Joshua Koshy, Executive Vice President & CFO

Changing the Game
Changing the Game

- Canada’s #1 domestic, trans-border and international airline
- Strong brand recognition
- Innovative revenue model driving customer loyalty
- New efficient fleet
- Well positioned for international growth
- Strong financial position
- Proven cost control
- Strong operating performance
Canada’s Largest International Carrier

- 14th largest carrier in the world
- Extensive global network
- Three international gateways
Aeroplan - Canada’s Premier Loyalty Program

- 90% of business travelers in Canada are Aeroplan members
- Strategic long-term relationship
- Provides a growing revenue source from Aeroplan through the purchase of seats
An Independent Aeroplan Works for Air Canada

Aeroplan’s Business Model

Partners Buy Miles

Aeroplan Buys Seats / Services / Products for Redemptions

AIR CANADA

CIBC, AMEX, Other Partners

AIR CANADA

Seats from

Seats/Services/Products from other vendors

Cash 71%
Cash 29%
Cash 79%
Cash 21%
Embraer 190 - The Game Changer

Current Opportunity

EMB 190

Domestic
Transborder

Map showing flight routes and destinations for Embraer 190 aircraft.
Positioning for Efficiency and Growth

- Boeing 777
  18 Firm (18 purchase rights)
  plus one from a lessor

- Boeing 787
  14 Firm (46 options and purchase rights)
## Future Savings from Fleet Renewal

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

**B777**
- Expected to be 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 reduce costs
Wealth of Available Route Authorities

- In service
- Toronto expansion
- Other Canadian cities expansion

April 2007
Toronto 2007

- Consolidation of Domestic, United States and other International operations in one terminal
- World class connecting facility
- 5th largest port of entry to the U.S.
Industry Leading International Product

Executive First Cabin
- New executive suite (lie-flat beds)
- State of the art individual inflight entertainment system
- In-seat power access at all seats
- Expected to improve passenger yield
Simplified Fare Products

- Value
- Price
- Flexibility
- Choice

- Executive Class
  - Maximum comfort and freedom

- Latitude
  - A perfect fit

- Tango Plus
  - Get up and go!

- Tango
  - Our best value
Simplified Fare Display: The Key to Success

### Select departing flight

<table>
<thead>
<tr>
<th>Day's lowest fare</th>
<th>Sat 07-Jul</th>
<th>Sun 08-Jul</th>
<th>Mon 09-Jul</th>
<th>Tue 10-Jul</th>
<th>Wed 11-Jul</th>
<th>Thu 12-Jul</th>
<th>Fri 13-Jul</th>
<th>Sat 14-Jul</th>
<th>Sun 15-Jul</th>
<th>Mon 16-Jul</th>
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<td>$278</td>
<td>$278</td>
<td>$268</td>
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<td>$278</td>
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<td>$278</td>
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</table>

**From:** Toronto, Pearson Int'l, ON (YYZ)  
**To:** Calgary, Calgary Int'l, AB (YYC)

<table>
<thead>
<tr>
<th>Op.</th>
<th>Flights</th>
<th>Depart</th>
<th>Arrive</th>
<th>Aircraft</th>
<th>Stops</th>
<th>Connections</th>
<th>Tango</th>
<th>Tango Plus</th>
<th>Latitude</th>
<th>Executive Class</th>
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<td>○ $278</td>
<td>○ $318</td>
<td>○ $548</td>
<td>○ $1312</td>
</tr>
</tbody>
</table>
Matching Low-Fare Competition

"Air Canada matches us, dollar for dollar on every single fare, every single minute of every single day."

