



*Air Canada's Executive Vice President & CFO
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presents at

Bank of America 
Merrill Lynch

2010 Global Transportation Conference

New York

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Agenda



- Air Canada – leading carrier in all markets



- Managing through challenging economic conditions



- Repositioning for success

***Air Canada –
Leading Carrier in all Markets***



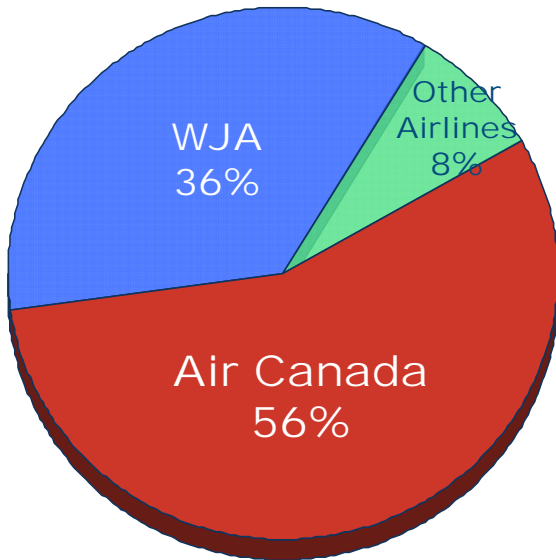
This is Air Canada



- Leading share in all markets
- One of the youngest fleets among North America's major carriers
- Founding member of Star Alliance – the world's largest airline alliance group

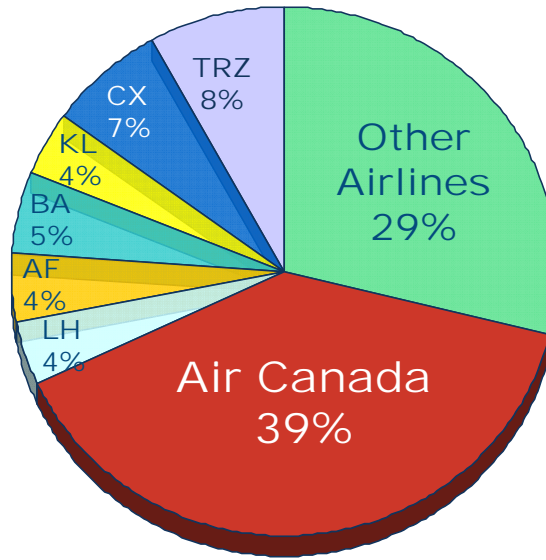
Leading Share in all Markets

Domestic



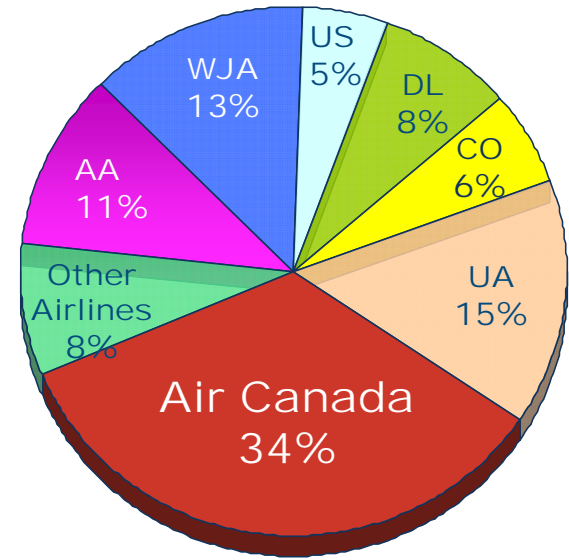
42% of passenger revenues

International



39% of passenger revenues

Transborder



19% of passenger revenues

- Source: OAG, based on available seat miles (ASMs) from Jan 09 to Dec 09;
AC Revenue Split based on Jan 09 to Dec 09

Revenue Opportunities

- Fleet flexibility to respond to market demand
- Industry-leading on-board products
 - lie-flat beds, IFE, in-seat power outlets
- Unused route rights
- Well positioned to funnel traffic from the US
- World class global hub at Toronto – strong international gateways in Montreal and Vancouver
- Benefits from Star Alliance network



