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Agenda

- About Air Canada
- Leveraging Competitive Advantages
- Building a Stronger Air Canada
- Financial Results
- Going Forward
Powerful Global Network

176 Direct Destinations:
- 60 in Canada
- 49 in the U.S.
- 67 internationally

Among the 20 largest airlines globally
- 349 aircraft
- >1,500 daily flights
- ~35M passengers carried

Air Canada Spring/Summer 2013
Air Canada rouge™ as at July 2013
Leading Share in All Markets

Domestic accounts for 39% of passenger revenue

Transborder accounts for 20% of passenger revenue

International accounts for 41% of passenger revenue

- Source: OAG data, based on full year 2012 available seat miles (ASMs)
- AC Revenue Split based on 2012 full year revenues
### Fleet Flexibility to Adjust to Market Demand

<table>
<thead>
<tr>
<th></th>
<th>June 2013</th>
<th>Planned Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Dec 2013</td>
</tr>
<tr>
<td><strong>Mainline</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 787</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Boeing 777-300*</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Boeing 777-200</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Boeing 767-300</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>Airbus A330-300</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>38</td>
<td>30</td>
</tr>
<tr>
<td>EMBRAER 190</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>EMBRAER 175*</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Mainline</strong></td>
<td>197</td>
<td>183</td>
</tr>
<tr>
<td><strong>Air Canada rouge™</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 767-300</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total Air Canada rouge™</strong></td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td><strong>Combined total fleet</strong></td>
<td>197</td>
<td>193</td>
</tr>
</tbody>
</table>

(Chart is as reported on August 7, 2013)

* Subsequent to June 30, 2013, two new 458-seat Boeing 777-300ER aircraft were added to the mainline operating fleet and the seven remaining Embraer 175 aircraft have been transferred to a low-cost regional provider.
**Air Canada Express – Important Part of North American Strategy**

- **Jazz fleet at 122 aircraft (including 21 Q-400 aircraft)**
  - Q-400 aircraft are optimized for short-haul operations and deliver fuel efficiency, passenger comfort and lower operating costs than the aircraft they replace.

- **New collective agreement with ACPA gives us flexibility to transfer jets/prop of less than 76 seats to regional carriers.**

- **As of September 5, 2013, all fifteen of Air Canada's smallest aircraft type, Embraer 175 aircraft, have been transferred to Sky Regional, a lower cost regional provider – Sky Regional also operates five Q-400 aircraft.**

- **Sky Regional has a more competitive cost structure than mainline due to lower wages, benefits and overhead costs – reduction in Embraer 175 CASM estimated at 11% vs Embraer 175 at mainline.**

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<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRJ (41)</td>
<td>50-75</td>
</tr>
<tr>
<td>Dash 8 (60)/Q-400 (26)</td>
<td>37-74</td>
</tr>
<tr>
<td>Embraer (15)</td>
<td>73</td>
</tr>
<tr>
<td>Beech (17)</td>
<td>18</td>
</tr>
</tbody>
</table>
Other Award Winning Services Contribute to Profitability

Canada's largest provider of air cargo services

Won 2013 "Carrier of the Year" & "e-Business" awards
In Eastern & Central Canada – Forwarders Choice Awards

One of Canada's leading tour operators

Won 2013 "Favourite Tour Operator" award at Baxter Travel Media's Agents' Choice Awards for the 4th year
Leveraging Competitive Advantages
Industry-Leading Products & Services

- The only international carrier in N.A. to receive a four star ranking by Skytrax
- Frequent flyer recognition program "Air Canada Altitude"
- Star Alliance membership
- Maple Leaf Lounges
- Concierge program
- Lie-flat beds in Executive First
- Personal seat back entertainment at every seat
- Mobile-friendly booking and check-in
Investing in New Aircraft, Products & Services

- Two of five new high-density Boeing 777s have been delivered and are now in service – the first between Montreal-Paris and the second between Toronto-Munich – estimated CASM reduction of 21% compared to Boeing 777 in current mainline fleet

- Taking delivery of 37 Boeing 787 aircraft starting in 2014 to replace less efficient Boeing 767s and to pursue international growth opportunities
  - Combination of fuel and maintenance efficiencies associated with Boeing 787 and greater number of seats drives an estimated 29% CASM reduction compared to Boeing 767-300ER aircraft

- Air Canada rouge began operations on July 1, 2013 and is well-positioned in the growing leisure market

High-density Boeing 777 – three class configuration

<table>
<thead>
<tr>
<th>Class</th>
<th>Seats</th>
<th>Pitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive First</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>Premium Economy</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Economy</td>
<td>398</td>
<td>31</td>
</tr>
</tbody>
</table>
Targeting Enhanced Profitability Through Low-cost Leisure Airline – Air Canada rouge™

Air Canada rouge began service July 1st with two Boeing 767 and two Airbus A319s transferred from Air Canada's mainline fleet – an additional transfer of six Airbus A319s expected by year-end 2013 and four more by March 2014 for a total fleet of 14 by the end of the 2013/2014 winter season.

