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Air Canada – Leading Share in all Markets

Strong Recovery and Performance in 2010

Continued Improvement in the First Quarter of 2011

Air Canada's Business Strategy
Air Canada – Canada's Largest Domestic, U.S. Transborder, and International Airline
Leading Share in All Markets

Domestic
- WJA 36%
- Other Airlines 8%

Air Canada 56%

40% of passenger revenues

International
- Other Airlines 30%
- WJA 15%
- LCC 4%
- DAL 8%
- CAL 6%

Air Canada 39%

41% of passenger revenues

Transborder
- WJA 15%
- LCC 4%
- DAL 8%
- CAL 6%

Air Canada 35%

19% of passenger revenues

Source: OAG, based on available seat miles (ASMs) from Jan 2010 to Dec 2010; AC Revenue Split based on Jan 2010 to Dec 2010
Extensive Global Network – Star Alliance Membership and Joint Venture Enhance Market Presence

- 15th Largest Airline in the World
- 178 direct destinations
- 328 aircraft
- >1,400 daily flights
- >32M passengers carried
Fleet Mix Provides Flexibility to Adjust to Market Demand

- Average age of 10.7 yrs – one of the youngest among major North American carriers
- Increased use of aircraft in current fleet supports vast majority of capacity growth in 2011
- Boeing 787's will provide growth opportunities in late 2013
- Jazz acts as a feeder to Air Canada's scheduled routes

**Boeing 777 (18)** 270-349 seats

**Airbus A330 (8)** 265 seats

**Boeing 767 (30)** 191-213 seats

**Airbus A321 (10)** 174 seats

**Airbus A320 (41)** 146 seats

**Airbus A319 (38)** 120 seats

**EMBRAER 175 (15)** 73 seats

**EMBRAER 190 (45)** 93 seats

**CRJ 705 (16)** 75 seats

**CRJ 100/200 (47)** 50 seats

**Dash 8 100/300 (60)** 37-50 seats
Industry-Leading Products and Services

✓ Loyalty program
✓ Maple Leaf Lounges
✓ Concierge program
✓ Lie-flat beds in Executive First
✓ Personal seat back entertainment at every seat
✓ Mobile-friendly booking and check-in
Other Leading Services by Air Canada

- Premium provider of jet charter services
- Canada's largest regional airline with over 800 daily flights
- One of Canada's leading tour operators
- Canada's largest provider of air cargo services
Strong Recovery and Performance in 2010
Strong Recovery and Performance in 2010

- EBITDAR(1) of $1.386B – Highest in airline's history
- EBITDAR Margin(1) of 12.9% up 5.9 pp
- Record Passenger load factor of 81.7%
- Unit passenger revenue (RASM) up 3.6%
- Premium cabin RASM increased 16.8%
- CASM, excluding fuel, down 4.5%
- Raised $1.1B in new liquidity from high yield debt offering
- Cash, cash equivalents and short-term investments of $2.2B – Highest in Air Canada's history

(1) Before a net adjustment to a provision for cargo investigations
2010 Achievements

- Finalized transatlantic joint venture (referred to as A++)
- Exceeded Cost Transformation Program (CTP) target for 2010
- Year two of pension moratorium – past service contributions limited to $150M in 2011
- Named "Best Airline in North America"
- Preferred by 71% of Canadian business travelers (Ipsos Reid Survey)
- 20% improvement in employee engagement
Leveraging New Opportunities for Revenue Growth and Cost Transformation

- Committed to making cost containment/reduction a permanent part of culture

- Expect to achieve annual benefits of $530M by YE 2011 as reported on May 5, 2011
  - $440M achieved as at March 31, 2011 on the $530M target for end of 2011 (run-rate)
  - $330M achieved as at December 31, 2010 - $30M more than CTP target for 2010

- Formed business transformation team to implement best practice findings and lower cost structure
Disciplined Capacity Management Resulted in Record Load Factor of 81.7% for 2010

PLF (%)                ASMs Q/Q Change (%)

Q1 2008  80.0%  4.6%  Q1 2009  82.7%  2.4%
Q2 2008  82.7% -3.5% Q2 2009  82.5% -7.8%
Q3 2008  79.9% -10.3% Q3 2009  80.5% -5.4%
Q4 2008  79.5% -3.3% Q4 2009  83.5%  2.0%
Q1 2009  78.6%  6.6%  Q1 2010  79.4%  8.2%
Q2 2009  79.5%  5.3%  Q2 2010  83.1%  7.8%
Q3 2009  78.6%  7.7%  Q3 2010  84.7%  7.7%
Q4 2009  79.5%  5.4%  Q4 2010  83.8%  7.8%
Q1 2010  77.9%  7.7%
Q2 2010  78.8%  8.0%
Q3 2010  78.6%  8.2%
Q4 2010  79.4%  7.8%
Q1 2011  84.7%  7.7%
Q2 2011  83.8%  7.8%
Q3 2011  83.1%  7.7%
Q4 2011  84.7%  7.7%

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1
2008 2009 2010 2011
Improved Financial Position in 2010

