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Air Canada – Canada's Largest Domestic, U.S. Transborder, and International Airline
Leading Share in All Markets

Domestic

- Air Canada: 56%
- Other Airlines: 8%
- WJA: 36%

40% of passenger revenues

International

- Air Canada: 39%
- Other Airlines: 30%
- TRZ: 8%
- CATH: 7%
- KLM: 4%
- BA: 5%
- AF: 3%
- LH: 4%

41% of passenger revenues

Transborder

- Air Canada: 35%
- Other Airlines: 8%
- WJA: 15%
- LCC: 4%
- DAL: 8%
- CAL: 6%
- UAL: 13%

19% of passenger revenues

Source: OAG, based on available seat miles (ASM) from Jan 2010 to Dec 2010; AC Revenue Split based on Jan 2010 to Dec 2010
15th Largest Airline in the World

- 178 direct destinations
- 328 aircraft
- >1,400 daily flights
- >32M passengers carried
Fleet Mix Provides Flexibility for Changing Market Demand

- Average age of 10.7 yrs – one of the youngest among major North American carriers
- Increased use of aircraft in current fleet supports vast majority of capacity growth in 2011
- Boeing 787's will provide growth opportunities in 2013
- Jazz acts as a feeder to Air Canada's scheduled routes

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Seats</th>
</tr>
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<tbody>
<tr>
<td>CRJ 705</td>
<td>75 seats</td>
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<tr>
<td>CRJ 100/200</td>
<td>50 seats</td>
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<tr>
<td>Dash 8 100/300</td>
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<tr>
<td>Boeing 777</td>
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<tr>
<td>Airbus A330</td>
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<td>Boeing 767</td>
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<tr>
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<td>146 seats</td>
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<tr>
<td>Airbus A319</td>
<td>120 seats</td>
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<tr>
<td>EMBRAER 190</td>
<td>93 seats</td>
</tr>
<tr>
<td>EMBRAER 175</td>
<td>73 seats</td>
</tr>
</tbody>
</table>
Industry-Leading Products and Services

- Reputation for safety & reliability
- Mobile-friendly booking and check-in
- Award winning in-flight service
- Onboard Café
- Loyalty Program
- Maple Leaf Lounges
- Concierge Program
- New & fully refurbished interiors in all cabins
- Lie-flat beds in Executive First
- Personal seat back entertainment at every seat
- Star Alliance & joint venture interlining
- World-class gateways in Toronto, Montreal and Vancouver
Other Leading Services by Air Canada

- Premium provider of jet charter services
- Canada's only national regional airline with over 800 daily flights
- Canada's largest provider of air cargo services
- One of Canada's leading tour operators.
Strong Recovery and Performance in 2010
Strong Recovery and Performance in 2010

- EBITDAR\(^{(1)}\) of $1.386B – Highest in airline's history
- EBITDAR Margin\(^{(1)}\) of 12.9% up 5.9 pp
- Operating income\(^{(1)}\) improved $677M
- Passenger revenue growth of $928M or 10.9% on 8.3% higher traffic and a 2.3% yield improvement
- Premium cabin revenue increase of 23.3% on 14.3% higher traffic and a 7.9% yield improvement
- Record Passenger load factor of 81.7%
- Unit passenger revenue (RASM) up 3.6% on stronger yield and higher load factor – excluding currency impact, RASM increased 6.8%
- CASM, excluding fuel, down 4.5%, in part due to CTP
- Raised $1.1B in new liquidity from high yield debt offering
- Cash, cash equivalents and short-term investments of $2.2B – Highest in Air Canada's history

\(^{(1)}\) Before a net adjustment to a provision for cargo investigations
Strong Recovery and Performance in 2010

- Finalized transatlantic Joint Venture (referred to as A++)
- Exceeded CTP target for 2010
- Year two of pension moratorium – past service contributions limited to $150M in 2011
- Named "Best Airline in North America"
- Preferred by 71% of Canadian business travelers (Ipsos Reid Survey)
- 20% improvement in employee engagement
Improving Margin Gap Through Revenue Growth & Cost Transformation

![Graph showing Operating RASM and CASM ex Fuel over Q1-Q4 from 2008 to 2010 with percentage increases: +35%, +28%, and +36%.]
AC Generates a Higher RASM than U.S. Peers

2010 Operating Revenue per Available Seat Mile

US$ cents

16.5\(^{(1)}\)
13.9
13.6
13.4
13.4
13.0\(^{(1)}\)

\(^{(1)}\) Converted using rate of US$1 = C$1.0299
Higher Cost Structure an Opportunity

2010 Cost per Available Seat Mile (ex Fuel)

US$ cents

8.4(1) 8.7 8.7 9.3 9.3 11.8(1)

