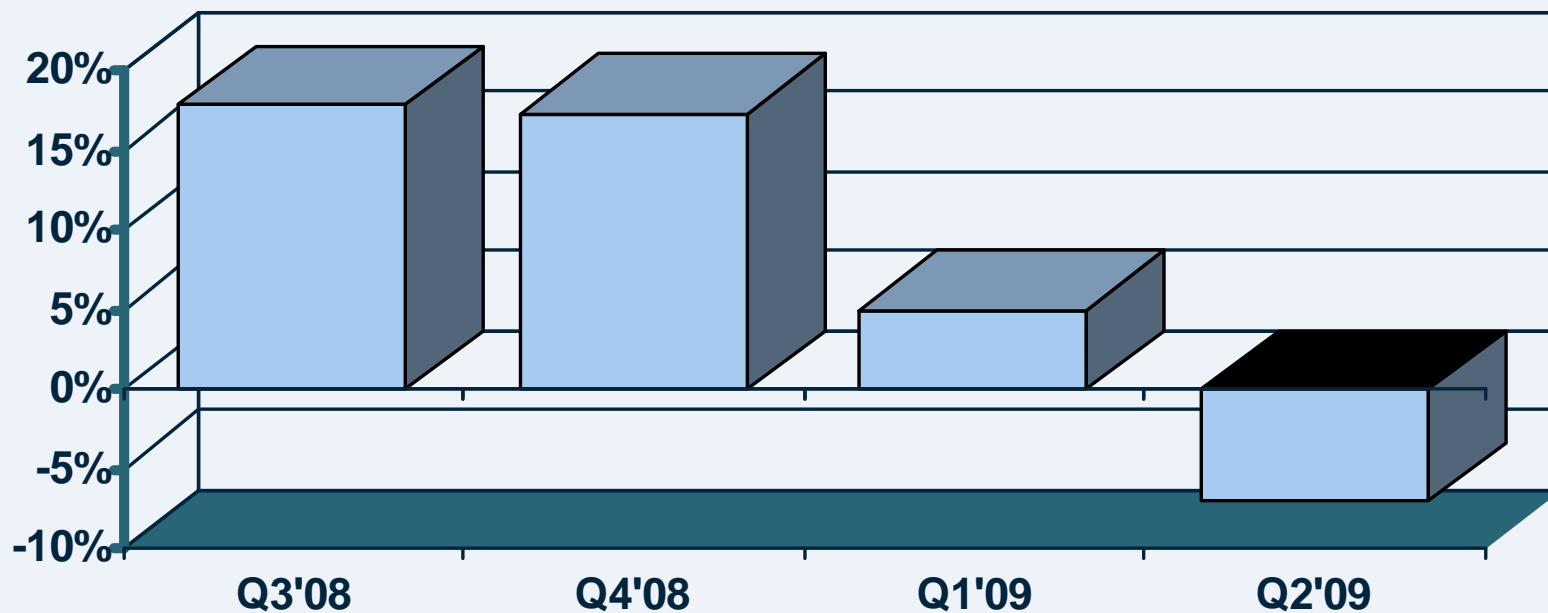


Q2 2009/2008

Unit Cost Down 7.0% on Lower Fuel

(Cost Per ASM)

% Change Y-O-Y



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