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2005 – A Great Beginning

- $258 million net income
- 12 Additional Record Load Factor Months – 25 in total
- Improved customer satisfaction
- Solid on time performance
- Embraer 175 and 190 deliveries
- Boeing order for 777 and 787
- Voted Best Airline in North America by Skytrax
2005’s Major Accomplishment

“Only legacy carrier in the world who has profitably grown market share against Low Cost Carriers in their home market.”
Air Canada – Leading Share in all Markets

International

- ACE: 40%
- Other Airlines: 37%
- LH, CX, BA, KL: 4%

Transborder

- ACE: 35%
- UA: 12%
- NW, WJA, DL, CO, US: 6%
- Other Airlines: 12%

Source: OAG June 2006, defined as Available Seat Miles (ASMs) capacity share
Tied For Second In On-Time Arrivals

Previous 12 Month Performance Comparison Avg (March '06)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airline</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HAWAIIAN</td>
<td>95%</td>
</tr>
<tr>
<td>2</td>
<td>COMAIR</td>
<td>82%</td>
</tr>
<tr>
<td>3</td>
<td>AIR CANADA</td>
<td>82%</td>
</tr>
<tr>
<td>4</td>
<td>SOUTHWEST</td>
<td>81%</td>
</tr>
<tr>
<td>5</td>
<td>SKY WEST</td>
<td>81%</td>
</tr>
<tr>
<td>6</td>
<td>ATA</td>
<td>80%</td>
</tr>
<tr>
<td>7</td>
<td>US AIRWAYS</td>
<td>79%</td>
</tr>
<tr>
<td>8</td>
<td>UNITED</td>
<td>77%</td>
</tr>
<tr>
<td>9</td>
<td>DELTA</td>
<td>77%</td>
</tr>
<tr>
<td>10</td>
<td>AMERICAN</td>
<td>77%</td>
</tr>
<tr>
<td>11</td>
<td>NORTHWEST</td>
<td>76%</td>
</tr>
<tr>
<td>12</td>
<td>MESA</td>
<td>76%</td>
</tr>
<tr>
<td>13</td>
<td>CONTINENTAL</td>
<td>76%</td>
</tr>
<tr>
<td>14</td>
<td>AMERICAN EAGLE</td>
<td>76%</td>
</tr>
<tr>
<td>15</td>
<td>EXPRESSJET</td>
<td>75%</td>
</tr>
<tr>
<td>16</td>
<td>JETBLUE</td>
<td>73%</td>
</tr>
<tr>
<td>17</td>
<td>AIRTRAN</td>
<td>73%</td>
</tr>
<tr>
<td>18</td>
<td>ATLANTIC SOUTHEAST</td>
<td>72%</td>
</tr>
<tr>
<td>19</td>
<td>ALASKA</td>
<td>70%</td>
</tr>
</tbody>
</table>
Air Canada Mainline Cost / ASM Ex. Fuel Trends

(excludes Special Charges Q1/06)

CASM excl Fuel (AC)
Fuel Impacting Cost / ASM Trend

(excludes Special Charges Q1/06)

CASM with Fuel
CASM excl. Fuel
Unit Revenue Keeping Pace

(excludes Special Charges Q1/06)

- RASM
- CASM with Fuel
- CASM excl. Fuel
25 Months Of Record Load Factors!

Yield Improvements – Up 9% Q1

- International fuel surcharges
- North America increases to base fares
- Tango Plus Sales Increase 45% In Q1
Solid Dom. RASM Performance in Last Two Yrs.

% change qtr over same qtr previous year

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>2003</td>
<td>-6.7%</td>
<td>-15.0%</td>
<td>-8.2%</td>
<td>-9.4%</td>
<td>9.7%</td>
<td>11.8%</td>
<td>9.2%</td>
<td>8.9%</td>
<td>10.8%</td>
<td>11.9%</td>
<td>10.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2004</td>
<td>9.7%</td>
<td>11.8%</td>
<td>9.2%</td>
<td>3.8%</td>
<td>8.9%</td>
<td>10.8%</td>
<td>11.9%</td>
<td>10.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Int'l Unit Rev. (RASM) Gains Traction in Q1'06

% change qtr over same qtr previous year

- Q1 2003: 4.4%
- Q2 2003: -5.1%
- Q3 2003: -4.1%
- Q4 2003: -4.1%
- Q1 2004: 6.5%
- Q2 2004: 7.9%
- Q3 2004: 6.6%
- Q4 2004: 7.3%
- Q1 2005: 4.2%
- Q2 2005: 0.6%
- Q3 2005: 2.6%
- Q4 2005: 6.0%
- Q1 2006: 6.0%
ACE EBITDAR Improvement Despite Record High Fuel

$ change qtr over same qtr previous year
* excludes special labour charge

Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1
---|----|----|----|----|----|----|----|----|----|----|----|----
2003 | $-185 | $-176 | $108 | $126 | $211 | $150 | $-33 | $56 | $101 | $35 | $14 | $18
2004 | $346 | $126 | $211 | $150 | $101 | $35 | $14 | $18
2005 | $346 | $126 | $211 | $150 | $101 | $35 | $14 | $18
2006 | $346 | $126 | $211 | $150 | $101 | $35 | $14 | $18

