AIR CANADA

Changing the Game
Changing the Game

- Canada’s #1 domestic, trans-border and international airline
- Strong brand recognition
- Innovative revenue model driving customer loyalty
- New, efficient fleet
- Well positioned for international growth
- Strong financial position
- Proven cost control
- Strong operating performance
Value Creation

- Revenue model that allows airline to effectively compete with low cost and full service carriers
- Take advantage of unique ability to invest in assets that generate efficiencies
- Continue to innovate to breakthrough historic legacy carrier profit performance
Margin Growth Driven by Innovation

New Fleet
- Lower Fuel
- Lower Maintenance
- Lower Trip costs
- Pilot Compatibility

Polaris
- Faster transactions
- Lower operating costs
- Less Accounting and Admin.
- Less Distribution Costs

Web and Kiosks
- Faster transactions
- Customer self-help

EBITDAR MARGIN

RASM

CASM
Canada’s Largest International Carrier

- 13th largest carrier in the world
- Extensive global network
- Three international gateways
Leading Share in all Markets

**Domestic**

- **Air Canada**: 60%
- **WestJet**: 31%
- **Other Airlines**: 9%

42% of airline revenues

**International**

- **Air Canada**: 43%
- **CX**: 4%
- **KL**: 4%
- **BA**: 6%
- **AF**: 4%
- **LH**: 4%
- **Other Airlines**: 35%

38% of airline revenues

**Transborder**

- **Air Canada**: 38%
- **US**: 5%
- **DL**: 5%
- **CO**: 5%
- **NW**: 5%
- **WS**: 6%
- **AA**: 11%
- **Other Airlines**: 14%
- **UA**: 11%

20% of airline revenues

Source: OAG, based on available seat miles (ASMs) from Apr. 1, 2006 to Mar. 31, 2007; AC Revenue Split based on 2006 Full Year
Embraer 175 & 190 - The Game Changer
Changing the Game for On-Board Services

- In-seat video
- In-seat power
- Drives loyalty
- Creates additional revenue
Simplified Fare Products

Choice

Flexibility

Value

Price

Executive Class
Maximum comfort and freedom

Latitude
A perfect fit

Tango Plus
Get up and go!

Tango
Our best value
## Simplified Fare Display: The Key to Success

### Select departing flight

<table>
<thead>
<tr>
<th>From: Toronto, Pearson Int'l, ON (YYZ)</th>
<th>To: Calgary, Calgary Int'l, AB (YYC)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Op. Flights</th>
<th>Depart</th>
<th>Arrive</th>
<th>Aircraft</th>
<th>Stops</th>
<th>Connections</th>
<th>Tango</th>
<th>Tango Plus</th>
<th>Latitude</th>
<th>Executive</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC107</td>
<td>06:45</td>
<td>08:55</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC117</td>
<td>07:45</td>
<td>09:55</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC193</td>
<td>08:30</td>
<td>10:50</td>
<td>319</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC171</td>
<td>09:00</td>
<td>11:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC119</td>
<td>10:00</td>
<td>12:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC1153</td>
<td>11:00</td>
<td>13:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC173</td>
<td>12:00</td>
<td>14:10</td>
<td>321</td>
<td>0</td>
<td></td>
<td>$353</td>
<td>$393</td>
<td>$623</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC1155</td>
<td>13:00</td>
<td>15:10</td>
<td>320</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
<tr>
<td>AC121</td>
<td>14:15</td>
<td>16:25</td>
<td>320</td>
<td>0</td>
<td></td>
<td>$278</td>
<td>$318</td>
<td>$548</td>
<td>$1312</td>
<td></td>
</tr>
</tbody>
</table>

Compare our fare options
Matching Low-Fare Competition

Air Canada Will Not Be Undersold

“Air Canada matches us, dollar for dollar on every single fare, every single minute of every single day.”

Clive Beddoe
President and CEO,
WestJet

<table>
<thead>
<tr>
<th>Flights</th>
<th>Depart</th>
<th>Arrive</th>
<th>Aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC107</td>
<td>06:45</td>
<td>08:55</td>
<td>321</td>
</tr>
<tr>
<td>AC117</td>
<td>07:45</td>
<td>09:55</td>
<td>321</td>
</tr>
<tr>
<td>AC193</td>
<td>08:30</td>
<td>10:50</td>
<td>319</td>
</tr>
<tr>
<td>AC171</td>
<td>09:00</td>
<td>11:10</td>
<td>321</td>
</tr>
<tr>
<td>AC119</td>
<td>10:00</td>
<td>12:10</td>
<td>321</td>
</tr>
<tr>
<td>AC1153</td>
<td>11:00</td>
<td>13:10</td>
<td>321</td>
</tr>
<tr>
<td>AC179</td>
<td>12:00</td>
<td>14:10</td>
<td>321</td>
</tr>
<tr>
<td>AC1155</td>
<td>13:00</td>
<td>15:10</td>
<td>320</td>
</tr>
<tr>
<td>AC121</td>
<td>14:15</td>
<td>16:25</td>
<td>320</td>
</tr>
</tbody>
</table>

