

# Fourth Quarter 2004

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***Preliminary & Unaudited***

***March 8, 2005***

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# Operating Results Improve By \$74 Million

Consolidated

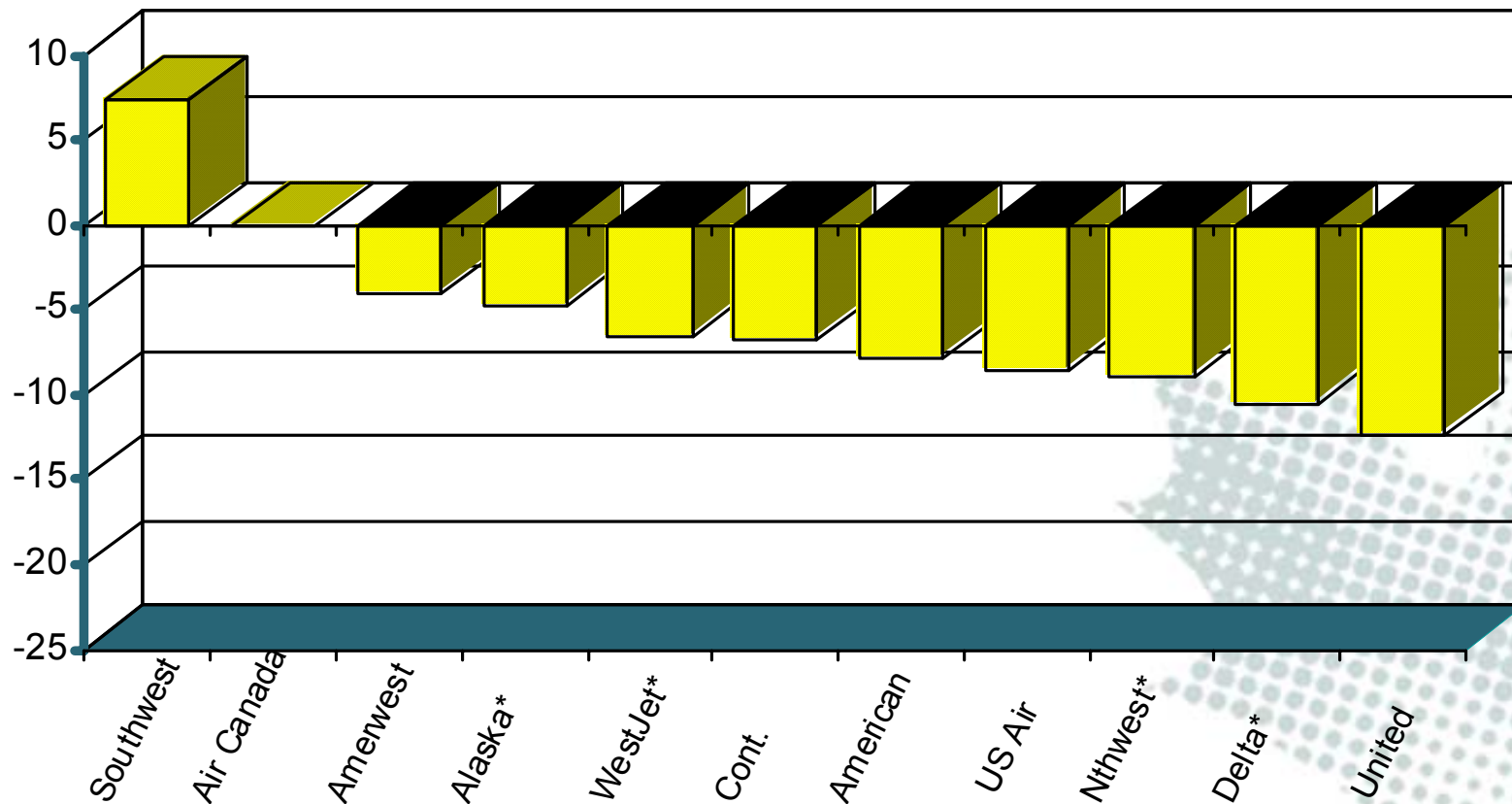
<i>(millions)</i>	<b>Q4 2004</b>	<b>Q4 2003</b>	<b>Change Fav./ (Unfav.)</b>
<b>Oper. Revenue</b>	\$2,062	\$1,977	\$ 85
<b>Oper. Expense</b>	2,065	2,054	(11)
<b>Oper. Income</b>	<b>(3)</b>	<b>(77)</b>	<b>74</b>
<b>Non-oper. Income (Expense)</b>	(67)	(132)	65
<b>Inc. (Loss) Before Reorg., FX &amp; Tax</b>	<b>(70)</b>	<b>(209)</b>	<b>139</b>
Reorganization Items	0	(560)	560
FX on LT Monetary Items	98	(7)	105
<b>Income (Loss) Before Tax</b>	<b>\$ 28</b>	<b>\$ (776)</b>	<b>\$ 804</b>

## Q4 Net Interest Expense Up \$32 Mln Due Reclass. of Some Operating Leases as Capital Leases

<i>(millions)</i>	Q4 2004	Change Fav./Unfav.)
<b>Net Interest Inc. (Exp.)</b>	\$ (47)	\$ (32)
<b>Loss on Sale</b>	0	118
<b>Other Non-Operating Inc. (Exp.)</b>	(20)	(21)
<b>Total Non-Operating Inc. (Exp.)</b>	<b>\$ (67)</b>	<b>\$ 65</b>