(1) Converted using rate of US$1 = C$1.0299
Disciplined Capacity Management Resulted in Record Load Factor of 81.7% in 2010

PLF (%)  
ASM Q/Q Change (%)
Improved Financial Position in 2010

- Cash, cash equivalents and short-term investments of $2,192M in 2010 – Highest cash balance in Air Canada's history
- Cash from operations of $864M – Highest cash operating results in Air Canada's history
- Free cash flow of $746M, a $1.145B improvement from 2009
- Adjusted net debt and non-controlling interest to adjusted net debt and non-controlling interest plus equity ratio of 74.3%, a 5.8 pp improvement

Focus on debt reduction in 2011 and 2012 as Air Canada makes scheduled debt repayments
Limited Capital Spending Until Delivery of Boeing 787s Scheduled for 2013

Note: excludes certain maintenance events which are capitalized under IFRS
Managing Fuel and Foreign Exchange Volatility

- Target is to hedge at least 35% of next 12 months' consumption
- Given over 80% of fuel hedge portfolio is comprised of crude oil call options, AC has minimal collateral risk
- Fuel surcharges and fare increases transfers the price risk to customers
- Fuel saving initiatives reduce sensitivity to changes in oil prices through lower consumption
- Relationship between jet fuel prices and CAD/US exchange rate helps reduce fuel exposure
- Net USD exposure is covered 30% for the next 12 months

**Fuel Hedging Positions**
(at January 31, 2011)

- Average capped price
  - $94/bbl
- 24%
- ROY 2011

Approximately 4% of fuel consumption is subject to floor price of $82/barrel
Air Canada's Business Strategy
Air Canada's Business Strategy

- Building on the Air Canada brand and global network
- Leveraging new opportunities for revenue growth and cost transformation
- Engaging with customers with a focus on premium passengers and products
- Enhancing the corporate culture and developing a strong employee brand
Disciplined Approach to Growth

- Benefits from higher margins generally available in international markets
- Unused route rights create opportunities
Leveraging World Class Hub at Toronto Pearson & Other Major Canadian Airports

- Focus on increasing global connecting traffic via Canada
- Strong brand franchise and industry-leading product provide competitive edge
- Terminal improvements at Toronto Pearson enabled Air Canada & most Star Alliance operations to be consolidated in one terminal
Leveraging New Opportunities for Revenue Growth and Cost Transformation

- Committed to making cost containment/reduction a permanent part of culture

- Expect to achieve annual benefits of $530M by YE 2011
  - $330M achieved as at December 31, 2010 - $30M more than CTP target for 2010
  - $400M achieved on the $530M target for end of 2011 (run-rate)

- Formed business transformation team to implement best practice findings and lower cost structure
Focus on Premium Passengers and Products Resulting in Premium RASM Growth
Steadily Increasing Satisfaction Levels

Positive shift in culture is reflected in Customer Satisfaction levels

- **Business Class**
  - "overall satisfaction" = +10 pp
  - "likelihood to recommend" = +7 pp
  - "overall employee attitude" = +6 pp

- **Economy Class**
  - "overall satisfaction" = +9 pp
  - "likelihood to recommend" = +6 pp
  - "likelihood to choose AC again" = +6 pp

(Reflects 2010 versus 2009)

Note: Customer Service Index (CSI) is an internal measure of customer satisfaction – lower index level indicates higher level of customer satisfaction.
Best Airline in North America  (6th consecutive year)
Best Airline in Canada

Best Flight Attendants in North America
Best In-Flight Services in North America
Best North American Airline for Business Class Service
Best North American Airline for International Travel
Best Airline Web Site

Reader’s Digest Canada’s second annual “Most Trusted” poll voted Air Canada:
• Canada’s Most Trusted Airline

A UK based Global Reputation Pulse survey of Canadian companies found that Air Canada:
• Recorded the single largest year-over-year jump in reputation of any company in the study
• Best Airline North America

2010 Agents’ Choice Award by Travel Press & Travel Courier
• Favourite Scheduled Airline

2010 Executive Travel magazine’s “Leading Edge Awards”
• Best airline for flights to Canada from anywhere in the world

2010 International Sales Person of the Year Onboard Sales Conference
• Most Improved Airline of the Year

2010 Ipsos Reid Business Traveller Survey named Air Canada
• Canada’s favourite airline for business travel
Enhancing the Corporate Culture

- Promoting leadership, ownership and entrepreneurship
- Emphasis on cost containment is forging a more entrepreneurial culture
- Empowering employees to make decisions
- Goal is to over deliver on "brand promise"
- 20% improvement in employee engagement
- Industry honours are indication Air Canada employees are participating in transformation
Go Far...