










Passport 2008 Transportation Conference

*Toronto
September 10, 2008*

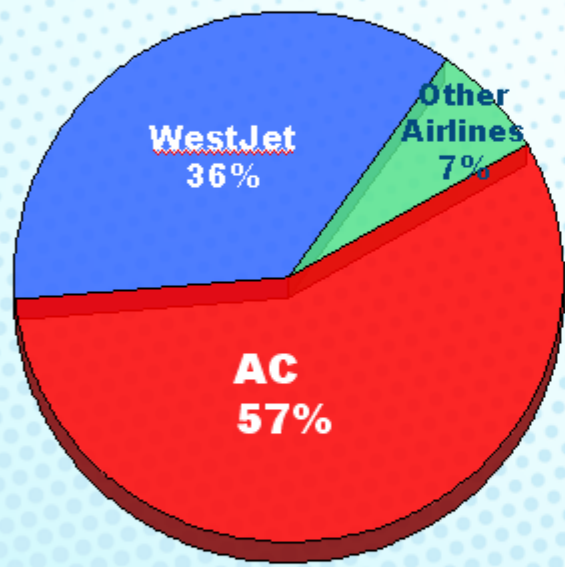
Air Canada

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

- ① **Diversified network**
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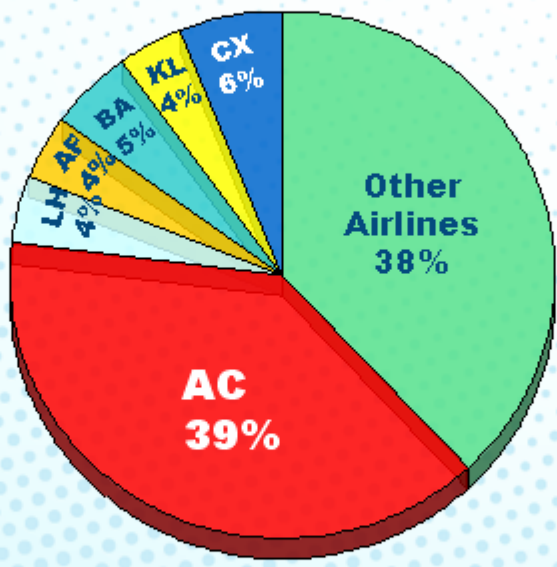
Leading Share in all Markets

Domestic



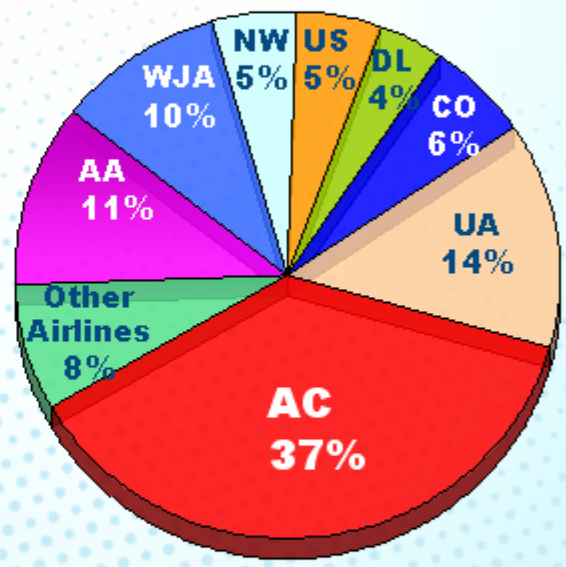
43% of airline revenues

International



37% of airline revenues

Transborder



20% of airline revenues

Source: OAG, based on available seat miles (ASMs) from Oct 07 to Sep 08;
AC Revenue Split based on Jul 07 to Jun 08

Star Alliance Route Network

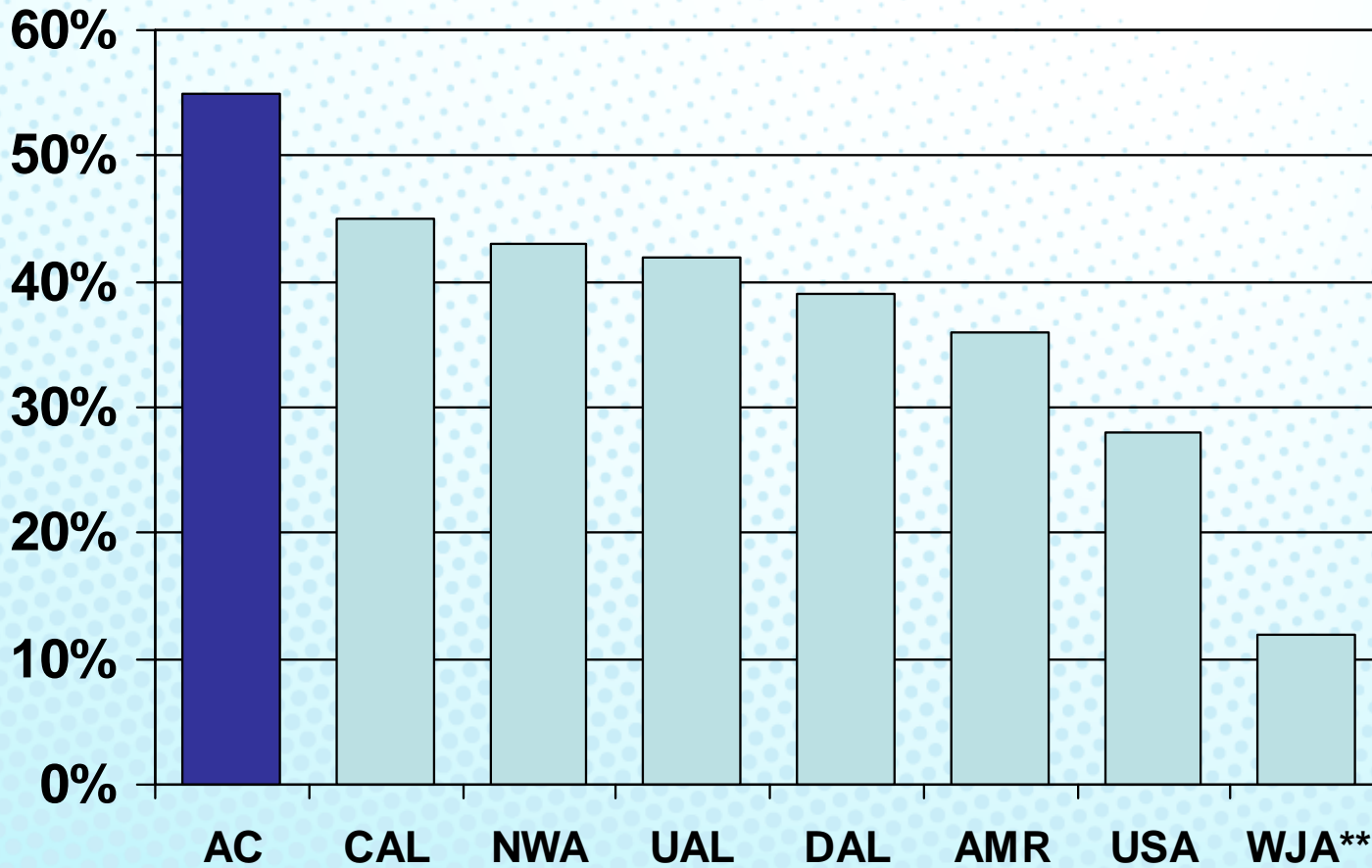


REGIONAL MEMBERS

-  ADRIA
-  Blue1
-  CROATIA AIRLINES

Air Canada Has Larger Intn'l Presence

International as % of system ASMs*



*last 12 months - July 2008

**estimate

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Revenue Model Based on Choice and Transparency

Over 49%* of customers purchase a higher fare than the lowest available fare

1 Select departing flight ★ **New cabin interior** ([Learn more](#))
Aircraft assigned may change without prior notice.

Day's lowest fare →	Fri 18-Apr \$397	Sat 19-Apr \$144	Sun 20-Apr \$144	Mon 21-Apr \$144	Tue 22-Apr \$144	Wed 23-Apr \$144	Thu 24-Apr \$144	Fri 25-Apr \$144	Sat 26-Apr \$144	Sun 27-Apr \$144	Mon 28-Apr \$144
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From: **Montreal, Trudeau, QC (YUL)**
To: **Fort Lauderdale, Fll Int'l, FL (FLL)** [Compare our fare options](#)