# Air Canada's Close to Breakeven Q4 Operating Results Almost at Top of North American Airlines

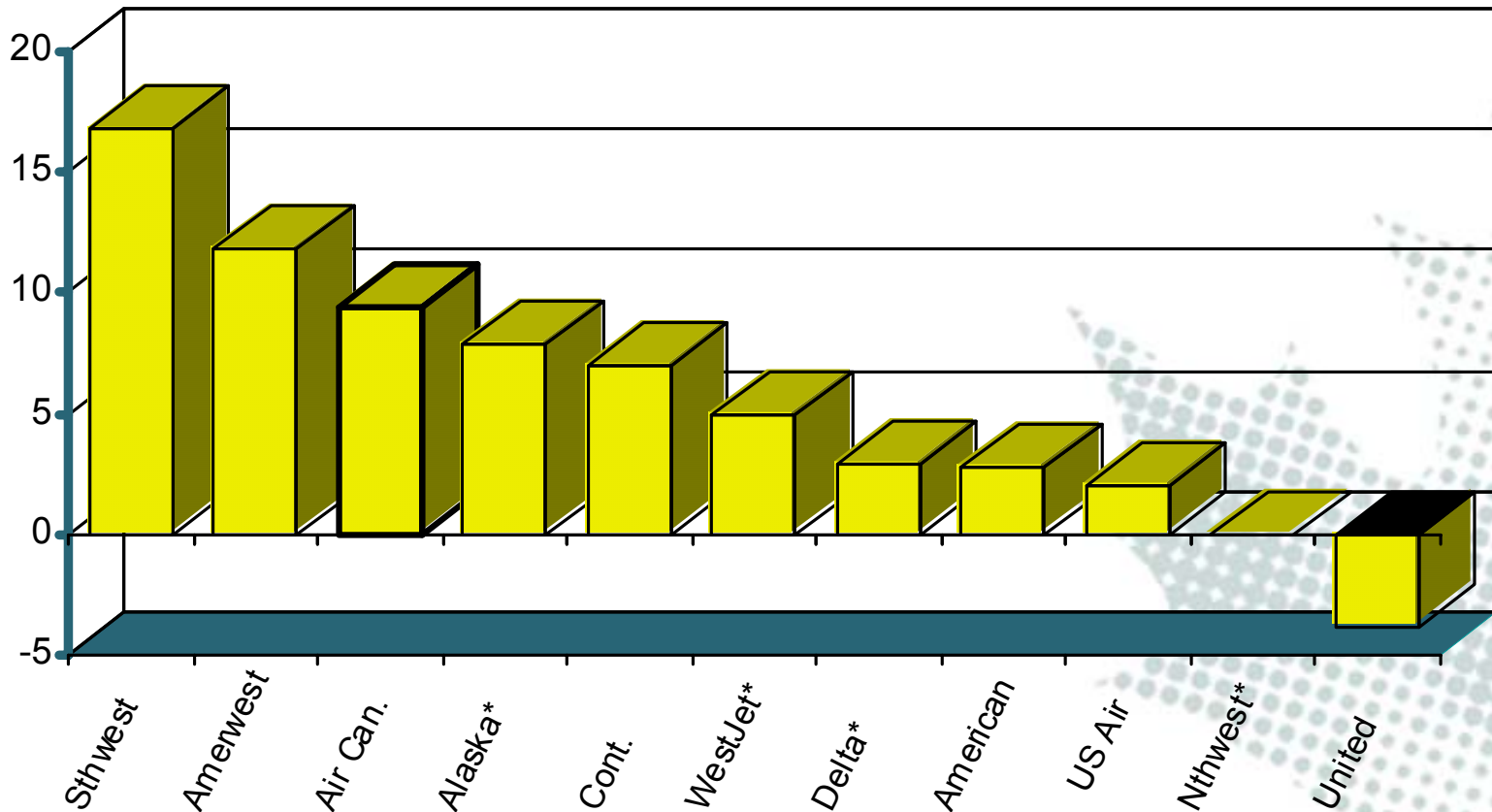
% Operating Margin



\* Adjusted for non recurring items

# Air Canada's Q4 EBITDAR Margin of 9.4% Also in Top Tier

% EBITDAR Margin



\* Adjusted for non recurring items

# Q4 2004

## Actual vs Prior Year (1)

### Mainline Operations

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↓ 9.0%	↑ 1.5%	↑ 8.1 PP	↓ 3.1%	↑ 8.1%	↓ 1.6%
US Transborder	↓ 15.4%	↓ 5.2%	↑ 7.5 PP	↓ 9.6%	↑ 1.3%	↓ 14.3%
Atlantic	↓ 3.7%	↓ 3.3%	↑ 0.3 PP	↑ 8.1%	↑ 8.6%	↑ 4.6%
Pacific	↑ 24.3%	↑ 22.9%	↓ 0.9 PP	↑ 9.7%	↑ 8.5%	↑ 34.9%
SPac/LA/Carib	↑ 15.7%	↑ 18.4%	↑ 1.6 PP	↑ 3.0%	↑ 5.4%	↑ 21.9%
<b>Total</b> (excluding Aeroplan)	↓ 1.8%	↑ 4.2%	↑ 4.4 PP	↓ 1.7%	↑ 4.3%	↑ 2.4%
<b>Total</b> (including Aeroplan) <sup>(2)</sup>	↓ 1.8%	↑ 4.2%	↑ 4.4 PP	↑ 1.0%	↑ 7.2%	↑ 5.2%
			<b>Total Expense*</b>			↑ 1.4%
			<b>Total CASM*</b>		↑ 3.2%	
			<b>Total Net CASM*</b>		↑ 2.5%	

- 1) Charter revenues and statistics are included in their respective services.  
 2) Beginning in Oct 2004, Aeroplan air redemption revenues are recorded in psgr. revenues. Previously, these revenues were recorded in incidental revenues.

