Agenda

- Air Canada – leading carrier in all markets
- Managing through challenging economic conditions
- Repositioning for success
Air Canada – Leading Carrier in all Markets
This is Air Canada

- Leading share in all markets
- One of the youngest fleets among North America's major carriers
- Founding member of Star Alliance – the world's largest airline alliance group

- 167 Direct Destinations
- 30M+ Passengers Carried
- 1,300+ Daily Departures
- 327 Aircraft
- 22K+ Full Time Employees
- 22K+ Full Time Employees
Leading Share in all Markets

- **Domestic**
  - Air Canada: 56%
  - WJA: 36%
  - Other Airlines: 8%
  - 42% of passenger revenues

- **International**
  - Air Canada: 39%
  - Other Airlines: 29%
  - CX: 7%
  - BA: 5%
  - AF: 4%
  - LH: 4%
  - TRZ: 8%
  - 39% of passenger revenues

- **Transborder**
  - Air Canada: 34%
  - WJA: 13%
  - US: 5%
  - DL: 8%
  - AA: 11%
  - US: 5%
  - UA: 15%
  - CO: 6%
  - 19% of passenger revenues

*Source: OAG, based on available seat miles (ASMs) from Jan 09 to Dec 09; AC Revenue Split based on Jan 09 to Dec 09*
Revenue Opportunities

- Fleet flexibility to respond to market demand
- Industry-leading on-board products
  - lie-flat beds, IFE, in-seat power outlets
- Unused route rights
- Well positioned to funnel traffic from the US
- World class global hub at Toronto – strong international gateways in Montreal and Vancouver
- Benefits from Star Alliance network
Diversified Network – STAR ALLIANCE Members

- 27 Members
- 4,022 Aircraft
- 620 M+ Passengers/year
- 21 K+ Daily Departures
- 1,167 Airports
- 990+ Lounges
- 181 Countries Served
One of the Youngest\(^{(1)}\) Fleets Among the Major North American Legacy Carriers

\(^{(1)}\) Average fleet age as at December 31, 2009
New Interiors – Fleet-wide Refurbishment Completed in Business & Economy Cabins
Travel With Ease – Enjoy the Rewards

aircanada.com

Concierge Service

ONBOARD CAFÉ

MAPLE LEAF LOUNGE

STAR ALLIANCE

enRoute
Strong Operational Performance

- Achieved on-time arrivals of 74% in Q1 2010 versus 73% in Q1 2009
- Baggage handling improved y-o-y mostly due to renewed focus on pre-planning and tracking processes
- Flight Completion Rate of over 98% for Q1 10 – continuous y-o-y improvement since 2008

(1) Based on Air Canada's system arrivals
(2) OTP is arrival within 15 minutes of scheduled time
Customer Service Improvement on Past Years' Performances

Customer Service Index (CSI) is a measure of customer satisfaction
- A lower index level indicates a higher level of customer satisfaction

- Business Class
  - "value for money" = +9 pp
  - "overall satisfaction" = +8 pp

- Economy Class
  - "value for money" = +7 pp
  - "overall satisfaction" = +6 pp

(Reflects 2009 versus 2008)
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**

**Awards**

- Best Airline in North America
- 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 North America
Other Leading Services by Air Canada
Managing Through Challenging Economic Conditions
Progressive Signs of an Economic Recovery

• System passenger revenue increase of $84M or 4.2% in Q1 10 due to traffic growth reflecting a strengthening economy

• 15% increase in Premium Class revenue but still below 2008 level

• Q1 10 passenger load factor of 79.4% was essentially unchanged from Q1 09 on 6.6% capacity growth

• Yields remain under pressure but have shown steady improvements
  – Q1 10 yield improved 3.9% in Premium Class and declined 4.7% in Economy Class
  – overall, Q1 10 yield decreased 2.2% versus Q1 09
Disciplined Capacity Management Keeps Load Factors Strong

April and May 2010: Achieved load factors of 82.4% and 82.0% respectively

April and May 2010: Achieved load factors of 82.4% and 82.0% respectively
RASM and Yield Reflecting an Improving Trend

![Graph showing Y-O-Y % Change with data points for Q1 to Q4 of 2008 and Q1 of 2009. The graph indicates an improving trend in RASM and Yield.](image-url)
Managing Fuel and Foreign Exchange

- Target is to hedge at least 35% of next 12 months' consumption
- Current hedges comprised mainly of crude oil call options – also collars and jet fuel swaps
- Relationship between jet fuel prices and CAD/US exchange rate helps reduce our fuel exposure
- Net USD exposure is covered 22% for ROY 2010

Fuel Hedging Positions
(at April 30, 2010)

- Average capped price
  - $89/bbl
  - $90/bbl

Net USD exposure is covered 22% for ROY 2010.
Repositioning for Success
Success in Achieving Pension and Labour Stability

- Canadian-based unions' Labour agreements extended 21 months on a cost-neutral basis
- Adopted new pension funding regulations
  - moratorium on past service payments Apr 1/09 to Dec 31/10
  - fixed payments of $150, $175 and $225 million in 2011, 2012 and 2013
- 17,647,059 Class B shares issued to trust with proceeds contributed to pension plans

Provides us with flexibility to manage through our next set of priorities
Rebuilt Cash Levels to See Us Through the Economic Downturn

- $700M secured term credit facility (including $100M finalized in Feb 10)
- Bought deal offering for net proceeds of $249M
- Non-refundable proceeds from a supplier of $230M
- Sale and leaseback of three Boeing 777 aircraft for net cash proceeds of $115M
- Extension to an $82M loan from 2009 to 2013
- Amended agreements with our principal credit card processor (agreements extended in May 2010)

Cash level at $1.7 B at April 30, 2010
2010 CTP Target is $270M
(as of May 6, 2010)

- Expected annual savings on a run-rate basis:
  - $270M by end of 2010
  - $500M by end of 2011 (run-rate)
- Individual benefits range from $100K to $40M
- $255M already achieved on 2010 expected annual savings
- $281M achieved on the full $500M total

Initiatives relate to:

- **$200 M**
  - Contract Improvements
- **$160 M**
  - Operational process & productivity improvements
- **$140 M**
  - Revenue Optimization
Finding New Approaches to Generate Revenue

- DOT approved the formation of a transatlantic alliance (A++)
- Welcomed Continental Airlines into Star Alliance on Oct 27, 2009
- Actively re-engaged with the travel trade
- Broadened distribution channels
- Introduced initiatives to grow ancillary fees including:
  - Preferred Seat option
  - Changes to checked bag policy
  - Upgrade programs
  - Star Alliance upgrade awards

Creative new ways to grow revenues
2010 Priorities

Expand international presence

Improve revenue and unit cost productivity through CTP

Improving ability to grow business profitability

Foster culture change

Re-engage with customers with added focus on Premium revenue passengers
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