

First Quarter 2007

May 11, 2007

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Air Canada Services Operating Results Improve by \$46 mln

<i>(millions)</i>	Q1 2007	Q1 2006	Change Fav./Unfav.)
Oper. Revenue	\$ 2,534	\$ 2,394	\$ 140
Oper. Expense	2,612	2,518	(94)
Oper. Loss	(78)	(124)	46
Non-oper. Income (Expense)	8	(40)	48
Loss Before NCI, FX & Tax	(70)	(164)	94
Non-controlling Interest	(2)	(4)	2
FX Gain	33	13	20
Recovery of Income Taxes	5	29	(24)
Loss	\$ (34)	\$ (126)	\$ 92

Q1 Net Interest Expense Down \$15 mln

<i>(millions)</i>	Q1 2007	Change Fav./((Unfav.)
Net Interest Expense	\$ (29)	\$ 15
Gain on Sale	7	5
Other Non-Operating Inc.	30	28
Total Non-Operating Income	<u>\$ 8</u>	<u>\$ 48</u>

\$34 mln gain
on derivatives

Q1 2007

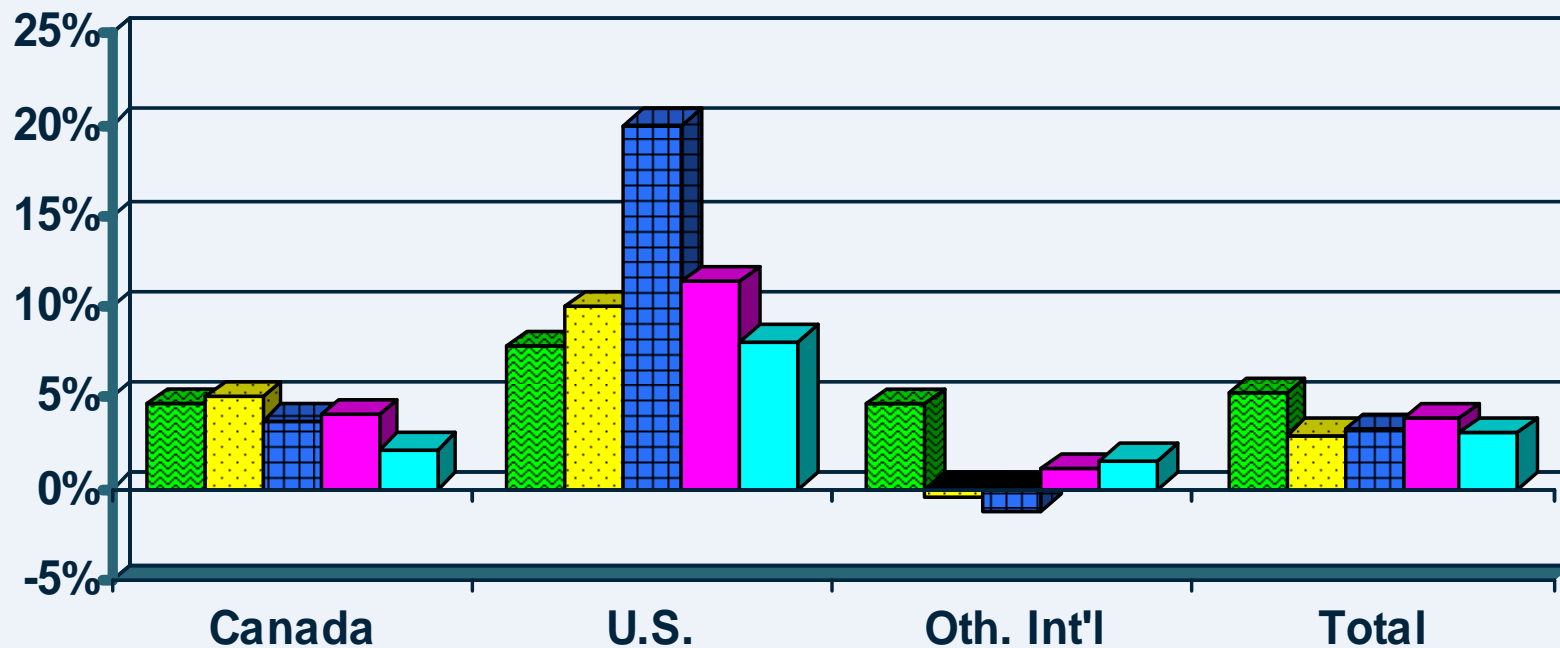
Actual vs Prior Year

	ASMs		RPMs		PLF		Yield		RASM		Rev	
Canada	↑	2.2%	↑	7.2%	↑	3.8 PP	↑	1.4%	↑	6.4%	↑	8.7%
US Transborder	↑	8.1%	↑	5.5%	↓	1.8 PP	↓	1.3%	↓	3.6%	↑	4.2%
Atlantic	↑	2.1%	↑	4.6%	↑	2.0 PP	↑	2.0%	↑	4.5%	↑	6.7%
Pacific	↑	0.9%	↑	3.2%	↑	1.9 PP	↑	4.8%	↑	7.2%	↑	8.1%
Latin Amer. & Other	↑	1.8%	↑	3.1%	↑	1.0 PP	↑	1.0%	↑	2.2%	↑	4.1%
Total	↑	3.1%	↑	5.1%	↑	1.5 PP	↑	1.6%	↑	3.5%	↑	6.8%
Total Expense											↑	3.7%
Total CASM									↑	0.6%		
Total CASM excl. Fuel									↑	0.8%		

North American Growth Accounts for $\frac{3}{4}$ of Overall Capacity Increase

(Y-O-Y Changes in Capacity)

