

AIR CANADA



THE MARKET

At a time of turmoil in the North American airline industry, Air Canada is flying high with a successful business plan and accumulating awards as the best airline in North America.

Launched on September 1, 1937, Air Canada has survived the many challenges of the airline industry and has become one of the biggest Canadian success stories of all time.

Today, Air Canada, a business unit of the parent company ACE Aviation Holdings Inc., provides scheduled and chartered transportation to over 150 destinations. These destinations include **60** Canadian cities, **51** U.S. locations and **59** European, Middle Eastern, Asian, Australian, Caribbean, Mexican and South American travel spots. Air Canada mainline operates on average **635** scheduled flights a day, proudly serving more than 30 million scheduled and chartered customers annually. Air Canada's extensive global network, convenient schedules and customer services are enhanced through its membership in the Star Alliance™ network. Above all, Air Canada is dedicated to value-added customer service, technical excellence and passenger safety.

ACHIEVEMENTS

Brand image and superior customer service are key factors in the competitive airline industry, and both must be strategically maintained in order to

maintain customer loyalty. New terminals in Toronto and Montreal gave Air Canada the opportunity to improve passenger processing, refurbish its Maple Leaf Lounges and add "self check-in" kiosks. And when customer research revealed that travellers thought the airline's interiors were uninspired, Air Canada moved to develop a new and refreshed brand identity. The restyling included the creation of new uniforms for flight attendants and

Best Airline—North America

a complete makeover of the aircraft's interiors. The new creative platform was inspired by Air Canada's emblematic red maple leaf.

These changes were made simultaneously with several other initiatives: a simplified fare structure, an overall fleet modernization with the acquisition of Embraer aircrafts and a new advertising campaign.

As one of the most innovative companies in North America's airline industry, Air Canada's rebranding was a natural evolution of a company that has always been the leader of the pack. The company made headlines in 1999 when it became the first airline in the country to introduce convenient self-serve check-in kiosks at all major airports across Canada. Air Canada now offers web-based electronic ticketing and Web check-in on most North American and international routes.

In 2005, the company was voted Best Airline in North America at the Skytrax World Airline

Awards. That same year, the now famous "You and I Were Meant to Fly" ad campaign garnered multiple honours, winning awards for Best Airline Integrated Advertising Campaign and Best Travel Integrated Advertising Campaign.

Today, Air Canada continues to dominate the field with creative ideas for both business and economy class customers. The latest generation of "lie-flat bed," which use the most advanced technology in seat design, have made Air Canada's Business Class a haven of comfort for long-haul flights. And new, more comfortable seats have been installed in Economy Class as well.

In addition to the new look and feel of the cabins, Air Canada has also upgraded its on-board entertainment systems. Travellers now enjoy Video-on-Demand across the fleet, which delivers video and entertainment choices via personal touch-screen television mon-

itors, digital imaging and "Surround Sound."

In addition, the launch of the prepaid multi-trip Flight Pass has given passengers the opportunity to have tailor-made, customized passes created just for them based on their travel needs and dreams.

HISTORY

On September 1, 1937, Air Canada's predecessor, Trans-Canada Air Lines, took flight from Vancouver to Seattle with two passengers and a bundle of mail aboard the Lockheed 10A. The 50-minute flight launched one of the biggest and most recognized brands in the world. By 1964,



TCA had grown to become Canada's national airline, and in 1965, Air Canada was born. A new, brighter look and the famous red maple leaf dominated the skies. The airline became fully privatized in 1989. Today, Air Canada is the 14th-largest commercial airline in the world.





THE PRODUCT

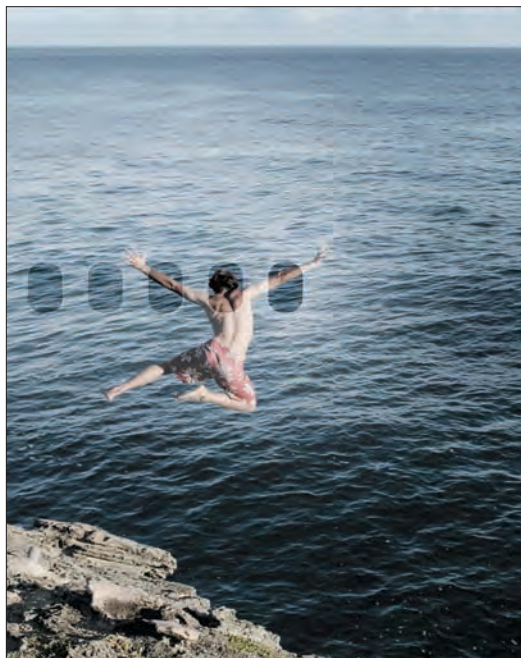
Air Canada is the airline proud to offer more non-stop flights within Canada and between Canada and the U.S. than any other carrier. Its unique North American one-way fare structure allows fliers to customize their experience depending on their travel needs and desires.

