2010 Annual and Special Meeting of Shareholders
This presentation includes forward-looking statements. For a discussion of risk factors and assumptions please see the section entitled *Caution Regarding Forward-Looking Information* later in this presentation.
Calin Rovinescu
Carolyn Hadrovic
Michael Rousseau
Good morning ladies and gentlemen and for those shareholders from out of town I extend a warm welcome to Montreal for the 2010 annual and special meeting of Air Canada shareholders. I appreciate that each of you has made time for us in your busy schedules this morning.

Before I begin, I would like to acknowledge the presence of certain special guests, members of Air Canada’s extended family, who have joined us today. Several of our key partners are here - including Aeroplan, our loyalty partner; Jazz, our regional airline partner; AVEOS, our Maintenance Repair and Overhaul provider, the leaders of several of Air Canada’s unions and our pilots’ association, major suppliers, travel trade partners and aviation industry leaders including Aéroport de Montréal, the Ottawa International Airport Authority, the Greater Toronto Airports Authority, the Halifax International Airport Authority and the Winnipeg Airport Authority. I would also like to recognize Claude Taylor, who was president and chief executive officer of Air Canada from 1976 to 1984, as well as Pierre Jeanniot, who was Claude’s successor from 1984 to 1990, and after that Secretary-General and CEO of the International Air Transport Association. That both of you continue to be so engaged and interested in the prospects of the company underscores the traditions and family culture at Air Canada.

So welcome to all of our shareholders, special guests and partners and thank you for your ongoing support.

Additionally, several of our key senior executives, including all of our Executive Vice-Presidents are here today. They are sitting here in the second row and I know they would be delighted to answer any of your questions after the meeting.

Approximately one year ago, I stood in this same place, having just been appointed president and CEO. At that time, we presented the company’s significant challenges for the year ahead. Many of you who were here will surely remember that the list of challenges was long, but we agreed the glass was at least half full. And indeed, last year showed that that was the case.
The last two years have been difficult for our industry as a whole. Airlines are always the first affected by and the last to recover from economic downturns and recessionary conditions. IATA estimates our industry collectively lost over $10 billion last year as traffic fell 3.5 per cent.
IATA called 2009 the worst year for the industry in terms of lost traffic.

It called 2009 the worst year ever for the industry in terms of lost traffic.
For its part, Air Canada did well relative to other legacy carriers. Our revenue performance compared favorably with that of our North American peers. In fact, we out-performed most carriers in both yield and unit terms.
Moreover, we managed capacity effectively. In 2009 we flew our planes with a system-wide load factor of 80.7 per cent on average versus 75.6 per cent for the industry as a whole.

We carried close to 31 million passengers during the year and, most importantly of all, we did so safely.
We also delivered in two other areas that I consider a priority. We improved our year-over-year customer satisfaction metrics and received several significant industry awards based on customer feedback. This, for me, is one of the key indicators that we have made good progress in re-engaging with our customers.
On the environmental front, operational measures alone enabled us to save 18 million litres of fuel. This translates into a reduction of nearly 45,000 tonnes of CO2 emissions – the equivalent of removing more than 11,400 cars from the road for a year. The industry has some very ambitious fuel consumption target reductions by 2020 and we will be front and center in participating in these environmental initiatives both with our new fuel efficient B787 aircraft on order and operational and navigational changes.
Yet while we achieved our 2009 adjusted EBITDAR target, like many other carriers last year, we still reported an operating loss albeit a materially lower net loss than the previous year’s.

The 2009 recession resulted in a $1.2 billion or 12 per cent decline in passenger revenue. More than 33 per cent of that drop can be attributed to a downturn in the premium market, which Air Canada, as a full service airline, relies upon disproportionately.
Our unit costs decreased 5.4 per cent. However, once fuel expenses are excluded, our Cost per Available Seat Mile or CASM increased 3.3 per cent from 2008, largely due to a weaker Canadian dollar versus the U.S. dollar and reduced flying over which to distribute fixed costs.

Why was 2009 a crucible year for us?
Starting with the dramatic fuel price spike in 2008 followed by the economic downturn late in the year and carrying on into 2009, we encountered a series of interconnected events that created serious hurdles for our company - expressed simply, we had many predicting our demise. However, we defied the naysayers and, against great odds, we withstood the challenges of last year and managed to not only preserve shareholder value but actually improve it. In real time, we completed a series of transactions with credit card processors, labour unions, pension regulators, suppliers, lenders and other financial partners that stabilized the company and strengthened our position to manage through last year. We also resolved to focus on re-engaging with our customers in a meaningful way during this challenging period so that we would deliver on the high expectations inherent in the Air Canada brand promise.
As for our pension plan challenges, in 2008 our plans performed adequately in relation to other Plans – in the Second Quartile. But the combination of a 40 per cent drop in equity markets in 2008, coupled with historically low long-term government bond rates, created, at least on paper, a very large pension deficit. The situation threatened to saddle us with unaffordable pension deficit funding payments given the depleted liquidity levels of the Company.