% Change in ASMs

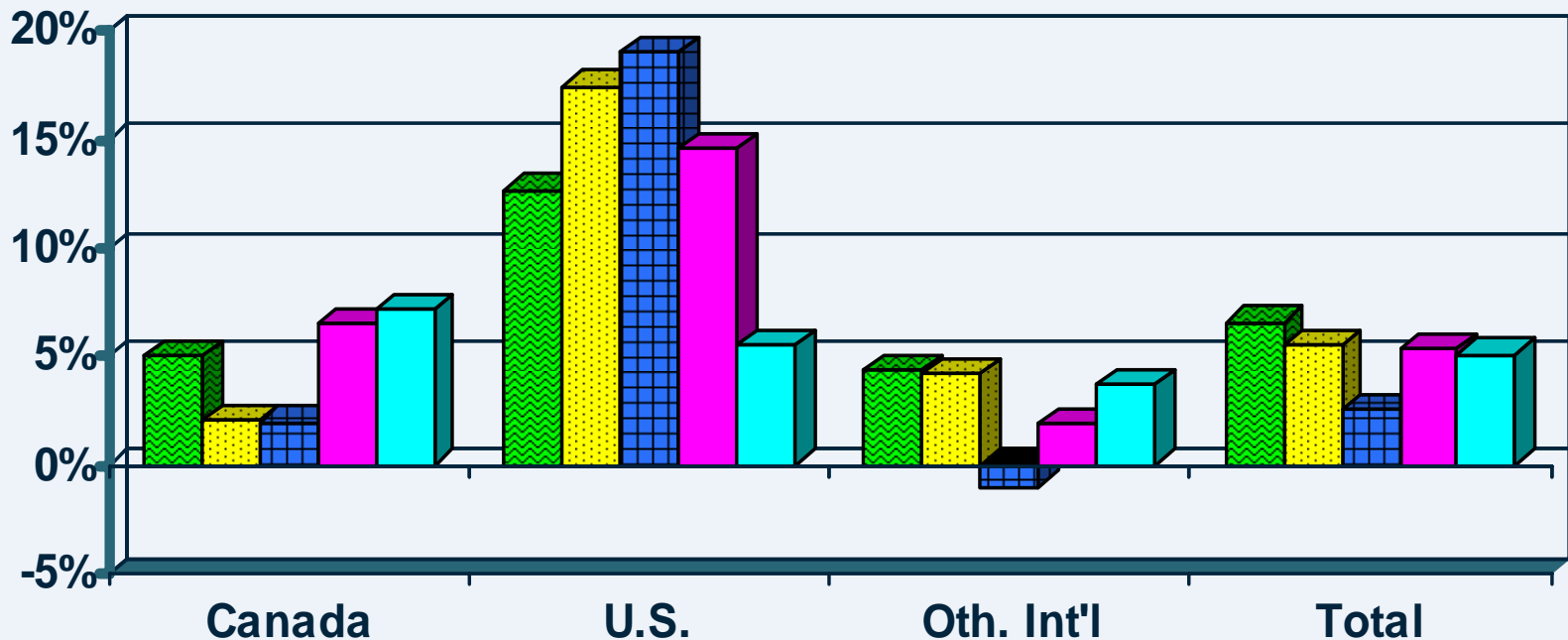


■ Q1 2006/2005 ■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006

Strong Traffic Outpaces Capacity Growth in All Sectors but U.S.

(Y-O-Y Changes in Traffic)

% Change in RPMs

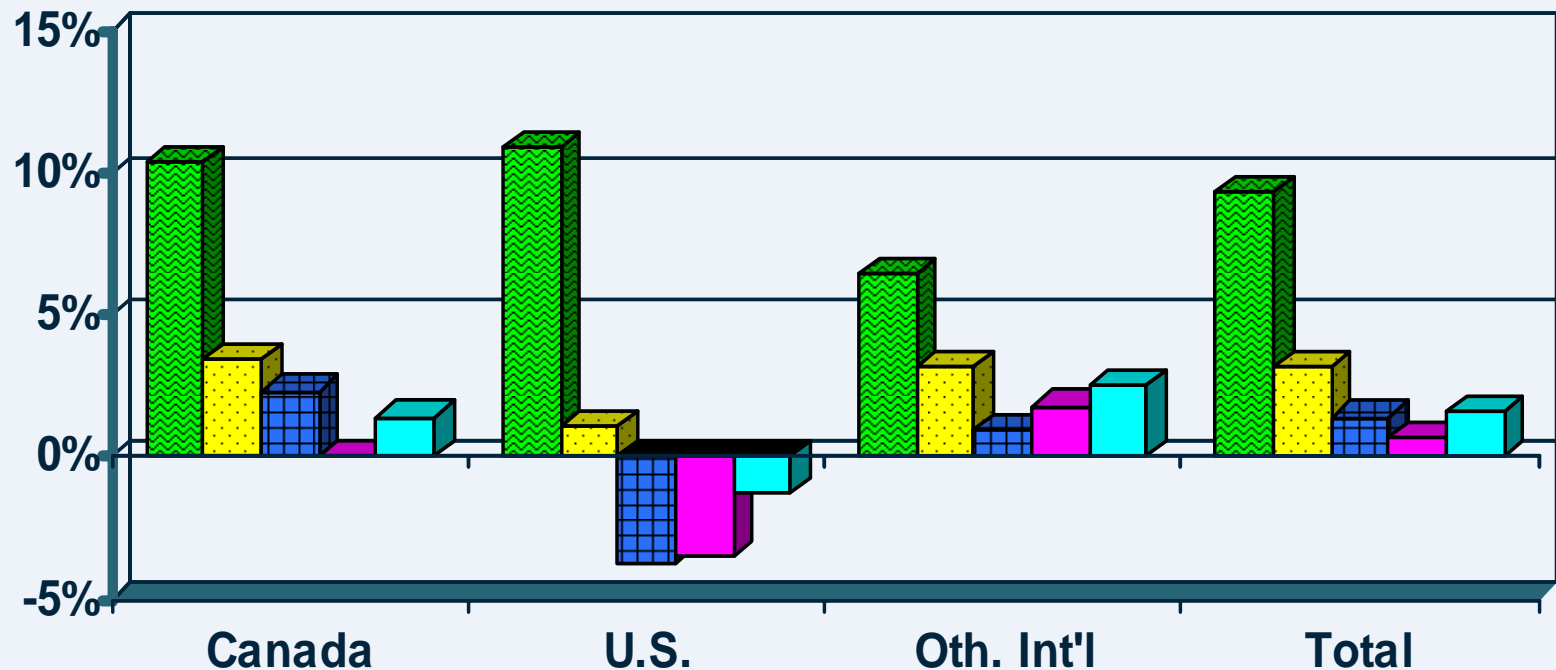


■ Q1 2006/2005 ■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006

Yield Performance Improves in all Sectors from 4th Quarter's Pace

(Y-O-Y Changes in Passenger Yield)