AIR CANADA
Domestic Load Factor Premium Diminishing

Sustainable Domestic Load Factor Premium to WestJet (1)

Transition Period

(1) Revenue passenger miles as a percentage of available seat miles. Air Canada versus WestJet differential in percentage points.
WestJet Unit Cost, Excluding Fuel, Escalating At A Faster Rate

% change in Q1 unit cost 2006/2005

- Air Canada Mainline: 3.8%
- WestJet: 6.7%
The Math Still Works

Higher average fare + Higher load factor = Higher revenue premium

Unit Cost Gap = Profit Gap

- Buy up for additional features
- Business class
- International feed
- Superior network & schedule

- International feed
- More appropriate aircraft size
- Larger connection banks

- Cost of Sale
- Fuel
- Labor
What About 2006?

Four Pillars
Major Objectives - Four Pillars

- **Revenue Model**
  - Fleet Refurbishment and IFE
  - RES III Replacement
  - Labour Relations/Employees

- New Revenue Model
- New Res And Process
- Employees
- New Interiors

Safe, Reliable Operations
# Growth Of Attributes – Food Added

## Current North American Branded Fare Attributes

<table>
<thead>
<tr>
<th>Feature</th>
<th>Tango</th>
<th>Tango Plus</th>
<th>Latitude</th>
<th>Latitude Plus</th>
<th>Executive Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anytime Change Fee*</td>
<td>$30</td>
<td>$30</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>*Except Same Day</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flat Fee for Same-Day Changes at the Airport</td>
<td>$150</td>
<td>$50</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Aeroplan Status Miles for Flying with Us</td>
<td>50%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>150%</td>
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<tr>
<td>Aeroplan Miles for Every Dollar Spent Online</td>
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<td>1 for $2</td>
<td>1 for $1</td>
<td>1 for $1</td>
<td>1 for $1</td>
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<td>Advance Seat Selection Fee</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>Upgrade Certificate</td>
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<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Refund</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Priority Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maple Leaf Lounge Access</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Complimentary Snack and Sandwich</td>
<td>✓</td>
<td></td>
<td>✓</td>
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</table>

---

*Air Canada*
## Improved Display And Price Points

### North American Branded Fare Display

<table>
<thead>
<tr>
<th>From: Toronto Pearson Int'l, ON (YYZ)</th>
<th>To: Calgary Calgary Int'l, AB (YYC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Day's lowest fare</strong></td>
<td><strong>Compare our 5 fare options</strong></td>
</tr>
<tr>
<td>Sun 14-May $264</td>
<td>$381</td>
</tr>
<tr>
<td>Mon 15-May $264</td>
<td>$381</td>
</tr>
<tr>
<td>Tue 16-May $254</td>
<td>$381</td>
</tr>
<tr>
<td>Wed 17-May $189</td>
<td>$381</td>
</tr>
<tr>
<td>Thu 18-May $209</td>
<td>$381</td>
</tr>
<tr>
<td>Fri 19-May $209</td>
<td>$381</td>
</tr>
<tr>
<td>Sat 20-May $189</td>
<td>$381</td>
</tr>
<tr>
<td>Sun 21-May $264</td>
<td>$381</td>
</tr>
<tr>
<td>Mon 22-May $209</td>
<td>$381</td>
</tr>
<tr>
<td>Tue 23-May $294</td>
<td>$381</td>
</tr>
<tr>
<td>Wed 24-May $189</td>
<td>$381</td>
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<table>
<thead>
<tr>
<th>Flight</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>Latitude Plus</th>
<th>Executive Class</th>
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<tbody>
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<td>321</td>
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<td>$254</td>
<td>$284</td>
<td>$579</td>
<td>$1268</td>
<td>$1298</td>
</tr>
</tbody>
</table>
Pay For Use – Growth In Options

- Food
- Seat
- And now.....
Pay For Use – Growth In Options

- Food
- Seat
- And now.....

GO Discount

Extra savings? The choice is yours.

Save an extra $20 round trip when you don’t check bags or change your itinerary

- More to come
- Goal to have at least five options per fare product
New International Fare Products

- **Executive First**
  - Maximum Priority, Comfort and Freedom

- **Premium Economy**
  - Make yourself comfortable

- **Latitude Plus**
  - Great value plus flexibility

- **Leisure**
  - Get up and go!