Layered on top of this was the expiry of all five of Air Canada's major collective agreements with its unionized employees in the summer of 2009.
I often used the analogy of a Rubik’s cube to describe our predicament. We were faced with multiple issues and none could be solved unless all were solved. We could not get additional funding without labour stability. We could not get labour stability without a pension solution. We could not get a pension solution without the funding. Moreover we could not get customers back unless we engaged with them. And we could not engage with them if we did not engage our employees.

Just as with a Rubik’s cube we began working all sides of the problem at once. First, management had to believe and convince others that Air Canada’s glass was at least half full and worth fighting for.
Early on we got lenders and credit card processors to relax their cash requirements, all conditional on some permanent funding coming in.
One-by-one we negotiated contract extensions to 2011 with our unions on a cost neutral basis.
Along with that, our five major Canadian unions agreed to pension funding arrangements that provided for a 21-month moratorium on past service contributions and fixed payments thereafter for the 2010-2013 period. Following a special consultation process that included retirees and non-unionized employees, the federal government approved amendments to the airline’s pension funding rules. A very unique solution to a very complex pension deficit funding problem without changing any benefits under the Plans.

In the meantime, we continued to make all current service contributions - of nearly $400 million - to our defined benefit plans for 2009. That had not changed. And, of course, all of our retirees continued to receive their pension benefits unaffected.
These agreements were inter-dependent on other agreements with other key suppliers and partners who agreed to rework, improve and extend contracts to make them more competitive with market rates. In effect, demonstrating that they too had a vested interest in the success of Air Canada – just like our own employees, unions, managers, retirees, shareholders and creditors. Many of the partners who participated in our cost restructuring or in our financings are here today and I would like to thank them for their support and confidence in us.

I would also reiterate that we recognize that no one owes us a living. We have to earn that. Likewise, any company doing business with us is entitled to earn a reasonable profit aligned with prevailing market rates.
With everything in place, we announced on July 29 – – that we had raised more than $1 billion from a diverse group that included our major shareholder, several key business partners and other lenders and stakeholders.

Building on these achievements, in October we completed an equity financing that strengthened our liquidity position by about $250 million – quite a remarkable feat given where we were merely five months before.

This equity offering also re-introduced to Air Canada a very important new institutional shareholder base from Canada and the U.S., including several very experienced airline investors who are represented here today and who showed much confidence in our efforts last year.

Our Board of Directors and in particular our Chairman also provided unwavering support throughout the process and I thank them for their constant availability and wise advice.
In summary we stabilized the company against great odds and demonstrated in the process that a 72-year-old former crown corporation could be creative, could be nimble, could be innovative and could be flexible. We did this without a proverbial “Run on the Bank” or even much noise in the media. All the while quietly improving our product, our customer offering and our customer communications. All the while starting to engage and empower our employees.

As of April 30 of this year our liquidity position measured by cash, cash equivalents and short term investments had strengthened to $1.7 billion from approximately $1 billion at the same time last year. Moreover as was noted in the Management Proxy Circular, by April of this year our stock was up 200% from last year despite the massive dilution resulting from the equity offering – one of the best performing airline stocks anywhere. Admittedly we started from a very low base last year but this exercise of building long-term shareholder value is a marathon not a sprint.
With our company stabilized, we are now focused on the transformation that must occur if we are to make Air Canada a sustainably profitable company over the long term.
More broadly, I believe Air Canada can aspire to become nothing less than a Global Champion, a company that not only excels, but consistently excels, from year-to-year.

The international management consulting firm AT Kearney recently published its list of 25 Global Champions. It featured companies from around the world, including the U.S., South Korea, Japan, Europe and even South Africa. Strangely, no Canadian company made the list and none of the companies listed were airlines. One of the criteria that distinguishes the companies in this elite group is that they had generated steady annual double digit growth for the past five years.

These Global Champions also distinguished themselves through a willingness to seize new opportunities, to innovate and to expand with a clear vision for the future.
On the whole, they were seen to have pursued a growth strategy that balanced economic, environmental and social considerations. Size per se did not matter but strong leadership, staying focused on the end goal and an ability to shift gears under changing circumstances were required.