Air Canada rouge pursuing opportunities in markets made viable by its lower operating cost structure – A319 and B767 CASM estimated at 21% and 29% lower than mainline respectively.

Air Canada rouge will, subject to market conditions, expand to other destinations as Air Canada takes delivery of B787s thereby freeing up B767s for transfer to Air Canada rouge.

Air Canada rouge may operate up to 20 B767s and 30 A319s.
Current destinations include Venice, Edinburgh, Athens and the Caribbean.

Fall/Winter schedule will grow to include additional Caribbean destinations, Mexico, Florida, Las Vegas and beginning in 2014, year round service to Dublin, Ireland.
Enhancing Market Presence Through Star Alliance™ & Joint Venture

- **28 Members**
- **195 Countries Served**
- **1,328 Airports**
- **21,900 Daily Departures**
- **>727M Passengers/year**
- **>4,700 Aircraft**
- **>1000 Lounges**

Star Alliance – 6th time winner Best Airline Alliance in the 2012 Skytrax World Airline Awards™
Building a Stronger Air Canada
Improving Profitability by Focusing on Four Key Priorities

- Pursuing revenue enhancements and transforming costs to enhance competitiveness
- Expanding internationally and increasing connecting traffic through international gateways
- Engaging with customers, with a particular emphasis on premium class passengers and products
- Fostering positive culture change
Continuous Cost Transformation

- Concluded collective agreements with all major Canadian unions which included modifications to the defined benefit pension plans (subject to regulatory approval)
- Concluded new agreements with maintenance service providers on a cost competitive basis
- Launched Air Canada rouge™ with a lower cost structure to improve profitability in leisure markets
- Transferred all 15 Embraer 175s from mainline to lower cost regional operator
- Introducing high density Boeing 777s (two of five currently operating) and more efficient Boeing 787s in three class service (Economy, Premium Economy and Executive First)
- Actively pursuing other initiatives including: negotiating competitive contracts with key suppliers, proposed change to crew complement requirements, lowering fuel consumption, bettering turnaround times, reducing credit card fees, improving productivity in call centres
Lower Cost Structure

* If implemented today, cost reduction initiatives would be expected to decrease CASM by an estimated 15%.

* Assumes that all other cost drivers remain at 2012 levels.
Leveraging Opportunities for Revenue Growth

- Growing ancillary revenues through various passenger-related fees including paid upgrades, baggage fees and seat selection fees
- Re-branded frequent flyer program (Air Canada Altitude) to build loyalty and generate incremental revenue
- Improved net Aeroplan revenue
  - Reduced Aeroplan frequent flyer accumulation fees to 50% on Tango service for international routes
- Launched loyalty program for small businesses
  - Loyalty program caters to small and medium-size businesses allowing them to earn rewards and complimentary services
- Introducing new Revenue Management System (RMS) which is being phased in over the next two years – expect over $100M of incremental annual revenues in 2015
Expanding Internationally and Increasing Traffic Through World Class Hubs

- Increasing global connecting traffic via Canada – continued strength of sixth freedom traffic through Toronto Pearson
- Fully automated baggage handling for Air Canada customers connecting to the U.S. through Toronto
<table>
<thead>
<tr>
<th>Awards &amp; Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013 Skytrax World Airline Awards</strong> – 4th consecutive year</td>
</tr>
<tr>
<td>2012 Skytrax ranking:</td>
</tr>
<tr>
<td>4th consecutive year</td>
</tr>
<tr>
<td><strong>Global Traveler magazine – 2012</strong></td>
</tr>
<tr>
<td>4th consecutive year</td>
</tr>
<tr>
<td><strong>Executive Travel Magazine – 2013 Leading Edge Awards</strong> – 6th consecutive year</td>
</tr>
<tr>
<td><strong>Business Traveler magazine – 2012</strong></td>
</tr>
<tr>
<td>5th consecutive year</td>
</tr>
<tr>
<td><strong>2013 Baxter Travel Media Agents' Choice Award</strong></td>
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<tr>
<td>4th consecutive year</td>
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<tr>
<td><strong>Premier Travel magazine</strong></td>
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<tr>
<td><strong>2013 Ipsos Reid Business Traveller Survey</strong></td>
</tr>
<tr>
<td><strong>Best International Airline in North America</strong></td>
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<tr>
<td><strong>Ranked the only international Four-Star Airline in North America</strong></td>
</tr>
<tr>
<td><strong>Best Airline in North America</strong></td>
</tr>
<tr>
<td><strong>Best Flight Experience to Canada</strong></td>
</tr>
<tr>
<td><strong>Best North American Airline for International Travel</strong></td>
</tr>
<tr>
<td><strong>Best North American Airline Inflight Experience</strong></td>
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<tr>
<td><strong>Favourite Scheduled Airline</strong></td>
</tr>
<tr>
<td><strong>Best North American Airline for Business Class Service</strong></td>
</tr>
<tr>
<td><strong>Best North American Airline for International Travel</strong></td>
</tr>
<tr>
<td><strong>Best Flight Attendants in North America</strong></td>
</tr>
<tr>
<td><strong>Canada's Favourite Airline for Business Travel</strong></td>
</tr>
</tbody>
</table>
Enhancing Culture to Increase Competitiveness

