

HIGHLIGHTS

Air Canada Services ⁽¹⁾

	Quarter 4 2006	Quarter 4 2005		2006	2005	
Financial						\$ Change
						\$ Change
Operating revenues	2,415	2,271	144	10,137	9,509	628
Operating revenues, excluding the special charge for Aeroplan miles ⁽³⁾	2,415	2,271	144	10,239	9,509	730
Operating income (loss)	(5)	(91)	86	114	191	(77)
Operating income (loss), excluding special charges ⁽³⁾	(13)	(91)	78	236	191	45
Non-operating income (expense)	(52)	(86)	34	(191)	(224)	33
Income (loss) before non-controlling interest, foreign exchange and provision for income taxes	(57)	(177)	120	(77)	(33)	(44)
Income (loss) for the period	(144)	(135)	(9)	(74)	(20)	(54)
Operating margin	(0.2)%	(4.0)%	3.8 pp	1.1%	2.0%	(0.9) pp
Operating margin, excluding special charges ⁽³⁾	(0.5)%	(4.0)%	3.5 pp	2.3%	2.0%	0.3 pp
EBITDAR ⁽⁴⁾	205	105	100	921	936	(15)
EBITDAR, excluding special charges ^{(3) (4)}	197	105	92	1,043	936	107
EBITDAR margin	8.5%	4.6%	3.9 pp	9.1%	9.8%	(0.7) pp
Cash, cash equivalents and short-term investments	2,110	1,302	808	2,110	1,302	808
Cash flows from (used for) operating activities	(159)	(48)	(111)	211	196	15

Operating Statistics

			% Change			% Change
Revenue passenger miles (millions) (RPM)	11,160	10,584	5	48,993	46,762	5
Available seat miles (millions) (ASM)	14,343	13,807	4	61,083	58,818	4
Passenger load factor	77.8%	76.7%	1.1 pp	80.2%	79.5%	0.7 pp
Passenger revenue yield per RPM (cents)	18.5	18.4	1	18.1	17.5	3
Passenger revenue per ASM (cents)	14.4	14.1	2	14.5	13.9	4
Operating revenue per ASM (cents)	16.8	16.5	2	16.6	16.2	3
Operating expense per ASM (cents)	16.9	17.1	(1)	16.4	15.8	4
Operating expense per ASM, excluding fuel expense (cents)	12.8	12.9	(1)	12.2	12.1	1
Operating expense per ASM, excluding fuel expense and the special charge for labour restructuring (cents) ^{(3) (5)}	12.9	12.9	(1)	12.2	12.1	1
Average number of full-time equivalent (FTE) employees (thousands)	23.3	24.1	(3)	23.6	24.0	(2)
Aircraft in operating fleet at period end ⁽⁶⁾	332	322	3	332	322	3
Average aircraft utilization (hours per day) ^{(7) (8)}	10.3	10.0	3	10.5	10.6	(1)
Average aircraft flight length (miles) ⁽⁶⁾	847	842	1	873	871	0
Fuel price per litre (cents) ⁽⁹⁾	64.1	65.7	(2)	66.2	59.7	11
Fuel litres (millions)	906	874	4	3,813	3,643	5

Air Canada Combined Consolidated ⁽²⁾

Financial						\$ Change
						\$ Change
Operating revenues	2,395	2,256	139	10,065	9,458	607
Operating income (loss)	29	(57)	86	259	318	(59)
Operating income (loss), excluding special charges ⁽³⁾	21	(57)	78	381	318	63
Income (loss) for the period	(144)	(135)	(9)	(74)	(20)	(54)
Operating margin	1.2%	(2.5)%	3.7 pp	2.6%	3.4%	(0.8) pp
Cash, cash equivalents and short-term investments	2,245	1,336	909	2,245	1,336	909

(1) In accordance with Canadian GAAP ACG-15, Air Canada is required to consolidate the financial statements of Jazz, certain leasing entities and fuel facility corporations into its financial statements.

Air Canada does not have any ownership interest in Jazz. The financial statements of Air Canada, the mainline airline, are termed "Air Canada Services".

(2) Air Canada's combined consolidated results include the financial position, results of operations and cash flows of the various components and entities (including Jazz Air LP) as described in Note 1 to Air Canada's combined consolidated financial statements. Air Canada has two business segments: Air Canada Services and Jazz. Refer to section 1 of Air Canada's 2006 Management Discussion and Analysis of Results ("MD&A").

(3) A special charge of \$102 million was recorded to operating revenues in Quarter 3 2006 in connection with Air Canada's obligations for the redemption of pre-2002 Aeroplan miles ("Special charge for Aeroplan miles"). Refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2006 MD&A. A special charge for labour restructuring of \$28 million was recorded in Quarter 1 2006. During Quarter 4 2006, the estimated cost of this plan was revised due to the favourable impact of attrition and other factors and the charge was reduced by \$8 million to \$20 million.

(4) EBITDAR (earnings before interest, taxes, depreciation, amortization and obsolescence and aircraft rent) is a non-GAAP financial measure commonly used in the airline industry to view operating results before aircraft rent and depreciation, amortization and obsolescence as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. EBITDAR is not a recognized measure for financial statement presentation under GAAP and does not have a standardized meaning and is therefore not likely to be comparable to similar measures presented by other public companies.

EBITDAR is reconciled to operating income (loss) as follows:
(\$ millions)

	Quarter 4 2006	Quarter 4 2005	2006	2005
Operating income (loss)	(5)	(91)	114	191
Add back:				
Aircraft rent	75	90	314	341
Depreciation, amortization & obsolescence	135	106	493	404
EBITDAR	205	105	921	936
Add back:				
Special charge for labour restructuring ⁽³⁾	(8)	-	20	-
Special charge for Aeroplan miles ⁽³⁾	-	-	102	-
EBITDAR before special charges	197	105	1,043	936

(5) Operating expense per available seat mile, before fuel expense and the special charge for labour restructuring, is calculated as operating expense, removing fuel expense and the special charge for labour restructuring, divided by ASMs. Refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2006 MD&A for additional information.

(6) Operating fleet excludes chartered freighters in 2006 and 2005.

(7) Excludes maintenance down-time.

(8) Excludes third party carriers operating under capacity purchase arrangements.

(9) Includes fuel handling and fuel hedging expenses.