Table:

<table>
<thead>
<tr>
<th>Class</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tango</td>
<td>$278</td>
</tr>
<tr>
<td>Tango Plus</td>
<td>$310</td>
</tr>
<tr>
<td>Latitude</td>
<td>$546</td>
</tr>
<tr>
<td>Executive</td>
<td>$1312</td>
</tr>
</tbody>
</table>

Price: $278.00 CAD
People will “Buy-Up”

- Tango Plus Domestic sales increase 66% in Q1 year over year
- Tango only accounts for 46% of domestic sales in Q1
- 48% “buy-up”
The Math Works

Higher average fare +
Higher load factor
Higher revenue premium

Unit Cost Gap = Profit Gap

Our Advantage
- Buy up for additional features
- Business class
- International feed
- Superior network & schedule

LCC Advantage
- International feed
- More appropriate aircraft size
- Transborder feed

- Labor
- Single fleet
New Revenue Model More Effective Than Old Model

Domestic Passenger Revenue per ASM

Cents per ASM

<table>
<thead>
<tr>
<th>Year</th>
<th>Air Canada &amp; Jazz</th>
<th>U.S. Markets (DOT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>18.7</td>
<td>10.2</td>
</tr>
<tr>
<td>2001</td>
<td>17.2</td>
<td>9.0</td>
</tr>
<tr>
<td>2002</td>
<td>17.2</td>
<td>8.5</td>
</tr>
<tr>
<td>2003</td>
<td>15.2</td>
<td>8.7</td>
</tr>
<tr>
<td>2004</td>
<td>16.1</td>
<td>8.6</td>
</tr>
<tr>
<td>2005</td>
<td>18.1</td>
<td>9.1</td>
</tr>
<tr>
<td>2006</td>
<td>18.6</td>
<td>9.9</td>
</tr>
</tbody>
</table>

(1) New Model Introduction

(1) 4th QTR. ‘05 + YTD Sept. ‘06
Distribution Savings

- aircanada.com is approximately 51 percent cheaper than other distribution channels
- International web expansion will lead to greater penetration rate

Domestic Web Penetration: 61%
System Web Penetration: 31%
Passes Contribute to New Revenue Model

- Compressed fare gap limits buy down effect
- Passes have same average fare per departure
- Attraction of passes is ease of use not price discount
- 30% of pass holders increase their travel on Air Canada
- 90% of pass holders repurchase
- Leverages Air Canada strengths
- Helps desensitize Air Canada from economic cycle
Aeroplan - Canada’s Premier Loyalty Program

- 90% of business travelers in Canada are Aeroplan members
- Strategic long-term relationship
- Provides a growing revenue source from Aeroplan through the purchase of seats
An Independent Aeroplan Works for Air Canada

Aeroplan’s Business Model

Partners Buy Miles

Aeroplan Buys Seats / Services / Products for Redemptions

Cash 29%

Cash 79%

CIBC, AMEX, Other Partners

Cash 71%

Cash 21%

Seats from other vendors

Seats/Services/Products from other vendors
Wealth of Available Route Authorities

- In service
- Toronto expansion
- Other Canadian cities expansion
Positioning for Efficiency and Growth

- Boeing 777
  - 17 Firm (18 options)
  - Deliveries 2007-2008

- Boeing 787
  - 37 Firm (23 options)
  - Deliveries 2010-2013
Toronto 2007

- Domestic, United States and other International operations now in one terminal
- World class connecting facility
- 5th largest port of entry to the U.S.
Industry Leading International Product

New Executive First Cabin
- New executive suite (lie-flat beds) – Only North American Operator
- State of the art individual inflight entertainment system
- In-seat power access at all seats
<table>
<thead>
<tr>
<th>Exploiting International Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>World-Class Gateways</td>
</tr>
<tr>
<td>Expanding Feed Network</td>
</tr>
<tr>
<td>“Best in Class” On Board Product</td>
</tr>
<tr>
<td>New, Efficient Long-Haul Aircraft</td>
</tr>
<tr>
<td>Limitless Route Authorities</td>
</tr>
</tbody>
</table>
Financial Review

Changing the Game
6% revenue growth achieved with only 3.3% ASM growth

- Record load factors
- Strengthening yields

(1) Revenues figures of Air Canada Services. Excludes special charge for Aeroplan miles of $102 million
Focused Cost Control