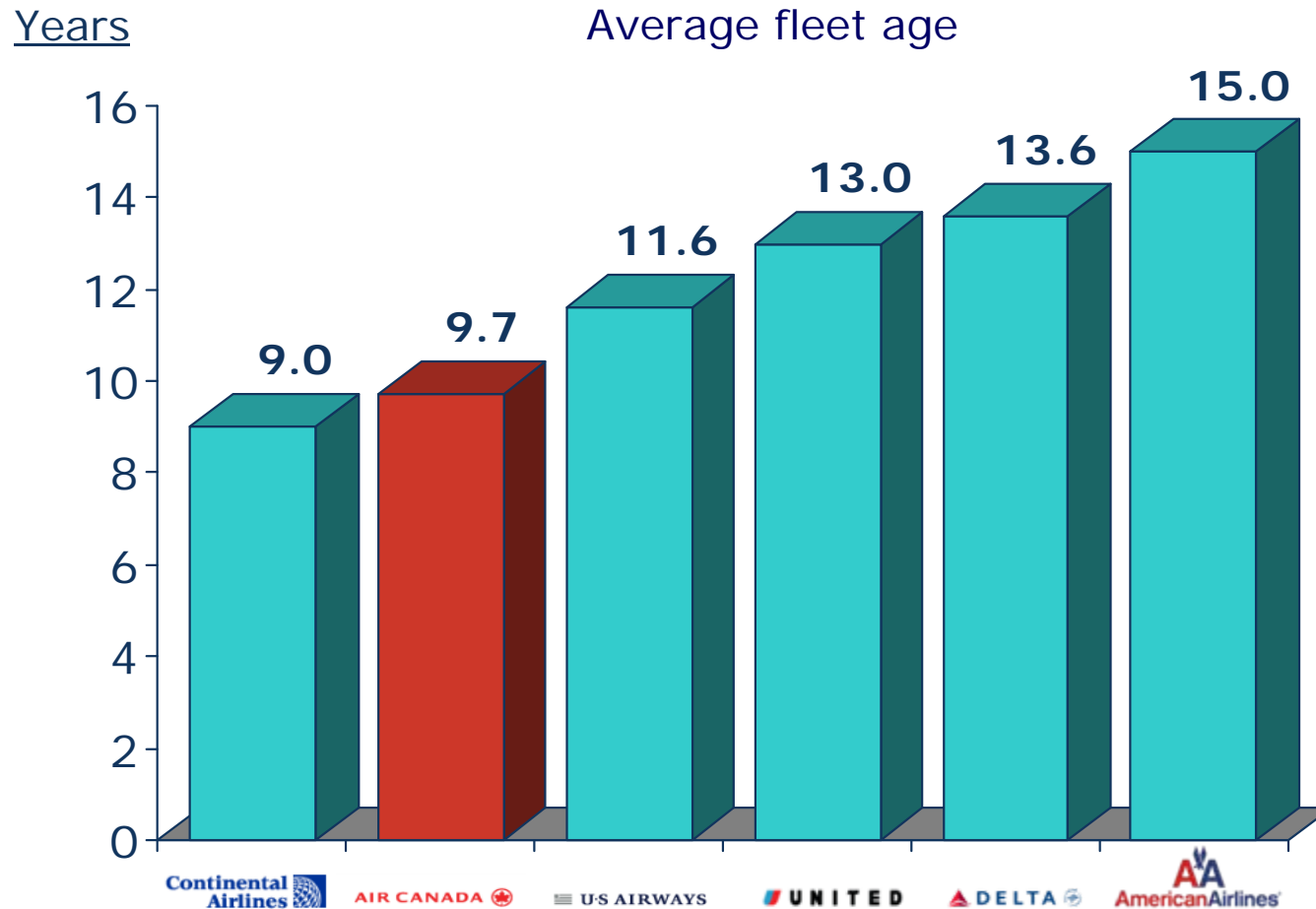
Diversified Network – STAR ALLIANCE Members



- **27 Members**
- **4,022 Aircraft**
- **620 M+ Passengers/year**
- **21 K+ Daily Departures**
- **1,167 Airports**
- **990+ Lounges**
- **181 Countries Served**

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One of the Youngest⁽¹⁾ Fleets Among the Major North American Legacy Carriers



