Air Canada

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

Proven revenue model

Canada – a stronger market

New efficient fleet

New onboard product

Well hedged fuel

Strong financial performance
Leading Share in all Markets

**Domestic**
- WestJet: 36%
- AC: 57%
- Other Airlines: 7%

**International**
- AC: 39%
- Other Airlines: 38%
- BA: 5%
- AF: 4%
- KL: 4%
- CX: 6%

**Transborder**
- AC: 37%
- CO: 6%
- UA: 14%
- WJA: 5%
- US: 5%
- NW: 5%
- DL: 4%

**43% of airline revenues**

**37% of airline revenues**

**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
Air Canada Has Larger Intn'l Presence

**International as % of system ASMs**

*last 12 months - July 2008

**estimate**
Diversified network

Proven revenue model

Canada – a stronger market

New efficient fleet

New onboard product

Well hedged fuel

Strong financial performance
Revenue Model Based on Choice and Transparency

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

<table>
<thead>
<tr>
<th>Day's lowest fare</th>
<th>Fri 18-Apr</th>
<th>Sat 19-Apr</th>
<th>Sun 20-Apr</th>
<th>Mon 21-Apr</th>
<th>Tue 22-Apr</th>
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<th>Thu 24-Apr</th>
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<td>$144</td>
<td>$144</td>
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**From:** Montreal, Trudeau, QC (YUL)
**To:** Fort Lauderdale, FL Int'l, FL (FLL)

<table>
<thead>
<tr>
<th>Op.</th>
<th>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 Class</th>
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Connecting Flights
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<td>$261</td>
<td>$296</td>
<td>$536</td>
<td>$1095</td>
</tr>
</tbody>
</table>

*Q2 2008
Customers Pay To Customize

And, what would you like with that seat?
Ancillary Revenue per Passenger

North America up 52% since 2005

2005: $7.82
2006: $5.14
2007: $5.14
2008 (Q1/Q2): $7.82

North America up 52% since 2005
Ancillary Revenue – $71M Increase Over 2005

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

2005: $139M
2006: $179M
2007: $210M

+23% H1'08 / H1'07
While LCC’s Continue to Grow in US

LCC % Share of Domestic U.S. ASMs

- 2004
- 2005
- 2006
- 2007
- 2008

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1
Air Canada Has Retained Domestic Market Share Against LCCs

LCC % Share* of Domestic Canada ASMs

AC Domestic revenue up 31% for 2004-2007

*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

Over $400 mln in annual savings from 2001

(2001: 7.8%  2002: 6.2%  2003: 5.3%  2004: 5.0%  2005: 3.8%  2006: 3.3%  2007: 2.9%  2008: 2.7%)

(projection)
Self-Serve Check-in Continues to Grow

% Self-serve of total check-in system wide
Diversified network
Proven revenue model

Canada – a stronger market
New efficient fleet
New onboard product
Well hedged fuel
Strong financial performance
Dom. Psgr. Revenue Growth for Canadian Industry Exceeds That of US Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada*</th>
<th>U.S. Industry**</th>
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<tbody>
<tr>
<td>2004</td>
<td>8%</td>
<td>8%</td>
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<tr>
<td>2005</td>
<td>10%</td>
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<tr>
<td>2006</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>2007</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>2008</td>
<td>10%</td>
<td>6%</td>
</tr>
</tbody>
</table>

*estimate
**source – ATA
(1) 1st half 2008
Smaller Capacity Reduction in Canada than in the U.S.

### Est. Domestic Capacity – Sept-Dec 08/07

<table>
<thead>
<tr>
<th></th>
<th>AC*</th>
<th>UAL</th>
<th>DAL</th>
<th>AMR</th>
<th>Avg US Legacies</th>
<th>CAL</th>
<th>NWA</th>
<th>USA</th>
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</table>

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

*Q2 2008 press release
- Diversified network
- Proven revenue model
- Canada – a stronger market
- **New efficient fleet**
- New onboard product
- Well hedged fuel
- Strong financial performance
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

<table>
<thead>
<tr>
<th>Years</th>
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<tr>
<td>18</td>
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<td>4</td>
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<tr>
<td>2</td>
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<td>0</td>
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Airline | WJA | AC  | LUV | CAL | USA | DAL | UAL | AMR | NWA |
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<td>8</td>
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<td>12</td>
<td>12</td>
<td>14</td>
<td>16</td>
<td>18</td>
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</table>
...And Will Be More Efficient

% B777 Share of Total Capacity

Q2  2007  2.7%
Q3  2007  8.3%
Q4  2007  10.9%
Q1  2008  12.9%
Q2  2008  17.6%
Q3*  2008  19.3%
Q4*  2008  23.2%

*Estimate
Diversified network
Proven revenue model
Canada – a stronger market
New efficient fleet
**New onboard product**
Well hedged fuel
Strong financial performance
Every Seat, System Wide

USB Power

Standard Power Plug

80 Hours – On Demand
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

7.4%

9.5%

Paris-Montreal

HongKong-Toronto
Diversified network
Proven revenue model
Canada – a stronger market
New efficient fleet
New onboard product
**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

LUV | AAI | USA | ALK | NWA | DAL | CAL | JBLU | AC | AMR | UAL | WJA

0% | 10% | 20% | 30% | 40% | 50% | 60% | 70% | 80%
- Diversified network
- Proven revenue model
- Canada – a stronger market
- New efficient fleet
- New onboard product
- Well hedged fuel

**Strong financial performance**
Air Canada's EX Fuel Unit Cost Continues to Decline

% change YOY

Q2-07: Air Canada, U.S. Network Carriers
Q3-07: Air Canada, U.S. Network Carriers
Q4-07: Air Canada, U.S. Network Carriers
Q1-08: Air Canada, U.S. Network Carriers
Q2-08: Air Canada, U.S. Network Carriers

Air Canada
U.S. Network Carriers
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

Cents

Four Quarters Rolling

Q4  Q1  Q2  Q3  Q4  Q1  Q2  Q3  Q4  Q1  Q2  Q3  Q4  Q1  Q2
2003 2004 2005 2006 2007 2008

CASM with Fuel  CASM excl Fuel  RASM
### Winter 08/09 Capacity Reduction Driven by $0.8 Billion 2008 Fuel Cost Increase

<table>
<thead>
<tr>
<th>Category</th>
<th>Decrease (%)</th>
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<tbody>
<tr>
<td>Domestic</td>
<td>(2)%</td>
</tr>
<tr>
<td>US</td>
<td>(13)%</td>
</tr>
<tr>
<td>International</td>
<td>(7)%</td>
</tr>
<tr>
<td>System</td>
<td>(7)%</td>
</tr>
</tbody>
</table>

- Estimated labour reductions up to 2000 FTEs
- Aircraft removals under review

*Q2 2008 press release*
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
✓ New efficient fleet
✓ New onboard product
✓ Well hedged fuel
✓ Strong financial performance
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