Transportation and Logistics Conference

NATIONAL BANK FINANCIAL

Toronto
March 18, 2008
Our Investment Proposition

- Innovative revenue strategy that produces results
- Major cost reductions
- Strong financial performance
- Aggressive refresh of assets
- Investing in network and products
- Well financed to execute strategy
Leading Share in all Markets

**Domestic**
- AC: 59%
- WestJet: 34%
- Other Airlines: 7%

**International**
- AC: 40%
- Other Airlines: 39%
- CX: 5%
- AF: 5%
- BA: 5%
- KL: 4%
- LH: 3%
- Other Airlines: 9%

**Transborder**
- AC: 39%
- WJA: 5%
- NW: 5%
- US: 5%
- DL: 5%
- CO: 5%
- UA: 13%
- AA: 11%
- Other Airlines: 9%

43% of airline revenues

37% of airline revenues

20% of airline revenues

Source: OAG, based on available seat miles (ASMs) from Apr 07 to Mar 08;
AC Revenue Split based on full year 2007
Revenue Strategy

- New revenue model
- Improved product
  - fleet renewal
  - customer service
  - consistency
- Leveraging the network
Revenue Strategy
New Revenue Model Update

Buy-up from Tango in 4th Qtr of 2007: 43%

Flight passes:
- Pass holder increased travel on Air Canada: 30%
- Pass holder repurchase: 90%
- Pass take-up in 4th Qtr of 2007:
  - 5.2% Domestic revenues (+2.4 pts YOY)
  - 4.3% North America revenues (+2.1 pts YOY)
  - 2.6% system revenues (+1.3 pts YOY)
Revenue Strategy
Ancillary Revenue – $71M Increase over 2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Change/cancellation fee</th>
<th>Tango advance seat selection fee</th>
<th>Excess baggage fee</th>
<th>Same day change fee</th>
<th>Buy on board meal purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$139M</td>
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<tr>
<td>2006</td>
<td>$179M</td>
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<td>2007</td>
<td>$210M</td>
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Revenue Strategy
Improved Economy Class Product

- 80 hours of on demand video
- Standard power plug at every seat
- 198 aircraft in XM specifications by end of 2008 – currently 163

Benefits:
- standardization reduces support cost
- additional revenue opportunities
Revenue Strategy
Leading International Executive First Cabin
Revenue Strategy
Strong RASM Growth in 777 Markets

Y-O-Y Improvement in Business Class Unit Revenue

<table>
<thead>
<tr>
<th>Route</th>
<th>Y-O-Y Improvement</th>
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<tbody>
<tr>
<td>LHR-FRA (Jun-Nov)</td>
<td>9.5%</td>
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<tr>
<td>HKG-YYZ (Aug-Nov)</td>
<td>20.0%</td>
</tr>
<tr>
<td>CDG-YUL (Sep-Nov)</td>
<td>9.5%</td>
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</table>
Revenue Strategy
Leveraging the Network

AIR CANADA

STAR ALLIANCE
Revenue Strategy
Q4 YOY International Connections in T1 Toronto

Atlantic-US

2006: 12000
2007: 13000
+ 9%

Pacific-US

2006: 1000
2007: 1300
+31%
Revenue Strategy
Strong System Passenger Revenue Growth

Y-O-Y Change

Q4 2005: 20.4%
Q1 2006: 16.4%
Q2 2006: 9.1%
Q3 2006: 4.0%
Q4 2006: 6.3%
Q1 2007: 6.8%
Q2 2007: 3.3%
Q3 2007: 4.2%
Q4 2007: 4.7%

Revenue Strategy
Strong System Passenger Revenue Growth
Cost Reduction Strategy

- Fuel efficient fleet renewal
- Leverage New Revenue Model
  - Self service
  - Online booking
- Reduced distribution costs
- Fuel hedging, import agreements and fuel efficiency programs
Cost Reduction Strategy
Future Savings from Fleet Renewal

- **EMB190  45 Aircraft (23 options)**
  - cash operating costs 19% cheaper than A319 on a per trip basis

- **B777  17 firm (18 options)**
  - additional annual EBITDAR per aircraft
    - B777-300: $13M
    - B777-200: $10M

- **B787  37 firm (23 options)**
  - expected to be 30% cheaper on fuel and maintenance than B767-300
Cost Reduction Strategy

