It’s Different Up Here

- Diversified network
- New revenue model
- Canada a growth market
- New efficient fleet
- New onboard product
- Well hedged fuel
- Strong financial performance
Diversified network

- New revenue model
- Canada a growth market
- New efficient fleet
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- Strong financial performance
A $10+ Billion Airline with Leading Share in all Markets

**Domestic**
- WestJet: 34%
- Other Airlines: 7%
- AC: 59%

**International**
- Lufthansa: 34.4%
- Air France: 13%
- BA: 12.5%
- Other Airlines: 6%
- CX: 6%
- AC: 40%
- Other Airlines: 38%

**Transborder**
- WJA: 4.8%
- NW: 4.7%
- US: 5.5%
- DL: 5.3%
- Other Airlines: 9%
- AC: 38%
- Other Airlines: 13%

43% of airline revenues

37% of airline revenues

20% of airline revenues

Source: OAG, based on available seat miles (ASM) from Jul 07 to Jun 08; AC Revenue Split based on Apr 07 to Mar 08
Air Canada Has Larger Int’l Presence

International as % of system ASMs*

*2007
**estimate
Diversified network

New revenue model

Canada a growth market

New efficient fleet

New onboard product

Well hedged fuel

Strong financial performance
New Model – Choice and Transparency

Over 45% of customers purchase a higher fare than the lowest available fare
New Pricing Model Very Effective

% change in yield

2004 2005 2006 2007

-4% -2% 0% 2% 4% 6% 8%

Canada* U.S. Industry**

*estimate **source – ATA
Customers Pay To Customize

aircanada.com

- **Advance Seat Selection**
  - I want to select my seat in advance
  - Add $20
  - Preview Seat Availability: AC924
  - Complimentary seat selection and more... Move Up to TANGO PLUS

- **Prepaid Onboard Café Voucher**
  - Receive 1 Meal Item + 1 Snack Item for only $6 (up to $8 CAD value, all taxes included)
  - Add $6
  - View Menu

- **On My Way**
  - In case of unexpected flight delays or disruptions, purchase
  - Add $35
  - On My Way - uniquely designed to offer you a smooth, stress-free travel experience

- **Aeroplan Miles**
  - No Aeroplan Miles accumulated
  - Subtract $3
  - Earn 25% Aeroplan Miles (non status)
  - Included in TANGO
  - Earn 100% Aeroplan Miles (status) and more... Move Up to TANGO PLUS

- **Checked Baggage**
  - No checked baggage
  - Subtract $3
  - Up to two checked bags
  - Included in TANGO

- **Flexibility**
  - No changes, no cancellation
  - Subtract $5
  - Ability to change or cancel flight (fees apply)
  - Included in TANGO

And, what would you like with that seat?
Ancillary Revenue – $71M Increase Over 2005

Main contributors
- Change/cancellation fee
- Tango advance seat selection fee
- Excess baggage fee
- Same day change fee
- On board meal purchase

2005: $139M
2006: $179M
2007: $210M

+26% Q1'08 / Q1'07
While LCC’s Continue to Grow in US

LCC % Share of Domestic U.S. ASMs

- 2004
- 2005
- 2006
- 2007

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Air Canada Has Retained Domestic Market Share Against LCCs

LCC % Share* of Domestic Canada ASMs

AC Domestic revenue up 31% for 2004-2007

*estimate
Diversified network
New revenue model
**Canada a growth market**
New efficient fleet
New onboard product
Well hedged fuel
Strong financial performance
Dom. Psgr. Revenue Growth for Canadian Industry Exceeds That of US Industry

\[
\begin{array}{cccc}
\text{Canada} & \text{U.S. Industry} \\
\end{array}
\]

- Canada*  
- U.S. Industry**

* estimate  
** source – ATA

% change domestic ASMs and RPMs from 2007

*estimate

ASMs RPMs
Diversified network
New revenue model
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Strong financial performance
Fleet Renewal Nearing Completion

**EMB190** 45 Aircraft (23 options)
- cash operating costs 19% cheaper than A319 on a per trip basis

**B777** 17 firm (18 options)
- additional annual EBITDAR per aircraft
  - B777-300: $13M
  - B777-200: $10M

**B787** 37 firm (23 options)
- expected to be 30% cheaper on fuel and maintenance than B767-300
- deliveries delayed to 2012 from 2010
Air Canada Has Young Fleet

Average age of mainline fleet 2007

<table>
<thead>
<tr>
<th>Years</th>
<th>AC</th>
<th>LUV</th>
<th>CAL</th>
<th>USA</th>
<th>DAL</th>
<th>UAL</th>
<th>AMR</th>
<th>NWA</th>
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</tbody>
</table>
Air Canada Has Fuel Efficient Fleet