\* Before reorganization items & FX on compromised debt.

# Year-to-Date December 2004

## Actual vs Prior Year (1)

### Mainline Operations

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↓ 3.4%	↑ 4.4%	↑ 5.8 PP	↓ 1.6%	↑ 6.3%	↑ 2.7%
US Transborder	↓ 9.0%	↓ 3.3%	↑ 4.1 PP	↓ 8.2%	↓ 2.5%	↓ 11.2%
Atlantic	↓ 4.5%	↓ 3.8%	↑ 0.6 PP	↑ 7.7%	↑ 8.5%	↑ 3.6%
Pacific	↑ 53.4%	↑ 60.5%	↑ 3.6 PP	↑ 5.8%	↑ 10.7%	↑ 70.0%
SPac/LA/Carib	↑ 28.9%	↑ 30.1%	↑ 0.6 PP	↓ 2.9%	↓ 2.0%	↑ 26.3%
<b>Total</b> (excluding Aeroplan)	↑ 4.7%	↑ 9.9%	↑ 3.7 PP	↓ 2.8%	↑ 2.1%	↑ 6.9%
<b>Total</b> (including Aeroplan) (2)	↑ 4.7%	↑ 9.9%	↑ 3.7 PP	↓ 2.3%	↑ 2.6%	↑ 7.4%
			<b>Total Expense*</b>			↓ 2.8%
			<b>Total CASM*</b>		↓ 7.2%	
			<b>Total Net CASM*</b>		↓ 8.6%	

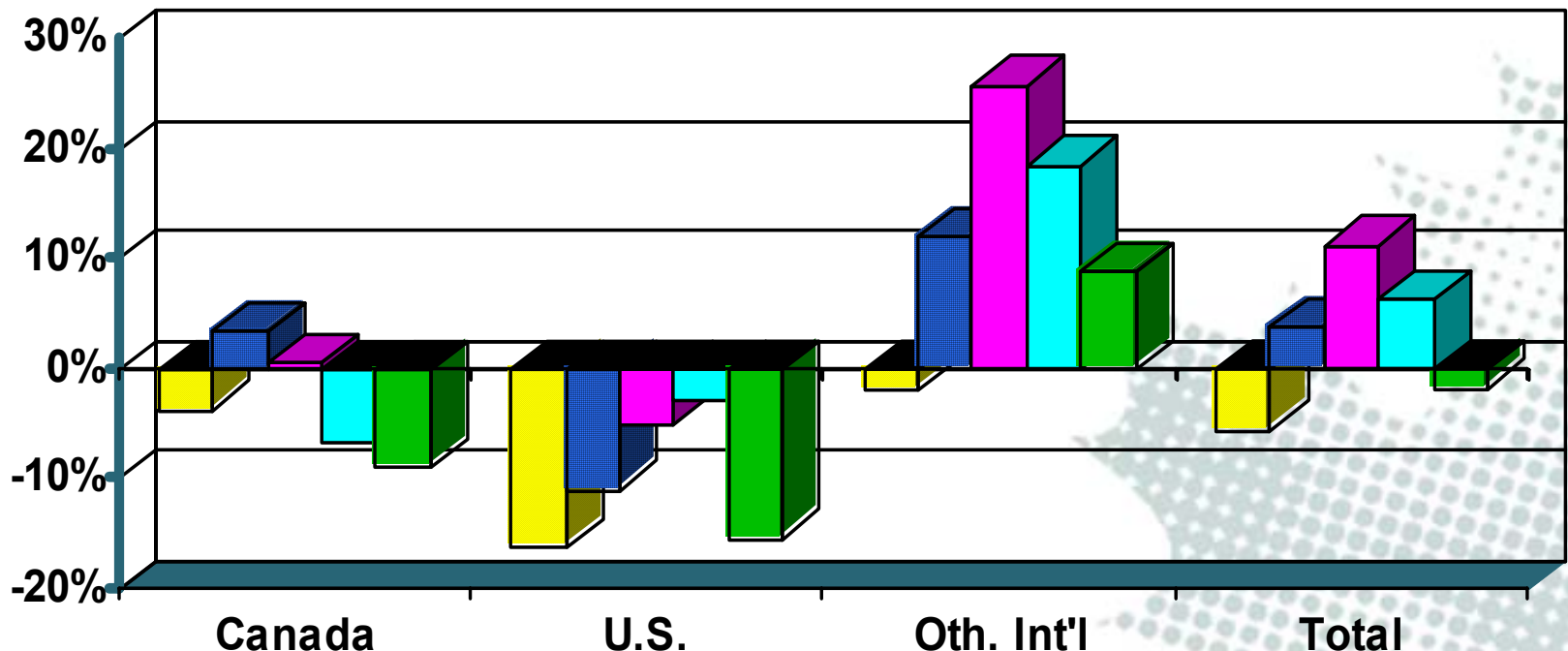
- 1) Charter revenues and statistics are included in their respective services.  
 2) Beginning in Oct 2004, Aeroplan air redemption revenues are recorded in psgr. revenues. Previously, these revenues were recorded in incidental revenues.  
 \* Before reorganization items & FX on compromised debt.