⁽¹⁾ Average fleet age as at December 31, 2009

New Interiors – Fleet-wide Refurbishment Completed in Business & Economy Cabins



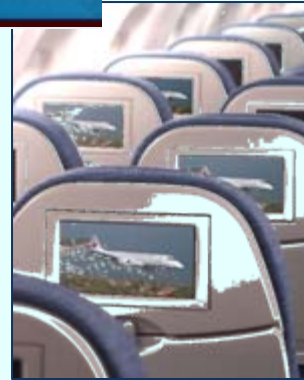
Travel With Ease – Enjoy the Rewards

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Concierge Service

ONBOARD
CAFÉ



AIR CANADA 
MAPLE LEAF LOUNGE



STAR ALLIANCE

aeroplan



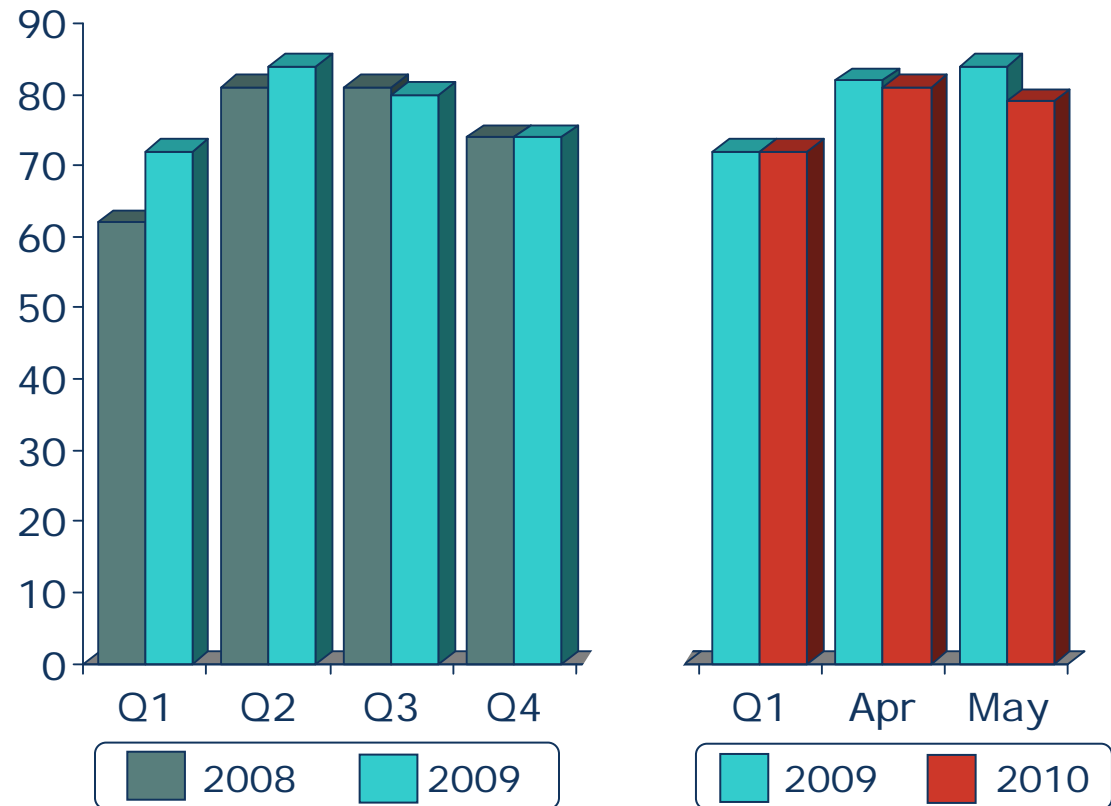
Strong Operational Performance⁽¹⁾

- Achieved on-time arrivals of 74% in Q1 2010 versus 73% in Q1 2009
- Baggage handling improved y-o-y mostly due to renewed focus on pre-planning and tracking processes
- Flight Completion Rate of over 98% for Q1 10 – continuous y-o-y improvement since 2008