The leadership team at Air Canada has identified four key priorities whose pursuit we believe will transform this company permanently. Our aim is to propel Air Canada into a league of Global Champions. Whether we are actually ever recognized as such is almost secondary – it is the aspiration and continuous improvement that matters to me.
The first element is our Cost Transformation Program, which is aimed at achieving $500 million in recurring annual cost and revenue improvements by the end of 2011.

We have already made significant progress toward this goal and surpassed our $50 million target for 2009 by 40 per cent. As of this month, on a run rate basis, $255 million of our $270 million target for 2010 and $281 million of our $500 million 2011 goal have been realized. We have over 120 identified projects and initiatives from as low as $200,000 to as high as $40 million, each with an owner who is accountable to deliver it.
Importantly, we are doing this without compromising the passenger experience. Cost transformation is about much more than simple cost reduction. It means technology. It means different processes. It means managers and front-line employees empowered to do their jobs differently. It means greater productivity. It means that despite being a big company, we will behave much more like a smaller, entrepreneurial one.
The second element of our transformation is a renewed emphasis on the customer experience. We intend to achieve this through a concerted re-engagement with our customers, our partners, the travel trade, and Star Alliance.
One example of this is that we were the first North American airline to introduce new IT services for customers through popular Apple and Blackberry applications with automatic flight notification and rebooking tools. These provide information in real time, the way customers want to receive it and they also reduce the complexity and costs of handling such things as irregular operations.
Conversely, we have eliminated many customer irritants. Among other things we revoked call centre fees, increased the availability of Aeroplan reward seats, allowed small pets back in the cabin, improved our Super Elite members’ access to revenue seats and reached out to the travel trade community to restore commissions on some lower fare categories.
As I mentioned earlier, an airline such as Air Canada depends highly on premium traffic. This was the segment of our business most severely affected by the recession, so providing a superior customer experience is vital if we are to improve our premium revenues. While we have held our own with respect to premium customers, we will more aggressively play to our strengths to attract and retain new premium customers.
We will add product enhancements to our industry-leading premium suite of Maple Leaf Lounges, Concierge Program and international Executive First service with lie flat suites – The first in North America I might add. And let’s not forget the strength of Aeroplan – our commitment to provide Aeroplan with a minimum of eight per cent of our seats for reward redemption on any route in any month is more than most other frequent flyer programs in North America.

Customers are taking notice of the quality of our service. As I referenced earlier, one such indication is the series of prestigious awards we won in late 2009 and again this spring from international sources that cover our industry. These are the Academy Awards of our industry and are based on extensive surveys of frequent travelers who fly many different carriers.
Business Traveler, a magazine with 500,000 readers and ten editions published globally, gave Air Canada more awards than any other carrier in the world last year. Its readers declared we have:

the Best Flight Attendants in North America;

the Best In-flight Services in North America;

the Best Business Class among North American carriers;

and that Air Canada is the Best North American Airline for International Travel.
A survey of 25,000 readers of the equally respected *Global Traveler* magazine found Air Canada to be the Best Airline in Canada and Best Airline in North America.

And the recognition has continued this year.
This April, *Reader’s Digest* declared Air Canada the country’s “most trusted airline” based on an independent survey of Canadians coast-to-coast.
The most significant accolade was perhaps the one received last week when the independent research firm Skytrax ranked Air Canada Best Airline in North America after an exhaustive survey of more than 17 million air travelers from 100 different countries. Skytrax is a globally recognized and respected firm and it used more than 35 different aspects of passenger satisfaction to compare airlines’ product and service standards. The annual Skytrax survey is regarded by the air transport industry as the primary benchmarking tool for passenger satisfaction levels among the world’s airlines.
So let me pause here. These surveys and awards suggest you are shareholders of the Best Airline in North America, the most competitive market place in the world. And one of the best airlines in the World. This franchise is very, very strong and we intend to make it stronger.
While these awards are positive proof that Air Canada is moving in the right direction in re-engaging with its customers, we know we have more work to do and that is why the third element of our transformation is culture change.

Culture change is always the greatest challenge for an organization. Yet such change must happen, both in terms of how customers see us and how we behave as a company. In many ways, this is the most important aspect of our transformation because a corporate culture provides the foundation and sets the tone for everything that you do.
With the right drivers – both in terms of people and tools – Air Canada can and will absolutely become a more entrepreneurial and nimble company. It will become a place with a just do it culture, where things happen much more quickly without unnecessary committees, “white papers” or bureaucracy.

