Good morning Ladies and Gentlemen and thank you for giving me the opportunity of speaking to you today. 2009 was a very important and successful year for us from a number of different perspectives. This morning I would like to update you on what we accomplished in 2009 and how it supports our future growth beginning with the first quarter of 2010.

Air Canada is the 14th largest airline in the world based on system traffic. During 2009, Air Canada operated 1,331 scheduled flights daily. This was comprised of 905 domestic flights, 333 transborder flights and 93 international flights primarily through our Toronto, Vancouver and Montreal hubs.

In 2009, we provided passenger service to 167 destinations world-wide and carried over 30 million passengers.

Our mainline operating fleet is one of the youngest among major North American carriers and is comprised of 202 aircraft. Jazz, our regional capacity provider currently operates 125 aircraft.

Air Canada is Canada’s largest domestic and international airline and the largest provider of scheduled passenger services in the domestic, transborder and international markets based on available seat miles. The airline’s 2009 market share of 56% in the domestic market, 39% in the international market, and 34% in the transborder business are all
significantly above our nearest competitor. Generally, all markets have grown allowing us to increase revenues despite losing some market share over the past couple of years.

The diversification of the markets we serve reduces the airline’s overall economic risk profile. All markets contribute financially to overhead, with the international market, on a historical basis, providing the highest contribution margin rates.

**Slide 6 – Revenue Opportunities**

Our fleet is well suited to manage through uncertain economic conditions as it provides us with the ability to quickly match capacity to changing market demand.

We have a strong international brand – including a young and newly refurbished fleet, extensive route rights, commercial and operational expertise in flying internationally and a good geographical position to funnel 6th freedom traffic from the United States.

In 2010, one of our key objectives is to leverage our already strong international network, while maintaining our commitment to the Canadian domestic market.

We will leverage our strong international network by connecting U.S. traffic via our hubs in Toronto, Montreal, Calgary and Vancouver. For many parts of the U.S., the fastest and easiest route to and from Asia and Europe is through Canada. We intend to capitalize on that advantage and aggressively market our strengths and industry leading product in the U.S. Since the beginning of this year, we have announced or added service to seven American cities: Memphis, Cincinnati, Syracuse, Portland (Oregon), Orange County, San Diego and Portland (Maine). In addition, in May, we announced that we will launch, in November, the only Montreal – Phoenix non-stop flights.

Though our membership in the Star Alliance network, we are able to offer our customers more choice for convenient international travel and access to 1,167 airports in 181 countries.

The value of our network is also enhanced through a newly-formed revenue sharing transatlantic joint venture, referred to as A++, among Air Canada, Lufthansa, Continental and United Airlines. This is a joint venture through which each carrier sells seats on the other as if we were a virtual airline with a single network.
Diversified Network – STAR ALLIANCE Members

In 2010, we plan to continue to build on our position as one of the world’s leading international carriers. We will take advantage of Canada’s excellent geographic position, its vast network, its wide range of bilateral authorities and the relationship we have with other carriers, particularly Star Alliance.

To this end – and in order to strategically deploy capacity to meet seasonal demand – in June, we launched seasonal services to Athens and Barcelona from both Montreal and Toronto. These are important ports of call for cruise lines and also provide convenient connections for flights to destinations in Greece and Spain. Next week, we are launching a five times weekly service between Toronto and Copenhagen. The addition of this destination is strategically important as passengers are able to conveniently connect with Star Alliance partner Scandinavian Airlines to reach such cities as Oslo, Helsinki, Warsaw and, Stockholm.

Last week, Air Canada launched a year-round non-stop service between Montreal and Brussels, with same plane service through Toronto. In Brussels, connecting flights are available with Star Alliance partner Brussels Airlines to and from several European and African destinations. The airline has also recently re-introduced a seasonal service from St. John’s to London.

We launched our first Calgary-Tokyo seasonal service at the end of March. Our new non-stop Narita mission provides Albertans with direct access to a major Asian gateway that offers one convenient connection with our Star Alliance partners to key destinations throughout Asia.

We are doing all this without adding incremental aircraft – merely redeploying our fleet more effectively, maintaining our fleet more efficiently and benefiting from our partners network feed.