(1) Based on Air Canada's system arrivals

(2) OTP is arrival within 15 minutes of scheduled time

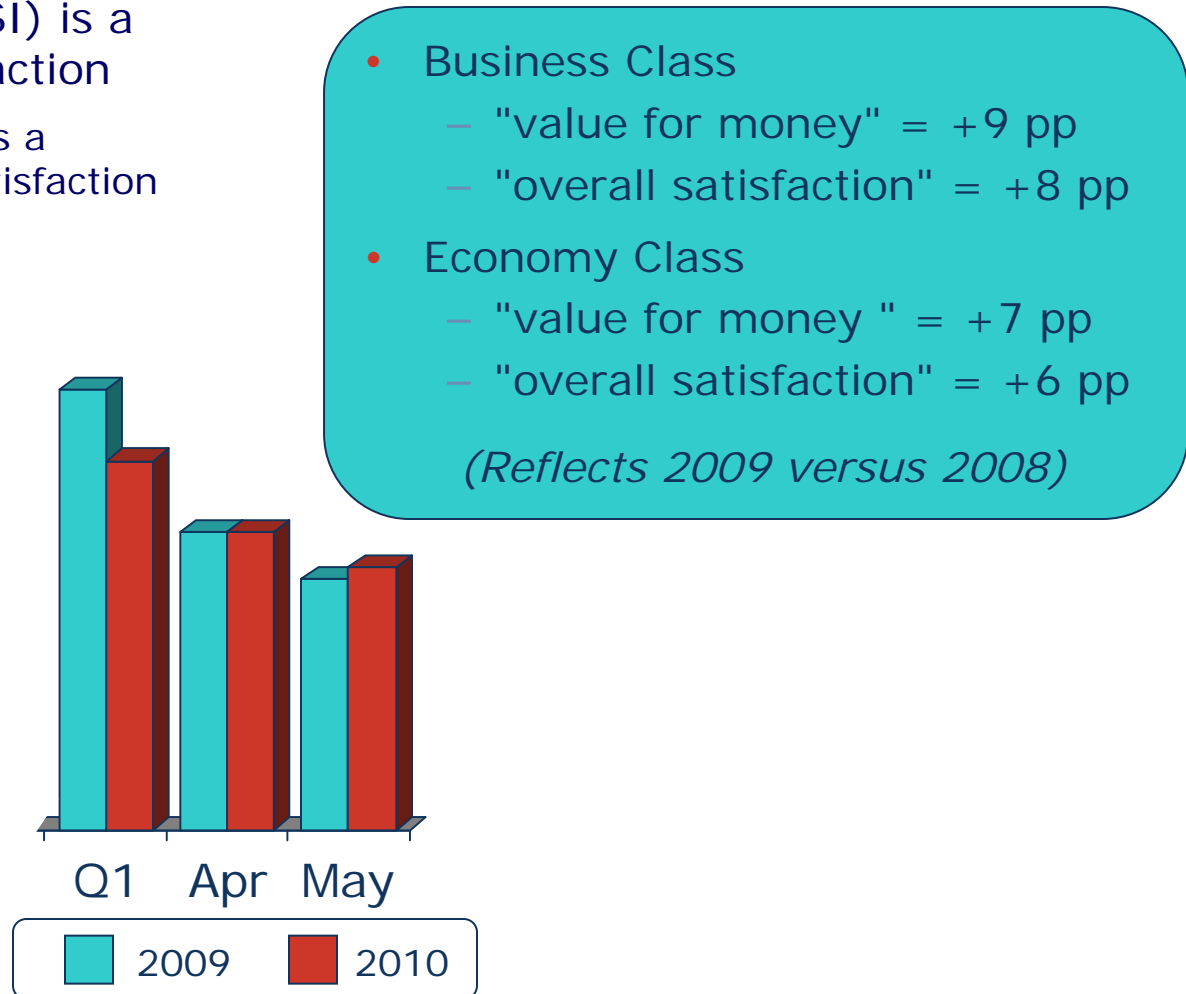
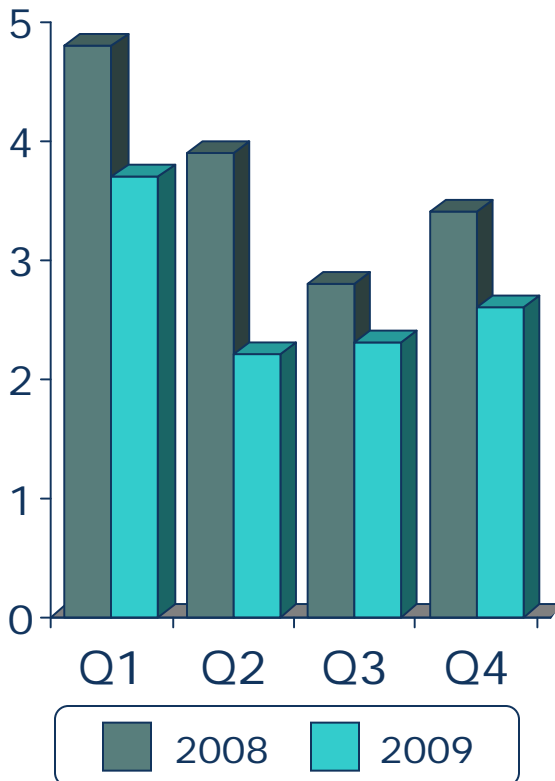
On-time Performance⁽²⁾ (OTP) is a measure of operational performance