Op.	Flights	Depart	Arrive	Aircraft	Stops	Connections	Tango	Tango Plus	Latitude	Executive Class
Direct Flights										
	AC924	08:45	12:17	320	0		<input type="radio"/> \$144	<input type="radio"/> \$189	<input type="radio"/> \$429	<input type="radio"/> \$1095
	AC928	11:00	14:32	320	0		<input type="radio"/> \$144	<input type="radio"/> \$189	<input type="radio"/> \$429	<input type="radio"/> \$1095
Connecting Flights										
	AC483	05:30	06:50	E75	★	Toronto (YYZ)	<input type="radio"/> \$261	<input type="radio"/> \$296	<input type="radio"/> \$536	<input type="radio"/> \$1095
	AC1216	10:10	13:14	321	★					
	AC481	06:00	07:25	321	★	Toronto (YYZ)	<input type="radio"/> \$261	<input type="radio"/> \$296	<input type="radio"/> \$536	<input type="radio"/> \$1095
	AC1216	10:10	13:14	321	★					
	AC105	06:00	07:55	320	0	Toronto				

*Q2 2008

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 On My Way - uniquely designed to offer you a smooth, stress free travel experience Add \$35



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

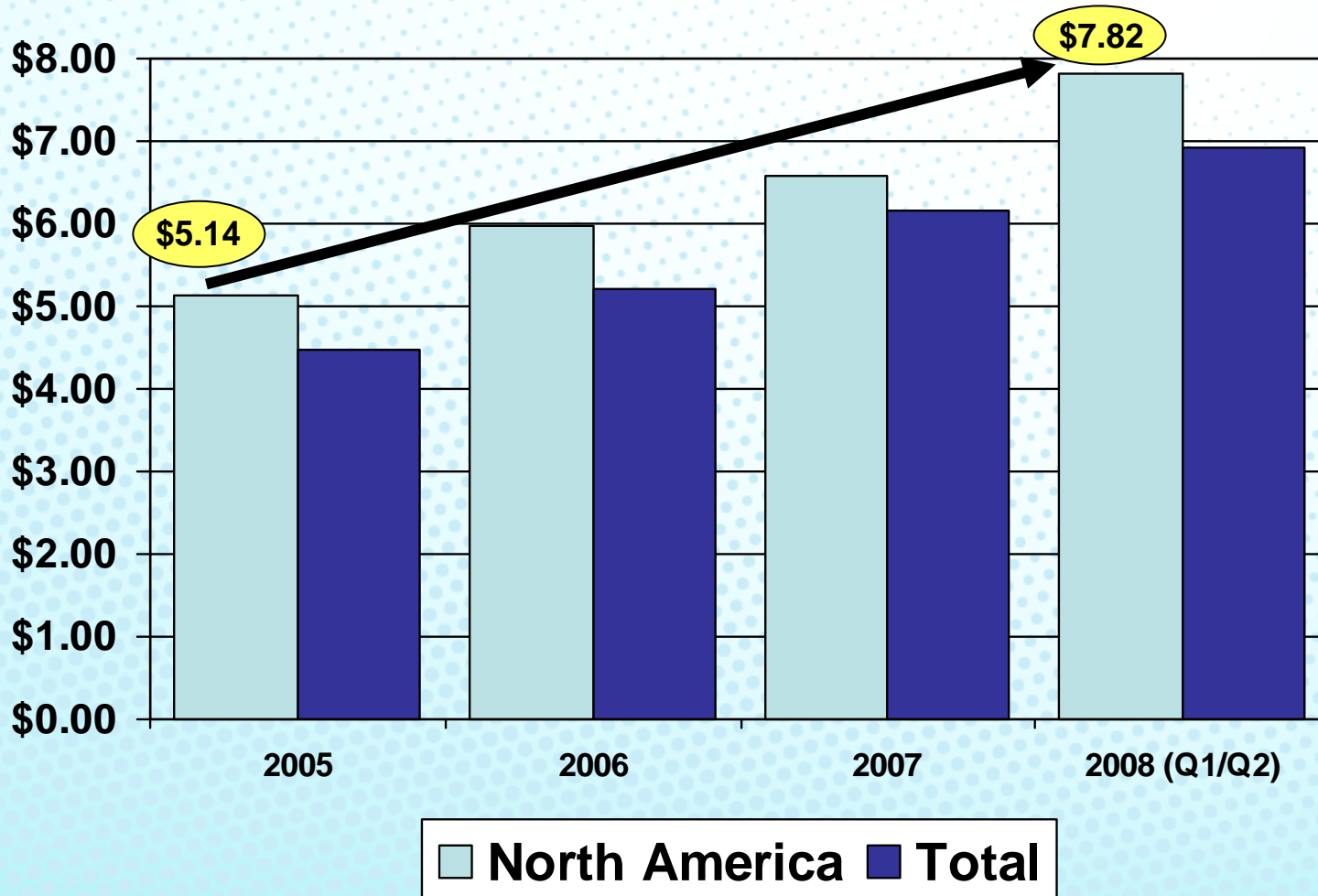
No changes, no cancellation Subtract \$5

Ability to change or cancel flight (fees apply) Included in TANGO

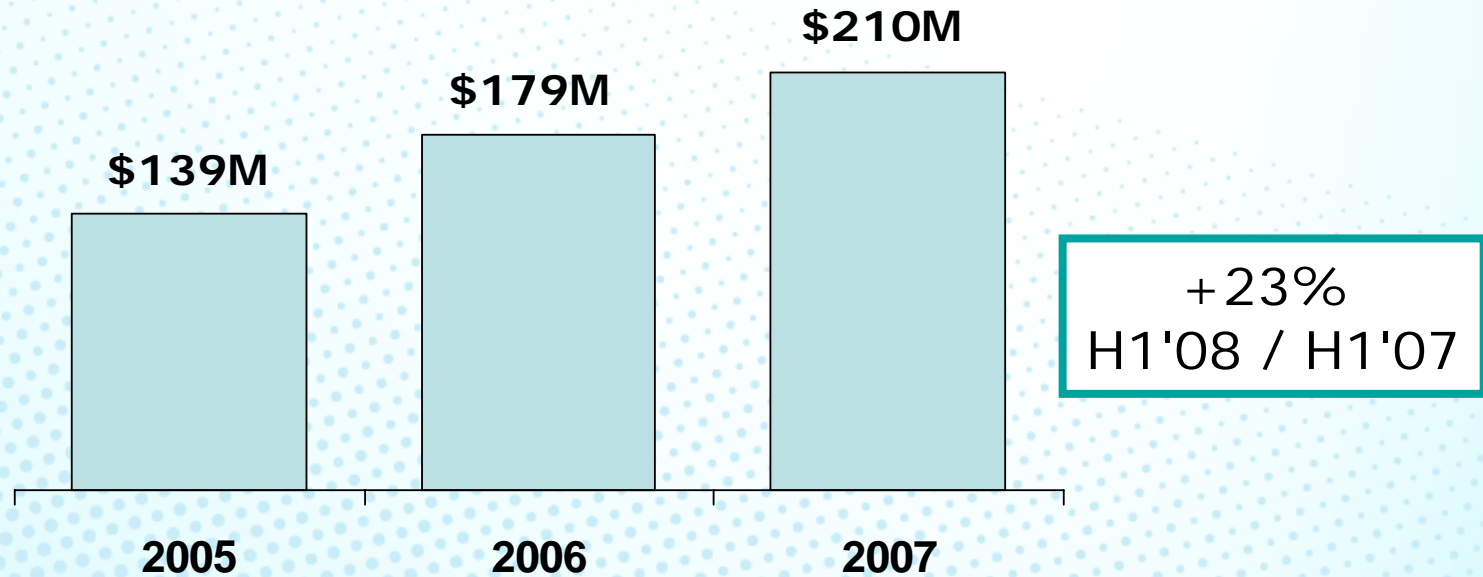
And, what would you like with that seat?