Total Costs

- Fuel 25%
- Ownership(1) 8%
- Airport and Navigation Fees 10%
- Capacity Purchase Fees Paid to Jazz 9%
- Other(2) 16%
- Controllable Costs 32%

Controllable Costs

% Change of Operating Expenses Per ASM

- Fuel -14%
- Ownership(1) -11%
- Airport and Navigation Fees -3%
- Capacity Purchase Fees Paid to Jazz -1%
- Other(2) 6%
- Commissions
- Benefits
- Food, Beverages and Supplies
- Salary and Wages
- Aircraft Maintenance, Materials and Supplies

(1) Refers to combination of aircraft rent and depreciation, amortization and obsolescence
(2) Communications and information technology, building rent and maintenance, terminal handling, professional fees and services, crew meals and hotels, advertising and promotion, insurance costs, credit card fees and other expenses
EBITDAR\(^{(1)}\)

$ Millions and % Margin

<table>
<thead>
<tr>
<th>31 March ’06</th>
<th>31 March ’07</th>
</tr>
</thead>
<tbody>
<tr>
<td>$946</td>
<td>$1,064</td>
</tr>
</tbody>
</table>

+12.4%

12 months ended

Excluding spike in fuel costs, EBITDAR would have been $1,275M

(1) EBITDAR figures for Air Canada Services excluding special charges of $122 million
## Strong Financial Position

<table>
<thead>
<tr>
<th>March 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash resources</strong></td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
</tr>
<tr>
<td>Senior secured revolving credit facility ($400 million availability)</td>
</tr>
<tr>
<td>Aircraft and equipment related financing</td>
</tr>
<tr>
<td>Capital leases</td>
</tr>
<tr>
<td>Debt consolidated under ACG-15 (excluding Jazz)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
</tr>
<tr>
<td>Capitalized LTM Leases (@ 7.5x)</td>
</tr>
<tr>
<td><strong>Adjusted Net Debt</strong></td>
</tr>
<tr>
<td>Adjusted Net Debt / LTM EBITDAR</td>
</tr>
<tr>
<td>Cash / LTM Revenues</td>
</tr>
</tbody>
</table>

(1) Excludes Prepayment Loan Payable to ACTS of $447 million
(2) Adjusted Net Debt = Total Debt plus capital leases plus 7.5x LTM aircraft leases of $304 million minus cash & cash equivalents
(3) EBITDAR = Earnings before interest, taxes, depreciation, amortization and rent and excludes special charges of $95 million
Capital Expenditures\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fleet Renewal</th>
<th>Fleet Refurbishment</th>
<th>Technological Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$1,466</td>
<td>$945</td>
<td>$485</td>
</tr>
<tr>
<td>2008</td>
<td>$1,279</td>
<td>$1,184</td>
<td>$111</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td>$285</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td>$825</td>
</tr>
</tbody>
</table>

\(^{(1)}\) From Air Canada Services financial information
Margin Gap Widening$^{(1)}$

12 Month Rolling

Cents

RASM  CASM with Fuel  CASM excl. Fuel

$^{(1)}$ Excludes special charges which occurred in the 12 months ended Dec. 31, 2006
Future Savings from Fleet Renewal

**EMB190**
- Proven to be 20% cheaper than A319 on a per trip basis

**B777**
- Expected to be 26% cheaper on a CASM basis compared to A340-500

**B787**
- Expected to be 30% cheaper on fuel and maintenance than B767-300

Improved pilot and operational efficiencies contribute to reduced costs
Polaris

- Designed and built with ITA
- Will be the only major carrier on a completely new web-enabled RES system designed for the new way of doing business
- Expected to be one third the cost to operate than current system
- Goal of one day of training versus three weeks
- Can support new innovations such as e-bank
- Phased in throughout 2008
Margin Growth Driven by Innovation

New Fleet
- Lower Fuel
- Lower Maintenance
- Lower Trip costs
- Pilot Compatibility

Polaris
- Faster transactions
- Lower operating costs
- Less Accounting and Admin.
- Less Distribution Costs

Web and Kiosks
- Faster transactions
- Customer self-help

EBITDAR MARGIN

RASM

CASM

Tradi tional Carrier

Transition
Changing the Game

- Canada’s #1 domestic, trans-border and international airline
- Strong brand recognition
- Innovative revenue model driving customer loyalty
- New, efficient fleet
- Well positioned for international growth
- Strong financial position
- Proven cost control
- Strong operating performance
Caution Concerning Forward-looking Information:

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. The forward-looking statements contained in this document represent the Corporation’s expectations as of June 13, 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.