# Canada Capacity Cut With Elimination of 737 Fleet. Int'l Expands Post SARS & with Latin America

(Y-O-Y Changes in Mainline Capacity)

% Change in ASMs

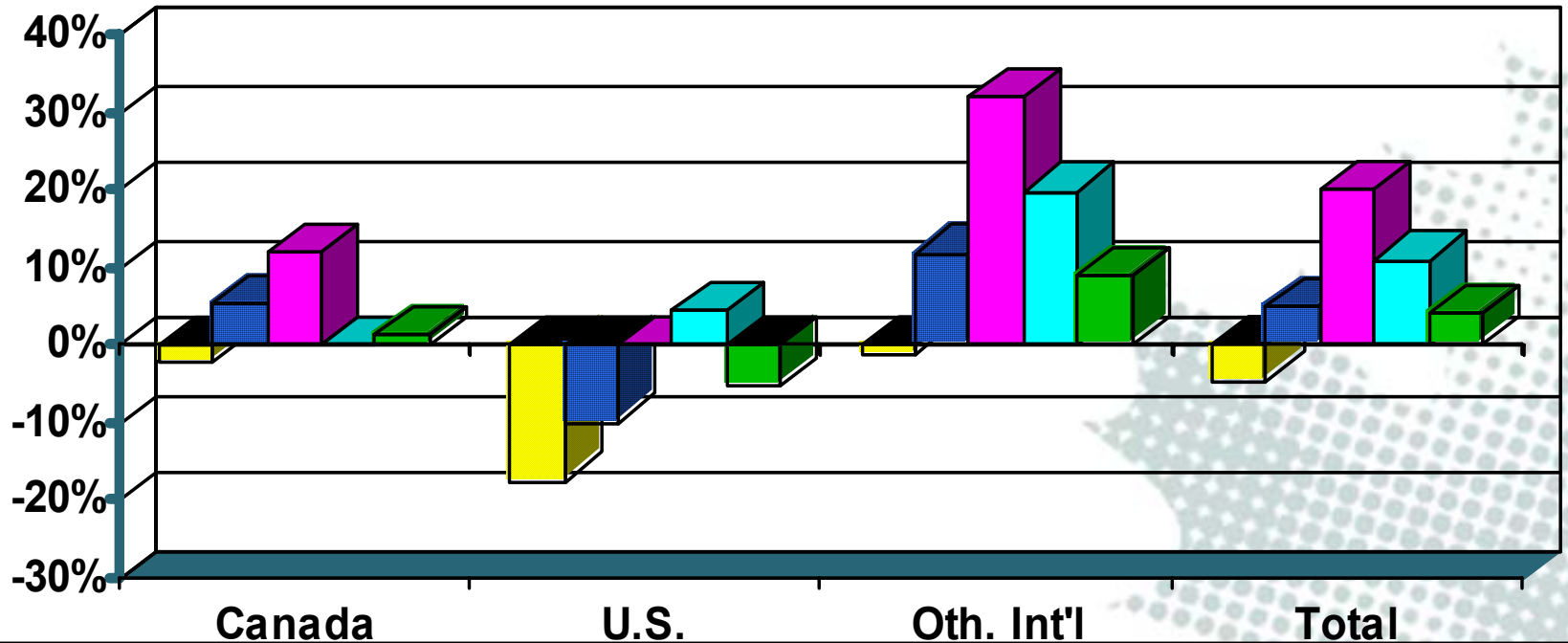


■ Q4 2003/2002 ■ Q1 2004/2003 ■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003

# Dom. Traffic Continues to Grow Despite Capacity Reduction. International Remains Very Strong

(Y-O-Y Changes in Mainline Traffic)