Ancillary Revenue per Passenger

North America up 52% since 2005



Ancillary Revenue – \$71M Increase Over 2005

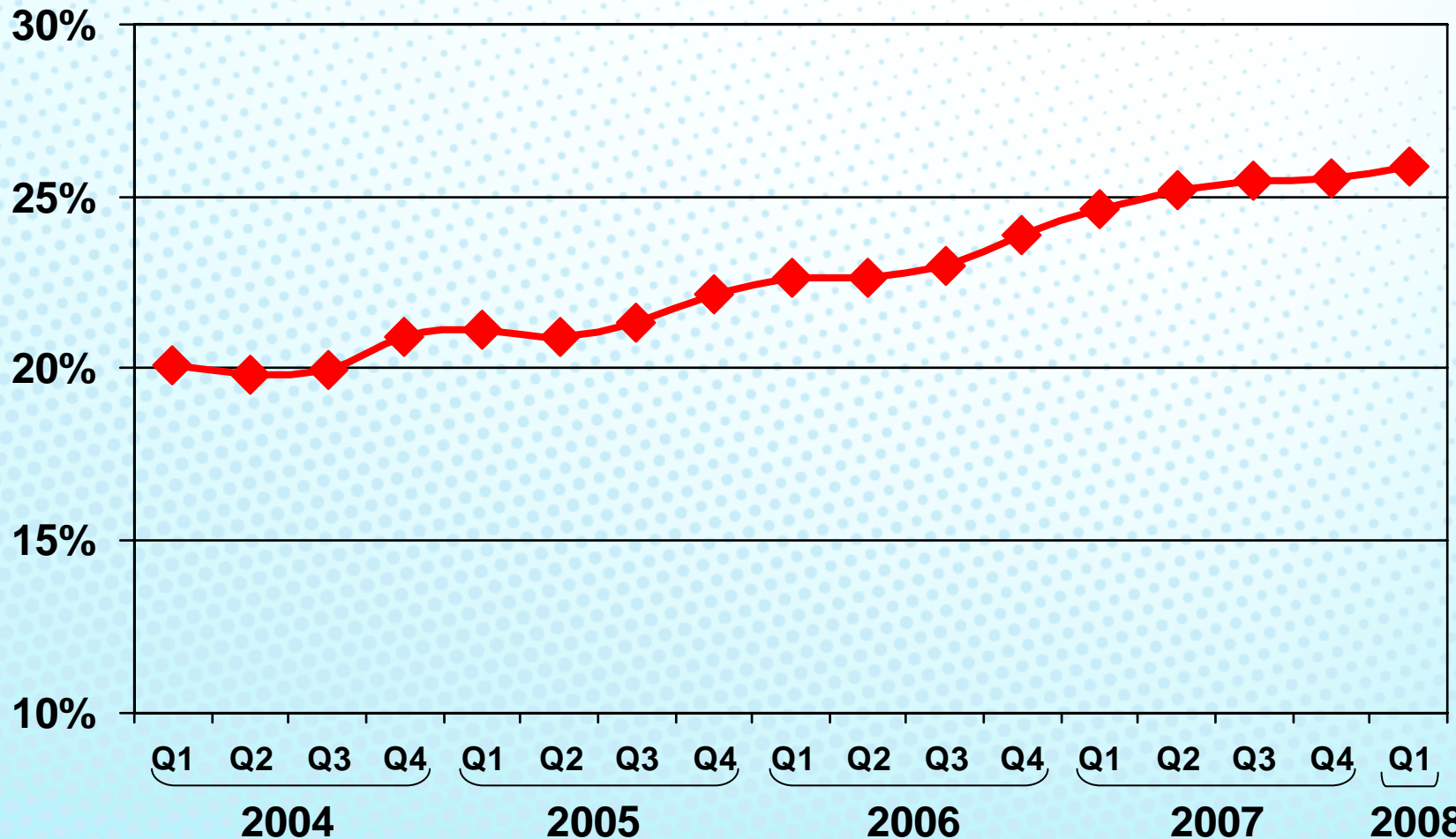


Main contributors

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

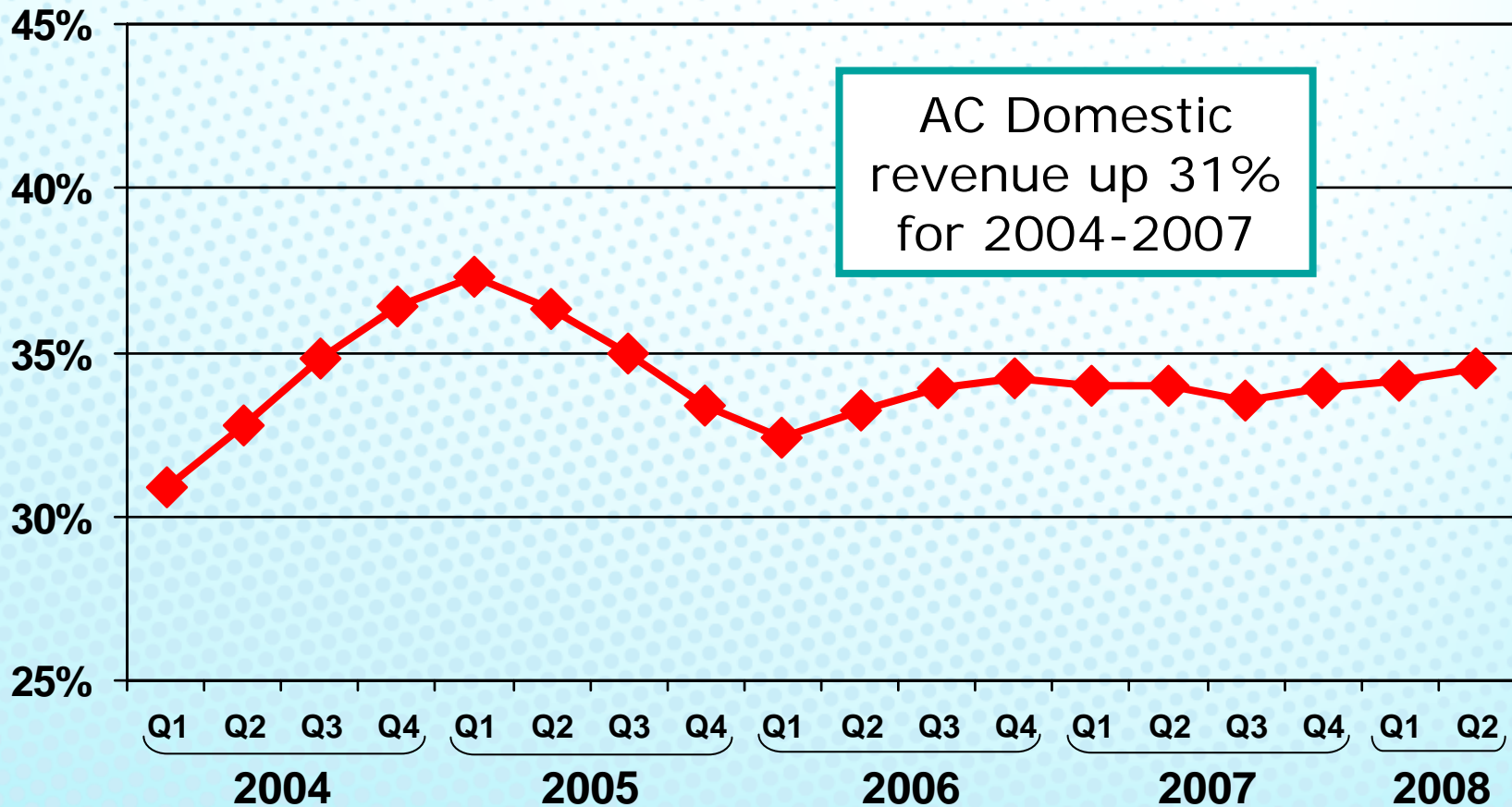
While LCC's Continue to Grow in US