Litres per Seat*

USA  AC  DAL  AMR  NWA  CAL  UAL

*2007 mainline
...And Will Be More Efficient

% B777 Share of Total Capacity

<table>
<thead>
<tr>
<th></th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>2007</td>
<td>2.7%</td>
<td>8.3%</td>
<td>10.9%</td>
<td>12.9%</td>
<td>17.4%</td>
<td>18.8%</td>
<td>24.2%</td>
</tr>
<tr>
<td>2008 (Estimate)</td>
<td>2.7%</td>
<td>8.3%</td>
<td>10.9%</td>
<td>12.9%</td>
<td>17.4%</td>
<td>18.8%</td>
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</tr>
</tbody>
</table>
Diversified network
New revenue model
Canada a growth market
New efficient fleet
New onboard product
Well hedged fuel
Strong financial performance
Every Seat, System Wide

USB Power

Standard Power Plug

80 Hours – On Demand
Leading International Executive First Cabin

Now On All 777 and 767 Aircraft!!
New Executive First Product Producing Dividends

April Y-O-Y Improvement in Business Class Unit Revenue

- Atlantic: 5%
- Pacific: 11%
- Latin America: 13%
Diversified network
New revenue model
Canada a growth market
New efficient fleet
New onboard product
Well hedged fuel
Strong financial performance
Fuel Hedging Position

Hedged position as of June 17, 2008
- 41% for ROY 2008
- Weighted average price of US$92 WTI
- 18% hedge position for 2009
- Portfolio value US$420 million

Import program
- Self-supply with jet fuel in Southern Ontario/Quebec and Vancouver
- 1.5 million barrels of off-airport marine storage for self-supply
% Fuel Hedged: North American Carriers

2008

- LUV
- ALK
- AAI
- USA
- AC
- DAL
- NWA
- JBLU
- AMR
- UAL
- CAL
- WJA
Diversified network
New revenue model
Canada a growth market
New efficient fleet
New onboard product
Well hedged fuel

**Strong financial performance**
Air Canada's EX Fuel Unit Cost Continues to Decline

% change YOY

Q2-07 Q3-07 Q4-07 Q1-08

Air Canada U.S. Network Carriers

-6% -4% -2% 0% 2% 4% 6%
Highest Q1 2008 EBITDAR* Margin Among Network Carriers

*Adjusted for unusual items
Winter 08/09 Capacity Reduction Driven by $1 Billion 2008 Fuel Cost Increase

Planned ASM decrease from winter 07/08

- Domestic: (2)%
- US: (13)%
- International: (7)%
- System: (7)%

- Estimated labour reductions up to 2000 FTEs
- Aircraft removals under review
<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>ASM's</td>
<td>+/- 1%</td>
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<tr>
<td>Domestic ASM's</td>
<td>+2.5%</td>
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<tr>
<td>CASM ex fuel</td>
<td>0 to +1%</td>
</tr>
<tr>
<td>Fuel</td>
<td>CDN $0.93/litre</td>
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What is Next

Revenue
- Continued improvement of the revenue model
- New products addressing customer concerns such as irregular operations
- Further expansion of new Executive Class product

Cost
- Additional B777s and impact
- B787s in 2012
- Efficiency through IT infrastructure investments (Netline, Polaris, Oasis)
- Cost focused culture
- Further simplification of the business
Our Investment Proposition

- Diversified network
- New revenue model
- Canada a growth market
- New efficient fleet
- New onboard product
- Well hedged fuel
- Strong financial performance
Caution Regarding Forward-looking Information

Air Canada’s public communications may include written or oral forward looking statements within the meaning of applicable securities laws. Such statements are included in this presentation and may be included in filings with regulatory authorities and securities regulators. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions, including those described below, 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, amongst other things, energy prices, general industry, market and economic conditions, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, insurance issues and costs, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs, employee and labour relations, pension issues, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this presentation and, in particular, those identified in the “Risk Factors” section (Section 17) of Air Canada’s 2007 MD&A dated February 6, 2008 and section 12 of Air Canada’s first quarter 2008 MD&A dated May 8, 2008. The forward-looking statements contained in this presentation represent the Corporation’s expectations as of the date of this presentation 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.

Additional assumptions were made by Air Canada in preparing and making forward-looking statements. In addition to other assumptions which may be contained in this presentation, Air Canada has assumed that growth in North America and globally will slow in 2008 and that a mild economic recession will take place in the United States. Air Canada has also assumed that the Canadian dollar will trade, on average, at Cdn $1.01 per US dollar for the second quarter of 2008 and for the full year 2008 and that the price of fuel will average 91 cents per litre in the second quarter and 93 cents per litre for the full year 2008 (both net of current hedging positions).