% Change in Yield

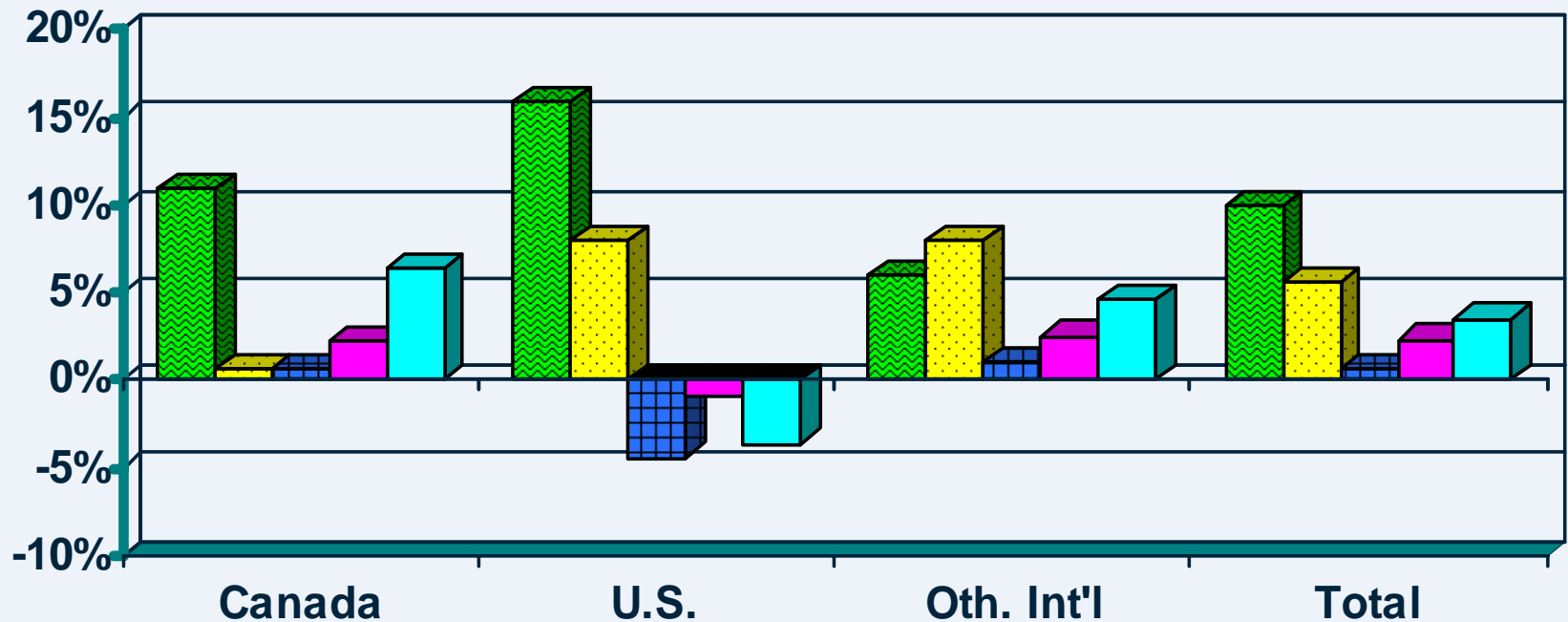


■ Q1 2006/2005 ■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006

System RASM Growth Strengthens on Better Yield and Higher LF

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

% Change in RASM

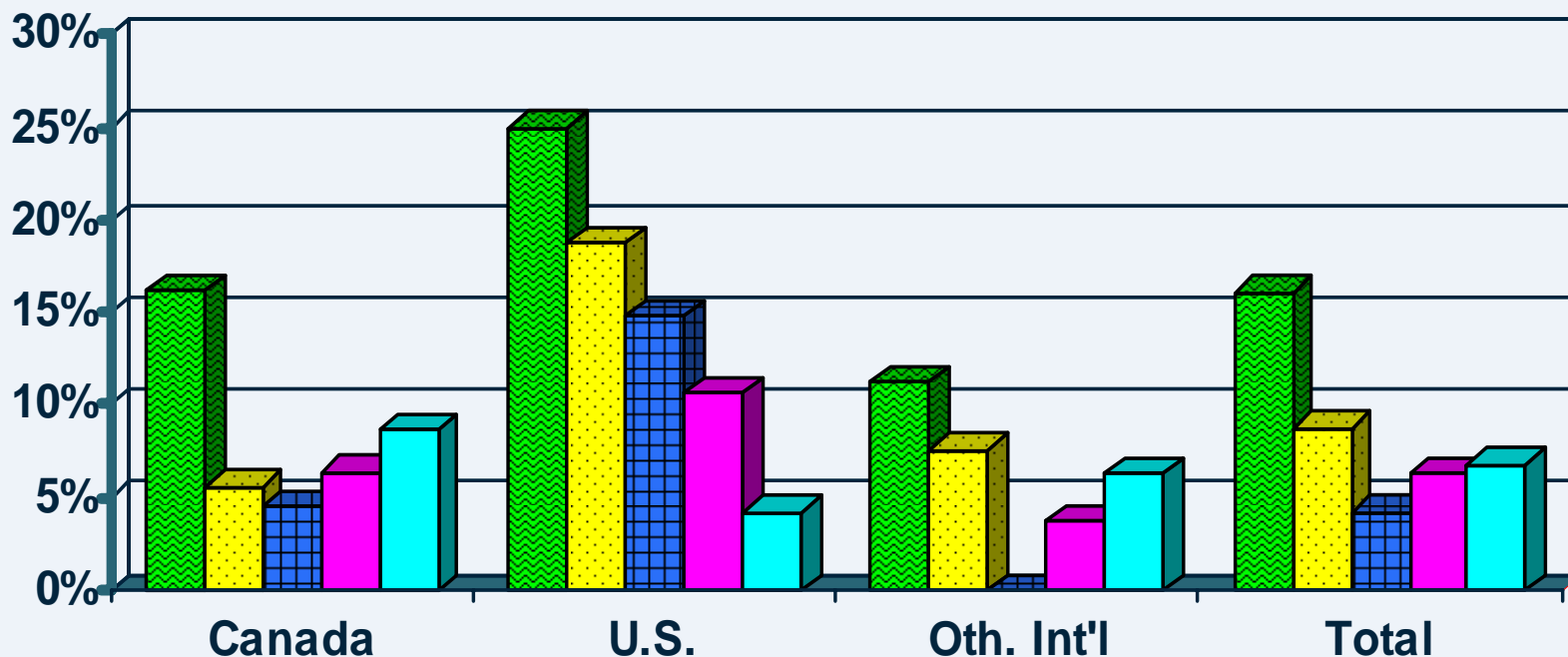


■ Q1 2006/2005 ■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006

System Revenue Growth Stable as Stronger Domestic and Intn'l Revenues Offset Lower Transborder Growth

(Y-O-Y Changes in Passenger Revenue)

% Change in Revenue

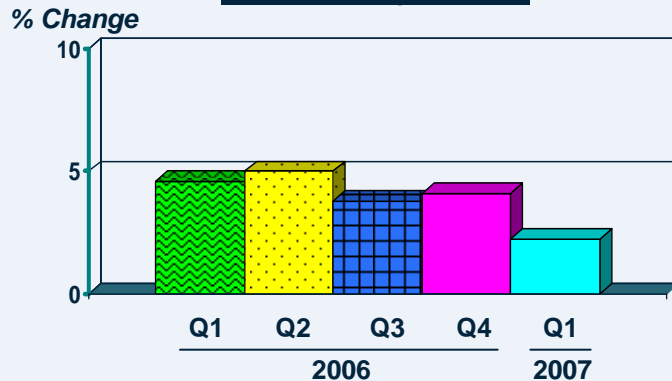


■ Q1 2006/2005 ■ Q2 2006/2005 ■ Q3 2006/2005 ■ Q4 2006/2005 ■ Q1 2007/2006

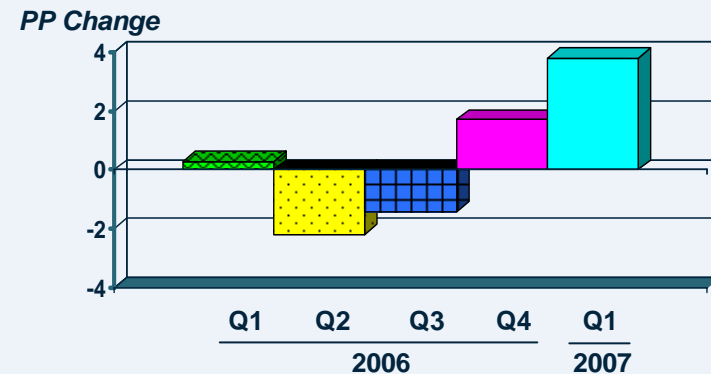
Canada – Q1 RASM Jumps 6.4% Mostly on Load Factor

