Financial Review

Changing the Game
Revenue\(^{(1)}\)

$ Millions

<table>
<thead>
<tr>
<th>30-Sep-05</th>
<th>30-Sep-06</th>
<th>12 Months Ended Sept. 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,238</td>
<td>$7,824</td>
<td>$10,095</td>
</tr>
</tbody>
</table>

- 8.1% revenue growth achieved with only 3.8% ASM growth
  - Record load factors
  - Strengthening yields

\(^{(1)}\) Revenues figures of Air Canada Services. Excludes special charge for Aeroplan miles of $102 million.
Focused Cost Control
9 Months Ended Sept. 30, 2006 vs. Sept. 30, 2005

Total Costs

Controllable Costs

% Change of Operating Expenses Per ASM

Fuel 26%
Ownership(1) 8%
Airport and Navigation Fees 10%
Capacity Purchase Fees Paid to Jazz 8%
Other(2) 17%
Controllable Costs 31%

-13%
-6%
-5%
-4%
6%

(1) Refers to combination of aircraft rent and depreciation, amortization and obsolescence
(2) Communications and information technology, building rent and maintenance, terminal handling, professional fees and services, crew meals and hotels, advertising and promotion, insurance costs, credit card fees and other expenses
EBITDAR\(^{(1)}\)
$ Millions and % Margin

Excluding spike in fuel costs, EBITDAR would have been $1,187M

\(^{(1)}\) EBITDAR figures for Air Canada Services excluding special charges of $130 million which occurred in the 9 months ended Sept. 30, 2006
Margin Gap Widening\(^{(1)}\)

12 Month Rolling

\[ \text{Cents} \]

\[ \begin{array}{cccccc}
\text{Dec} & \text{Mar} & \text{Jun} & \text{Sept} & \text{Dec} & \text{Mar} \\
\end{array} \]

\[ \begin{array}{cccccc}
\text{RASM} & \text{CASM with Fuel} & \text{CASM excl. Fuel} \\
\end{array} \]

\( 12\% \) \quad \text{Q1/06}
## Strong Financial Position

<table>
<thead>
<tr>
<th>September 30, 2006</th>
<th>Pro forma the Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash resources</strong></td>
<td><strong>$2,452</strong></td>
</tr>
<tr>
<td><strong>Long-term debt(^{(1)})</strong></td>
<td></td>
</tr>
<tr>
<td>Senior secured revolving credit facility ($400 million availability)</td>
<td>$--</td>
</tr>
<tr>
<td>Aircraft and equipment related financing</td>
<td>904</td>
</tr>
<tr>
<td>Capital leases</td>
<td>1,231</td>
</tr>
<tr>
<td>Debt consolidated under ACG-15 (excluding Jazz)</td>
<td>1,068</td>
</tr>
<tr>
<td>Other</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,252</strong></td>
</tr>
</tbody>
</table>

**Capitalized LTM Leases (@ 7.5x)** 2,468

**Adjusted Net Debt\(^{(2)}\)** $3,268

**Adjusted Net Debt / LTM EBITDAR\(^{(3)}\)** 3.4x

**Cash / LTM Revenues** 24.3%

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\(^{(1)}\) Excludes Prepayment Loan Payable to ACTS of $595 million and Air Canada Vacations Loan of $3 million

\(^{(2)}\) Adjusted Net Debt = Total Debt plus capital leases plus 7.5x LTM aircraft leases of $329 million minus cash & cash equivalents

\(^{(3)}\) EBITDAR = Earnings before interest, taxes, depreciation, amortization and rent and excludes special charges of $130 million which occurred in the 9 months ended Sept. 30, 2006
In addition, Air Canada has $400 million of available credit facilities

(1) From Air Canada Services financial information. Pro forma $200 million treasury offering
(2) Pro forma US$200 million High Yield offering
Capital Expenditures\(^{(1)}\)

\[ \text{\$ Millions} \]

- Fleet Renewal
- Fleet Refurbishment
- Technological Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>YTD CAPEX Spent</th>
<th>Committed Financing</th>
</tr>
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<tbody>
<tr>
<td>2006</td>
<td>$75</td>
<td>$657</td>
</tr>
<tr>
<td>2007</td>
<td>$1,462</td>
<td>$1,667</td>
</tr>
<tr>
<td>2008</td>
<td>$1,237</td>
<td>$281</td>
</tr>
<tr>
<td>2009</td>
<td>$592</td>
<td></td>
</tr>
</tbody>
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\(^{(1)}\) From Air Canada Services financial information
Future Savings from Fleet Renewal

**EMB190**
- Proven to be 18% cheaper than A319 on a per trip basis

**B777**
- 26% cheaper on a CASM basis compared to A340-500

**B787**
- Expected to be 30% cheaper on fuel and maintenance than B767-300

Significant pilot and operational efficiencies contribute to reduced costs
Innovative Revenue Model

New

- Passes
- Subscriptions
- Buy-up Revenue
- Point-to-Point Operations
- A la Carte
- Ancillary Revenues
- Route Opportunities

20% Less Management

- FEP
  - Lower Fuel
- New Fleet
  - Lower Fuel
  - Lower Maintenance
  - Lower Trip costs
  - Pilot Compatibility
- Polaris
  - Less Processing
  - Less Accounting and Admin.
  - Less Distribution Costs

New Fleet

- Lower Fuel
- Lower Maintenance
- Lower Trip costs
- Pilot Compatibility

20% Less Management

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RASM

EBITDA

Margin

CASM
### Sensitivities to Fuel Cost and Currency Changes

<table>
<thead>
<tr>
<th></th>
<th>Sensitivity Factor</th>
<th>Estimated Operating Income Impact&lt;sup&gt;(1)&lt;/sup&gt;</th>
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<tbody>
<tr>
<td>Fuel Price WTI</td>
<td>+/- US$1 change</td>
<td>-/+ $28 million</td>
</tr>
<tr>
<td>C$/US$</td>
<td>+/- CAN1¢ change</td>
<td>+/- $11 million</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Based on 2005 volumes, excluding fuel surcharges and fuel hedging
Attractive Price to Book Value\(^{(1)}\)

<table>
<thead>
<tr>
<th>Company</th>
<th>Price to Book Value</th>
</tr>
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<tbody>
<tr>
<td>Air Canada</td>
<td>0.7x</td>
</tr>
<tr>
<td>Air France</td>
<td>1.1x</td>
</tr>
<tr>
<td>Iberia</td>
<td>1.3x</td>
</tr>
<tr>
<td>Lufthansa</td>
<td>1.9x</td>
</tr>
<tr>
<td>Southwest</td>
<td>2.0x</td>
</tr>
<tr>
<td>WestJet</td>
<td>2.2x</td>
</tr>
<tr>
<td>British Airways</td>
<td>2.6x</td>
</tr>
<tr>
<td>United</td>
<td>2.9x</td>
</tr>
<tr>
<td>US Airways</td>
<td>5.5x</td>
</tr>
<tr>
<td>Continental</td>
<td>6.3x</td>
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\(^{(1)}\) Per fully diluted share as of Dec 01, 2006
Strong Financial Position

- Proven track record against low-cost carriers
- Growing revenue
- Ongoing cost reduction program
- Balance sheet strength will fuel growth
The Next Level

Changing the Game
Changing the Game

- Largest carrier in all our markets
- Enviable international network
- Strong balance sheet
- Proven cost control program
- New, efficient fleet
- Limitless expansion opportunities