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

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Leading Share in all Markets

**Domestic**

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

43% of airline revenues

**International**

- AC: 39%
- Other Airlines: 38%
- Other Airlines: 8%
- CX: 6%
- KL: 4%
- BA: 5%
- LH: 4.9%
- LA: 4.8%

37% of airline revenues

**Transborder**

- AC: 37%
- DL: 4%
- US: 5%
- NW: 5%
- UA: 14%
- CO: 6%
- AA: 11%
- WJA: 5%
- Other Airlines: 8%

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
Air Canada Has Larger Int’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

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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>
<th>Wed 23-Apr</th>
<th>Thu 24-Apr</th>
<th>Fri 25-Apr</th>
<th>Sat 26-Apr</th>
<th>Sun 27-Apr</th>
<th>Mon 28-Apr</th>
<th>$397</th>
<th>$144</th>
<th>$144</th>
<th>$144</th>
<th>$144</th>
</tr>
</thead>
</table>

**From:** Montreal, Trudeau, QC (YUL)  
**To:** Fort Lauderdale, FII Int'l, FL (FLL)

**Direct Flights**
- **AC924** 08:45 12:17 320 0 - Tango $144 - Tango Plus $189 - Latitude $429 - Executive Class $1095
- **AC928** 11:00 14:32 320 0 - Tango $144 - Tango Plus $189 - Latitude $429 - Executive Class $1095

**Connecting Flights**
- **AC483** 05:30 06:50 675 0 - Toronto (YYZ) $261 - $296 - $536 - $1095
- **AC1216** 10:10 13:14 321 0 - Toronto (YYZ) $261 - $296 - $536 - $1095
- **AC481** 06:00 07:25 321 0 - Toronto (YYZ) $261 - $296 - $536 - $1095
- **AC1216** 10:10 13:14 321 0 - Toronto (YYZ) $261 - $296 - $536 - $1095

*Q2 2008*
Customers Pay To Customize

**Advance Seat Selection**
- I want to select my seat in advance
  - Add $20
  - Preview Seat Availability: AC934
  - 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 – $71M Increase Over 2005

Main contributors

- 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
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

(projection)
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>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>2005</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>2006</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>2007</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2008</td>
<td>10%</td>
<td>6%</td>
</tr>
</tbody>
</table>

*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
- Diversified network
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- **New efficient fleet**
- New onboard product
- Well hedged fuel
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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

<table>
<thead>
<tr>
<th>Airlines</th>
<th>Average Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>WJA</td>
<td>4</td>
</tr>
<tr>
<td>AC</td>
<td>8</td>
</tr>
<tr>
<td>LUV</td>
<td>10</td>
</tr>
<tr>
<td>CAL</td>
<td>10</td>
</tr>
<tr>
<td>USA</td>
<td>10</td>
</tr>
<tr>
<td>DAL</td>
<td>11</td>
</tr>
<tr>
<td>UAL</td>
<td>11</td>
</tr>
<tr>
<td>AMR</td>
<td>17</td>
</tr>
<tr>
<td>NWA</td>
<td>18</td>
</tr>
</tbody>
</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*: 19.3%
- Q4*: 23.2%

*Estimate
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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

- Paris-Montreal: 7.4%
- HongKong-Toronto: 9.5%
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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
- Diversified network
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- **Strong financial performance**
Air Canada's EX Fuel Unit Cost Continues to Decline

% change YOY

Q2-07 Q3-07 Q4-07 Q1-08 Q2-08

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

Four Quarters Rolling

Cents

2003 2004 2005 2006 2007 2008

Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2

CASM with Fuel  CASM excl Fuel  RASM

(8)\%  8\%  4\%  43\%
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
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

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