AIR CANADA

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Our Investment Proposition

- Innovative revenue strategy
- Aggressive refresh of assets
- Strong operational performance
- Strong risk management to reduce volatility and operating leverage
- Well financed to execute strategy

Revenue Strategy

- Improved product
  - fleet renewal
  - customer service
  - consistency
- Leveraging the network
- New revenue model

Cost Reduction Strategy

Lower CASM through:

- Well-timed investment in fleet
- Investment in technology
- Reduced controllable costs
- Leveraging the base
- Fuel hedging and import agreements

Delivering Financial Performance

Factors Reducing Unit Cost

- Q2 2007 employee productivity up 3.4% since emergence (4 qtr rolling)
- 59.4% of domestic bookings are web, up from 50% in early 2006 (July 2007 – 12 month rolling)
- 59% of check-ins are self serve, up 12 points from early 2006 (August 2007 – 12 month rolling)
- Commissions = 2.3% of transportation revenue H1 '07 vs 3.3% H1 2005
- Strong Canadian dollar: one cent change =$16 m annual operating income impact.

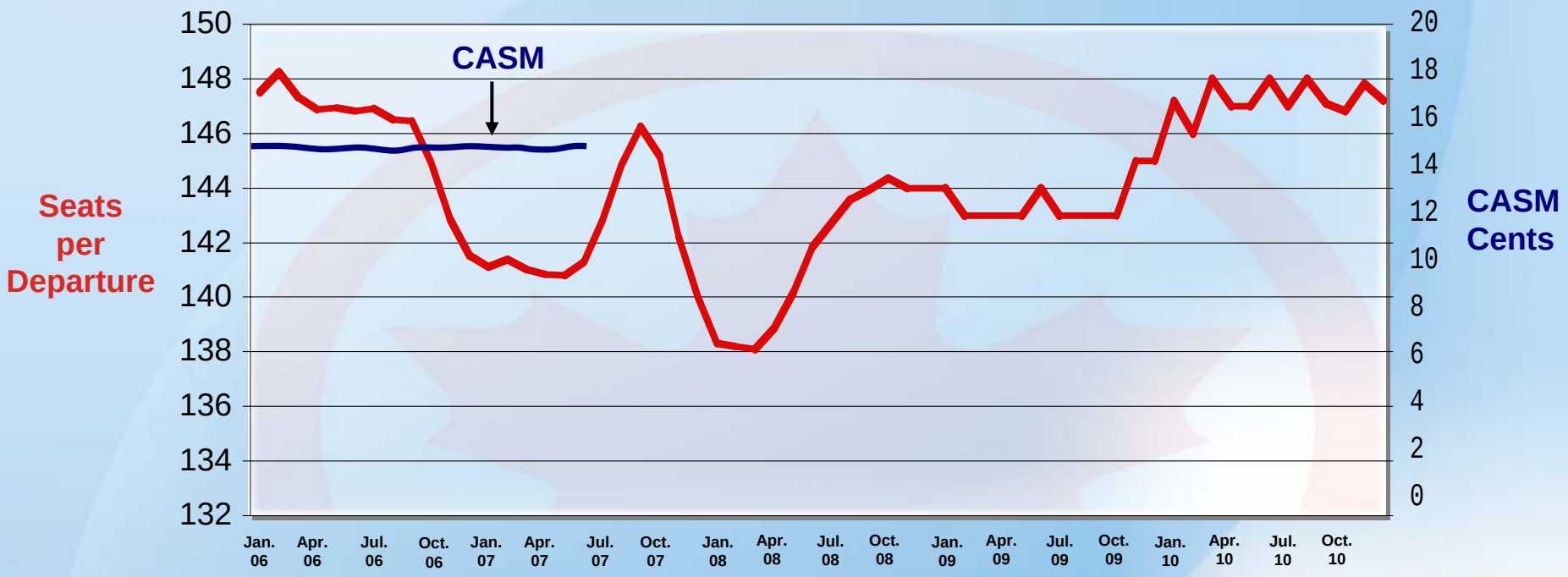
Delivering Financial Performance

Factors Which Increased Unit Cost in H1'07

- Salary & wages
  - voluntary separation packages / vacation credits
  - training for 777
  - progression due refleeting
- Maintenance on aircraft subleased or returned to lessor
- Lower average seats per departure due Embraer 175 & 190's
- High fuel burn A340s remained in the fleet.

Delivering Financial Performance

Aircraft Size[1] and Unit Cost[2]



- CASM stable despite decline in seats per departure
- Seats per departure to increase in spring 2008

1) Mileage weighted on a 3-month rolling average

- Trailing 12 months

Delivering Financial Performance

Potential Benefits in H2 2007

- Lower cost B777s with capacity at 10% vs 1.5% in H1
  - Annual EBITDAR increase per aircraft ↑ - B777-300 $13m; B777-200 $10m
- More moderate salary and wage growth expected
  - slower employee build-up due to new fleet
  - training costs ease
  - voluntary separation and vacation credits expected to sharply reduce
- Flat unit maintenance cost expected
- Aircraft sublease revenues to exceed rent by $4 million
- $5.4 million reduction in Navcan fees
- 54% of fuel hedged at favourable prices
- Favourable FX environment

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Delivering Financial Performance

Strong Financial Position

($billions)	Jun 30 2007	Dec 31 2006
ASSETS		
Cash and Short-term investments	1.8	2.1
Property and Equipment	6.6	5.7
Other Assets	2.8	3.6
	11.2	11.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-term Debt and Capital Leases	3.6	3.4
Other Liabilities	5.5	6.1
Shareholders' Equity	2.1	1.9
	11.2	11.4

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Delivering Financial Performance

Well Financed to Execute Strategy

($billions)	2007E	2008E	2009E
Projected Debt and Capital Lease Obligations	4.1	4.1	3.8
Projected Capitalized Aircraft Rent (7.5x)	2.0	2.3	2.7
Total	6.1	6.4	6.5
Cash and Short-term Investments[1]	1.8		
Net Debt[2]	4.3		
Projected Capital Expenditures	2.3	0.8	0.3
Capital Employed[3]	6.6		
Return on Capital Employed[4]	4%		

(1) Cash and short-term investments as at June 30, 2007

(2) Includes off-balance sheet debt

(3) Total assets less cash and non-interest bearing current liabilities

(4) Operating income over average capital employed

Note: FX: US$1 = CDN $1.06 4th qtr' 07, CDN$1.065 2008, CDN$1.08 2009

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Delivering Financial Performance

Pension Plan Funding Alleviated

Cash Pension Funding ($millions)*	2007	2008	2009	2010	2011	5 Year Total
Projected as of June 30, 2007	384	343	328	338	348	1,741
Projected as of December 31, 2006	489	488	475	485	495	2,432
Reduction in Cash Pension Funding	(105)	(145)	(147)	(147)	(147)	(691)

* As reported in the MD&A of August 10th, 2007

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Certain statements made in this document are forward-looking statements, which are, by their nature, based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Results indicated in forward-looking statements may differ materially from actual results due to a number of factors, including without limitation, energy prices, general industry, market and economic conditions, war, terrorist attacks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, employee relations, labour negotiations or disputes, pension issues, currency exchange and interest rates, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this document and, in particular, those identified in the "Risk Factors" section of Air Canada's 2006 annual MD&A dated February 14, 2007 and updated August 10, 2007. Except as otherwise indicated, the forward-looking statements contained in this document represent the Corporation's expectations as of September 28th, 2007 and are subject to change after such date. However, the Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.