2012 Annual and Special Meeting of Shareholders
The Far East has never been so close.

Great fares and the most service from Canada to Asia.

Earn Aeroplan® Miles on every flight. Enjoy a touch-screen TV at your seat, plus power outlets within easy reach. It's all part of the award-winning service you have come to expect from us.

**Tokyo**
- Nov 26 - Dec 15, 2011
  - $500

**Shanghai**
- Nov 26 - Dec 15, 2011
  - $620

**Seoul**
- Dec 17 - Jan 14, 2012
  - $589

**Hong Kong**
- Jan 1, 2012 - May 31, 2012
  - $855

**Singapore**
- Nov 26 - Dec 15, 2011
  - $868

Round-trip fares from Calgary. Departure dates as indicated above. Fares do not include fuel surcharge of up to $105 per round trip. Offer ends November 23, 2011.

Get used to the royal treatment.

Great fares and daily nonstop service from Calgary to London.

Enjoy a touch-screen TV at your seat, plus power outlets within easy reach. It's all part of the award-winning service you have come to expect from us. Plus, earn Bonus Aeroplan® Miles until December 15, 2011.

**London Heathrow**
- Oct 29 - Nov 25, 2011
  - $551


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Duncan Dee
– Executive Vice President & Chief Operating Officer
• Benjamin Smith
  – Executive Vice President & Chief Commercial Officer
Kevin Howlett
– Senior Vice President, Employee Relations
• David Legge
  – Senior Vice President, Operations
Susan Welscheid
– Senior Vice President, Customer Service
• Zeina Gedeon
  – President & CEO, Air Canada Vacations
• Priscille Leblanc
  – Vice President, Corporate Communications
2012 Annual and Special Meeting of Shareholders
2011 Global Industry Results

- Global airline profits $7.9 billion in 2011
  - Down from $15.8 billion in 2010
  - Represents 2.7% margin
2011 Financial Results

- Air Canada not immune
- Maintained our focus on corporate priorities
2011 Financial Results

- **EBITDAR**
  - $1.2 billion
- **Operating income**
  - $179 million
- **Net loss**
  - $249 million
2011 Financial Results

PERFORMANCE: FUEL

- $723 million or 27% increase in fuel expense
- $3.37 billion for last year
2011 Results: Strong Revenue

- Record operating revenue

2009: $9.74B
2010: $10.8B
2011: $11.6B
2011 Results: Strong Revenue

- System-wide passenger revenue
  - up 8.3%
- Traffic
  - up 4.5%
- Yield
  - up 3.3%
2011 Results: Strong Revenue

**SUCCESSES**

Growth in every market

- Transborder revenue: **up 14.8%**
  - Sixth Freedom traffic between U.S. and international destinations doubled through Toronto-Pearson since 2009
2011 Results: Strong Revenue

**SUCCESSES**

- Cargo revenue: **up 3.3%**
  - 5% improvement in yield
2011 Results: Strong Revenue

• Ancillary revenue per passenger: **up 18%**
  - baggage fee adjustments
  - cancellation and change fees
  - seat selection and upgrade revenues
2011 Results: Strong Revenue

- Disciplined approach to capacity management
  - Annual passenger load factor: **81.6%**
Solid Cost Performance

COST TRANSFORMATION PROGRAM (CTP)

• Delivered $530M on CTP Program
Solid Cost Performance

COST TRANSFORMATION PROGRAM (CTP)

No wage reductions or layoffs!

• 120 initiatives:
  – Crew pairing protocols
  – Revised RFP processes
  – New supplier contracts
  – Renegotiated agreement
  – Fuel efficiency program
Solid Cost Performance

COST TRANSFORMATION PROGRAM (CTP)

- Year-over-year reduction in unit costs of 2.9%*

*Excluding fuel expense and the cost of ground packages at Air Canada Vacations
Debt Reduction

**COST TRANSFORMATION PROGRAM (CTP)**

- $1.2B reduction in debt since 2010
- Q1-2012 adjusted net debt reduced by $201 million
Liquidity – end of 2011

- $2.1 billion
  - 18% of 2011 operating revenues
  - Exceeds targets of 15% of 12-month trailing revenue
Pension

- 26,000 employees supporting 29,000 retirees
- Total obligations of $15.5 billion
- Funded ratio of 72%
- Plans returned 6.8% in 2011
- Solvency deficit $4.4 billion
Pension

- Fixed solvency payments until end of 2013
- $175 million in deficit funding payments in 2012
- Collective agreements
- Hybrid Defined Contribution plans for new hires
Customer Service

INDUSTRY AWARDS – 2011

- SkyTrax
  - “Best International Airline in North America”
  - second year
Customer Service

INDUSTRY AWARDS – 2011

- Business Traveler magazine
  - “Best In-Flight Services in North America” second year
  - “Best North American Airline for International Travel” fourth year
Customer Service