Increasing Share of Lower Unit Cost 777

% Share of Total Capacity

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2007</th>
<th>2008 - Estimate</th>
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<tbody>
<tr>
<td>Q2</td>
<td>2.7%</td>
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<tr>
<td>Q3</td>
<td>8.3%</td>
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<tr>
<td>Q4</td>
<td>10.9%</td>
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<tr>
<td>Q1</td>
<td>12.4%</td>
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<tr>
<td>Q2</td>
<td>17.2%</td>
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<tr>
<td>Q3</td>
<td>18.4%</td>
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<tr>
<td>Q4</td>
<td>21.6%</td>
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Cost Reduction Strategy
Reduced Costs Through Self-Serve

Customer check-in method
(4 Quarter moving average)

% of total passengers

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

Self-Service (kiosk, web, mobile)  Agent Check-in

Reduction in variable labour
Cost Reduction Strategy
Reduced Costs through Web Bookings

Proportion of traffic booking on the Web

(12 Month Moving Average)

- Reduction in distribution costs
- Reduction in variable labour
Cost Reduction Strategy
Fuel Hedging Position

Hedged position as of February 29, 2008

- 30% for 2008
- weighted average price floor > US$81 WTI
- ceiling > US$85 WTI
- 9% hedge position for 2009
- portfolio value US$152 million

Import program

- self-supply with jet fuel in Southern Ontario/Quebec and Vancouver
- 1.5 million barrels of off-airport marine storage for self-supply
**Cost Reduction Strategy**

Unit Cost (CASM) EX Fuel Declines

**Y-O-Y Change**

- **777 (1.5PP in Q4)**
- **Salaries & Wages**
- **Maintenance**
- **Commissions**
- **Food**
- **Ownership**

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<tbody>
<tr>
<td>777</td>
<td>3.5%</td>
<td>4.6%</td>
<td>1.9%</td>
<td>-0.2%</td>
<td>-0.8%</td>
<td>0.8%</td>
<td>2.1%</td>
<td>-2.4%</td>
<td>-3.9%</td>
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<tr>
<td>Salaries &amp; Wages</td>
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<td>Maintenance</td>
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<td>Commissions</td>
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21
Unit Revenue Up while Unit Costs Down

Y-O-Y Change

<table>
<thead>
<tr>
<th>Quarter</th>
<th>CASM</th>
<th>RASM</th>
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<tbody>
<tr>
<td>Q1</td>
<td>1.7%</td>
<td>3.5%</td>
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<tr>
<td>Q2</td>
<td>1.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Q3</td>
<td>-4.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Q4</td>
<td>-2.0%</td>
<td>2.1%</td>
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2007
Solid Second Half '07 Operating Margin

Y-O-Y Change – 4 Quarters Rolling

- Q4 2005
- Q1 2006
- Q2 2006
- Q3 2006
- Q4 2006
- Q1 2007
- Q2 2007
- Q3 2007
- Q4 2007
Adjusted Net Debt/EBITDAR

Fleet Renewal at U.S. Carriers
Not Yet Started

*Excludes pre-delivery (PDP) financing
## Capital Expenditures ($Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Projected CAP EX</th>
<th>Projected Financing</th>
<th>Net CAP EX</th>
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<tbody>
<tr>
<td>2008</td>
<td>$815</td>
<td>(591)</td>
<td>$224</td>
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<tr>
<td>2009</td>
<td>$307</td>
<td>-</td>
<td>$307</td>
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<tr>
<td>2010</td>
<td>$929</td>
<td>(684)</td>
<td>$245</td>
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<tr>
<td>2011</td>
<td>$995</td>
<td>(804)</td>
<td>$191</td>
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<tr>
<td>2012</td>
<td>$762</td>
<td>(619)</td>
<td>$143</td>
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What is next

Revenue
- Continued improvement of the revenue model
- New products addressing customer concerns such as irregular operations
- Further expansion of new Executive Class product
- Network growth

Cost
- Additional B777s and impact
- B787s in 2010
- Efficiency through IT infrastructure investments (Netline, Polaris, Oasis)
- Growth efficiencies
- Cost focused culture
- Further simplification of the business
Our Investment Proposition

- Innovative revenue strategy that produces results
- Major cost reductions
- Strong financial performance
- Aggressive refresh of assets
- Investing in network and products
- Well financed to execute strategy
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