Y-O-Y Change

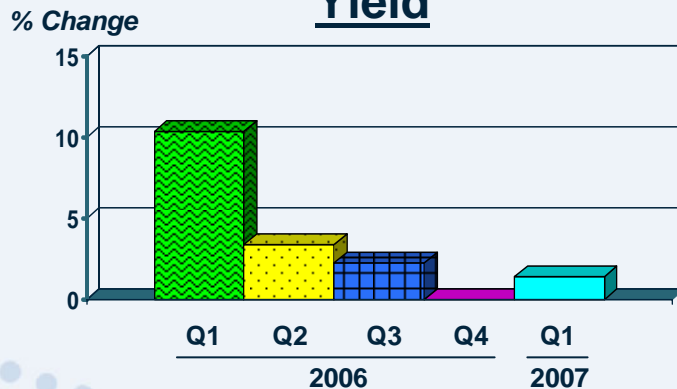
Capacity (ASM)



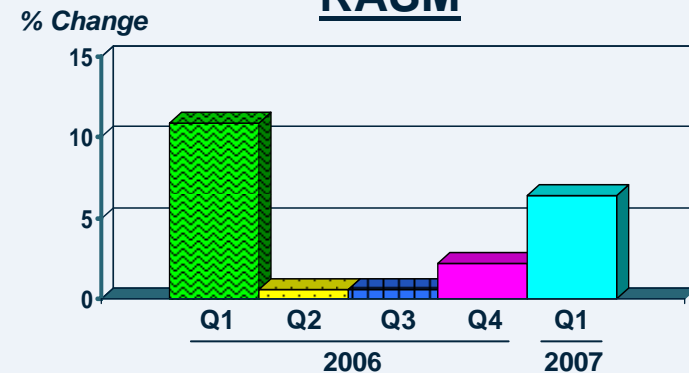
Load Factor



Yield

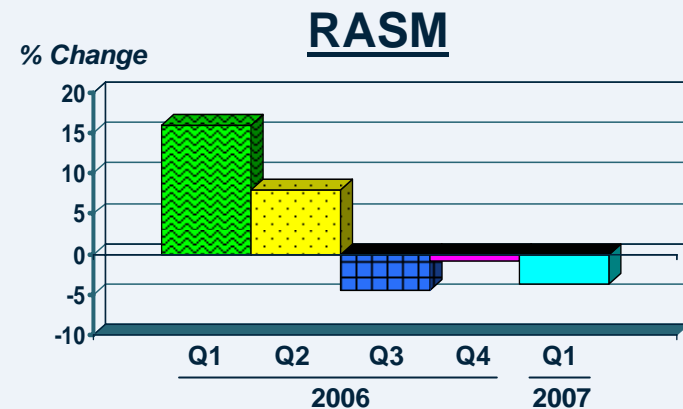
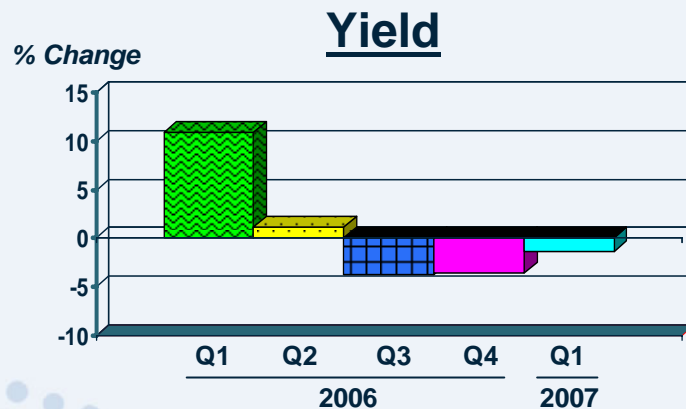
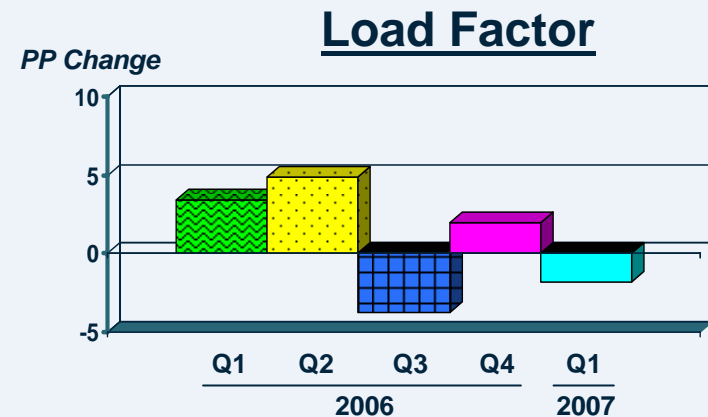
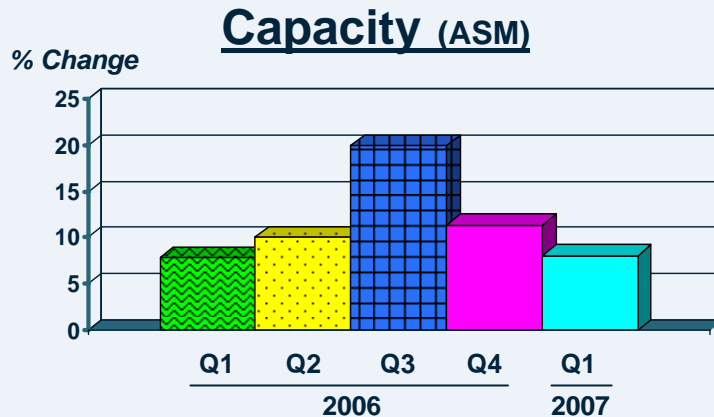


RASM



US Transborder – RASM Declines 3.6% as Weaker Load Factor Combines With a Soft Yield

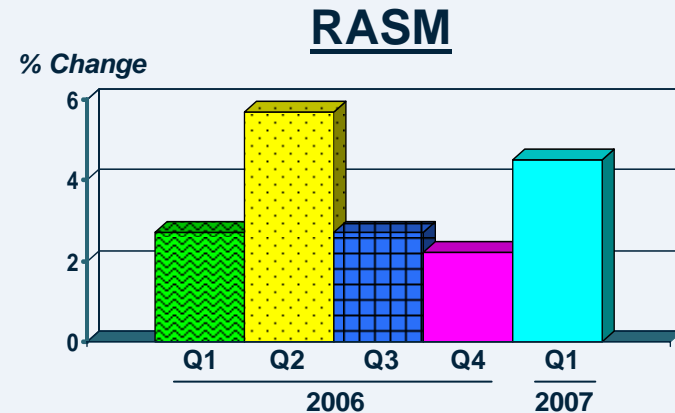
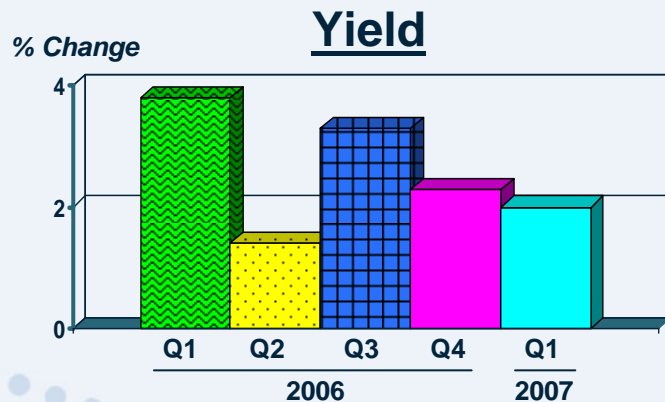
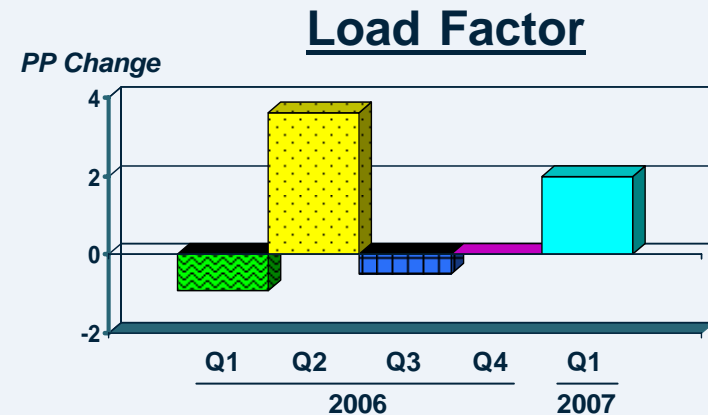
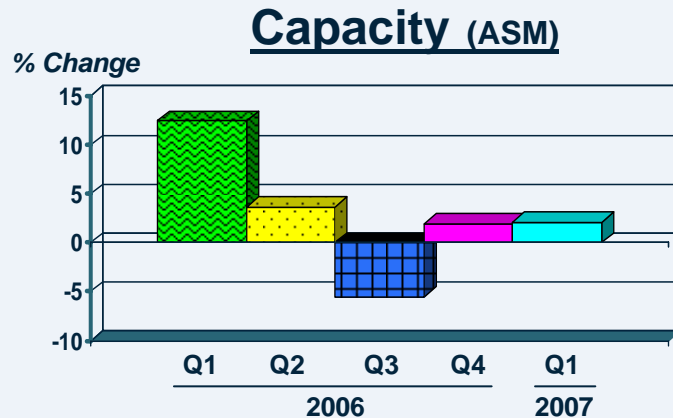
Y-O-Y Change