Customer Service Improvement on Past Years' Performances

Customer Service Index (CSI) is a measure of customer satisfaction

- A lower index level indicates a higher level of customer satisfaction



- Business Class
 - "value for money" = +9 pp
 - "overall satisfaction" = +8 pp
 - Economy Class
 - "value for money" = +7 pp
 - "overall satisfaction" = +6 pp
- (Reflects 2009 versus 2008)*

Awards



Best Airline in North America
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

Reader's Digest Canada's second annual "Most Trusted" poll voted Air Canada:

- *Canada's Most Trusted Airline*

A UK based Global Reputation Pulse survey of Canadian companies found that Air Canada:

- *Recorded the single largest year-over-year jump in reputation of any company in the study*



Best Airline North America

Other Leading Services by Air Canada



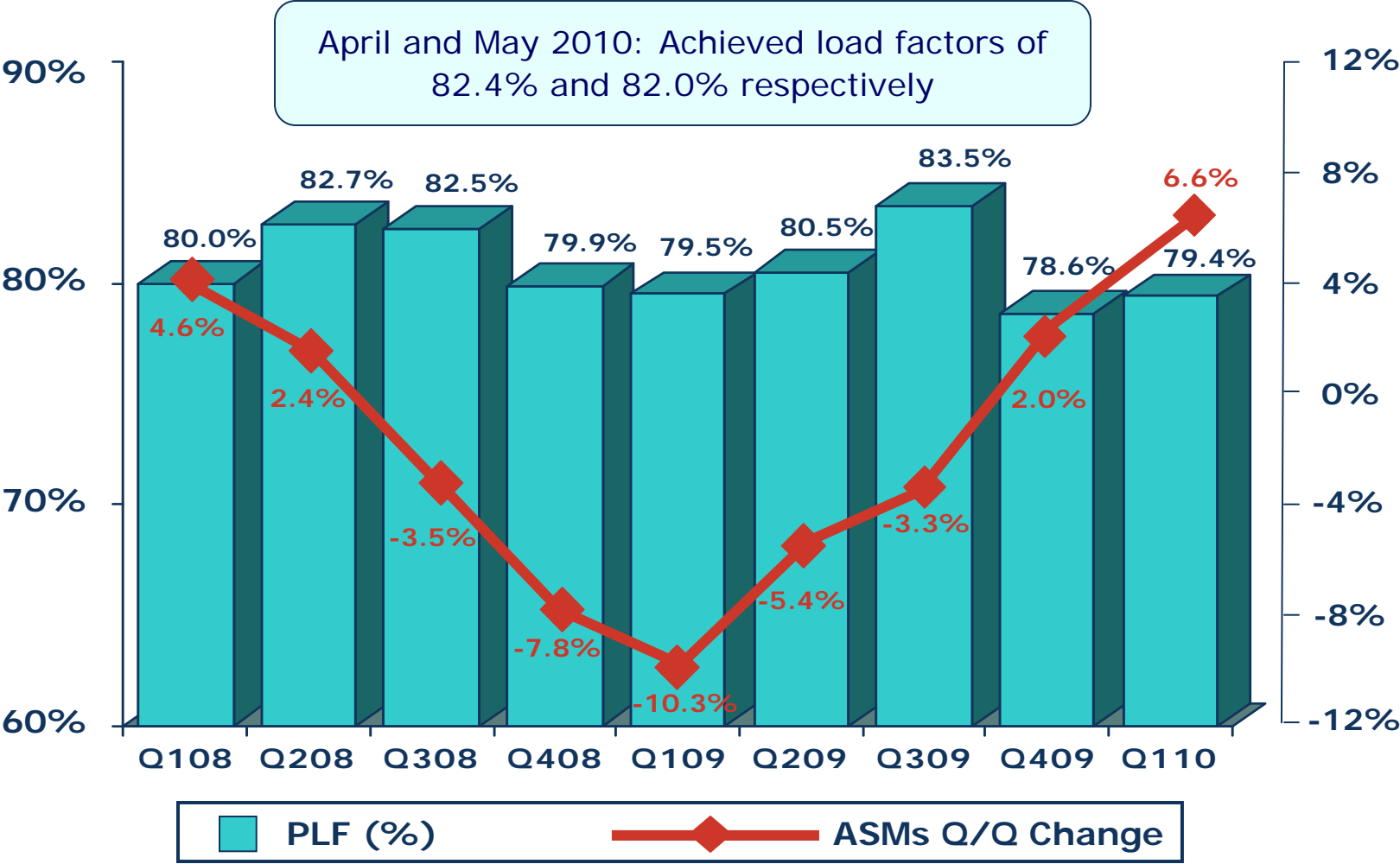
Managing Through Challenging Economic Conditions