LCC % Share of Domestic U.S. ASMs



Air Canada Has Retained Domestic Market Share Against LCCs

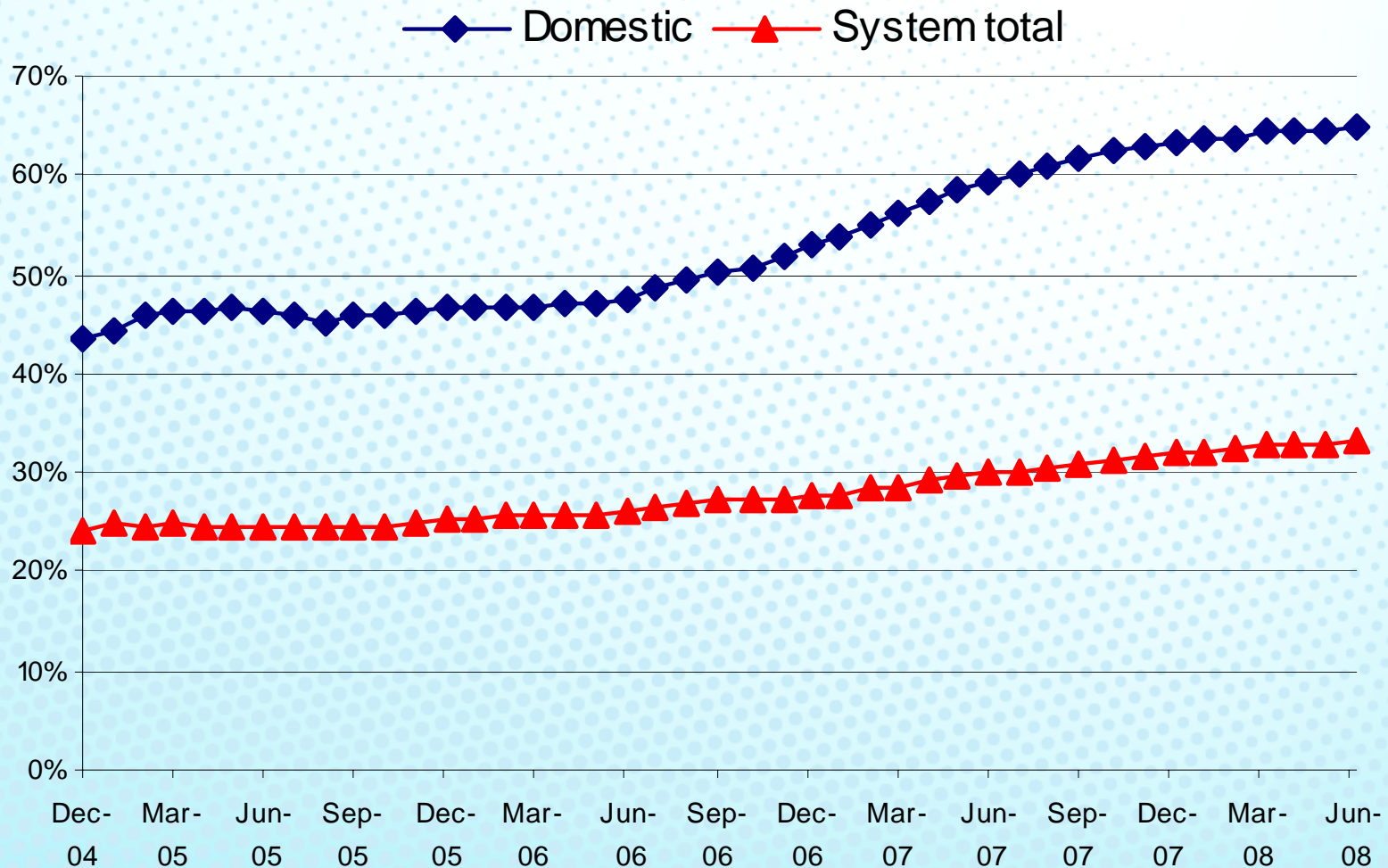
LCC % Share* of Domestic Canada ASMs



* 4 quarter moving average

Direct Sales - Web Penetration Continues

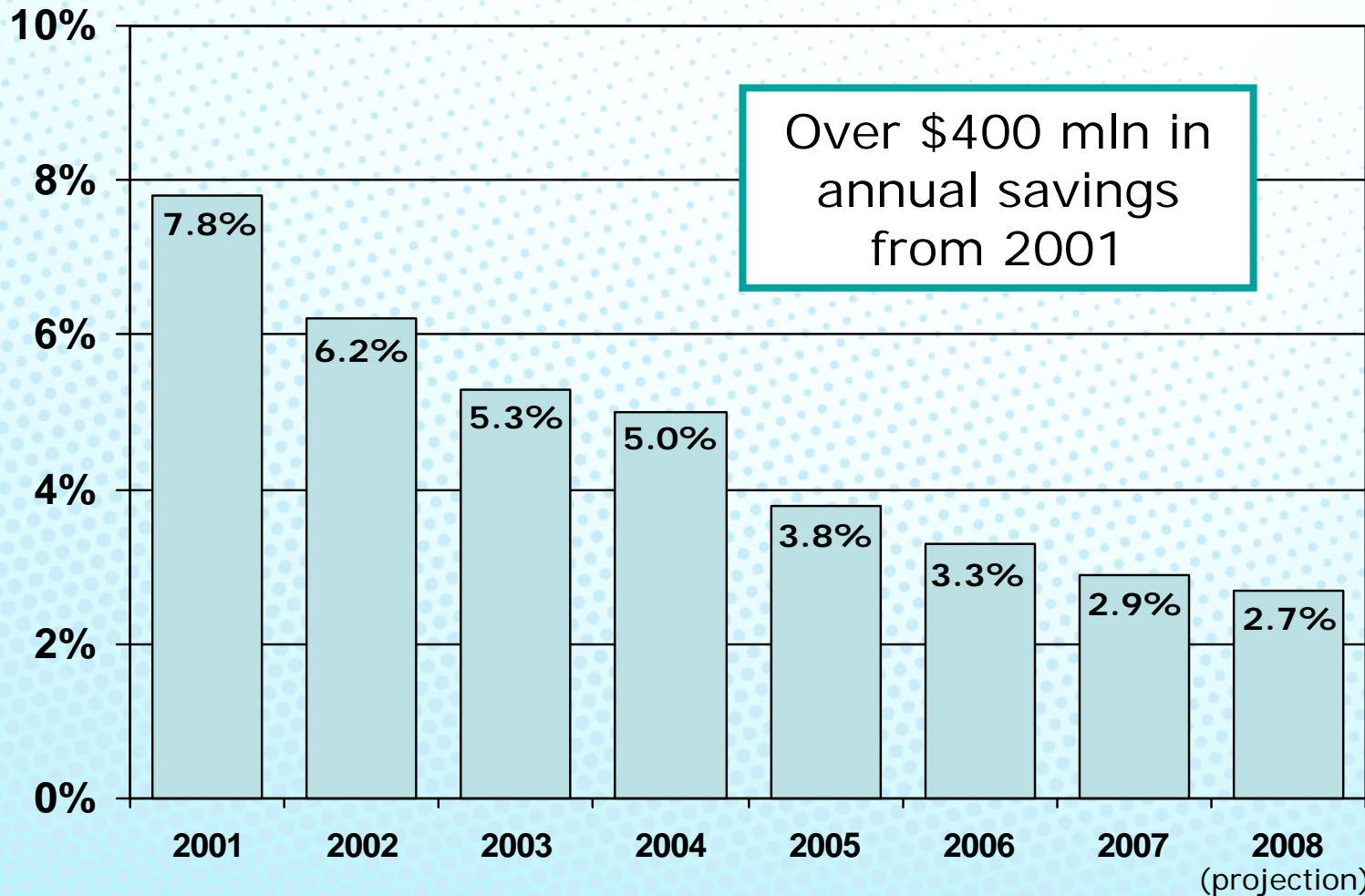
Web penetration - 12 month moving average