One of the Youngest Fleet among the Major North American Legacy Carriers

Our mainline fleet, at 10 years, is one of the youngest among the major North American legacy carriers.

Over the past several years, we renewed our fleet through the introduction of Embraer and Boeing 777 aircraft. As a result, annual capital expenditures for 2010 and 2011 are expected to be less than $150 million. Starting in 2012, our capital needs will start to increase in anticipation of the planned deliveries of 37 Boeing 787s, with the first delivery expected in the 2nd half of 2013. The airline has financing commitments of $3.1 billion already in place covering 31 of the 37 expected deliveries.
Slide 9 – New Interiors – Fleet Wide Refurbishment Completed in Business & Economy Cabins

In the last several years, we invested in excess of $400 million to complete a retrofit program of the interiors of virtually all of our aircraft.

The new fleet-wide amenities include digital quality in-seat monitors with touch-screen controls offering hundreds of hours of audit and video on demand programming, USB ports at every seat, standard in-seat power within reach of every customer and lie-flat bed suites in Executive First.

Air Canada is highly dependent on premium traffic. We continue to leverage our advantages to grow premium revenue. These include award-winning Maple Leaf Lounges, our Concierge Program, an industry-leading loyalty program and, as I mentioned a few seconds ago, our new fleet-wide amenities including lie-flat beds in Business Class.

Our industry-leading product is improving customer satisfaction and allowing us to capitalize on revenue generating opportunities, including capturing incremental 6th freedom traffic from the Northeastern U.S. to the Asia Pacific and, to a lesser extent, from the U.S. West coast to Europe.

Slide 10 – Travel with Ease – Enjoy the Rewards

We are continuously seeking new ways to improve our customers’ travel experience. We are an industry leader in offering customers mobile and wireless services. Our customer-friendly tools include, among others, self-service check-in kiosks, online check-in, mobile check-in and electronic boarding passes.

In August of last year, we became the first North American airline to release the Apple iPhone application. The use of new technologies such as our iPhone App, which won “The Best Mobile Application” at the Canadian New Media Awards in 2009, the Blackberry App, as well as the self-service rebooking tool allows Air Canada to communicate more effectively with customers.

Through Aeroplan, Canada’s premier loyalty program, we continue to build customer loyalty. We recently enhanced our frequent flyer program for 2010 to ensure it remains one of the most competitive programs in the world and to provide an added incentive for customers to choose Air Canada for their travel needs.

Enhancements to the Air Canada Top Tier program include decreased mileage levels required for Super Elite Priority Rewards, more flexibility with Top Tier upgrade certificates and the option to earn bonus Aeroplan
Miles when flying with Star Alliance partners United and Continental Airlines.

**Slide 11 – Strong Operational Performance**

We continue to achieve strong operational performance. In the first quarter of 2010, we achieved on-time performance of 74 percent, based on system arrivals within 15 minutes of scheduled time. Our completion rate was over 98%, reflecting continuous quarterly year-over-year improvements since 2008.

**Slide 12 – Improved Customer Service**

Our success depends on exceeding the expectations of our customers, attracting new ones and providing them with the value they deserve when flying with Air Canada.

The Air Canada brand was enhanced by our strong operational performance in Vancouver where Air Canada occupied the international spotlight during the Olympic games. The Olympic games gave us the opportunity to showcase our award winning service to many thousands of international travelers. Despite both the volume of passengers and bags doubling, we did not receive a single complaint from any customer related to Olympic travel.

To ensure we continue to achieve customer satisfaction improvements, surveys are taken monthly in both Business Class and Economy Class on North American Transatlantic and Transpacific routes. The key measures cover “Overall Satisfaction”, “Value for Money”, “Likelihood to Choose Air Canada Again”, “Likelihood to Recommend” and “Overall Employee Attitude”.

In 2009, we saw significant improvement in customer satisfaction levels. For example, “Value for Money” showed a 9 percentage point improvement for Business Class over the 2008 average while “Overall Satisfaction” improved 8 percentage points. These measures also improved for Economy Class.

The bar chart to the left of the slide represents an internal measure of customer satisfaction. It has shown significant improvement over the past 17 months, the result of more engaged employees, process changes and marketing policy enhancements.

**Slide 13 – Awards**

Our efforts in improving customer service and promoting premium class are not going unnoticed.