Atlantic –

Strong Yield and a Jump in LF Combine to Lift RASM 4.5%

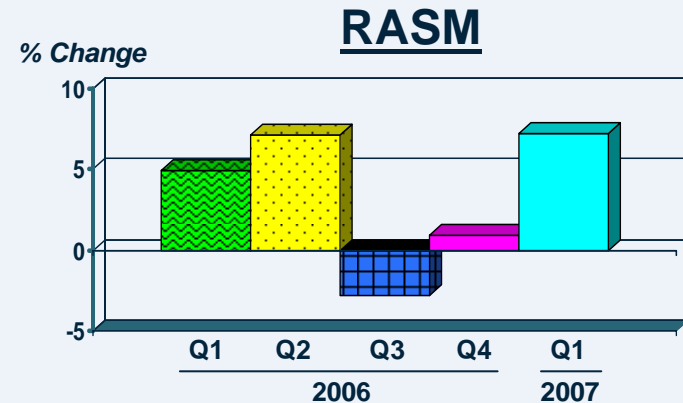
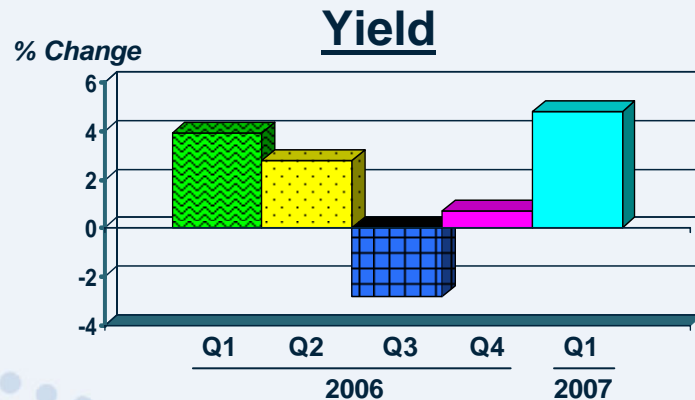
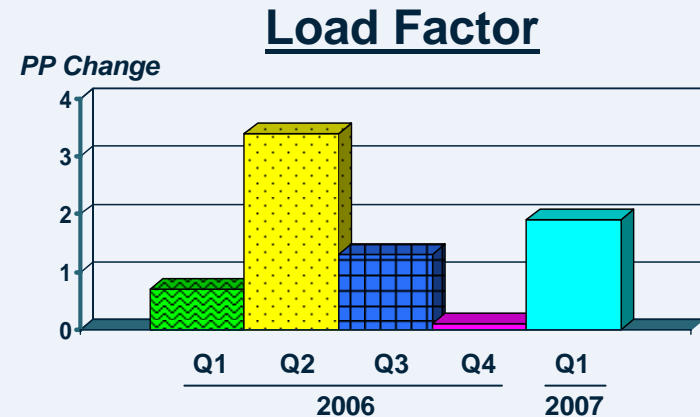
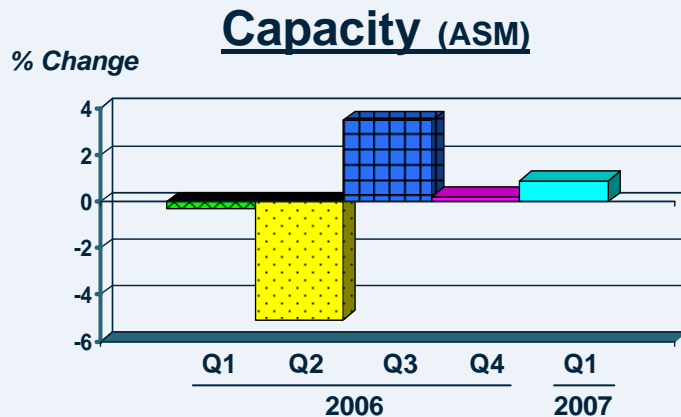
Y-O-Y Change