Source: Network Planning Portal/Daily Booking Enhanced

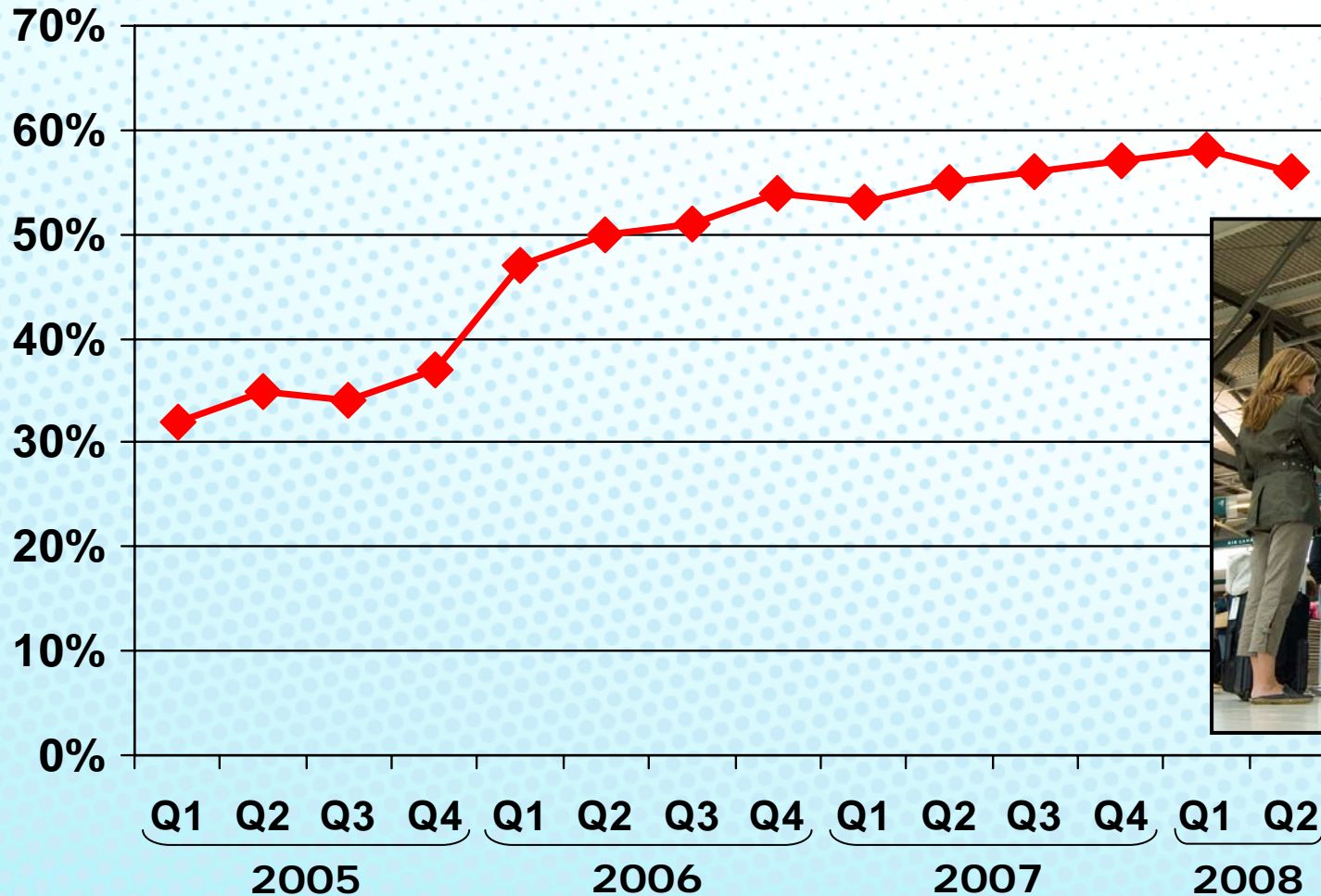
Distribution Costs Sharply Reduced

Distribution Costs as % of Passenger Revenue



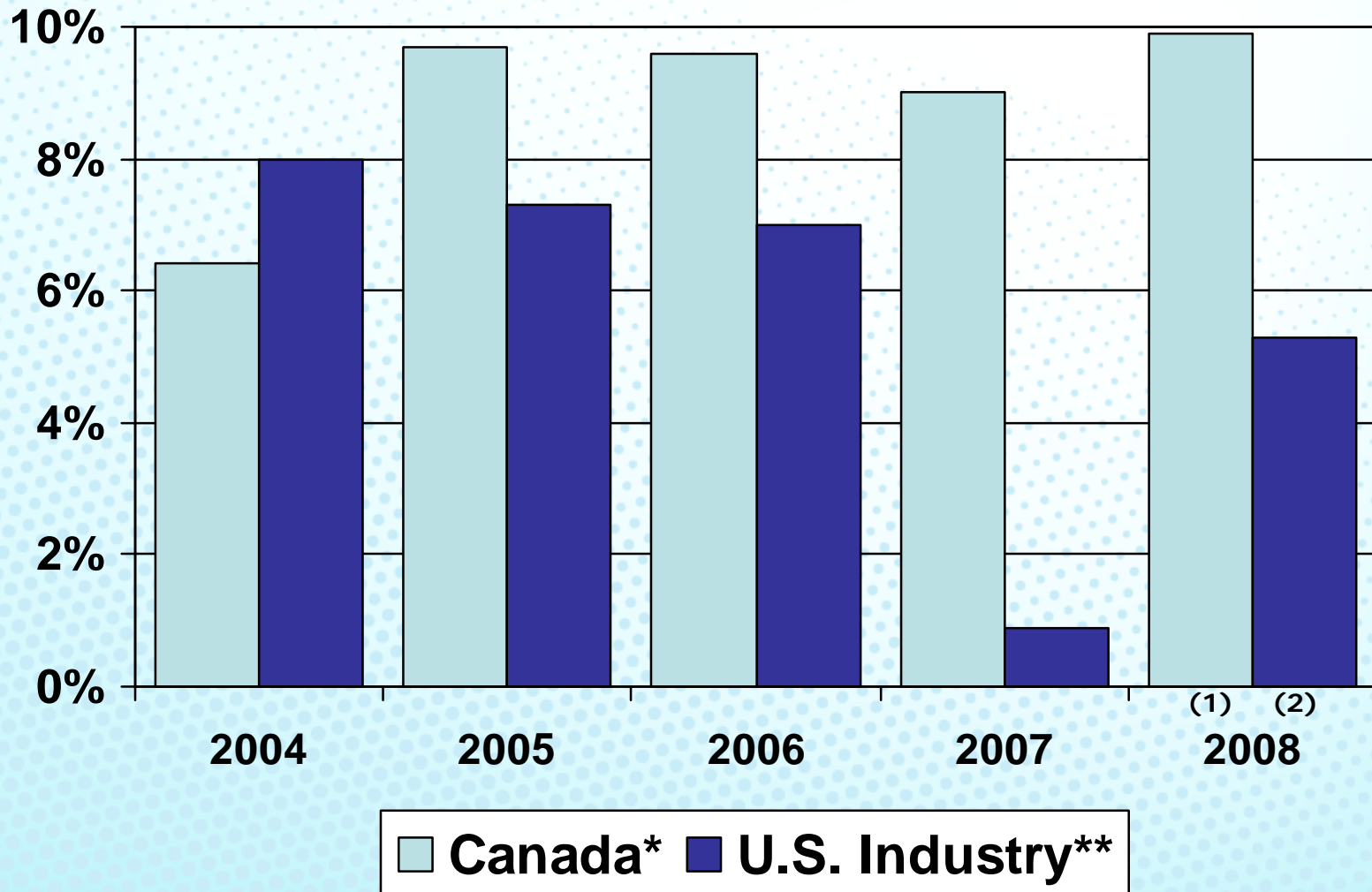
Self-Serve Check-in Continues to Grow

% Self-serve of total check-in system wide



- 🍁 Diversified network
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Dom. Psgr. Revenue Growth for Canadian Industry Exceeds That of US Industry

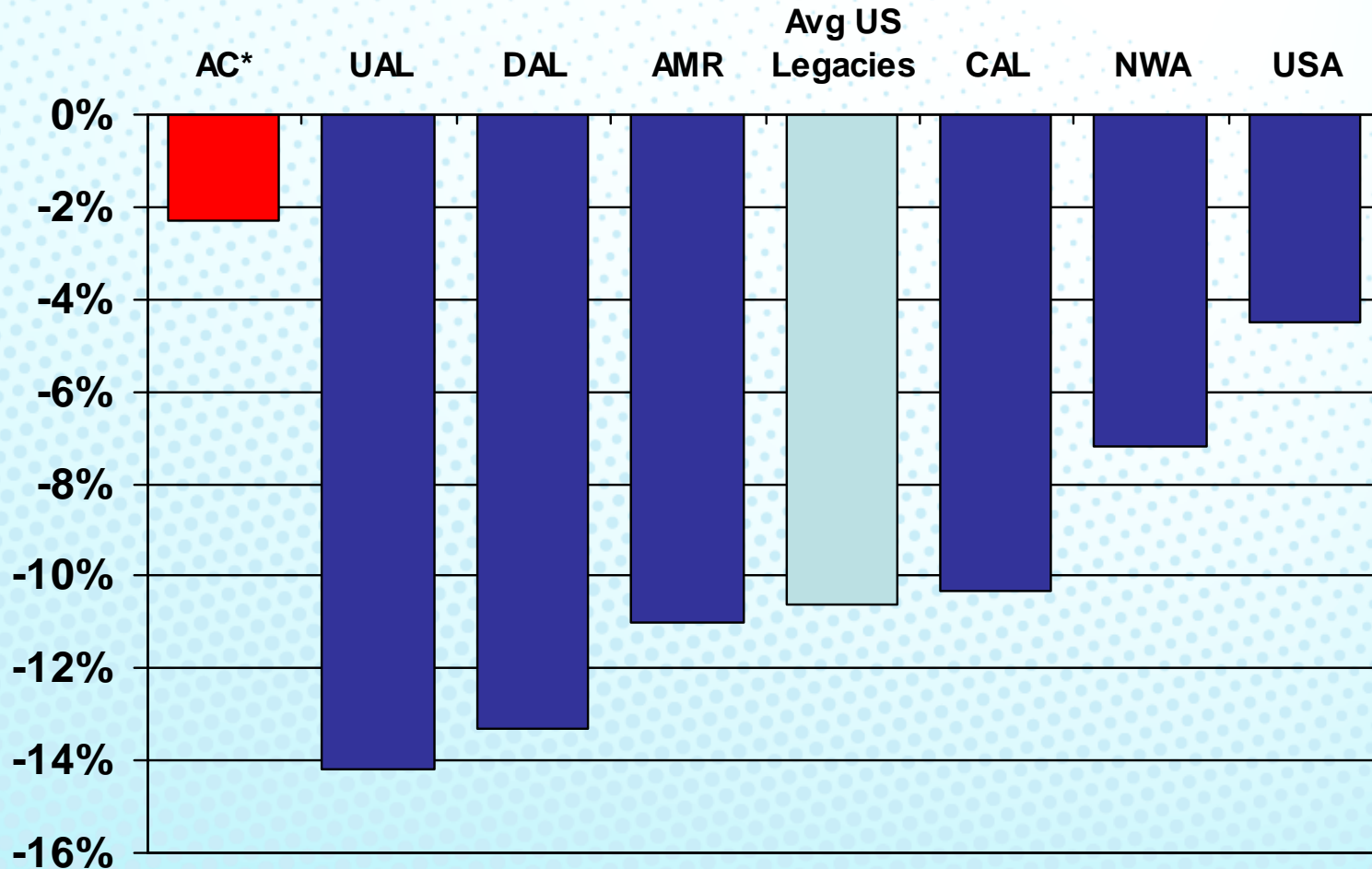


*estimate
 **source – ATA

(1) 1st half 2008
 (2) Jan-Apr 2008

Smaller Capacity Reduction in Canada than in the U.S.