We are building a strong Employee Brand in order to help our employees perform at their very best all the time so they inspire those around them to do the same. Right now within our workforce of 26,000, there are countless people doing exactly that. Our Art of Excellence recipients, those that epitomize the employee brand we are striving for all have a similar profile, in that they all live and breathe our core values – they act with integrity, they drive for excellence in all they do, they make every customer feel valued and they work together not only with colleagues but also to make their community a better place. A strong Employee Brand means that the characteristics that make these employees stand out are commonplace.

Our goal is to make Air Canada a place where managers, including middle managers are truly leaders; where employees are ambassadors.
The fourth key element of our transformation entails building on our position as one of the world's leading international carriers. I always find it telling that Canada is 36th in terms of population among the world's countries yet Air Canada is the 13th largest airline in the world. And we intend to more aggressively leverage our network and partnerships to grow internationally.
We benefit from Canada’s excellent geographic position. We have a vast network underpinned by an array of bilateral authorities to fly to other countries. And, more than this,
we are a founding partner of the 27-member Star Alliance, the strongest global airline network. Star enables us to seamlessly connect passengers with carriers that fly to over 1,160 airports in more than 180 countries. Such connecting traffic drives growth and for us, the strength of the network is paramount.
For example, Brussels Airlines’ recent admission to Star Alliance made it attractive for Air Canada to begin flying to Brussels. This opened not only another European gateway for customers especially throughout France,
but also a convenient connecting point for travel between Canada and Africa, which is extremely well served by Brussels Airlines. Air Canada currently carries only 5 per cent of traffic between Canada and Africa, but we believe this new partnership will allow us to raise our market share without significant increased cost or capital expenditures.
Beyond Star Alliance, we have joined with Lufthansa, United Airlines and Continental Airlines to form Atlantic-Plus-Plus, a joint venture through which each carrier sells seats on the other as if we were one large airline with a single network. In effect, “metal neutrality” - that over time we become indifferent as to which carrier is flown over the Atlantic as long as it is one of these four.
Since last year we have already added or announced new service to Geneva, Rome, Brussels, Athens and Barcelona that will strengthen our European flagship routes of London, Paris and Frankfurt. In March, we launched our first Calgary-Tokyo flight and today we re-introduce St. John’s-London/Heathrow service. And we are doing all this without adding incremental aircraft – merely redeploying our fleet more effectively, maintaining our fleet more efficiently and benefiting from our partners network feed.

Asia remains a key element of our international strategy – we had success with the re-introduction of year round Toronto-Tokyo service. And this summer we will expand our access to China by operating four widebody aircraft – two to each of Beijing and Shanghai on a daily basis. This represents a total of 4,500 seats per week to and from mainland China not including our two daily flights to Hong Kong.

This is not to say we are in any way abandoning the domestic market – our presence and commitment to Canada is as strong as ever.
In fact, we need a dynamic domestic operation to feed our international growth opportunities which we will further leverage by connecting U.S. traffic via our hubs in Toronto, Montreal, Calgary and Vancouver.

For many parts of the U.S., the fastest and easiest route to and from Asia or Europe is through Canada. We intend to capitalize on that advantage and aggressively market our strengths and industry leading product in the U.S. This will also require working with airport authorities and government agencies to make Canadian hubs truly competitive with those in the U.S. from both a cost of landing and departure perspective as well as from an airport process and clearance point of view.
Of course, anyone familiar with the airline industry knows that more than any other business it is susceptible to extraneous shocks. In this past year alone, our company has faced the worst post-war recession, a major stock market meltdown, severe storms, earthquakes in Haiti and Chile, the H1N1 pandemic, a volcano that shut down European airspace and the underwear bomber who turned North American security procedures upside down for many months. A far more pleasant unplanned event was a flight delay caused by our own passengers’ refusal to board so they could watch a hockey game – although that was understandable because it was the Olympic Gold medal final, in Vancouver, with the right team winning.

Given this vulnerability, one is loath to make predictions about the future, but at the same time and with due respect only actuaries succeed in business by being pessimistic. For this reason, I will venture that there are encouraging signs that give us cause for cautious optimism.
In the first fiscal quarter of 2010 Air Canada reduced its operating loss to $126 million from $188 million a year ago, an improvement of $62 million. Our operating revenues increased $128 million or 5 per cent from the same quarter in 2009. EBITDAR or earnings before interest, taxes, depreciation, amortization and aircraft rent of $138 million increased $81 million or 142 percent from the prior year.

