AIR CANADA

Presents at the

September 21, 2011

10th Annual Eastern Institutional Investor Conference

World Airline Award Winner

Best International Airline in North America
Caution Regarding Forward-looking Information

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Air Canada – Leading Share in all Markets

Strong Recovery and Performance in 2010 and Continued Improvement in the First Half 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**
- Air Canada: 56%
- Other Airlines: 8%
- WJA: 36%

40% of passenger revenues

**International**
- Air Canada: 39%
- Other Airlines: 30%
- WJA: 15%
- CATH: 7%
- KLM: 4%
- BA: 5%
- AF: 3%
- LH: 4%

41% of passenger revenues

**Transborder**
- Air Canada: 35%
- Other Airlines: 8%
- WJA: 15%
- CAL: 6%
- LCC: 4%
- DAL: 8%
- UAL: 13%

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

**178 Direct Destinations:**
- **59** in Canada
- **59** in the U.S.
- **60** internationally

- **15th Largest Airline in the World**
- **330** aircraft
- **>1,400** daily flights
- **>32M** passengers carried
Star Alliance Membership Offers Customers More Choice

- 27 Members
- 181 Countries Served
- 1,160 airports
- 4,023 Aircraft
- 21 K Daily Departures
- 970 Lounges
- >600M Passengers/year

Voted Best Airline Alliance in the 2011 Skytrax World Airline Awards™
Fleet Mix Provides Flexibility to Adjust to Market Demand

- Average age of 11.2 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

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Quantity</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 777</td>
<td>18</td>
<td>270-349 seats</td>
</tr>
<tr>
<td>Airbus A330</td>
<td>8</td>
<td>265 seats</td>
</tr>
<tr>
<td>Boeing 767</td>
<td>31</td>
<td>191-213 seats</td>
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<tr>
<td>Airbus A321</td>
<td>10</td>
<td>174 seats</td>
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<tr>
<td>Airbus A320</td>
<td>41</td>
<td>146 seats</td>
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<tr>
<td>Airbus A319</td>
<td>38</td>
<td>120 seats</td>
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<tr>
<td>EMBRAER 190</td>
<td>45</td>
<td>93 seats</td>
</tr>
<tr>
<td>EMBRAER 175</td>
<td>15</td>
<td>73 seats</td>
</tr>
</tbody>
</table>
Air Canada Express

Air Canada express acts as a feeder to Air Canada's scheduled routes

Dash 8 400s operated by
  - Jazz (1)
    - Addition of 15 Dash 8 400s by August 2012
    - Removal of 15 CRJ 100s by August 2012
  - Sky Regional (5)

CRJ 705 (16)  75 seats
CRJ 100/200 (47)  50 seats
Dash 8 400 (6)  74 seats
Dash 8 100/300 (60)  37-50 seats
Beech 1900D (18)  18 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

- **Air Canada Cargo** – Canada's largest provider of air cargo services
- **Air Canada Vacations** – One of Canada's leading tour operators
- **Air Canada Jetz** – Premium provider of jet charter services
Strong Recovery and Performance in 2010 and Continued Improvement in First Half of 2011
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

\(^{(1)}\) Before a net adjustment to a provision for cargo investigations
Financial Highlights for First Half 2011

- EBITDAR of $545M – up 14%
- EBITDAR Margin of 9.6% up 0.3 pp
- Passenger load factor of 80.4%
- Unit passenger revenue (RASM) up 3.6%
- Premium cabin RASM increased 5.4%
- CASM, excluding fuel, down 4.5%
- Ancillary revenues per passenger increased 18%
- Adjusted net debt of $4.4 billion at June 30, 2011 – decreased $890 million from June 30, 2010
Improved Liquidity Position

- **C$ billions**

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Q1 2011(1)</th>
<th>Q2 2011(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$1.2</td>
<td>$1.0</td>
<td>$1.4</td>
<td>$2.2</td>
<td>$2.1</td>
<td>$2.3</td>
</tr>
<tr>
<td>% of trailing 12-month operating revenues</td>
<td>12%</td>
<td>9%</td>
<td>14%</td>
<td>20%</td>
<td>19%</td>
<td>20%</td>
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</table>

Note: Liquidity is comprised on unrestricted cash and cash equivalents and short-term investments.