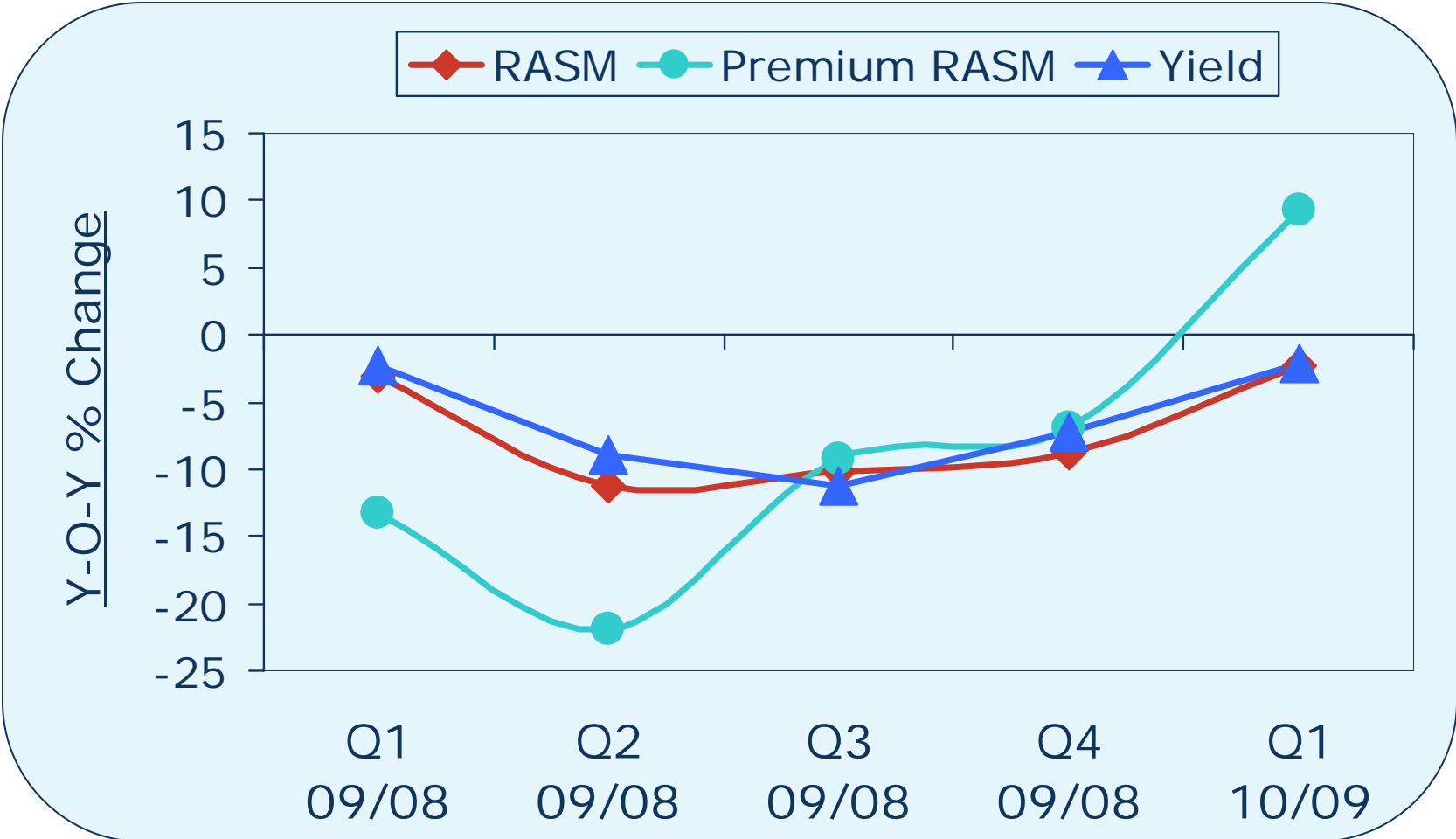
Progressive Signs of an Economic Recovery