% Change in RPMs

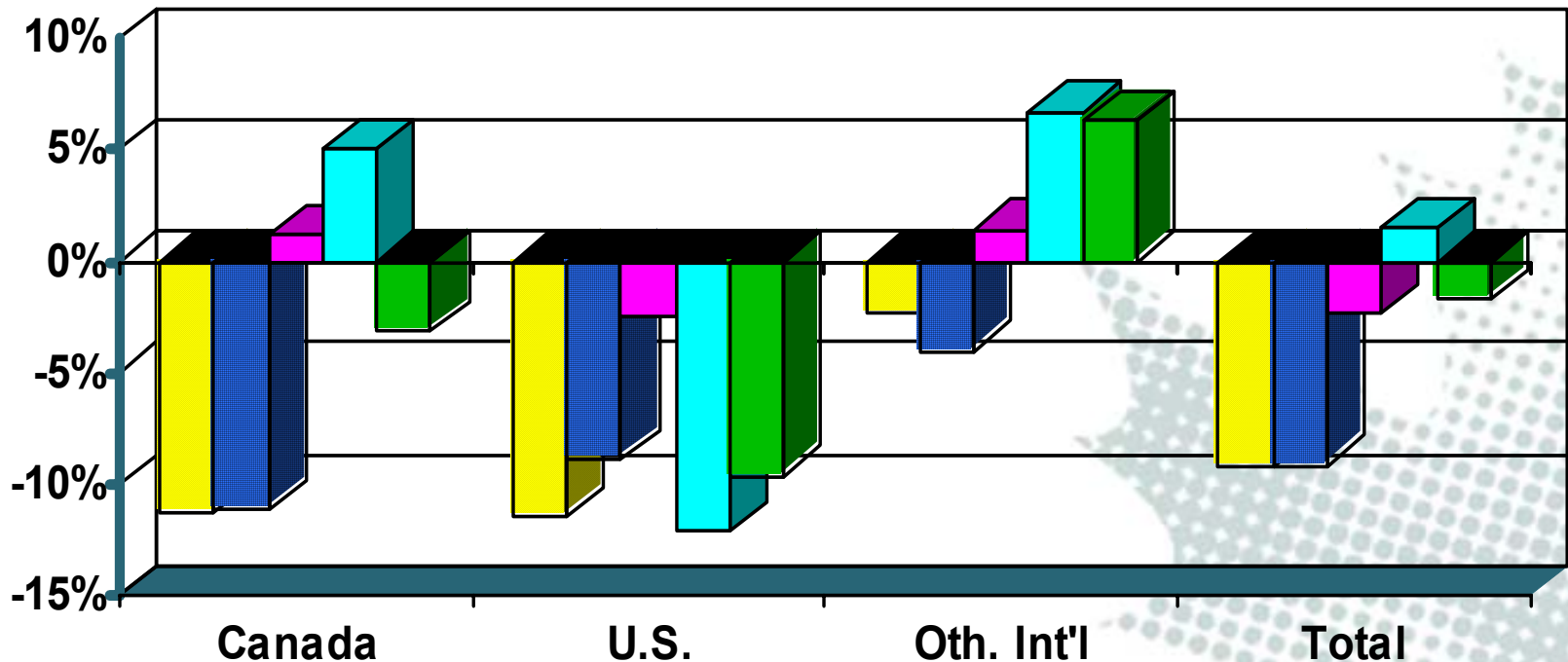


■ Q4 2003/2002  
 ■ Q1 2004/2003  
 ■ Q2 2004/2003  
 ■ Q3 2004/2003  
 ■ Q4 2004/2003

# Weak North America Yields Pull Down System Average

(Y-O-Y Changes in Mainline Passenger Yield)

% Change in Yield

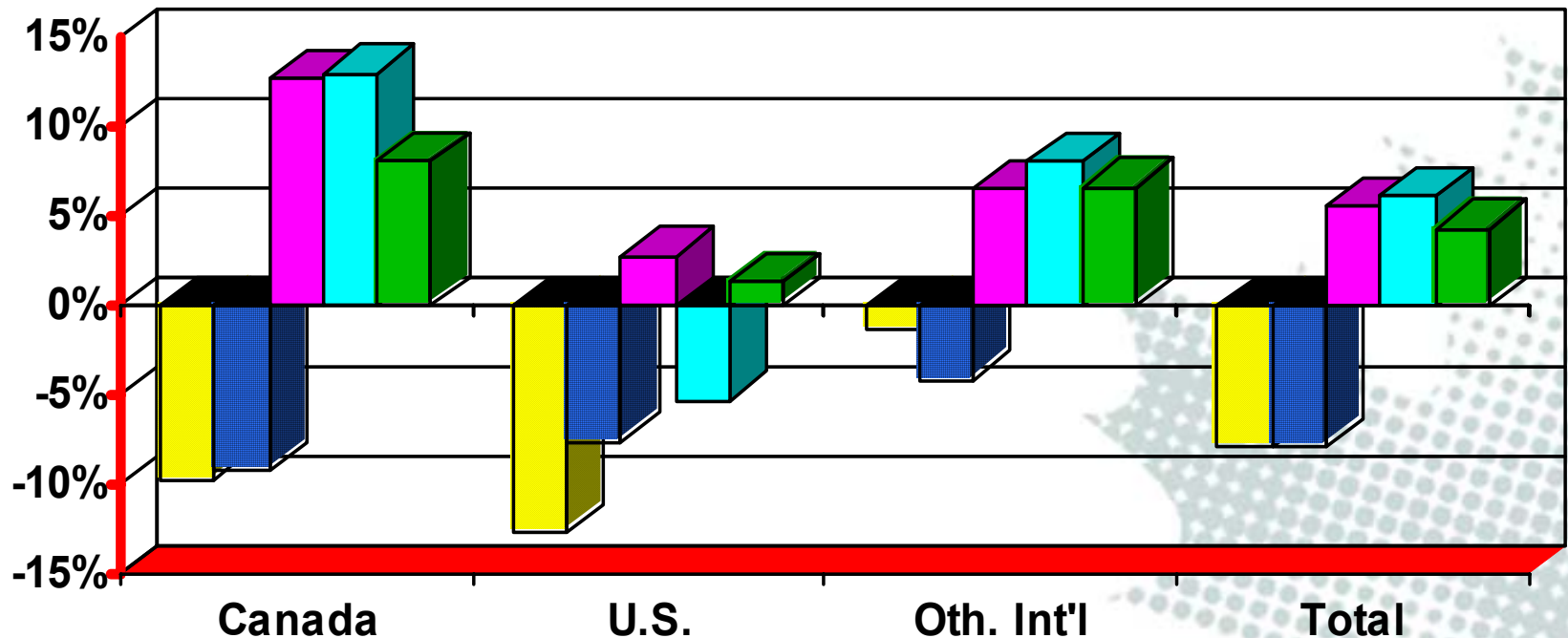


■ Q4 2003/2002 ■ Q1 2004/2003 ■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003