- Promoting
  - Entrepreneurship
  - Engagement
  - Empowerment
  - Earnings for performance

- Emphasis on cost containment is forging a more entrepreneurial culture
- Cross-functional approach to operational excellence is motivating employees, reducing costs and increasing customers' satisfaction levels
- Renewed focus on constructive, respectful and transparent dialogue with employees through various vehicles including town halls and online forums
- Implementing a talent management plan to focus on defining and developing key behaviours for employees
- Encouraging employee feedback and ideas
- Focused on employee awareness of the importance of achieving financial goals
- Many industry honours and awards are indication Air Canada employees are participating in transformation
Financial Results
Second Quarter and First Six Months 2013

**Second Quarter 2013**
- EBITDAR of $385M
- EBITDAR Margin of 12.6%
- Passenger load factor of 83.0%
- Unit passenger revenue (P-RASM) up 0.9%
- Adjusted CASM\(^{(1)}\) decreased 1.4%

**First Six Months 2013**
- EBITDAR of $530M, an increase of 9% yoy
- EBITDAR Margin of 8.8%
- Passenger load factor of 82.0%
- Unit passenger revenue (P-RASM) up 1.0%
- Adjusted CASM\(^{(1)}\) at last year’s levels

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\(^{(1)}\) Excludes fuel expense, the cost of ground packages at Air Canada Vacations and unusual items
Roadmap

- Increase return on invested capital ("ROIC") through strategic investments in aircraft and technology, lower CASM and debt reduction
- ROIC for trailing 12 months ended June 30, 2013 was 9.5%

Return is calculated based on adjusted net income, excluding interest expense and implicit interest on operating leases. Invested capital includes average long-term debt and finance leases, market capitalization and capitalized aircraft operating leases.
Maintaining Strong Liquidity Position – Well Above Target Minimum Level of $1.7B

Note: Liquidity is comprised of unrestricted cash, cash equivalents and short term investments
Solid Progress on Net Debt Reduction

Adjusted net debt down almost $1.5 billion from 2009
Schedule of Principal Repayment on Debt is Manageable

- Assumes potential refinancing
- Includes principal repayments from EETC financing
- U.S. dollar amounts are converted using the June 30, 2013 closing rate of C$1.0518
Managing Financial Leverage

Net debt to EBITDAR ratio*

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4.1</td>
</tr>
<tr>
<td>2008</td>
<td>6.8</td>
</tr>
<tr>
<td>2009</td>
<td>8.0</td>
</tr>
<tr>
<td>2010</td>
<td>3.5</td>
</tr>
<tr>
<td>2011</td>
<td>3.7</td>
</tr>
<tr>
<td>2012</td>
<td>3.1</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>2.9</td>
</tr>
</tbody>
</table>

*Reflects adjusted net debt to trailing 12-month normalized EBITDAR ratio

Target ceiling 3.5 times
New and Potential financing Arrangements

- Implementation of Cape Town Convention (CTC) in Canada provides new and attractive source of aircraft financing in the U.S. Markets and a level playing field with U.S. airlines

- Successfully concluded a private offering of enhanced trust certificates (EETCs) with an aggregate face value of US$715M to finance five new Boeing 777-300ER aircraft – blended coupon rate for all tranches of 4.7% for a maximum term of 12 years

- Announced intention to refinance approximately $1.1B principal amount of outstanding existing notes

- Proposed refinancing transaction will extend the maturity of Air Canada's long-term debt and lower its financing costs

- Subject to market conditions, Air Canada plans to enter into a new senior secured term loan and revolving credit facility of US$800M and commence private offerings of C$300M of senior secured notes and US$300M of senior second lien notes
Outlook

Current Outlook* - Full Year 2013

- Available seat miles (system) .................. Increase 1.5 to 2.5%
- Available seat miles (Canada) .................. Increase 1.5 to 2.5%
- Adjusted CASM** ................................. Decrease 1.0 to 2.0%

Major Assumptions* - Full Year 2013

- Canadian dollar per U.S. dollar ............... $1.03
- Jet fuel price – CAD cents per litre .......... 87 cents
- Canadian GDP growth of ........................ 1.25% to 1.75%

2014 Outlook*

- Available seat miles (system) .................. Increase 9 to 11%
- Canadian GDP growth of ........................ 2% to 3%

* As reported on August 7, 2013
** Adjusted CASM excludes fuel expense, the cost of ground packages at Air Canada Vacations and unusual items
Going Forward
Financial Roadmap

- Execute strategic and tactical initiatives to reduce CASM
- Strengthen balance sheet and reduce overall risk profile by aggressively managing leverage
- Increase return on invested capital through significant investment in new aircraft, technology, lower CASM and debt reduction
- Leverage strong brand, extensive worldwide network and partnerships, and award-winning service