AIR CANADA

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

- 13th 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

- CIBC, AMEX, Other Partners
  - Cash 71%

Aeroplan Buys Seats / Services / Products for Redemptions

- Cash 29%
- Cash 79%
- Seats from other vendors
  - Cash 21%
  - Seats/Services/Products from other vendors
Embraer 190 - The Game Changer

Current Domestic Opportunity

Current Transborder Opportunity

Domestic Opportunity

Transborder Opportunity
Positioning for Efficiency and Growth

- Boeing 777
  - 19 Firm (18 options)

- Boeing 787
  - 14 Firm (46 options)
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
Wealth of Available Route Authorities

In service
Toronto expansion
Other Canadian cities expansion
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
- Will improve passenger yield
### Simplified Fare Display: The Key to Success

#### Select departing flight

<table>
<thead>
<tr>
<th>Day's lowest fare</th>
<th>Sat 07-Jul $278</th>
<th>Sun 08-Jul $278</th>
<th>Mon 09-Jul $278</th>
<th>Tue 10-Jul $268</th>
<th>Wed 11-Jul $268</th>
<th>Thu 12-Jul $278</th>
<th>Fri 13-Jul $278</th>
<th>Sat 14-Jul $278</th>
<th>Sun 15-Jul $278</th>
<th>Mon 16-Jul $278</th>
<th>Tue 17-Jul $268</th>
</tr>
</thead>
<tbody>
<tr>
<td>From: Toronto, Pearson Int'l, ON (YYZ)</td>
<td>To: Calgary, Calgary Int'l, AB (YYC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<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>
</tr>
</thead>
<tbody>
<tr>
<td>AC107</td>
<td>06:45</td>
<td>08:55</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC117</td>
<td>07:45</td>
<td>09:55</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC193</td>
<td>08:30</td>
<td>10:50</td>
<td>319</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC171</td>
<td>09:00</td>
<td>11:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC119</td>
<td>10:00</td>
<td>12:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC1153</td>
<td>11:00</td>
<td>13:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC173</td>
<td>12:00</td>
<td>14:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$353</td>
<td>$393</td>
<td>$623</td>
<td>$1312</td>
</tr>
<tr>
<td>AC1155</td>
<td>13:00</td>
<td>15:10</td>
<td>320</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
<tr>
<td>AC121</td>
<td>14:15</td>
<td>16:25</td>
<td>320</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
</tr>
</tbody>
</table>
Air Canada matches us, dollar for dollar on every single fare, every single minute of every single day.”

Clive Beddoe
President and CEO, WestJet
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”
aircanada.com is approximately 51 percent cheaper than other distribution channels

International web expansion will lead to greater penetration rate

Domestic Web Penetration 62%

System Web Penetration 32%
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
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
- Historically, 90% of pass holders repurchase
- Leverages Air Canada strengths
- Helps desensitize Air Canada from economic cycle
New Revenue Model More Effective Than Old Model

Domestic Passenger Revenue per ASM

<table>
<thead>
<tr>
<th>Year</th>
<th>Air Canada &amp; Jazz</th>
<th>U.S. Markets (DOT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>10.2 CDN ¢</td>
<td>9.0 U.S. ¢</td>
</tr>
<tr>
<td>2001</td>
<td>9.0 CDN ¢</td>
<td>8.5 U.S. ¢</td>
</tr>
<tr>
<td>2002</td>
<td>8.7 CDN ¢</td>
<td>8.7 U.S. ¢</td>
</tr>
<tr>
<td>2003</td>
<td>15.2 CDN ¢</td>
<td>16.1 U.S. ¢</td>
</tr>
<tr>
<td>2004</td>
<td>16.1 CDN ¢</td>
<td>8.6 U.S. ¢</td>
</tr>
<tr>
<td>2005</td>
<td>18.1 CDN ¢</td>
<td>9.1 U.S. ¢</td>
</tr>
<tr>
<td>2006</td>
<td>18.6 CDN ¢</td>
<td>9.9 U.S. ¢</td>
</tr>
</tbody>
</table>

New Model Introduction: 4th QTR. '05 + YTD Sept. '06

(1)
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
Financial Review

Changing the Game
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%
Controllable Costs 31%
Other(2) 17%

Controllable Costs
% Change of Operating Expenses Per ASM

-11%
-9%
-4%
-4%
7%

(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 $1,390M

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash resources</td>
<td>$2,110</td>
</tr>
<tr>
<td>Long-term debt&lt;sup&gt;(1)&lt;/sup&gt;</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 Debt</strong></td>
<td>$3,448</td>
</tr>
<tr>
<td>Capitalized LTM Leases (&lt;sup&gt;@ 7.5x&lt;/sup&gt;)</td>
<td>2,355</td>
</tr>
<tr>
<td><strong>Adjusted Net Debt</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>$3,693</td>
</tr>
<tr>
<td><strong>Adjusted Net Debt / LTM EBITDAR</strong>&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>3.5x</td>
</tr>
<tr>
<td><strong>Cash / LTM Revenues</strong></td>
<td>20.6%</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Excludes Prepayment Loan Payable to ACTS of $535 million

<sup>(2)</sup> Adjusted Net Debt = Total Debt plus capital leases plus 7.5x LTM aircraft leases of $314 million minus cash & cash equivalents

<sup>(3)</sup> EBITDAR = Earnings before interest, taxes, depreciation, amortization and rent and excludes special charges of $122 million
Capital Expenditures\(^{(1)}\)

$ Millions

- Fleet Renewal
- Fleet Refurbishment
- Technological Investment

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

Cents


RASM CASM with Fuel CASM excl. Fuel

12\% 42\%

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

New
- RASM
- Point-to-Point Operations
- Branded Fares
- Ancillary Revenues
- Route Opportunities

Buy-up Revenue
- Passes

Subscriptions

20% Less Management - 2006

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

EBITDA

MARGIN

CASM
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
The Next Level

Changing the Game