# RASMs in All Markets Are Up as Much Higher Load Factors Push Up Unit Revenue

(Y-O-Y Changes in Mainline Revenue per ASM)

% Change in RASM

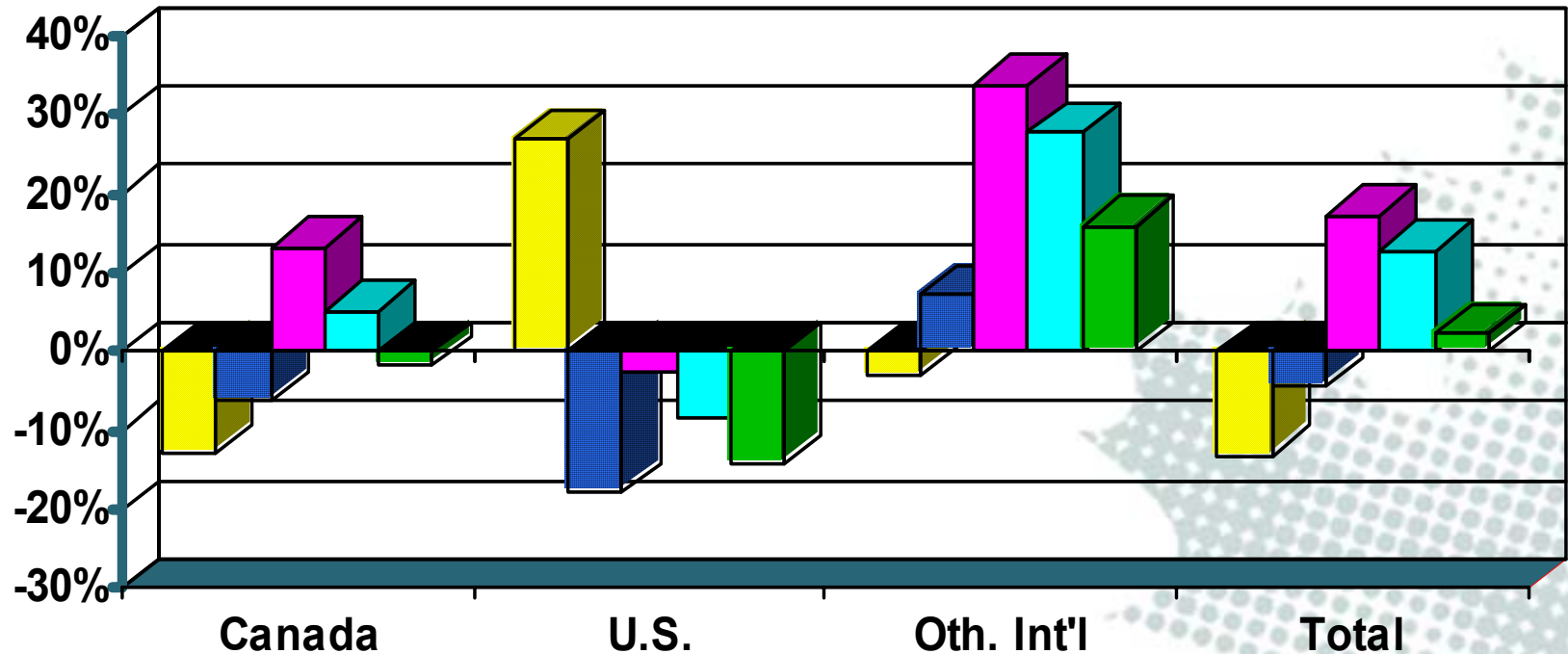


■ Q4 2003/2002 ■ Q1 2004/2003 ■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003

# Strong Intn'l Rev. More Than Offset Transborder Decline and Lower Mainline Dom. (reflects shift to Jazz)

(Y-O-Y Changes in Mainline Passenger Revenue)