Est. Domestic Capacity – Sept-Dec 08/07



Source: APGDat (OAL) as of August 4, 2008

*Q2 2008 press release

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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

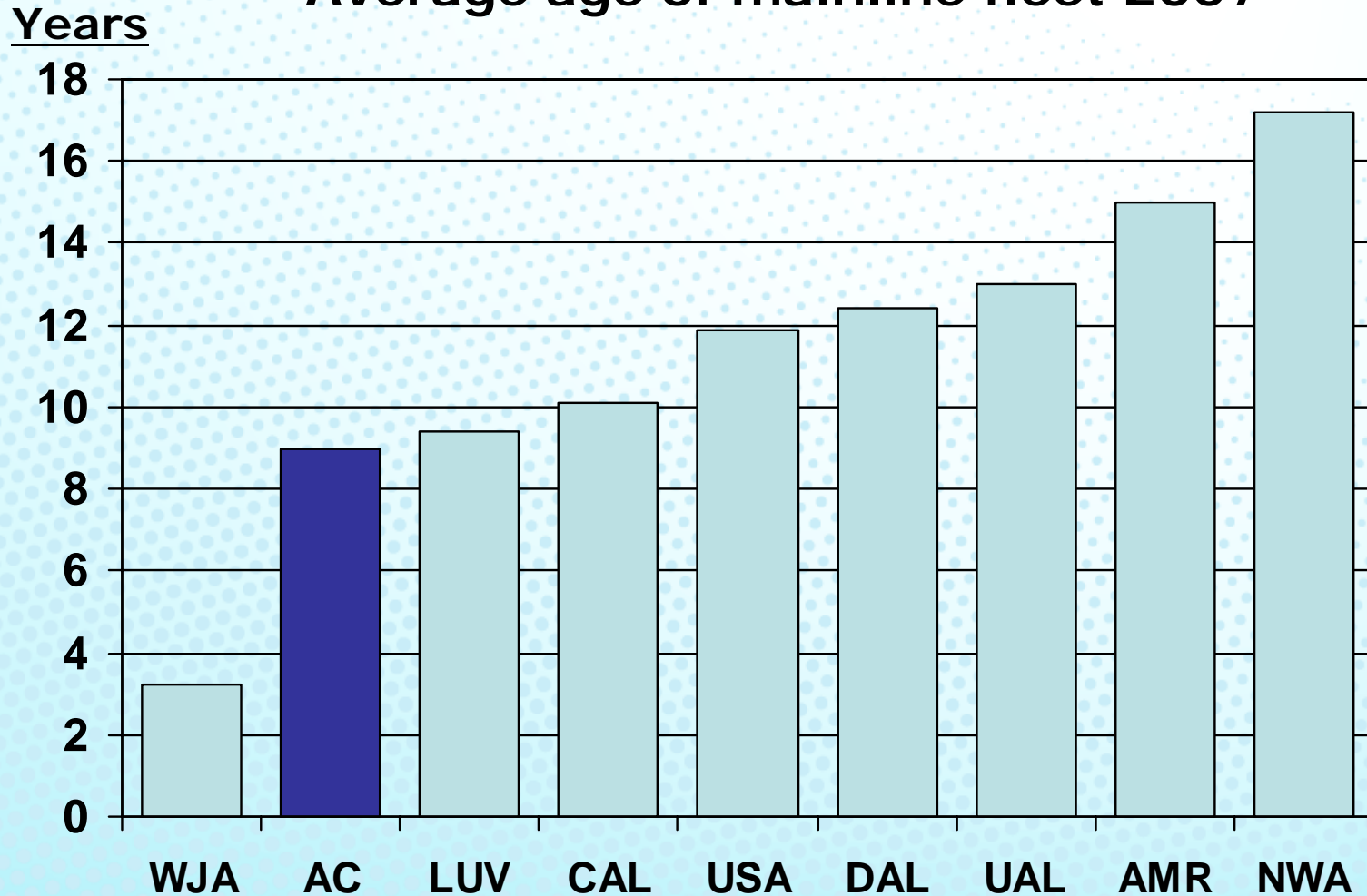


B787 37 firm (23 options)

- expected to be 30% cheaper on fuel and maintenance than B767-300
- deliveries delayed to 2012 from 2010

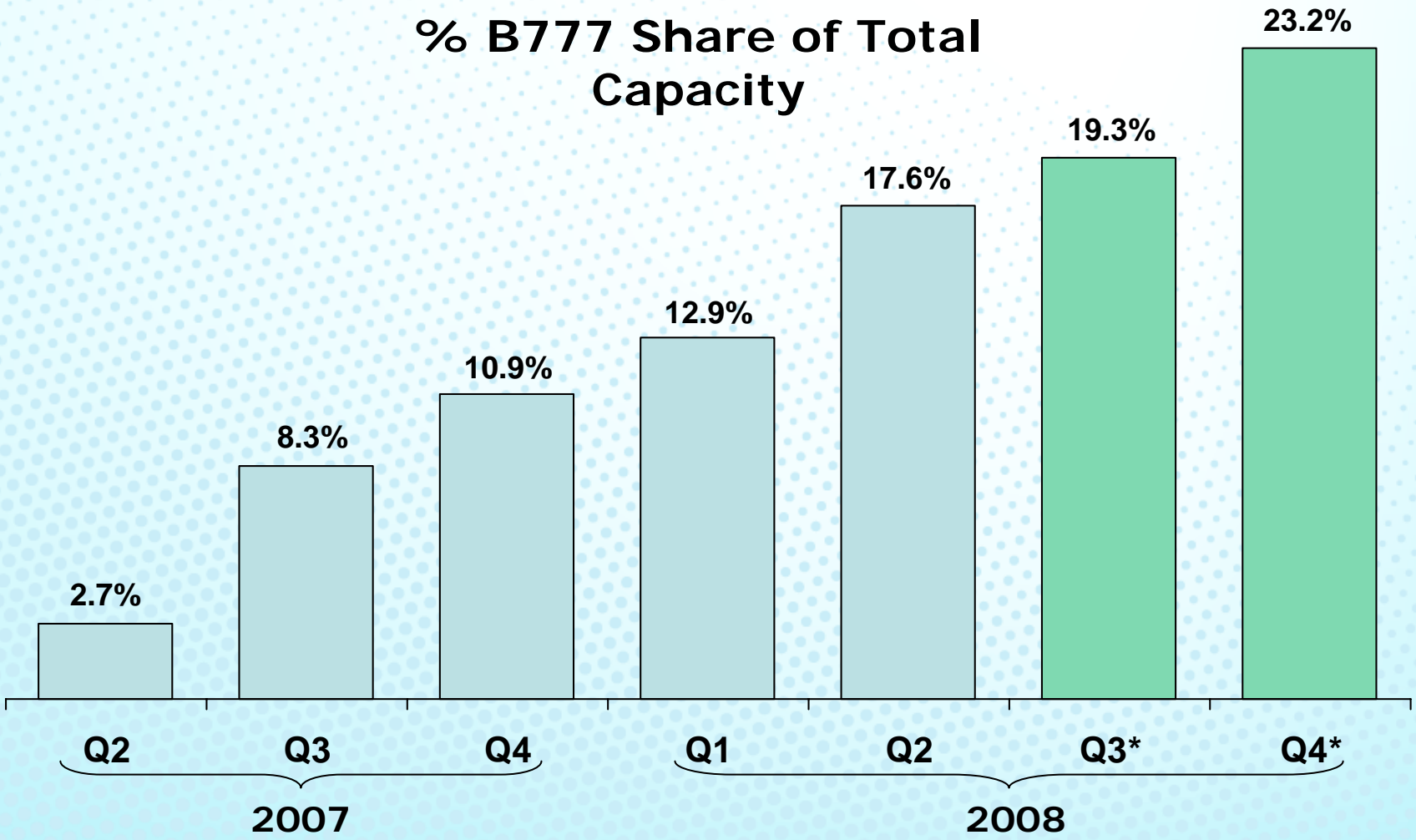
Air Canada Has a Young & Fuel Efficient Fleet

