Air Canada's Executive Vice President & CFO Michael Rousseau, presents at Transportation & Logistics Conference

Toronto
March 24, 2010
Agenda

- Air Canada – leading carrier in all markets
- Managing through challenging economic conditions
- Repositioning for success
Air Canada – Leading Carrier in all Markets
Leading Share in all Markets

### Domestic
- **AC**: 56%
- **WJA**: 36%
- **Other Airlines**: 8%

**42% of passenger revenues**

### International
- **AC**: 39%
- **Other Airlines**: 29%
- **Other Airlines**: 8%

**39% of passenger revenues**

### Transborder
- **AC**: 36%
- **Other Airlines**: 11%
- **Other Airlines**: 8%

**19% of passenger revenues**

- **Source**: OAG, based on available seat miles (ASMs) from Jan 09 to Dec 09;
- **AC Revenue Split based on Jan 09 to Dec 09**
Revenue Opportunities

- Fleet flexibility to respond to market demand
- Industry-leading on-board products
  - lie-flat beds, IFE, in-seat power outlets
- Unused route rights
- Well positioned to funnel traffic from the US
- World class global hub at Toronto – strong international gateways in Montreal and Vancouver
- Benefits from Star Alliance Network
Diversified Network – STAR ALLIANCE Members
One of the Youngest\(^{(1)}\) Fleets Among the Major North American Legacy Carriers

\(\text{Years}\)

\begin{tabular}{lcccc}
 & CAL & AC & LCC & UAL & DAL & AMR \\
\text{Average fleet age} & 9.0 & 9.7 & 11.6 & 13.0 & 13.6 & 15.0 \\
\end{tabular}

\(^{(1)}\) Average fleet age as at December 31, 2009
New Interiors – Fleet-wide Refurbishment Completed in Business & Economy Cabins
Purchase With Ease – Enjoy the Rewards

FLIGHT PASSES:

- Commuter
- Regional
- Inter-Regional
- Transcontinental
- International
- Sun Destinations

aircanada.com
**Strong Operational Performance**

- Achieved on-time arrivals performance of 79% in 2009
- OTP was adversely impacted by additional security measures imposed in December 2009

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(1) Based on Air Canada's domestic Canada arrivals as measured by the US Dept of Transportation's standards

(2) A higher index level indicates better operational performance

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On-time Performance (OTP) is a measure of operational performance
Improved Customer Service

Customer Service Index\(^{(1)}\) (CSI) is a measure of customer satisfaction

- **Business Class**
  - "value for money" = +9 pp
  - "overall satisfaction" = +8 pp

- **Economy Class**
  - "value for money " = +7 pp
  - "overall satisfaction" = +6 pp

\(^{(1)}\) A lower index level indicates a higher level of customer satisfaction
Awards

Global Traveler magazine readers voted Air Canada:
- Best Airline in Canada
- Best Airline in North America

Business Traveler magazine's 2009 Best in Business Travel Survey voted Air Canada:
- Best In-Flight Services in North America
- Best Flight Attendants in North America
- Best North American Airline for International Travel
- Best North American Airline for Business Class Service
Other Leading Services by Air Canada
Managing Through Challenging Economic Conditions
Global Economies Forecasted to Slowly Recover

- Revenue initiatives and right-sizing of operations through capacity changes balance load factor and yield

- Yields remain under pressure but have shown steady improvements
  - 2009 yield declined 15.1% in premium class and 5.9% in economy class
  - overall, 2009 yield decreased 7.6% versus 2008
  - Q4 09 yield declined 7.3% from Q4 08, an improvement from the second and third quarters where yield declined 8.9% and 11.2% YOY

- Outperformed all NA legacy carriers with one of the smallest reductions in 2009 full year unit revenue versus 2008
  - 2009 unit revenue declined 8.4% versus 2008
Disciplined Capacity Management Keeps Load Factors Strong

Achieved LF of 77.5% in January and 78.4% in February 2010
One of the Smallest Reductions in 2009 Yield & Unit Revenue Versus 2008 (Unadjusted for FX)

### 2009 YIELD

<table>
<thead>
<tr>
<th>Carrier</th>
<th>2009 Yield (Cents)</th>
<th>% Variance YOY</th>
</tr>
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<tbody>
<tr>
<td>WJA</td>
<td>14.9*</td>
<td>-3.8</td>
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<tr>
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<td>AAI</td>
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<tr>
<td>AC</td>
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<tr>
<td>UAL</td>
<td>13.1</td>
<td>-13.1</td>
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<tr>
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*WestJet excludes charter revenues

### 2009 RASM

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Managing Fuel and Foreign Exchange
(as of February 10, 2010)

- Objective is to hedge at least 35% of next 12 months' consumption
- Hedges comprised mainly of crude oil call options – also collars and jet fuel swaps
- Relationship between jet fuel prices and CAD/US exchange rates helps reduce our USD exposure
- Net USD exposure is covered 15% for 2010
Repositioning for Success
Success in Achieving Pension and Labour Stability

• Canadian-based unions' Labour agreements extended 21 months on a cost-neutral basis

• Adopted new pension funding regulations
  – moratorium on past service payments Apr 1/09 to Dec 31/10
  – fixed payments of $150, $175 and $225 million in 2011, 2012 and 2013

• 15% of equity at date of issuance (17,647,059 Class B shares) issued to trust with proceeds contributed to pension plans

Provides us with flexibility to manage through our next set of priorities
Rebuilt Cash Levels to See Us Through the Economic Downturn

- $700M secured term credit facility (including $100M finalized in Feb 10)
- Bought deal offering for net proceeds of $249M
- Non-refundable proceeds from a supplier of $230M
- Sale and leaseback of three Boeing 777 aircraft for net cash proceeds of $115M
- Extension to an $82M loan from 2009 to 2013
- Amended agreements with our principal credit card processor

Over $1.3 billion raised since July 2009
2010 CTP Target is $270M
(as of February 10, 2010)

- Expected annual savings on a run-rate basis:
  - $270M by end of 2010
  - $500M by end of 2011 (run-rate)
- Individual benefits range from $100K to $40M
- $223M already achieved on 2010 expected annual savings
- $256M already achieved on the full $500M total

Initiatives relate to:

- **$170 M**
  - Contract Improvements
- **$215 M**
  - Operational process & productivity improvements
- **$115 M**
  - Revenue Optimization
Finding New Approaches to Generate Revenue

- DOT approved the formation of a transatlantic alliance (A++)
- Welcomed Continental Airlines into STAR ALLIANCE on Oct 27, 2009
- Actively re-engaged with the travel trade
- Broadened distribution channels
- Introduced initiatives to grow ancillary fees including:
  - Preferred Seat option
  - Changes to checked bag policy
  - Upgrade programs
  - STAR ALLIANCE upgrade awards

Creative new ways to grow revenues
2010 Priorities

- Seeking opportunities to expand international presence
- Improving revenue and unit cost productivity through CTP
- Re-engaging with customers with added focus on Premium revenue passengers
- Fostering culture change

Improving ability to grow business profitability
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