Pacific –

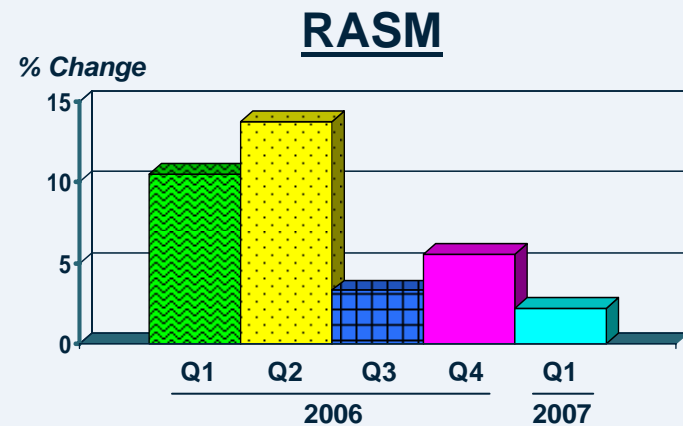
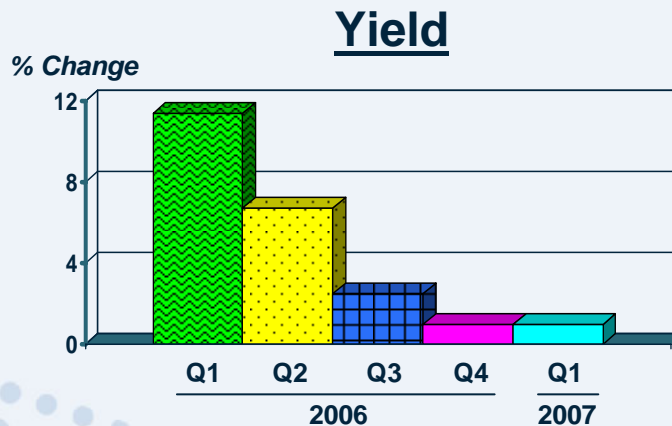
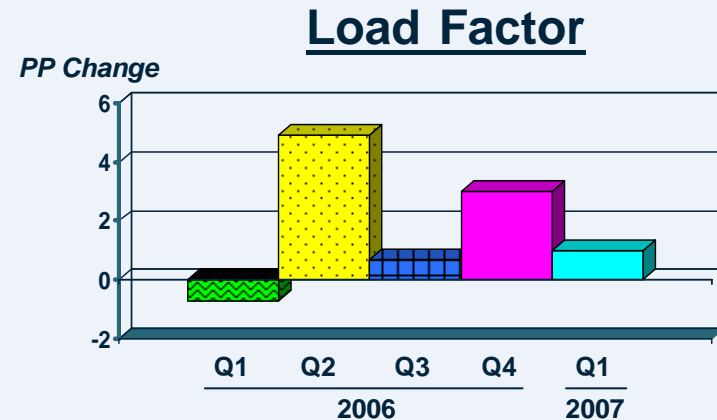
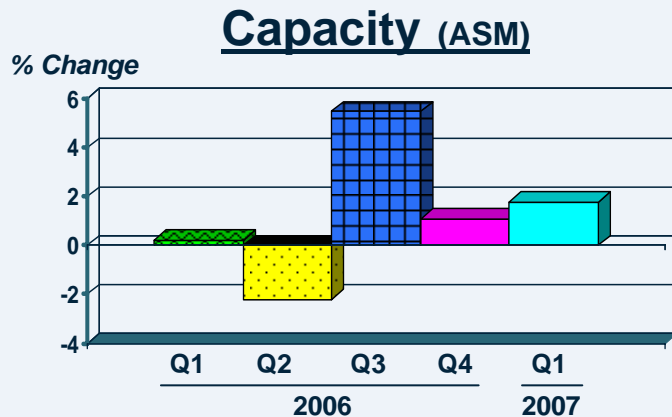
7.2% RASM Growth on 4.8% Jump in Yield and Solid LF

Y-O-Y Change



Caribbean, Latin America & Australia – RASM Growth Continues Equally on Yield and Load Factor

Y-O-Y Change

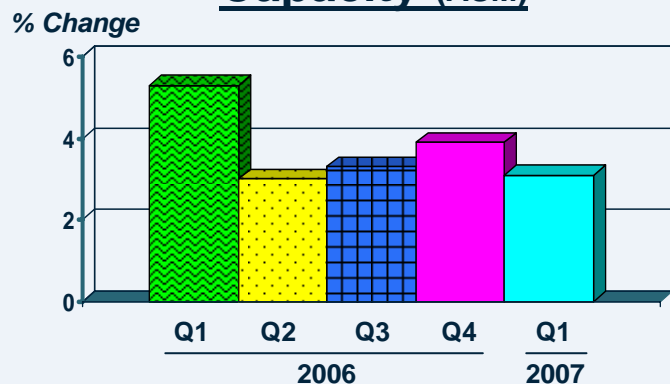


Total –

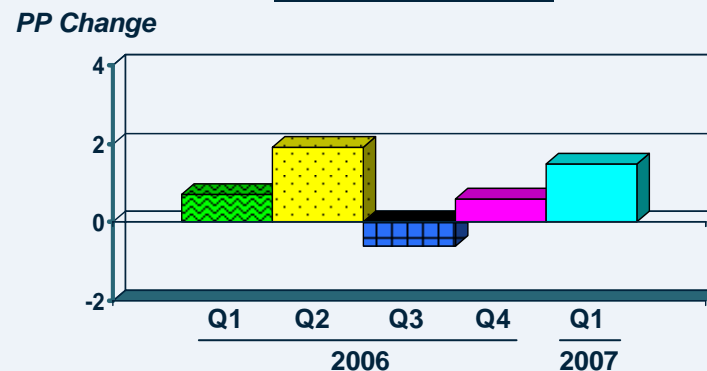
System RASM Lifts 3.5% on Higher Yield and LF

Y-O-Y Change

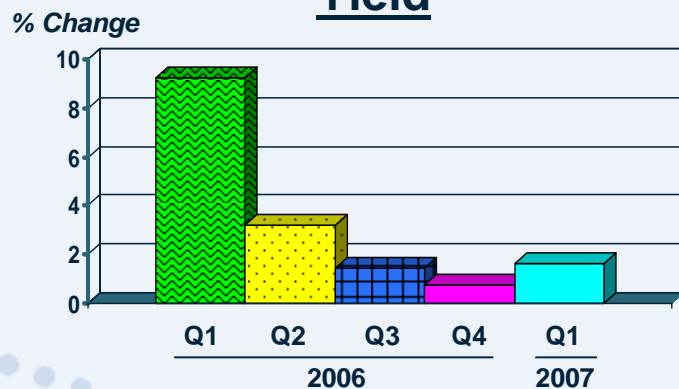
Capacity (ASM)