Traffic increased year-over-year each month in the first quarter and was up 6.4 per cent overall. Significantly, there were stirrings in the premium traffic segment, which as I mentioned earlier is so vital to us, where revenue rose $58 million or nearly 15 per cent. Our load factor was 79.4 per cent.

Beyond the numbers, I was also very encouraged by the operation itself. The first quarter saw two very unusual events – one heartening and the other heart-breaking – which tested our employees and gave them the opportunity to show their spirit and dedication.
One of these was the 2010 Winter Games. As the Official Airline for the Vancouver Olympic and Paralympic Games, we had great success on many fronts – we raised brand awareness globally through our multi-year sponsorship and our ‘Elite Podium” program which provided athletes, coaches and mission staff with premium travel benefits for their training and Olympic-related travel was a big hit with athletes.
And based on the very positive feedback from IOC officials and others who attended Olympic events around the world over the years, our employees also delivered Canada’s 15th gold medal in the form of a technically accomplished and overall outstanding performance. We planned for nearly a year to accommodate the rush of customers and teams with their outsized equipment and it all paid off as we executed flawlessly.

Despite the volumes of passengers and bags we carried, our customer solutions office did not receive a single complaint from any customer related to Olympic travel.
A sad contrast to the Olympic euphoria was the Haiti earthquake. But here I witnessed first hand the “Just Do It” spirit channeled into the laudable goal of relieving human suffering.
Under the leadership of Duncan Dee, our Chief Operating Officer, our employees swiftly volunteered to launch relief flights to Haiti and we made six special flights altogether. In the weeks following the disaster.
Air Canada delivered nearly 200 tonnes of cargo – consisting of lifesaving items such as medicine, food and tents – and we evacuated nearly 500 people, including orphaned children.
One flight carried a three-month-old baby and a 114-year-old woman. I was never so proud of our airline and our employees who raised money, bought supplies and volunteered to operate flights or serve as caregivers for children coming to Canada.
And our commitment to Haiti is ongoing. Fundraising continues, supplies are still being shipped on scheduled flights and we recently ran a very successful clothing drive. For the longer term, with employee involvement in raising money, we have committed to fund a more permanent project.
More recently, our employees again exhibited this same level of committed professionalism in dealing with the volcano eruption in Iceland.

The six-day closure of European airports and airspace put heavy and unexpected demands on all parts of the company. It was immediately evident we had a crisis on our hands and every operational department sprang into action, working around the clock and around the world.

Employees in Canada, our international stations and in the U.S. assisted anxious customers with re-bookings and queries on the phone or face-to-face. Others worked behind the scenes liaising with various European authorities to determine each day’s projected impact on our schedule.

We were among the best prepared to re-launch, even to the extent that we were able to accept displaced customers from other airlines. Our success was possible because we pulled together as a team working across branches to deal with the many unknowns.

To me our employees’ performance during the Vancouver Olympic Games, the Haiti relief missions and the recent European airspace and airport closures are three very good examples of the progress we are making towards a “Just Do It” and entrepreneurial organizational culture – one where managers are indeed leaders and employees are indeed ambassadors.
Air Canada has the ability, the determination and the aspiration to truly become a Global Champion. We are pursuing growth in a rational way with measured risks – one that balances financial, social and environmental considerations – and our aim is to transform our company into one that continuously excels from year to year and that will deliver long-term sustainable value to you, our shareholders.

Our employees are responding with renewed passion, confidence and determination to this call to action. The leadership team is resolutely focused on the end goal and by relentlessly pursuing our four key priorities we are confident of achieving that goal just as we achieved what we did last year. Along the way, we will inevitably be required to shift gears and adapt to changing circumstances but the airline industry thrives on the challenges constantly thrown up by unanticipated events.
To close, I wish to say thank you to Air Canada’s 26,000 employees. Their dedication, professionalism and commitment to transporting our customers safely is both an inspiration for me and a model for other airlines. As well, I would like to thank the leaders of our union groups for working through the challenges of last year in a very professional and responsive manner. Finally, I would like to thank our shareholders, lenders and partners for their continued support and belief in Air Canada.
I look forward to seeing you again next year with more progress to report on our transformation into a global champion.

Thank you.
Bernard Attali
Michael M. Green
Jean Marc Huot
Pierre Marc Johnson
Joseph B. Leonard
Arthur T. Porter
Roy Romanow
Calin Rovinescu
Vagn Sørensen
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I look forward to seeing you again next year with more progress to report on our transformation into a global champion.

Thank you.