In 2009, we were awarded six prestigious industry honours – Best Airline in North America and Canada, Best Flight Attendants, Best In-Flight Services,

The most significant accolade was perhaps the one we received in May of this year, when the independent research firm, Skytrax, ranked Air Canada Best Airline in North America after an exhaustive survey of more than 17 million air travellers from 100 different countries.

Slide 14 – **Other Leading Services by Air Canada**

Air Canada Cargo provides direct services to over 150 Canadian and international destinations and has sales representation in over 50 countries. We realized a significant improvement in cargo revenues in the first quarter of 2010, up 30 percent year-over-year, all due to a 59 percent growth in traffic.

Air Canada Vacations is a leading Canadian tour operator that operates in the outbound leisure travel market. Air Canada Vacations’ competitive advantage is that it can leverage Air Canada’s worldwide network and its commercial agreement with Air Canada allows for greater flexibility and favourable access to seats.

Air Canada Jetz is a premium charter service for corporate clients and professional sports teams with several contracts, including: Montreal Canadiens, Toronto Maple Leafs, Ottawa Senators, Vancouver Canucks, Calgary Flames, Edmonton Oilers and the Toronto Raptors. It also offers services to ad hoc musical and government groups.

Jazz, of course, is our regional carrier and provides important feed to our hubs across Canada.

Slide 15 – **Managing Through Challenging Economic Conditions**

Slide 16 – **Progressive Signs of an Economic Recovery**

To mitigate the effects of the ongoing weak economy, we continually monitor the markets to better match our capacity to passenger demand.

Through revenue initiatives and the right-sizing of our operations through capacity changes, we successfully have balanced load factor and yield.

System passenger revenues increased 4 percent in the first quarter of 2010 when compared to the same quarter in 2009. This was all due to traffic growth, reflecting some evidence that an economic recovery is underway. Premium cabin revenues showed a significant improvement, up 15 percent year-over-year, but remain below 2008 levels.
Yields remain under pressure in the first quarter but have shown steady quarterly improvements, particularly in the premium class cabin.

**Slide 17 – Disciplined Capacity Management Keeps Load Factors Strong**

The introduction of various initiatives to stimulate traffic and re-engage customers have helped us achieve strong load factors throughout 2009 and into 2010. In the first quarter of 2010, we flew our planes 79.4 percent full, essentially unchanged from the first quarter of 2009, on 6.6 percent more capacity. April and May of this year both reflected strong load factors of about 82 percent.

Our outlook for the full year 2010 is an increase of 4 to 6 percent in ASM capacity as compared to 2009, as reported in our May 6th press release. Domestic capacity is projected to increase by up to 1.5 percent for the full year 2010 when compared to 2009. As I said earlier, one of our key priorities for 2010 and 2011 is to expand international operations. As such, our international capacity growth is expected to significantly outpace our system capacity growth.

In the latter part of 2008, we started adjusting our operations through capacity reductions to manage through the exceptionally difficult economic environment – and we only started adding back some of this capacity in the fourth quarter of 2009. When compared to 2008, our expected system capacity growth for 2010 reflects only a 1 percent increase – which is all driven by our plans to expand internationally.

As I mentioned earlier, we are accomplishing our 2010 growth by increasing utilization and by having virtually no aircraft in maintenance during the busy summer period.

**Slide 18 – RASM and Yield Reflecting an Improving Trend**

We have been experiencing sequential quarterly improvements in both system yield and unit revenue year-over-year, particularly in the premium class cabin.

Although yields remained under pressure in the first quarter of 2010, which negatively impacted unit revenue, we saw an improving unit revenue trend in each of the months of the first quarter, with March turning slightly positive when compared to March of 2009. We’ve begun to see the return of business travel demand as evidenced by a year-over-year premium cabin revenue increase of about 15 percent in the first quarter, which reflected a traffic increase of close to 11 percent and a 4 percent improvement in yield.
Managing Fuel and Foreign Exchange

Managing fuel price and Canadian dollar volatility is important to us. The objective of our fuel hedging strategy is to hedge at least 35 percent of the next 12 months’ expected consumption, allowing the Canadian dollar to act as a natural hedge for the remainder.