Average age of mainline fleet 2007



...And Will Be More Efficient

% B777 Share of Total Capacity



*Estimate

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Every Seat, System Wide



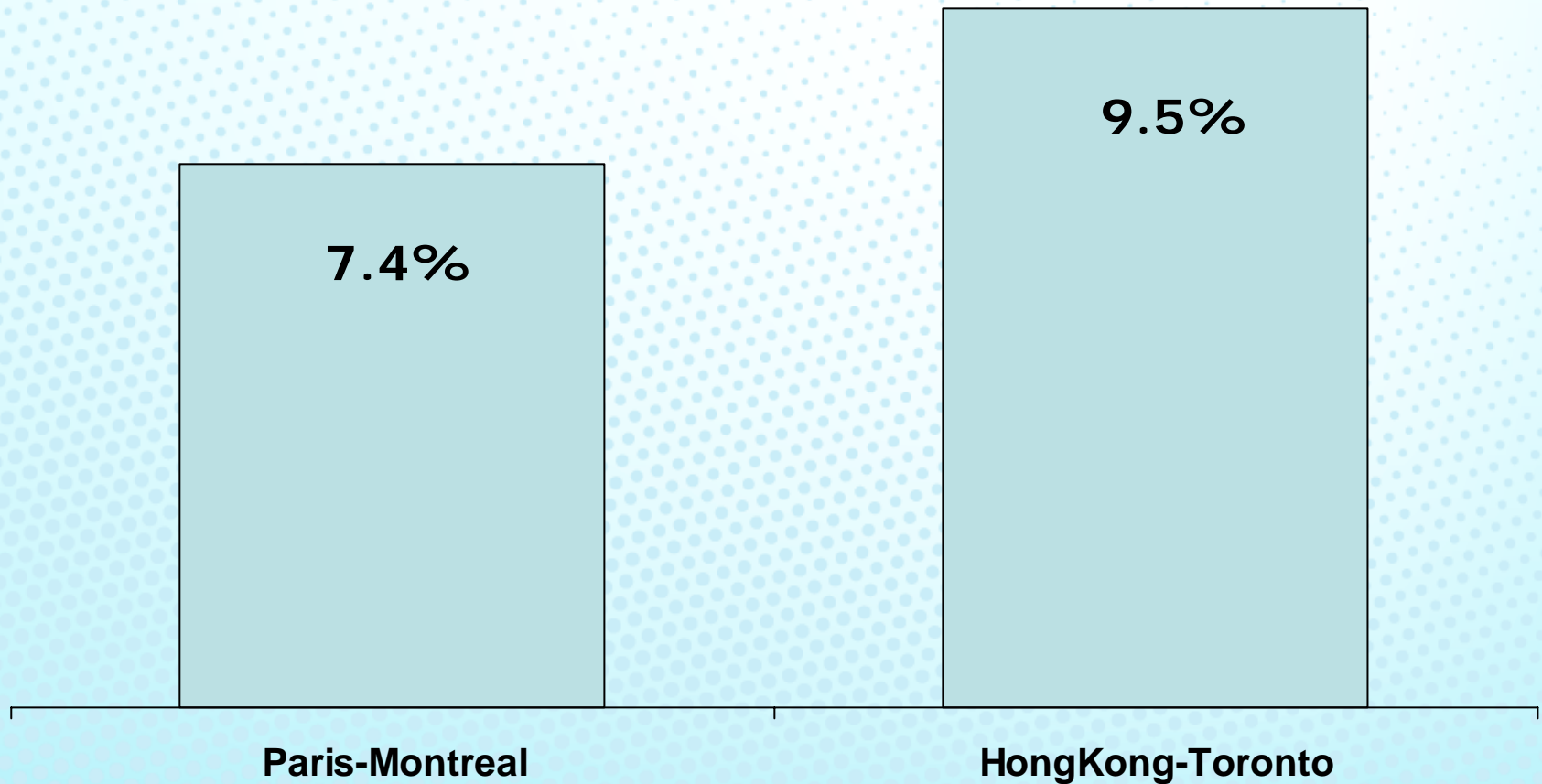
Leading International Executive First Cabin



Now On All 777 and 767 Aircraft!!

New Executive First Product Producing Dividends

2nd Quarter 2008
Improvement in Business Class Unit Revenue



-  Diversified network
-  Proven revenue model
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-  **Well hedged fuel**
-  Strong financial performance

Fuel Hedging Position

Hedged position as of Q2 - 2008

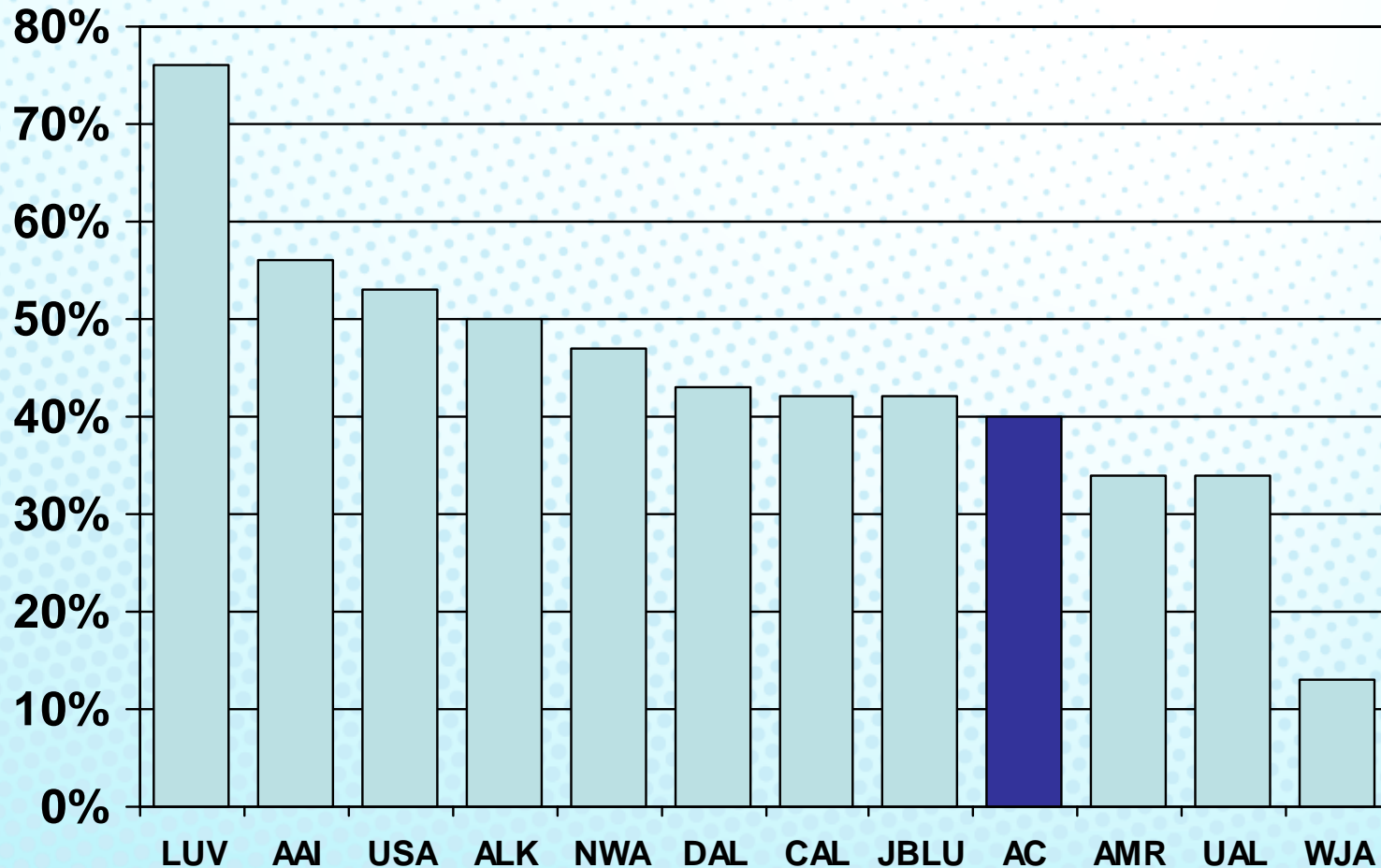
- 49% for ROY 2008
- weighted average price of US\$99 WTI
- 24% hedge position for 2009
- portfolio value US\$214 million