Executive First®, Air Canada's award-winning international premium service, offers first-class comfort and sophistication at a business class fare. And Air Canada's 19 luxurious Maple Leaf™ Lounges welcome Executive First and Executive Class® ticket holders (as well as Aeroplan top-tier members and Diners/enRoute Maple Leaf Club cardholders) to kick back and relax before, between and after their flights. Each lounge comes complete with a state-of-the-art business centre and is ideal for travellers who wish to work en route.

Air Canada also offers personalized Concierge® Service for Executive First and Super Elite® passengers at all major Canadian, U.S. and international airports. When it comes to customer service, customer safety and customer value, Air Canada is flying high.

RECENT DEVELOPMENTS

The airline industry has been battered by many unforeseen external factors, including escalating



oil prices that have left the bottom line of many airlines awash with red ink.

Air Canada has faced these challenges with a renewed commitment to customer service, a very competitive business model and an uncompromising attitude towards safety as its number one priority. Today, passenger numbers are on the increase, as is operating income. And with innovative hedging practices moderating fuel prices, Air Canada has created a business model that is capable of competing in domestic and international markets.

In addition, Air Canada's commitment to enhancing the Canadian travel experience and its dominance in the field have made it the airline that most Canadians automatically choose when travelling on business or for pleasure.

Some of the company's most recent developments include convenient Web check-in and electronic ticketing on most North American and international routes. Most recently, user-friendly international Web sites have been added to Air Canada's digital realm. And state-of-the-art Executive First seating on all long-haul aircraft are a welcome addition to Air Canada's fleets.

Even more luxurious, the Executive First® Suite made its first appearance in the summer of 2006 on select aircraft.

It caters to every aspect of the travel experience with your time, your space and your choice in mind. Each suite features a truly horizontal lie-flat bed. Equipped with a wide selection of on-demand entertainment features, the Executive First Suite also provides the business traveller with convenient work surfaces and an individual power supply. And the Executive First Suite comes with its own reward: 150 percent Air Canada Status mile earnings with each booking.

The launch of prepaid multi-trip passes will also streamline the lives of many frequent fliers. These passes allow travellers to book multiple flights at a time in one single transaction. Passes save money, time and offer a tailor-made, customized travel experience.

PROMOTION

Air Canada is no stranger to the public eye. Over the years, ad campaigns, PR events and sponsorship efforts have attracted the press and the imagination of travellers worldwide. In 2004, a unique

idea, one big enough to generate its own news, blitzed the media. It started with a theme, "You and I were meant to fly," and was embraced by Canadian superstar Céline Dion. The song about the joy of flying quickly became a hit around the world and when linked closely with the Air Canada brand via TV, radio and print ads, the campaign hit a high note with consumers.

But spectacular ad campaigns are only one part of Air Canada's promotional strategy. Innovative ways of communicating with the public have also created a buzz and raised the airline's profile. In 2005, Air Canada promoted the new North America Unlimited Pass by creating the first-ever sky parade. Live news coverage of the event coupled with parade "sightings" by thousands of Canadians at prime times during the day made for a huge promotional success.

Air Canada also connects with the public with the future in mind, through its Kids' Horizons programs which help improve the lives of children across the country through several community-building initiatives.

BRAND VALUES

Air Canada focuses on building lasting customer relationships by delivering the most rewarding attributes of choice, ease and value to travellers worldwide. Choice gives customers greater control over how they travel — selecting and paying



only for those products and services they want or need. Ease of booking and boarding help simplify the travel experience. And value to customers is offered through a combination of innovative pricing, superb product and service offerings, modern aircraft and the convenience of a vast domestic and global network.

THINGS YOU DIDN'T KNOW ABOUT AIR CANADA

- In one year, Air Canada transports over 30 million passengers.
- An Air Canada flight takes off or lands every minute of the day or night world-wide.
- To date, Air Canada has given over 2,300 seats to 14 Canadian children's hospitals to transport kids in need of treatment to specialized facilities.
- Two and a half million people visit aircanada.com every month.