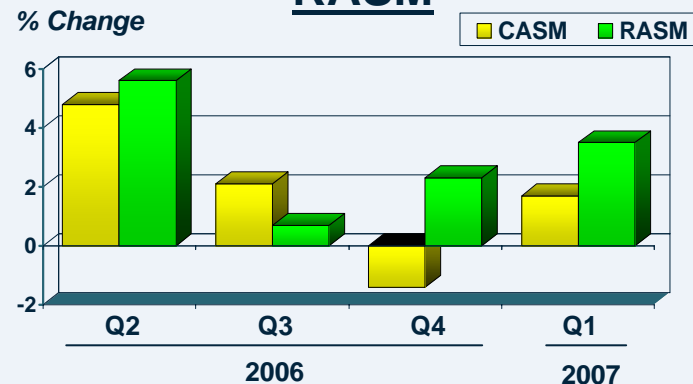
Load Factor



Yield



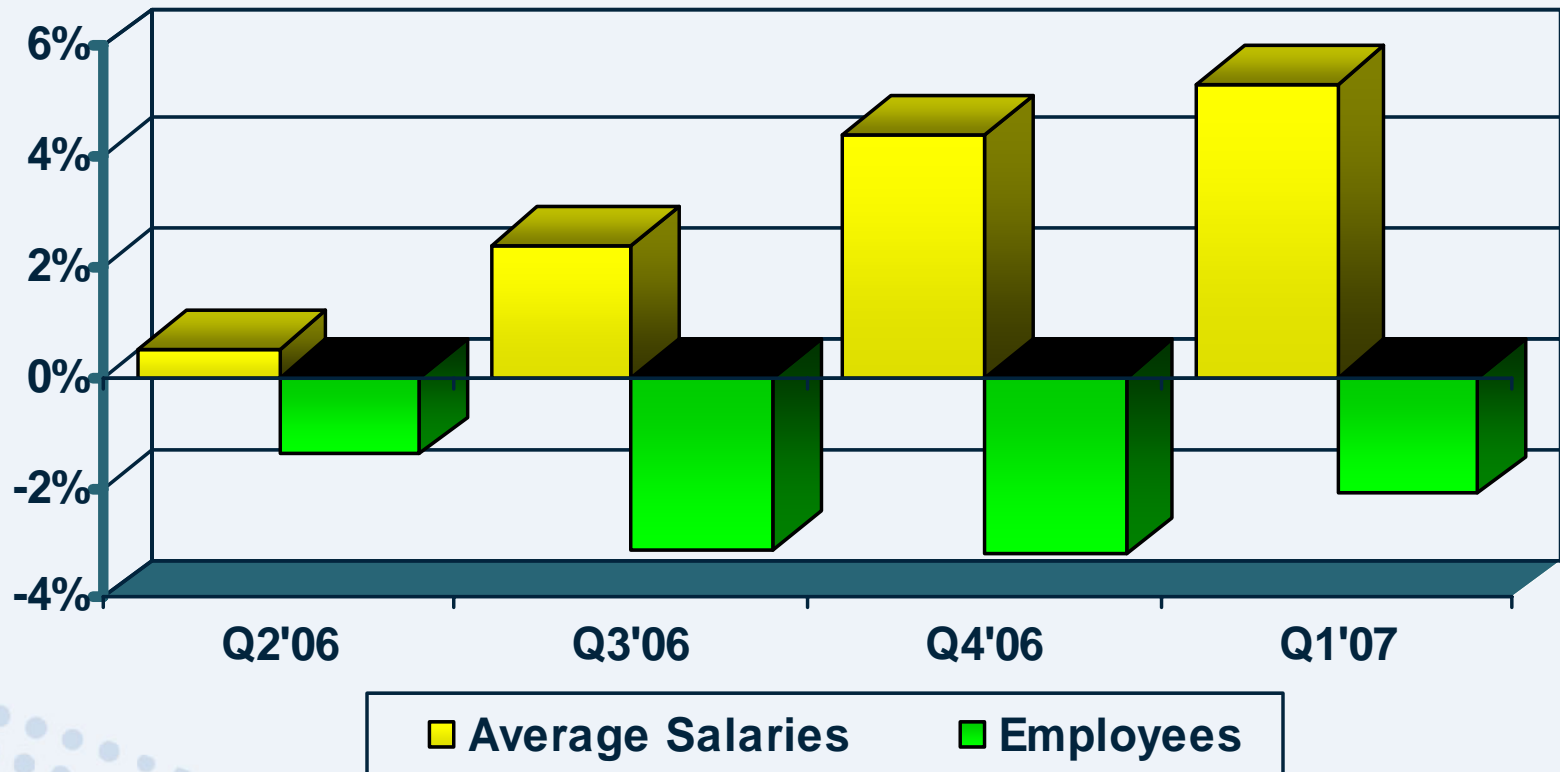
RASM



Average Salary Up 5.3%; Employee Levels Down 501 or 2.1%.