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

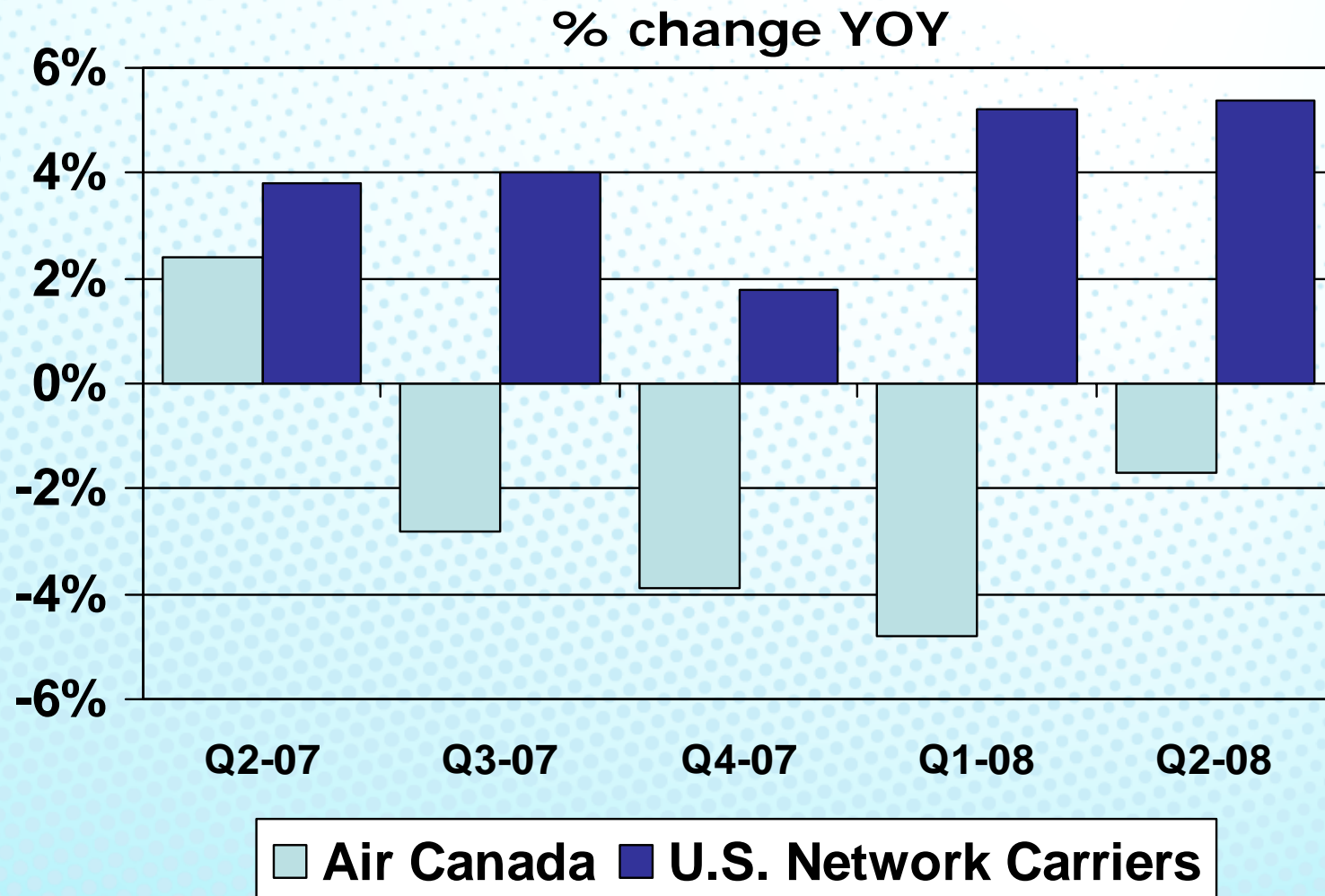
% Fuel Hedged: North American Carriers

2008



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-  **Strong financial performance**

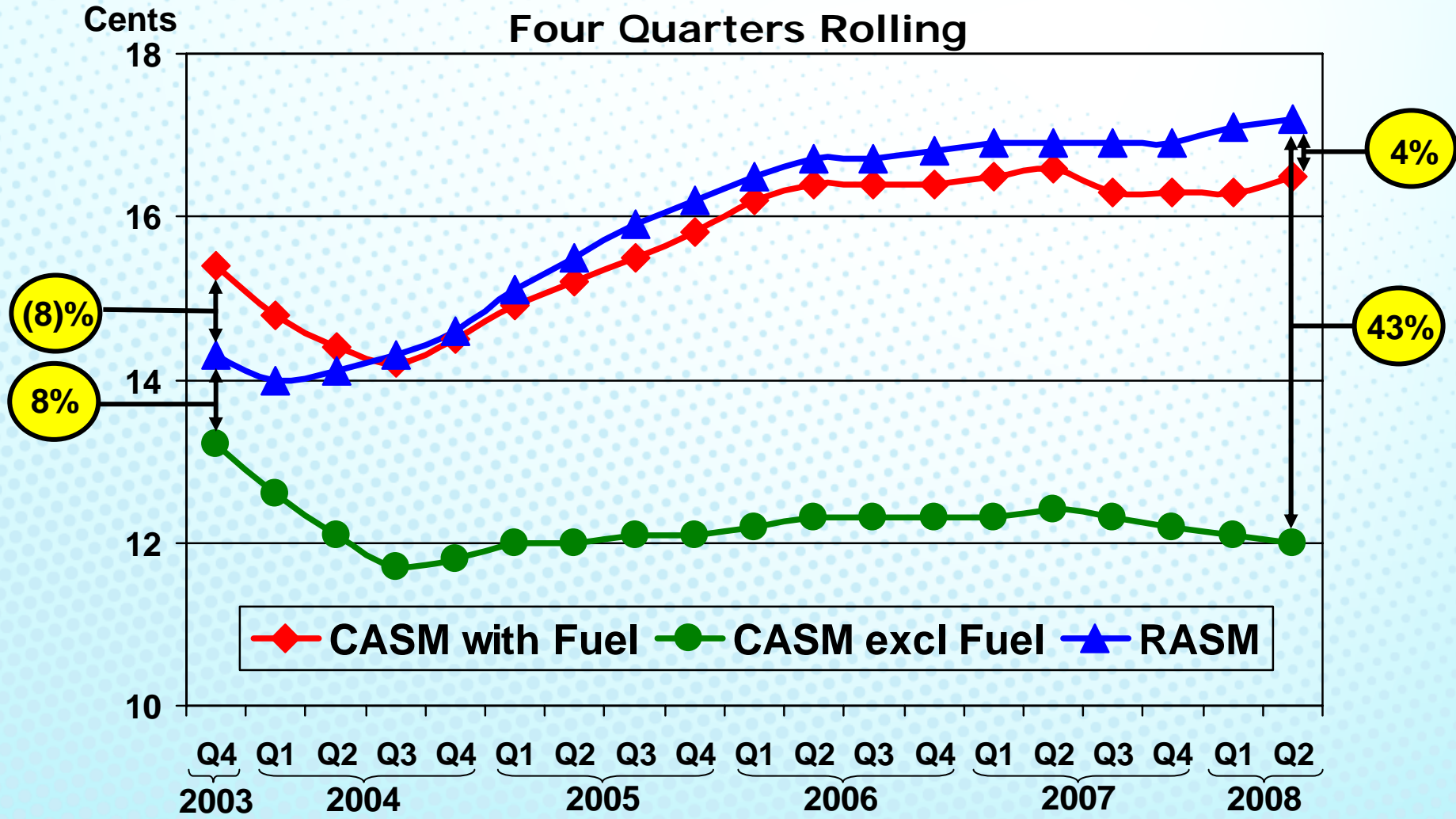
Air Canada's EX Fuel Unit Cost Continues to Decline



Cost Initiatives

- Blitz program - **\$100 million** target
 - Started early 2008 – expect to deliver savings by Y/E
 - Consists of approximately 100 different projects
- Weight reduction - **\$25-\$50 million** target
 - Cross-functional team – reduce weight on aircraft
 - Short-term and long-term actions
- Renegotiate supplier contracts - **\$20-\$40 million** target
- Lobby efforts
 - Provincial & federal governments – excise tax & airport rents

Margin Gap Widening



Winter 08/09 Capacity Reduction Driven by \$0.8 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

*Q2 2008 press release

Guidance*

	<u>Q3</u>	<u>2008</u>
ASM's	-2.5 to -3.5%	+/- 1%
Dom. ASM's	-	+ 1%
CASM ex fuel	+4 to 5%	+1 to 2%
Fuel	CDN \$1.00/litre	CDN \$0.90/litre

*See Q2 2008 press release for further details including related assumptions.

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
- ✓ Proven revenue model
- ✓ Canada – a stronger market
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- ✓ 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 a number of factors, including without limitation, 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 13 of our second quarter MD&A dated August 8, 2008. Except as otherwise provided, 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.



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