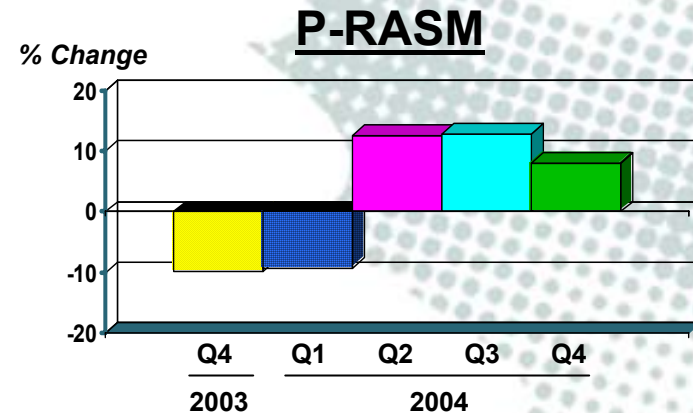
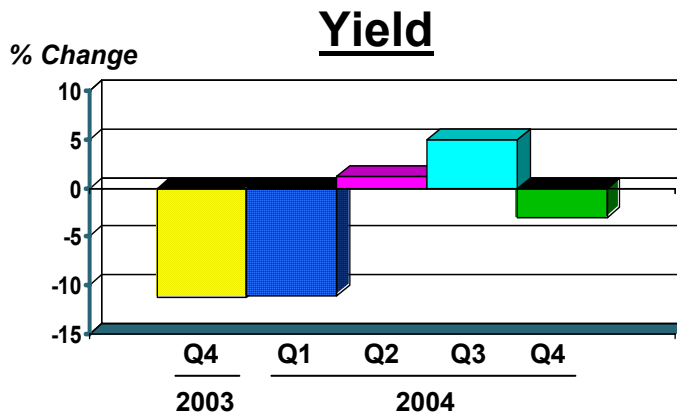
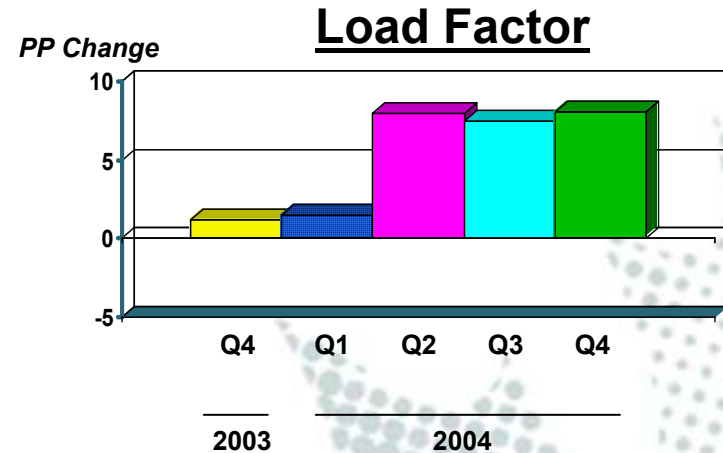
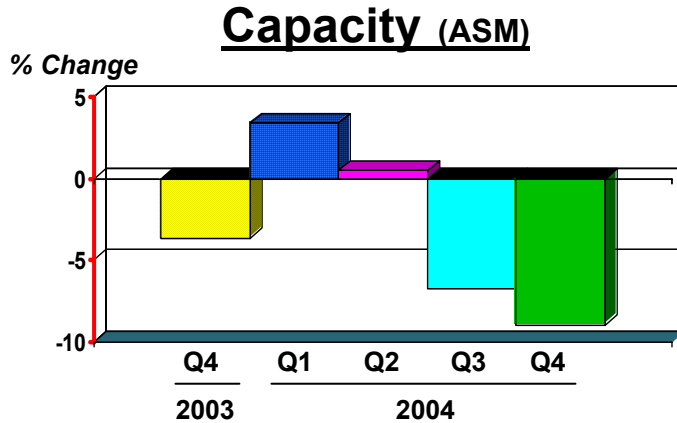
% Change in Revenue



■ Q4 2003/2002 ■ Q1 2004/2003 ■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003

# Canada – Q4 RASM Increased Sharply Due 8 PP LF Improvement Following Capacity Reduction

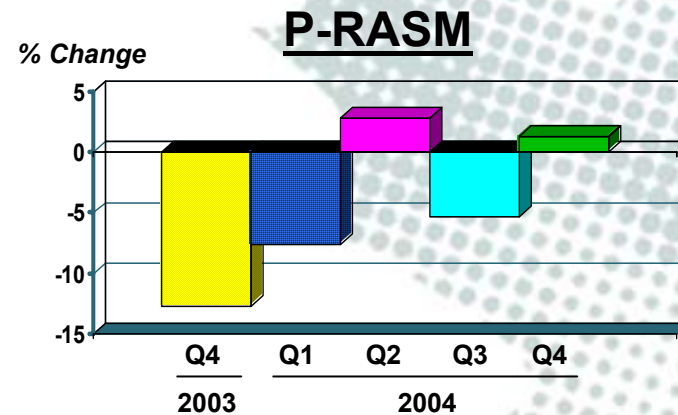
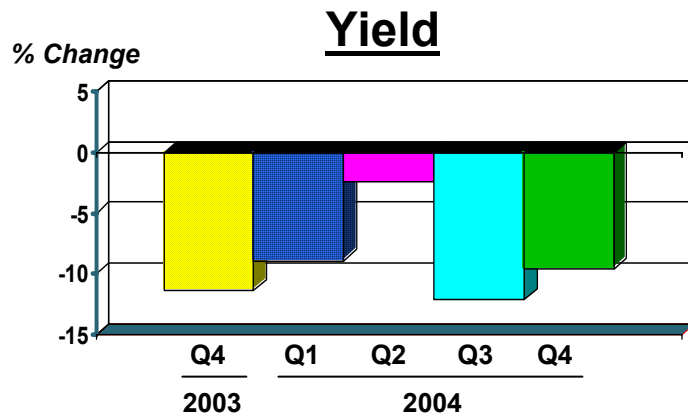
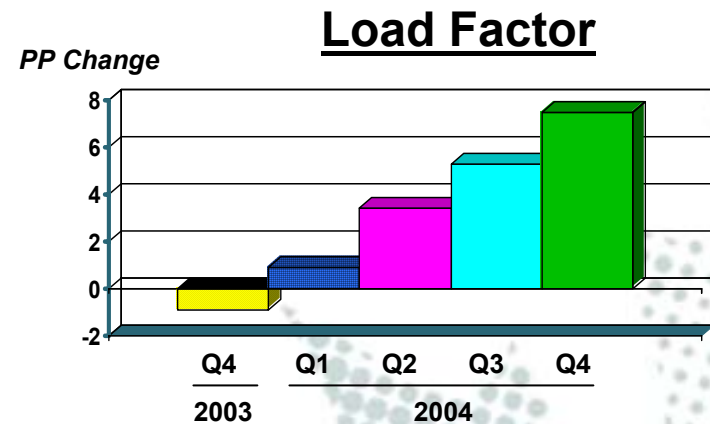
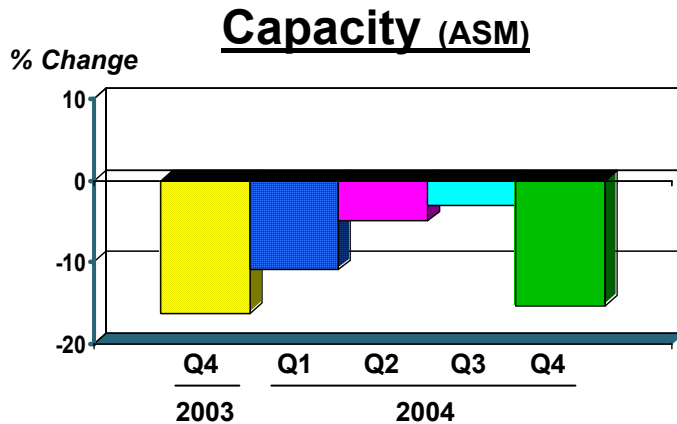
## Y-O-Y Change