- **Tourist**
  - Our best value

- Flexibility
- Recognition
- Comfort
## Choice And Transparency To Int’l Travel

Different Attributes Than North American Products

<table>
<thead>
<tr>
<th></th>
<th>TOURIST</th>
<th>LEISURE</th>
<th>LATITUDE PLUS</th>
<th>EXECUTIVE FIRST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROUND TRIP/ ONE WAY</strong></td>
<td>ROUND TRIP REQUIRED</td>
<td>ROUND TRIP REQUIRED</td>
<td>ONE WAY</td>
<td>ONE WAY</td>
</tr>
<tr>
<td><strong>CHANGE FEE (NOT SAME DAY)</strong></td>
<td>NOT PERMITTED</td>
<td>$200 CAD/ $100 GBP</td>
<td>FREE</td>
<td>FREE</td>
</tr>
<tr>
<td><strong>SAME-DAY CONFIRMATION</strong></td>
<td>N/A</td>
<td>$100 CAD/ $50 GBP</td>
<td>FREE</td>
<td>FREE</td>
</tr>
<tr>
<td><strong>MINIMUM STAY</strong></td>
<td>SATURDAY NIGHT</td>
<td>SATURDAY NIGHT</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td><strong>FULL REFUND</strong></td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td><strong>ADVANCE SEAT SELECTION</strong></td>
<td>AT CHECK-IN</td>
<td>FREE WITH $40 CAD/$20 GBP DISCOUNT OPTION</td>
<td>FREE</td>
<td>FREE</td>
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<tr>
<td><strong>MILEAGE ACCUMULATION</strong></td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
<td>150%</td>
</tr>
<tr>
<td><strong>PURCHASE INCENTIVE</strong></td>
<td>500 MILES</td>
<td>1,000 MILES</td>
<td>2,000 MILES</td>
<td>3,000 MILES</td>
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<td><strong>UPGRADE CERTIFICATE</strong></td>
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<td>SSWU</td>
<td>SSWU/SWU</td>
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New International Display Makes It Possible

International Branded Fare Display

Select Flights

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<td>AC413</td>
<td>13:00</td>
<td>14:15</td>
<td>Toronto (YYZ)</td>
<td>220</td>
<td>0</td>
<td>0</td>
<td>$845</td>
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<td>$845</td>
<td>$1567</td>
<td>$1567</td>
<td></td>
</tr>
</tbody>
</table>

Non-air offering

New Fare Products

Seat Opt out identifier. This will show the customer which flights are available for the discount.

Each-Way Select Page

* Book early and save an extra $40 CAD on selected round-trip fare per person if you don't require advance seat selection.
Passes – The New Frontier

Benefits of the Pass Products:
- Freedom
- Control
- Ease of use
- Certainty
Major Objectives - Four Pillars

- Revenue Model
- **Fleet Refurbishment and IFE**
  - RES III Replacement
  - Labour Relations/Employees

---

Customer

New Revenue Model
New Res And Process
Employees
New Interiors

Safe, Reliable Operations
New Fleet Focuses On Efficiency
### Embraer & CRJ 705 Fleet Levels

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>ERJ 190</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>16</td>
<td>20</td>
<td>26</td>
<td>32</td>
<td>38</td>
<td>45</td>
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<td>ERJ 175</td>
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<td>15</td>
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<tr>
<td>CRJ 705</td>
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</tbody>
</table>

**Q1-Q4 2005**

**Q1-Q4 2006**

**Q1-Q4 2007**
### Boeing 777 & 787 Fleet Levels

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>B777</td>
<td></td>
<td></td>
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<tr>
<td>200 LR</td>
<td>4</td>
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Transborder Expansion Has Started
Improved Onboard Standards

- Two cabins - all aircraft
- In-seat video
- In-seat power
Premium Executive First Product

New Executive Suites
Refurbishment Complete By Next Summer

Fleet Conversion Schedule

- EMB 175
- EMB 190
- CRJ 705
- A319
- A320
- A321
- A330
- B767-200
- B767-300

Dates: Jan-06 to Dec-07
Major Objectives - Four Pillars

- Revenue Model
- Fleet Refurbishment and IFE
- RES III Replacement
- Labour Relations/ Employees

Customer

New Revenue Model  
New Res And Process  
Employees  
New Interiors

Safe, Reliable Operations
RESIII Replacement

- **Design Principles**
  - Reengineer - Make it simple and pull out cost
  - Web based
  - Single Engine
  - Scalable and adaptable
  - Low cost of operation
Leverage Technology

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United States
United Kingdom

iMuse Express

2D Barcode

Web Check-in

RFID
Major Objectives - Four Pillars

- Revenue Model
- Fleet Refurbishment and IFE
- RES III Replacement
- Labour Relations/Employees

Customer

New Revenue Model
New Res And Process
Employees
New Interiors

Safe, Reliable Operations
Labour Relations & Employees

- Renewed focus on employee relations
- Short term focus on the wage re-opener in 2006
  - Two groups in mediation/arbitration process
  - Negotiations set for remaining groups
- Long term focus on collective bargaining process in 2009
  - Improved communication
  - Transparency
  - Understanding of long term business issues
Future Performance

Focus on Costs
Policy Changes Focusing On Cost Savings

- “Same day confirmed”
- Change fees – Add/Collect
- Sporting goods
- Baggage allowance
- Pets
- Connecting baggage
- Stretchers - gone
Major Cost Reduction Initiatives

- Fuel efficiency
- Commissions and distribution fees
- IT
- Maintenance processes and materials
- Ground and airport handling
- Non-union reduction
2006 – A Year of Change

- Changing what and how customer purchase travel
- Differentiation
- Changing the travel experience for the better
- Creating demand
- Changing to gain efficiencies
- Generating profits
Q & A