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

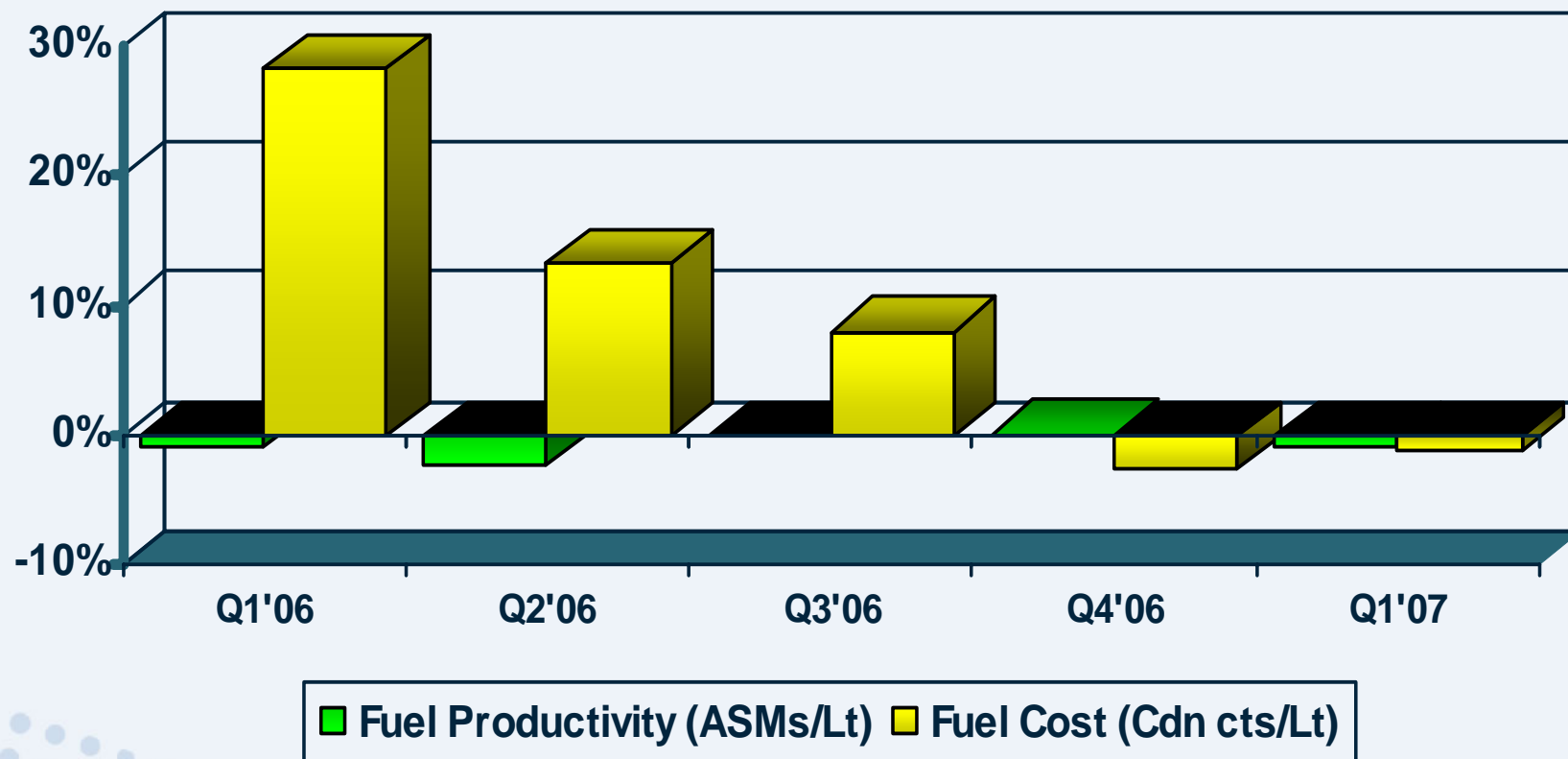
% Change Y-O-Y



Cost/Litre Down 1.1% While Fuel Productivity Declines 0.7%

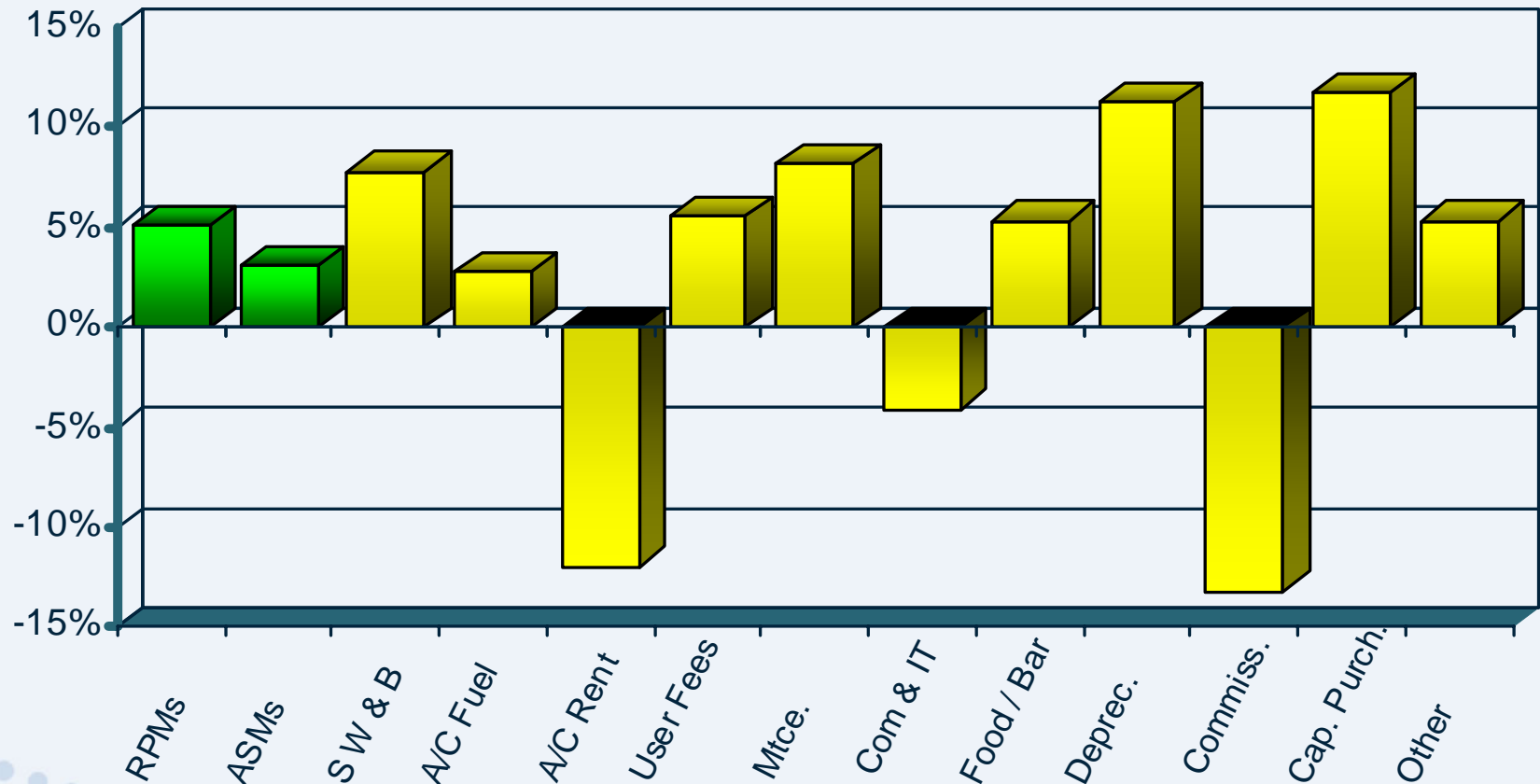
(Fuel Productivity & Unit Cost)

% Change Y-O-Y



"Other" Category up 5.3% on Air Canada Vacation Ground Package Costs

% Change Y-O-Y

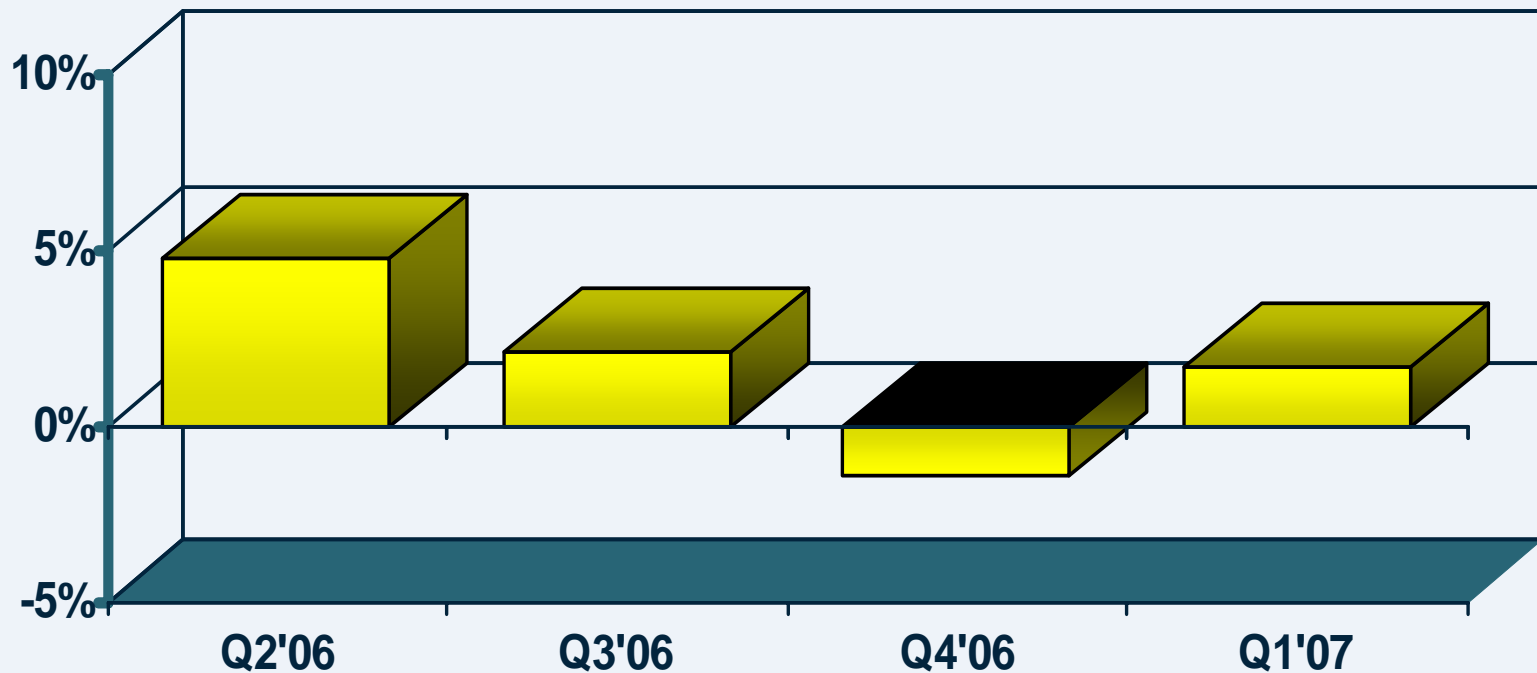


Q1 2007/2006

Unit Cost* Up 1.7% Due Higher Average Salaries, Mtce. Expenses, ACV Ground Packages and Weather

(Cost Per ASM)

% Change Y-O-Y



* 2006 excluding special charges

Caution Concerning Forward-looking Information:

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