- Cash, cash equivalents and short-term investments of $2.2B in 2010 – Highest cash balance in Air Canada's history
- Cash from operations of $864M – Highest cash operating results in Air Canada's history
- Free cash flow of $746M, a $1.145B improvement from 2009
- Adjusted net debt and non-controlling interest to adjusted net debt and non-controlling interest plus equity ratio of 74.3%, a 5.8 pp improvement

Focus on debt reduction in 2011 and 2012 as Air Canada makes scheduled debt repayments
Continued Improvement in First Quarter 2011
Financial Highlights for the First Quarter of 2011

- EBITDAR of $207M, up $57M
- EBITDAR Margin of 7.5%, up 1.5 pp
- Passenger load factor of 77.9%
- Unit passenger revenue (RASM) up 2.2%
- Premium cabin RASM increased 5.4%
- CASM, excluding fuel, down 5.3%
- Cash, cash equivalents and short-term investments of $2.1B at March 31, 2011
- Aggregate solvency deficit for defined benefit pension plans is estimated at approximately $2.1B* based on preliminary estimates as at January 1, 2011 – down $600M from January 1, 2010

*as reported on February 17, 2011
Limited Capital Spending Expected Until Delivery of Boeing 787s Scheduled for Q4 2013 & First Half of 2014* 

- After 2013, Air Canada’s projected committed expenditures are $3,681 million
- Air Canada has financing commitments from Boeing and the engine manufacturers covering 31 of the 37 Boeing 787 firm aircraft orders
- Excludes certain maintenance events which are capitalized under IFRS
- Does not reflect recent delay announced by Boeing

*as reported on May 5, 2011
Managing Fuel and Foreign Exchange Volatility

- Mitigating higher fuel prices through surcharges and fare increases is management’s key focus.
- Target is to hedge at least 35% of next 12 months' consumption.
- Given close to 80% of fuel hedge portfolio is comprised of crude oil call options, AC has minimal collateral risk.
- Relationship between jet fuel prices and CAD/US exchange rate helps reduce fuel price exposure.
- Net USD exposure is covered 34% for the next 12 months.

Fuel Hedging Positions (as of May 10, 2011)

- Average capped price
  - US$103/bbl
  - US$120/bbl

- 33% ROY 2011 fuel consumption is subject to floor price of US$86/barrel.
- 8% Q1 2012 fuel consumption is subject to floor price of US$86/barrel.

Approximately 8% of ROY 2011 fuel consumption is subject to floor price of US$86/barrel.
Air Canada's Business Strategy
Air Canada's Business Strategy

- Building on the Air Canada brand and global network
- Leveraging new opportunities for revenue growth and cost transformation
- Engaging with customers with a focus on premium passengers and products
- Enhancing the corporate culture and developing a strong employee brand
Leveraging World Class Hub at Toronto Pearson and Other Major Canadian Airports

- Toronto Pearson is centre of catchment area with less traffic congestion
- Focus on increasing global connecting traffic via Canada
- Strong brand franchise and industry-leading product provide competitive edge
- Terminal improvements at Toronto Pearson enabled Air Canada & most Star Alliance operations to be consolidated in one terminal
Cost Transformation Program on Track*

Cost Transformation Program
2011

Target $530 million
Completed $440 million

Cost transformation work integrated within core Finance Group
New business transformation team fully engaged
- Executive involvement
- Ongoing refinement of scope and deliverables
- Work with cross functional teams to implement best practices

*as reported on May 5, 2011
Focus on Premium Passengers and Products Resulting in Premium RASM Growth

Note: RASM – Reflects passenger revenues per available seat mile
Steadily Increasing Satisfaction Levels

Positive Shift in Culture is Reflected in Customer Satisfaction levels

20% Improvement in Employee Engagement

*Business Class*
- "overall satisfaction" = +10 pp
- "likelihood to recommend" = +7 pp
- "overall employee attitude" = +6 pp

*Economy Class*
- "overall satisfaction" = +9 pp
- "likelihood to recommend" = +6 pp
- "likelihood to choose AC again" = +6 pp

(Reflects 2010 versus 2009)
Best Airline in North America  (6th consecutive year)
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 Web Site

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

• Best Airline North America

2010 Agents' Choice Award by Travel Press & Travel Courier
• Favourite Scheduled Airline

2010 Executive Travel magazine's "Leading Edge Awards"
• Best airline for flights to Canada from anywhere in the world

2010 International Sales Person of the Year Onboard Sales Conference
• Most Improved Airline of the Year

2010 Ipsos Reid Business Traveller Survey named Air Canada
• Canada's favourite airline for business travel
Enhancing Corporate Culture

- Promoting leadership, ownership and entrepreneurship
- Emphasis on cost containment is forging a more entrepreneurial culture
- New training courses for managers: continuous improvement and change management
- Empowering employees to make decisions
- 2010 performance rewarded
  - Over $51 million to front-line employees
  - $13 million in shares granted to eligible employees
- Industry honours are indication Air Canada employees are participating in transformation
Q & A...