(1) Trailing 12-month operating revenues as at March 31, 2011.
(2) Trailing 12-month operating revenues as at June 30, 2011.
Disciplined Capacity Management

Achieved record load factors in July & August 2011 of 86.4% and 87.8% respectively

PLF (%) ASM Q/Q Change (%)

80.0 82.7 82.5 79.9 79.5 80.5 83.5 78.6 79.4 83.1 84.7 78.8 77.9 82.8

4.6 2.4 -3.5 -7.8 -10.3 -5.4 -3.3 2.0 6.6 5.3 8.2 7.8 7.7 6.4

Achieved record load factors in July & August 2011 of 86.4% and 87.8% respectively.
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 $3,624M.

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.

*as reported on August 4, 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 that close to 80% of fuel hedge portfolio is comprised of 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 40% (as at August 31, 2011) for the next 12 months.

Fuel Hedging Positions
(at August 31, 2011)

- Average capped price
  - US$110/bbl
  - US$123/bbl

- ROY 2011
  - 36%
  - Approximately 10% of ROY 2011 fuel consumption is subject to floor price of US$86/barrel.

- 2012
  - 8%
Status of Labour Negotiations

➤ June 27, 2011 – a new four-year collective agreement was ratified with CAW, representing 3,800 call centre and airport customer service staff.

➤ The CAW agreement includes pension amendments that would impact the solvency deficit and pension obligations. Amendments to the pension plans are subject to regulatory approval.

➤ September 16, 2011 – Air Canada received a decision in the arbitration related to pension arrangements for new hires represented by CAW employees. In his ruling, the arbitrator determined that a hybrid pension regime consisting of part defined contribution and part defined benefit plan will apply to new hires represented by the CAW.

➤ September 20, 2011 – a tentative collective agreement* was reached with CUPE, the union representing flight attendants.

➤ Discussions with ACPA, representing pilots, the IAMAW, representing mechanics and baggage handlers, and CALDA, representing dispatchers, are expected to start in coming weeks.

*subject to ratification by CUPE membership
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
Disciplined Approach to Growth

- Higher margins generally available in international markets
- Unused route rights create opportunities

New and enhanced routes summer 2011
Leveraging World Class Hub at Toronto Pearson and Other Major Canadian Airports

- Toronto Pearson is centre of catchment area with less traffic congestion
- Number of passengers connecting through Toronto Pearson doubled since 2009
- 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
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\(^{(1)}\)
  - $475M achieved as at June 30, 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 – focus is on waste reduction in cross functional business processes

\(^{(1)}\) As reported on August 4, 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

20pp improvement in overall satisfaction

<table>
<thead>
<tr>
<th>Year (ytd)</th>
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<th>2011</th>
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<tbody>
<tr>
<td>Value</td>
<td>30</td>
<td>34</td>
<td>38</td>
<td>42</td>
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</tbody>
</table>

Economy

15pp improvement in overall satisfaction

<table>
<thead>
<tr>
<th>Year (ytd)</th>
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Air Canada

Best International Airline in North America
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

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
Full Year Outlook*

Available seat miles (system).................. Increase 3.5 to 4.5%
Available seat miles (Canada)............... +/- 0.5%
CASM, excluding fuel expense................. Decrease 1-3%
Canadian dollar per U.S. dollar............. $0.98
Fuel price – cents per litre..................... $0.85

*As reported on August 4, 2011

Canadian economy will continue to recover
Air Canada’s Investment Proposition

- Extensive global network
- One of the world’s leading air carriers – twice winner of the Skytrax award for *Best International Airline in North America* in 2010 and in 2011
- Powerful and respected brand franchise
- Industry-leading product and award-winning business class – generating market leading RASM
- Strong financial performance in 2010 and improved financial performance in the first half of 2011
- Committed to lowering cost structure and debt levels
- Positive shift in corporate culture
Go Far...
Q & A...