- System passenger revenue increase of \$84M or 4.2% in Q1 10 due to traffic growth reflecting a strengthening economy
- 15% increase in Premium Class revenue but still below 2008 level
- Q1 10 passenger load factor of 79.4% was essentially unchanged from Q1 09 on 6.6% capacity growth
- Yields remain under pressure but have shown steady improvements
 - Q1 10 yield improved 3.9% in Premium Class and declined 4.7% in Economy Class
 - overall, Q1 10 yield decreased 2.2% versus Q1 09

Disciplined Capacity Management Keeps Load Factors Strong

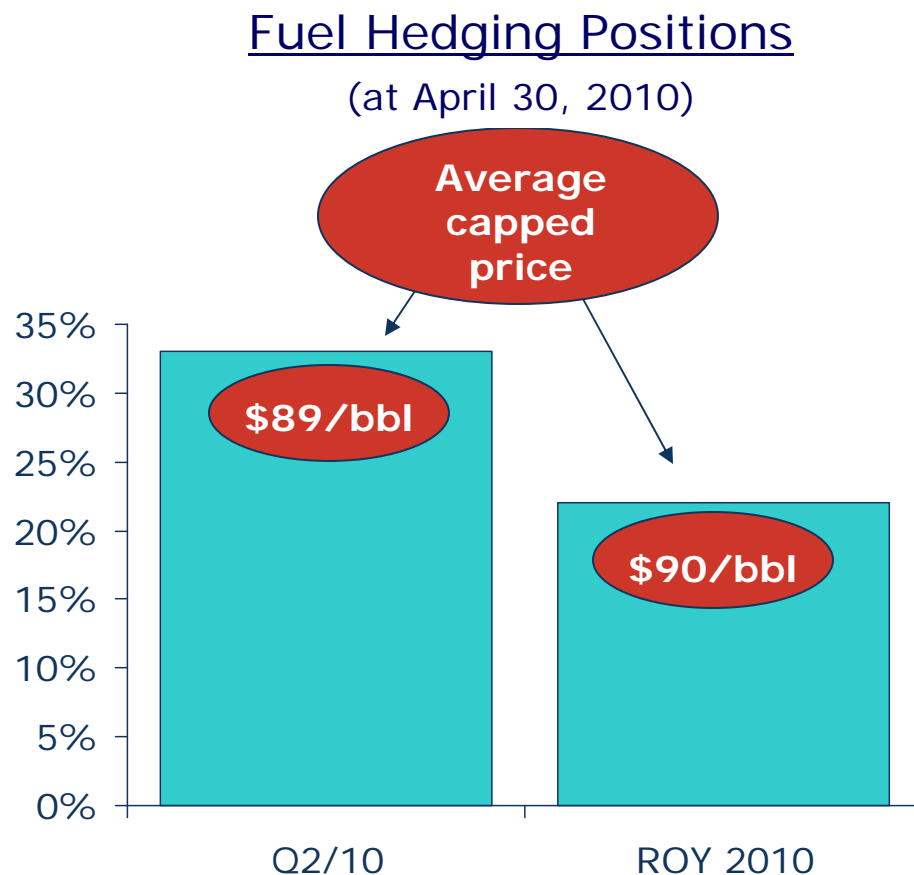


RASM and Yield Reflecting an Improving Trend



Managing Fuel and Foreign Exchange

- Target is to hedge at least 35% of next 12 months' consumption
- Current hedges comprised mainly of crude oil call options – also collars and jet fuel swaps
- Relationship between jet fuel prices and CAD/US exchange rate helps reduce our fuel exposure
- Net USD exposure is covered 22% for ROY 2010



