AIR CANADA

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CIBC
World Markets

6th Annual Eastern Institutional Investor Conference

Mont Tremblant, Quebec
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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 reflecting
- 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
### Delivering Financial Performance

**Strong Financial Position**

<table>
<thead>
<tr>
<th>($billions)</th>
<th>Jun 30 2007</th>
<th>Dec 31 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Short-term investments</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Property and Equipment</td>
<td>6.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2.8</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Debt and Capital Leases</td>
<td>3.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>5.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11.2</td>
<td>11.4</td>
</tr>
</tbody>
</table>
### Delivering Financial Performance

**Well Financed to Execute Strategy**

<table>
<thead>
<tr>
<th>($billions)</th>
<th>2007E</th>
<th>2008E</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Debt and Capital Lease Obligations</td>
<td>4.1</td>
<td>4.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Projected Capitalized Aircraft Rent (7.5x)</td>
<td>2.0</td>
<td>2.3</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6.1</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Cash and Short-term Investments(^1)</td>
<td>1.8</td>
<td></td>
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</tr>
<tr>
<td>Net Debt(^2)</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Capital Expenditures</td>
<td>2.3</td>
<td>0.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Capital Employed(^3)</td>
<td>6.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Capital Employed(^4)</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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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
Delivering Financial Performance
Pension Plan Funding Alleviated

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

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