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Agenda

➤ About Air Canada
➤ Building a Stronger Airline
➤ Strong Financial Performance
➤ In Review
About Air Canada
Leading Share in All Markets

Domestic accounts for 40% of passenger revenue

- WJA 36%
- Air Canada 56%
- Other Airlines 8%

Transborder accounts for 19% of passenger revenue

- WJA 15%
- LCC 4%
- DAL 8%
- CAL 6%
- AMR 11%
- Other Airlines 8%
- UAL 13%

International accounts for 41% of passenger revenue

- Air Canada 39%
- BA 5%
- CATH 7%
- KLM 4%
- TRZ 8%
- Other Airlines 30%
- LCC 4%
- LH 4%
- Other Airlines 8%

Source: OAG, based on available seat miles (ASMs) from Jan 2010 to Dec 2010; AC Revenue Split based on Jan 2010 to Dec 2010
Fleet Flexibility to Adjust to Market Demand

- Average age of 11.5 yrs – one of the youngest among major North American carriers
- Higher aircraft utilization drives majority of capacity growth in 2011 and 2012
- No significant fleet changes expected in 2012
- Boeing 787's will provide growth opportunities in 2014
Air Canada Express – Integral Part of N.A. Strategy

acts as a feeder to Air Canada's scheduled routes

- **CRJ aircraft** (60)
  - 50 seats – 75 seats

- **Dash 8 aircraft** (70)
  - 37 seats – 74 seats

- **Beech aircraft** (18)
  - 18 seats

**Dash 8 400s operated by**

- Jazz (5 as of Nov 2011)
  - will operate total of 15 Dash 8 400s by Aug 2012
  - will remove a total of 13 CRJ 100s between Aug 2011 and Aug 2012
  - Jazz covered fleet will remain at 125 aircraft

- Sky Regional (5 as of Nov 2011)

- **Q400 NextGen aircraft** are optimized for short-haul operations and deliver fuel efficiency, passenger comfort and lower operating costs than the aircraft they replace.
Industry Leading Products & Services Provide Competitive Edge

- Loyalty program
- Maple Leaf Lounges
- Concierge program
- Lie-flat beds in Executive First
- Personal seat back entertainment at every seat
- Mobile-friendly booking and check-in
Other Leading Services Contribute to Profitability

**AIR CANADA CARGO**
Canada's largest provider of air cargo services

**AIR CANADA jetz**
Premium provider of jet charter services

**AIR CANADA VACATIONS**
One of Canada's leading tour operators
Status of Labour Negotiations

- **June 27, 2011** – a new four-year collective agreement was ratified with CAW, representing 3,800 call centre and airport customer service staff

- **November 7, 2011** – A new four-year collective agreement with CUPE, representing 6,800 flight attendants, was put into effect following the issuance of an arbitration award (on the same terms as the last collective agreement agreed to with CUPE)

- Both the CAW and CUPE agreements include pension amendments that would positively impact the solvency deficit and pension obligations – amendments to the pension plans are subject to regulatory approval

- Under the terms of the CAW and CUPE agreements, a hybrid pension regime consisting of part defined contribution and part defined benefit plan will apply to new hires

- **October 28, 2011** – Air Canada filed for the appointment of a federal conciliator to facilitate talks towards a negotiated settlement with ACPA, the union representing pilots

- Air Canada commenced negotiations with IAMAW, representing mechanics, baggage handlers, cargo agents and certain finance and clerical staff, towards a new collective agreement
Building a Stronger Airline
Air Canada's Business Strategy

- Leveraging international network while maintaining disciplined approach to growth
- Improving cost structure and increasing revenue generation
- Focusing on premium passengers and products
- Fostering positive culture change
Building on a Powerful Global Network

15th Largest Airline in the World

- 330 aircraft
- >1,500 daily flights
- >32M passengers carried

180 Direct Destinations:
- 60 in Canada
- 57 in the U.S.
- 63 internationally
Star Alliance & Joint Venture Enhance Market Presence

Star Alliance voted Best Airline Alliance in the 2011 Skytrax World Airline Awards™

- **27 Members**
- **181 Countries Served**
- **1,160 Airports**
- **>600 M Passengers/year**
- **4,023 Aircraft**
- **21 K Daily Departures**
- **970 Lounges**
Leveraging World Class Hubs

- Toronto Pearson is centre of catchment area with less traffic congestion
- Number of passengers connecting through Toronto Pearson doubled since 2009
- Focus on increasing global connecting traffic via Canada
- Strong brand franchise and industry-leading product provide competitive edge
Ongoing Evaluation of Low-cost Business Model

- Aimed at serving leisure markets worldwide
- These markets present strong opportunities that we are not accessing because of high legacy costs
- Markets would include high volume, lower-yielding routes such as Amsterdam, Dublin, Nice, Lisbon, Casablanca and numerous sun destinations
- Air Canada views this strategy as an important element for sustainable, meaningful growth
Continuous Cost Transformation and Improvement

- Committed to making cost containment/reduction a permanent part of culture
- Fully achieved CTP target of annual revenue and cost saving benefits of $530M in 2011
- Formed Business Transformation team to implement best practice findings and lower cost structure – focus is on waste reduction in cross functional business processes
- A number of projects are currently in progress to deliver cost savings starting in 2012. These include:
  - Increasing use of ground power instead of auxiliary power unit on aircraft
  - Optimizing use of ground support equipment
  - Improving aircraft turnaround time
  - Lowering catering costs and credit card fees
Focus on Delivering "Best in Class" Service

Positive Shift in Culture is Reflected in Customer Satisfaction levels

20% Improvement in Employee Engagement

Ranked Among Top Five Most Attractive Companies to Work for in Canada

Business
20 pp improvement in overall satisfaction

Economy
15 pp improvement in overall satisfaction
Proud to be Recognized as the Best

**Awards**

*Best International Airline in North America*.................................