Clive Beddoe
President and CEO,
WestJet

Air Canada Will Not Be Undersold
People Will “Buy-Up”

- Tango Plus sales increase 39% in Q3, 34% in Q4 year over year
- Tango only accounts for 45% of domestic sales in Q4
- 48% “buy-up”
Distribution Savings

- aircanada.com is approximately 51% cheaper than other distribution channels
- International web expansion will lead to greater penetration rate
The Math Works

Higher average fare

+>

Higher load factor

Higher revenue premium

->

Unit Cost Gap

= Profit Gap

- Our Advantage
  - Buy up for additional features
  - Business class
  - International feed
  - Superior network & schedule
  - International feed
  - More appropriate aircraft size
  - Transborder feed

- LCC Advantage
  - Labor
  - Single fleet

AIR CANADA [logo]
Passes Contribute To New Revenue Model

- Compressed fare gap limits buy down effect
- Passes have same average fare per departure
- Attraction of passes is ease of use not price discount
- 30% of pass holders increase their travel on Air Canada
- Pass sales increased 148% in 2006
- Leverages Air Canada strengths
- Helps desensitize Air Canada from economic cycle
New Revenue Model More Effective Than Old Model

Domestic Passenger Revenue per ASM

- **Air Canada & Jazz CDN ¢**
- **U.S. Markets (DOT) U.S. ¢**

- **New Model Introduction**
  - **14% increase**
  - **22% increase**

(1) 4th QTR. '05 + YTD Sept. '06
Domestic Travel Demand is Easily Absorbing Capacity

Estimated Domestic Industry Revenue Growth*
(4 Quarter Rolling)

*Air Canada Estimate of Domestic Revenue Growth For The Industry
Changing The Game

Financial Review
Revenue (1)

7.7% revenue growth achieved with only 3.9% 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


Total Costs

- Fuel: 25%
- Ownership(1): 8%
- Airport and Navigation Fees: 10%
- Capacity Purchase Fees Paid to Jazz: 9%
- Other(2): 17%
- Controllable Costs: 31%

Controllable Costs

% Change of Operating Expenses Per ASM

- Fuel: 11%
- Ownership(1): -9%
- Airport and Navigation Fees: -4%
- Capacity Purchase Fees Paid to Jazz: -4%
- Other(2): 7%
- Controllable Costs: 31%

(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)

- Excluding spike in fuel costs, EBITDAR would have been $1,390M

(1) EBITDAR figures for Air Canada Services excluding special charges of $122 million
## Strong Financial Position

<table>
<thead>
<tr>
<th>December 31, 2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash resources</td>
<td>$2,110</td>
</tr>
<tr>
<td>Long-term debt(1)</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>1,008</td>
</tr>
<tr>
<td>Capital leases</td>
<td>1,281</td>
</tr>
<tr>
<td>Debt consolidated under ACG-15 (excluding Jazz)</td>
<td>1,110</td>
</tr>
<tr>
<td>Other</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,448</td>
</tr>
<tr>
<td>Capitalized LTM Leases (@ 7.5x)</td>
<td>2,355</td>
</tr>
<tr>
<td>Adjusted Net Debt(2)</td>
<td>$3,693</td>
</tr>
<tr>
<td>Adjusted Net Debt / LTM EBITDAR(3)</td>
<td>3.5x</td>
</tr>
<tr>
<td>Cash / LTM Revenues</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

(1) Excludes Prepayment Loan Payable to ACTS of $535 million
(2) Adjusted Net Debt = Total Debt plus capital leases plus 7.5x LTM aircraft leases of $314 million minus cash & cash equivalents
(3) EBITDAR = Earnings before interest, taxes, depreciation, amortization and rent and excludes special charges of $122 million
Capital Expenditures\(^{(1)}\)

\begin{itemize}
  \item Fleet Renewal
  \item Fleet Refurbishment
  \item Technological Investment
\end{itemize}

\(^{(1)}\) From Air Canada Services financial information
Margin Gap Widening (1)

RASM  CASM with Fuel  CASM excl. Fuel

(1) Excludes special charges which occurred in the 12 months ended Dec. 31, 2006
Margin Growth Driven by Innovation

New Fleet:
- Lower Fuel
- Lower Maintenance costs
- Lower Trip costs
- Pilot Compatibility

Polaris:
- Faster transactions
- Lower operating costs
- Less Accounting and Admin.
- Less Distribution Costs

Web and Kiosks:
- Faster transactions
- Customer self-help

20% Less Management

- Point-to-Point Operations
- A la Carte
- Branded Fares
- Route Opportunities
- Buy-up Revenue
- Subscriptions

27th Annual New York Airfinance Conference
April 2007
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