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
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

Point-to-Point Operations
- Lower operating costs
- Less Accounting and Admin.
- Less Distribution Costs

Buy-up Revenue
- Route Opportunities

Subscriptions
- Branded Fares

Passes
- A la Carte

RASM

EBITDA

20% Less Management

New Fleet

EBIT

EBITDA

CASM

Web and Kiosks

Margin

CASM
Canada’s Largest International Carrier

- 13th largest carrier in the world
- Extensive global network
- Three international gateways

Current Routes
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

- Air Canada
  - Cash 29%

- CIBC, AMEX, Other Partners
  - Cash 71%

Aeroplan Buys Seats / Services / Products for Redemptions

- Seats from Air Canada
  - Cash 79%

- Seats/Services/Products from other vendors
  - Cash 21%

Aeroplan’s profit is distributed to unitholders
Embraer 190 - The Game Changer

Current Domestic Opportunity
Current Transborder Opportunity
Positioning for Efficiency and Growth

Boeing 777
17 Firm (18 options)

Boeing 787
37 Firm (23 options)
Future Savings from Fleet Renewal

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

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

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

Significant pilot and operational efficiencies contribute to reduced costs
Wealth of Available Route Authorities

- In service
- Toronto expansion
- Other Canadian cities expansion
Toronto 2007

- Consolidation of Domestic, United States and other International operations in one terminal
- World class connecting facility
- 5th largest port of entry to the U.S.
Executive First Cabin
- New executive suite (lie-flat beds)
- State of the art individual inflight entertainment system
- In-seat power access at all seats
- Will improve passenger yield
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**

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<th>Day’s lowest fare</th>
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<th>Sun 08-Jul $278</th>
<th>Mon 09-Jul $278</th>
<th>Tue 10-Jul $268</th>
<th>Wed 11-Jul $268</th>
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<th>Tue 17-Jul $268</th>
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**From:** Toronto, Pearson Int’l, ON (YYZ)  
**To:** Calgary, Calgary Int’l, AB (YYC)

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<th>Connections</th>
<th>Tango</th>
<th>Tango Plus</th>
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[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 Beddoo**
President and CEO, WestJet

<table>
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<th>Op.</th>
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<th>Arrive</th>
<th>Aircraft</th>
<th>Tango</th>
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<td>$546</td>
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<td></td>
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</tbody>
</table>
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”
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%
The Math Works

Higher average fare

+  

Higher load factor

=  Profit Gap

Higher revenue premium

-  

Unit Cost Gap

Our Advantage

Buy up for additional features
Business class
International feed
Superior network & schedule
International feed
More appropriate aircraft size
Transborder feed

LCC Advantage

Labor
Single fleet
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
- Historically, 90% of pass holders repurchase
- Leverages Air Canada strengths
- Helps desensitize Air Canada from economic cycle

![Passes Images](image-url)
New Revenue Model More Effective Than Old Model

Domestic Passenger Revenue per ASM

Cents per ASM

2000 2001 2002 2003 2004 2005 2006

Air Canada & Jazz CDN ¢
U.S. Markets (DOT) U.S. ¢

(1) 4th QTR. ’05 + YTD Sept. ’06
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 6%
- Capacity Purchase Fees Paid to Jazz -3%
- Other (2) -1%
- Other (2) 6%

(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

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>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash resources</td>
<td>$1,969</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td></td>
</tr>
<tr>
<td>Senior secured revolving credit facility ($400 million availability)</td>
<td>$--</td>
</tr>
<tr>
<td>Aircraft and equipment related financing</td>
<td>1,124</td>
</tr>
<tr>
<td>Capital leases</td>
<td>1,254</td>
</tr>
<tr>
<td>Debt consolidated under ACG-15 (excluding Jazz)</td>
<td>1,013</td>
</tr>
<tr>
<td>Other</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,440</td>
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<tr>
<td><strong>Capitalized LTM Leases (@ 7.5x)</strong></td>
<td>2,279</td>
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<tr>
<td><strong>Adjusted Net Debt</strong></td>
<td>$3,750</td>
</tr>
<tr>
<td><strong>Adjusted Net Debt / LTM EBITDAR</strong></td>
<td>3.5x</td>
</tr>
<tr>
<td><strong>Cash / LTM Revenues</strong></td>
<td>19.0%</td>
</tr>
</tbody>
</table>

March 31, 2007

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(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$1,279
$ Millions

- Fleet Renewal
- Fleet Refurbishment
- Technological Investment

2007: $2,401
2008: $1,727
2009: $285

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

12 Month Rolling

Cents

\[\begin{array}{cccccccc}
\text{Dec} & \text{Mar} & \text{Jun} & \text{Sept} & \text{Dec} & \text{Mar} & \text{Jun} & \text{Sept} \\
\end{array}\]

- RASM
- CASM with Fuel
- CASM excl. Fuel

- 12\%
- 42\%

(1) Excludes special charges which occurred in the 12 months ended Dec. 31, 2006.
Margin Growth Driven by Innovation

New
- Route Opportunities
- Ancillary Revenues
- Point-to-Point Operations

Branded Fares
A la Carte

Buy-up Revenue
- Passes

Subscriptions

20% Less Management

New Fleet
- Lower Fuel
- Lower Maintenance
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- Pilot Compatibility

Polaris
- Faster transactions
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Web and Kiosks
- Faster transactions
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EBITDA

EBIT

RASM

MARGIN

CASM

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CASM
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Caution Concerning Forward-looking Information:

Certain statements made in this June 2007 presentation 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 June 2007 presentation 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 June 2007 presentation represent the Corporation’s expectations as of June 5, 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.