Repositioning for Success




Success in Achieving Pension and Labour Stability

- Canadian-based unions' Labour agreements extended 21 months on a cost-neutral basis
- Adopted new pension funding regulations
 - moratorium on past service payments Apr 1/09 to Dec 31/10
 - fixed payments of \$150, \$175 and \$225 million in 2011, 2012 and 2013
- 17,647,059 Class B shares issued to trust with proceeds contributed to pension plans

Provides us with flexibility to manage through our next set of priorities

Rebuilt Cash Levels to See Us Through the Economic Downturn

- \$700M secured term credit facility (including \$100M finalized in Feb 10)
- Bought deal offering for net proceeds of \$249M
- Non-refundable proceeds from a supplier of \$230M
- Sale and leaseback of three Boeing 777 aircraft for net cash proceeds of \$115M
- Extension to an \$82M loan from 2009 to 2013
- Amended agreements with our principal credit card processor (agreements extended in May 2010)



Cash level at
\$1.7 B
at
April 30, 2010

2010 CTP Target is \$270M

(as of May 6, 2010)

Initiatives relate to:

- Expected annual savings on a run-rate basis:
 - \$270M by end of 2010
 - \$500M by end of 2011 (run-rate)
- Individual benefits range from \$100K to \$40M
- \$255M already achieved on 2010 expected annual savings
- \$281M achieved on the full \$500M total

\$200 M

Contract
Improvements

\$160 M

Operational process
& productivity
improvements

\$140 M

Revenue
Optimization

Finding New Approaches to Generate Revenue

- DOT approved the formation of a transatlantic alliance (A+ +)
- Welcomed Continental Airlines into Star Alliance on Oct 27, 2009
- Actively re-engaged with the travel trade
- Broadened distribution channels
- Introduced initiatives to grow ancillary fees including:
 - Preferred Seat option
 - changes to checked bag policy
 - upgrade programs
 - Star Alliance upgrade awards



Creative
new ways
to grow
revenues

2010 Priorities

Expand international presence

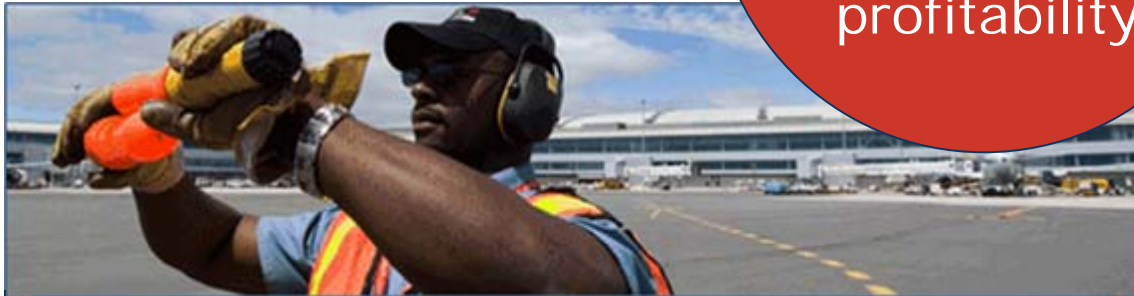


Improve revenue and unit cost productivity through CTP

Improving ability to grow business profitability



Re-engage with customers with added focus on Premium revenue passengers



Foster culture change

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Forward-looking statements, by their nature, are based on assumptions, including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, currency exchange and interest rates, employee and labour relations, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena, such as volcanic eruptions, and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, 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 section 12 "Risk Factors" of Air Canada's First Quarter 2010 MD&A and section 19 "Risk Factors" of Air Canada's 2009 MD&A.

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