We have hedged about 33% of our second quarter 2010 requirements at an average capped price of US$89 per barrel and 22% percent of our requirements for the remainder of the year at an average capped price of US$90 per barrel.

Repositioning for Success

Success in Achieving Pension and Labour Stability

We enjoyed success in 2009 working with our unions to begin to stabilize the company and reduce or mitigate significant risks. In the first half of last year, we were successful in reducing pension and labour risk through the completion of revised agreements with all of our Canadian-based unions which extends collective agreements on a cost-neutral basis for 21 months (to approx. Q1 2011). The agreements also provide for a pension funding moratorium on past service costs from April 1st 2009 until December 31, 2010 and for fixed payments for the years 2011 through to 2013.

Rebuilt Cash Levels to See Us Through the Economic Downturn

With our enhanced stability and with the support of key stakeholders, including our major shareholder, several key business partners and other lenders, in the second half of 2009, we successfully completed a number of financial arrangements. In aggregate, we raised in excess of $1.3 billion, allowing us to raise cash levels and repay some short-term debt. These included a $700 million five-year credit facility, several sale/leaseback transactions, a loan extension and an equity issue of $249 million in October 2009.

Our principal objective in managing liquidity risk is to maintain a minimum target liquidity level of 15 percent of 12-month trailing revenues. Our April 30th cash balance amounted to $1.7 million or 16 percent of 12-month trailing revenues.

2010 CTP Target is $270M

It is critical that our unit costs become more competitive, both on a short-term and long-term basis, and that cost management becomes a primary focus for all employees, across the company, on a permanent basis.
To that end, we have implemented a cost transformation program, referred to as “the CTP”, aimed at achieving $500 million in annual revenue and cost reduction improvements. Through extensive management analysis and benchmarking, over 125 initiatives have been identified. Although the vast majority of the initiatives relate to cost savings, several target revenue optimization.

The initiatives identified to date relate to cost savings from contract improvements, operational process and productivity improvements and revenue optimization. Individual benefits range from $100,000 to $40 million.

On a run-rate basis, we expect annual savings of $270 million by the end of 2010 and $500 million by the end of 2011. As of our last reporting date, we had already achieved $255 million of our 2010 CTP target and $281 million on the full $500 million target, on a run-rate basis.

Of the cost reduction initiatives identified to date, we have completed or are in the process of completing the renegotiation of 40 contracts, representing annual savings of $200 million. The modification of the terms of our capacity purchase agreement with Jazz is a good example. Our amended agreement provides us with reduced capacity purchase costs and allows us to enjoy greater flexibility in our fleet deployment.

The process improvements area accounts for $160 million in annual savings and consists of over 75 individual projects. This involves areas such as fuel efficiency, maintenance and manpower productivity, in some cases, enabled by new technology.

Slide 24 – Finding New Approaches to Generate Revenue

Additional revenue generating initiatives include the continued implementation of a transatlantic alliance among Air Canada, Continental Airlines, Lufthansa and United Airlines, commonly referred to as A++ and the continued implementation of a Codeshare agreement with Continental which provides us with expanded access to dozens of new destinations within the U.S., Mexico and points in Central America.

As I mentioned earlier, the value of our network is also enhanced through the Star Alliance network – the world’s first, largest and most comprehensive airline alliance. We were pleased to welcome Continental Airlines and Brussel Airlines into Star Alliance in the fourth quarter of 2009 and recently welcomed TAM.

Other initiatives include reengaging the travel trade through the introduction of a commission program for Canadian travel agents to sell Tango fares for flights within Canada and broadening our distribution channels with major agreements
with retail chains and with agreements with several online distributors such as Expedia.

Slide 25 – **2010 Priorities**

While 2010 promises to be yet another challenging year for the airline industry, we are entering the year on a much more stable platform from a financial, cultural, operational and customer service perspective.

To help us take advantage of the current economic cycle and to improve annual profits and cash flow on a sustained basis, in 2010, we will be focusing on four key priorities:

1. Seeking opportunities to expand our international network.
2. Improving our revenue and unit cost productivity through our CTP.
3. Renewing our focus on the customer experience
4. Fostering culture change throughout the company

Thank you for your attention. Now, I believe we have some time for questions.

Slide 26 – **Caution Regarding Forward-Looking Information**

Slide 27 – **Q & A**