INDUSTRY AWARDS – 2011

- Global Traveler magazine
  - “Best Airline in North America”
  - third year
Customer Service

INDUSTRY AWARDS – 2011

- Ipsos Reid Business Traveller Survey
  - “Canada’s Favourite Airline for Business Travel”
Transformation

Engaging our Customers
International Powerhouse
Cost Transformation
Culture Change
1. ENGAGING OUR CUSTOMERS

Four Priorities

• Maintained improved levels of customer satisfaction

• **Call Centres**
  – added resources
  – quicker response times
Four Priorities

1. ENGAGING OUR CUSTOMERS

- **Airports**
  - Baggage handling: best on record, **42% improvement** since 2008
1. ENGAGING OUR CUSTOMERS

Four Priorities

• On-board
  – meal services
    • nutritious alternatives
  – Entertainment system reliability
1. ENGAGING OUR CUSTOMERS

Four Priorities

- **Operations Centre**
  - New Customer Journey Management system
1. ENGAGING OUR CUSTOMERS

Four Priorities

- Ongoing improvements
  - Upgrade in-flight entertainment system
  - 2x more movies
  - 600 hours of entertainment
1. ENGAGING OUR CUSTOMERS

Four Priorities

- Streamlined baggage process – Toronto hub
  - Smooth transit for connecting customers and their baggage
1. ENGAGING OUR CUSTOMERS

Four Priorities

- **Social Media**
  - 200% more Facebook followers
  - 400% more Twitter activity
  - Air Canada community: gofar.aircanada.com
1. ENGAGING OUR CUSTOMERS

Four Priorities

- **Premium Passengers**
  - Close to **34% increase** in premium cabin passenger revenue over 2009
  - **up 8.3%** in 2011
Four Priorities

1. ENGAGING OUR CUSTOMERS

- Premium Passengers
  - New:
    - VIP program
    - eUpgrades
    - New or upgraded lounges
2. INTERNATIONAL POWERHOUSE

Four Priorities

Geographic advantage

54% share of passenger traffic
Four Priorities

2. INTERNATIONAL POWERHOUSE

110% growth in connecting traffic since 2009
2. INTERNATIONAL POWERHOUSE

Four Priorities

- Increased international capacity by 6.6%
  - Improved aircraft utilization
  - Strategic deployment
  - New destinations and new routes
Four Priorities

2. INTERNATIONAL POWERHOUSE
Four Priorities

Rise of Low Cost Carriers
  - Capturing market share from legacy airlines
3. COST TRANSFORMATION

Four Priorities

- LCC Business Models
  - Defend against mainline erosion
  - Exploit new market opportunities
4. CULTURE CHANGE

Four Priorities

- Entrepreneurship
- Empowerment
- Sharing best practices
- Over-delivering on CTP
- Industry honours
- “Above and beyond”
Four Priorities

4. CULTURE CHANGE
Four Priorities

4. CULTURE CHANGE

- Collective Agreements

<table>
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<th>Employees</th>
<th>Company</th>
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</thead>
<tbody>
<tr>
<td>Fair settlement</td>
<td>Efficiency</td>
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<td>Well-rewarded</td>
<td>Productivity</td>
</tr>
<tr>
<td></td>
<td>Flexibility</td>
</tr>
</tbody>
</table>
Four priorities

4. CULTURE CHANGE

- Collective Agreements in place with 3/5 main labour groups
Aveos Closure
Corporate Social Responsibility

- First Sustainability Report
Corporate Social Responsibility

CITIZENS OF THE WORLD: 1-SAFETY
Corporate Social Responsibility

CITIZENS OF THE WORLD: 2-EMPLOYEES
Corporate Social Responsibility

CITIZENS OF THE WORLD: 3-ENVIRONMENT

IN THE AIR

FUEL-EFFICIENT AIRCRAFT

FLY LIGHT

FUEL SUPPLY
To keep the weight of each aircraft at a minimum, we plan the exact amount of fuel—including the reserve supply—needed to operate each flight. It's a safe, simple way to lighten our load and reduce CO2 emissions. MORE

MORE DIRECT ROUTES

OPTIMUM FLYING SPEED

ON-BOARD RECYCLING

CLICK TO FLIP
Corporate Social Responsibility

CITIZENS OF THE WORLD: 3-ENVIRONMENT

- Saved more than 25 million litres of fuel
- 30% more fuel efficient since 1990
- First biofuel flight
Corporate Social Responsibility

CITIZENS OF THE WORLD: 4-COMMUNITIES
Corporate Social Responsibility

CITIZENS OF THE WORLD: 4-COMMUNITIES

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La Fondation Air Canada est fier de soutenir des centaines d’organismes de bienfaisance. Faites donc don de vos miles Aeroplan® et aidez des enfants qui en ont besoin.
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Conclusion

- Resilient brand
- Industry awards
- High load factors
- Strong EBITDAR
- Liquidity growing
- Net debt declining
- Costs lowered