Agenda

- Air Canada – Leading Carrier in all Markets
- Improving Performance in a Gradually Strengthening Economy
- Building on Sustainability
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

30M+ Passengers Carried
170 Direct Destinations
1,300+ Daily Departures
326 Aircraft (At June 30/10)
23K+ Full Time Equivalent Employees
22K+ Full Time Employees

30M+ Passengers Carried
Leading Share in all Markets

**Domestic**
- WJA 36%
- Other Airlines 8%

Air Canada 56%

42% of passenger revenues

**International**
- CX 7%
- TRZ 8%
- Other Airlines 29%
- Air Canada 39%

**Transborder**
- WJA 13%
- US 5%
- DL 8%
- CO 6%
- UA 15%
- Other Airlines 8%

Air Canada 34%

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 U.S.
- World class global hub at Toronto – strong international gateways in Montreal and Vancouver
- Benefits from Star Alliance™ network & joint ventures
Diversified Network – STAR ALLIANCE™ Members

Air Canada Routes

28 Members
181 Countries Served
1,172 Airports
>4,020 Aircraft
>21 K Daily Departures
>620 M Passengers/year
>990 Lounges

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International Expansion

New and enhanced routes since January 2010
One of the Youngest\(^{(1)}\) Fleets Among the Major North American Legacy Carriers

\(^{(1)}\) Average fleet age as at December 31, 2009
Fleet and Capital Plans

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<td>2014</td>
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C$ M

$0  $200  $400  $600  $800  $1,000  $1,200

AIR CANADA
Customer Service Improvements

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*

**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*
Other Leading Services by Air Canada

- **Premium provider of jet charter services**
- **Canada's only national regional airline with over 800 daily flights**
  
  (1) Jazz is a separate entity that operates under a capacity purchase agreement (CPA) with Air Canada
- **Canada's largest provider of air cargo services**
- **One of Canada's leading tour operators.**

(1) Jazz is a separate entity that operates under a capacity purchase agreement (CPA) with Air Canada
Improving Performance in a Gradually Strengthening Economy
Progressive Signs of an Economic Recovery

- System passenger revenue increase of $256M or 12.4% in Q2 10 due to traffic growth and a system yield improvement, reflecting a strengthening economy
- 30.7% increase in Premium Class revenue but still below 2008 level
- Q2 10 yield growth reflected in all markets
  - Q2 10 yield improvement led by a 12.9% increase in Premium cabin yield
  - overall, Q2 10 yield increased 3.3% versus Q2 09
- Cargo revenues increased by 40% in the first half of 2010
Disciplined Capacity Management Keeps Load Factors Strong

**July 2010:** Achieved record load factor of **84.9%**

**August 2010:** Matched August 2009 record load factor of **86.8%**
System RASM and Yield Reflect an Improving Trend

![Graph showing Y-O-Y % Change for RASM, Premium RASM, and Yield from Q2 09/08 to Q2 10/09. The graph indicates an improving trend for all three metrics.]
Building on Sustainability
Success in Achieving Pension and Labour Stability

- Canadian-based unions' Labour agreements extended 21 months on a cost-neutral basis (to Q1 2011)
- 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 respectively
- 17,647,059 Class B shares issued to trust with proceeds contributed to pension plans (represents approx. 6% of total issued & outstanding shares)

Provides us with flexibility to manage through our next set of priorities
Improved Liquidity Position

- Private Note Offerings for net proceeds of close to $1.1B (August 2010)
- $729M of net proceeds of Note Offering used to repay 2009 secured term credit facility
- Aircraft loan commitment of US$170M for 2011/2012 balloon payments (June 2010)
- Bought deal offering for net proceeds of $249M (October 2009)
- 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
- Accepted a proposal from new secure provider for credit card processing services in N.A. for Visa and Mastercard for five-year term

Liquidity levels of over $2 billion (at August 5, 2010)
2010 CTP Target Increased from $270M to $300M (as of August 5, 2010)

- Expected annual benefits on a run-rate basis:
  - $300M by end of 2010
  - $530M by end of 2011 (run-rate)
- Individual benefits range from $100K to $40M
- $275M already achieved on 2010 expected annual benefits
- $300M achieved on the full $530M target

Initiatives relate to:

- $200 M: Contract Improvements
- $160 M: Operational process & productivity improvements
- $170 M: Revenue Optimization
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 40% for the next 12 months
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
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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