*Best Airline in North America* (6th consecutive year)
*Best Airline in Canada*

*Best Flight Attendants in North America*
*Best In-Flight Services in North America*
*Best North American Airline for Business Class Service*
*Best North American Airline for International Travel*
*Best Airline Web Site*

2010 Executive Travel magazine's "Leading Edge Awards"
*Best airline for flights to Canada from anywhere in the world*
Focus on Premium Cabin Driving Premium RASM Growth

Note: RASM – Reflects passenger revenues per available seat mile
Promoting leadership, ownership and entrepreneurship

Emphasis on cost containment is forging a more entrepreneurial culture

New training courses for managers: continuous improvement and change management

Empowering employees to make decisions

Industry honours are indication Air Canada employees are participating in transformation
Strong Financial Performance
2010 EBITDAR was Highest in Air Canada’s History

(1) EBITDAR and EBITDAR margin, exclude special charges

(2) The information for the period 2005 to 2009 is reported on a Canadian GAAP basis (prior to the adoption of IFRS), while the information for subsequent periods are reported on an IFRS basis. Accordingly, the financial information for the period 2005 to 2009 is not directly comparable to subsequent periods.
Strong Operating Results Despite Higher Fuel Prices

**Third Quarter 2011**
- EBITDAR of $535 million
- EBITDAR Margin of 16.5%
- Passenger load factor of 85.8%
- Unit passenger revenue (PRASM) up 5.1%
- Premium cabin RASM increased 6.2%
- CASM, excluding fuel, down 0.4%
- Ancillary revenues per passenger increased 14%

**First Nine Months 2011**
- EBITDAR of $1,080 million
- EBITDAR Margin of 12.1%
- Passenger load factor of 82.4%
- Unit passenger revenue (PRASM) up 4.2%
- Premium cabin RASM increased 5.8%
- CASM, excluding fuel, down 3.0%
- Ancillary revenues per passenger increased 16%
- Adjusted net debt of $4.6 billion at Sept 30, 2011 – decreased $493 million from Sept 30, 2010
Continued Focus on Improving Cost Structure

**RASM***

- 2009: 16.41
- 2010: 16.99
- LTM: 17.45

As of Sept 30, 2011

**CASM**

- Ex-fuel

- 2009: 12.82
- 2010: 12.44
- LTM: 12.15

As of Sept 30, 2011

Continue to focus on CASM reductions

Maintaining industry-leading RASM

* Operating RASM
** 2009 is reported on a Canadian GAAP basis while subsequent periods are reported on an IFRS basis – information may not be directly comparable
Maintaining Strong Liquidity Position

Note: Liquidity is comprised on unrestricted cash, cash equivalents and short term investments
## Disciplined Capacity Management Producing Record PLFs

<table>
<thead>
<tr>
<th>Year</th>
<th>PLF (%)</th>
<th>ASM Q/Q Change (%)</th>
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<tbody>
<tr>
<td>2008</td>
<td>80.0</td>
<td>4.6</td>
</tr>
<tr>
<td>2009</td>
<td>82.7</td>
<td>2.4</td>
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<td>7.7</td>
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<tr>
<td></td>
<td>85.8</td>
<td>6.4</td>
</tr>
</tbody>
</table>

**ASM Q/Q Change (%)**:
- 12%
- 8%
- 4%
- 0%
- -4%
- -8%
- -12%
Mitigating higher fuel prices through surcharges and fare increases is management’s key focus.

Target is to hedge at least 40% of next 12 months' consumption.

Given that close to 90% of fuel hedge portfolio is comprised of call options, AC has minimal collateral risk.

Relationship between jet fuel prices and CAD/US exchange rate helps reduce fuel price exposure.

Net USD exposure is covered 40% (as at September 30, 2011) for the next 12 months.

Approximately 10% of ROY 2011 fuel consumption is subject to floor price of US$86/barrel.
Limited Capital Spending Provides Opportunity to Reduce Debt

Adjusted net debt down $493M from September 30, 2010

<table>
<thead>
<tr>
<th>Date</th>
<th>Adjusted Net Debt (in Millions)</th>
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<tr>
<td>Dec 31, 2009</td>
<td>$5,768</td>
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<tr>
<td>Sep 30, 2010</td>
<td>$5,138</td>
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<tr>
<td>Dec 31, 2010</td>
<td>$4,874</td>
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<tr>
<td>Sep 30, 2011</td>
<td>$4,645</td>
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</tbody>
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Limited Capital Spending Provides Opportunity to Reduce Debt

Adjusted net debt down $493M from September 30, 2010
In Review
Full Year 2011 Outlook*

**Outlook**
- Available seat miles (system).......................... Increase 4.0 to 4.5%
- Available seat miles (Canada)......................... +/- 0.5%
- CASM, excluding fuel expense......................... Decrease 2 to 3%

**Major Assumptions**
- Canadian dollar per U.S. dollar...................... $0.99
- Fuel price – cents per litre........................... $0.85
- Canadian economy continues to recover

Full Year 2012 Outlook**

- Available seat miles (system)......................... Increase 0 to 1.5%

*As reported on November 4, 2011
**Assumes Canadian GDP growth of 1.5 to 2% through to the end of 2012
Recap

- Extensive global network
- One of the world’s leading air carriers – twice winner of the Skytrax award for *Best International Airline in North America* in 2010 and in 2011
- Powerful and respected brand franchise
- Industry-leading product and award-winning business class – generating market leading RASM
- Strong financial performance in 2010 and improved financial performance in 2011
- Committed to lowering cost structure and debt levels
- Positive shift in corporate culture