\*Mainline excluding Jazz

# US Transborder\* – 15.4% Capacity Cut Drives Load Factor and RASM Up

## Y-O-Y Change

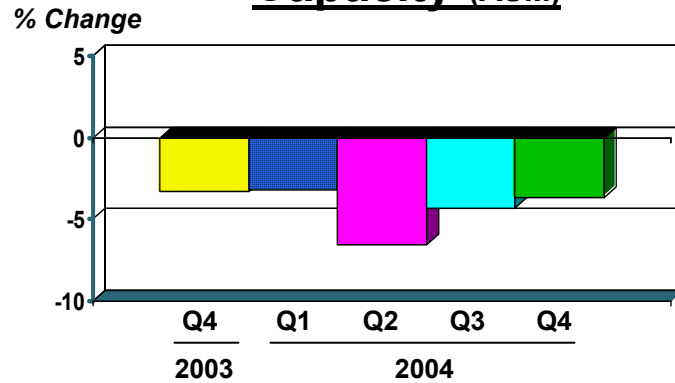


\*Mainline excluding Jazz

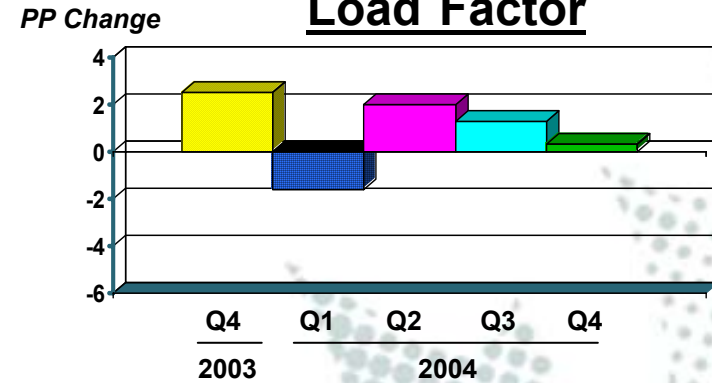
# Atlantic – Strong Pricing Pushes RASM Up 8.6%

## Y-O-Y Change

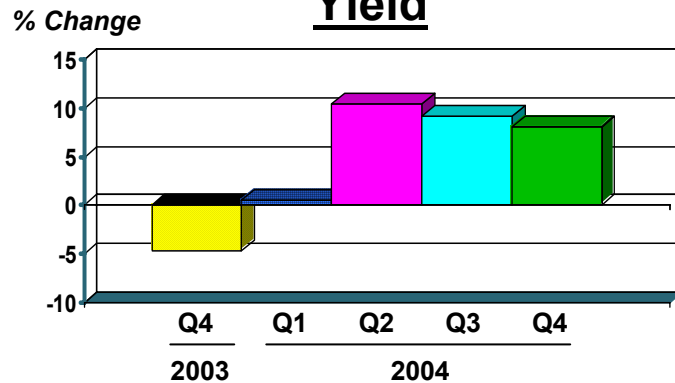
### Capacity (ASM)



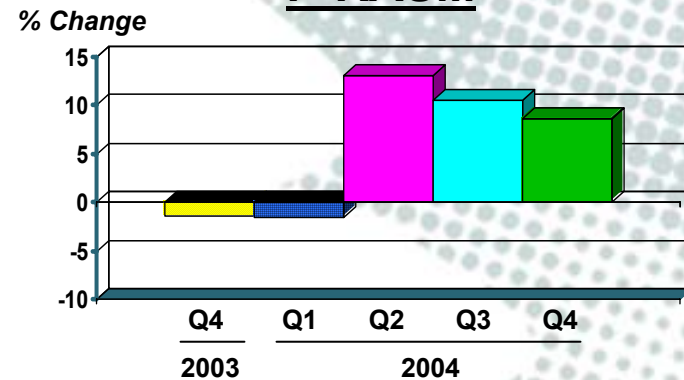
### Load Factor



### Yield



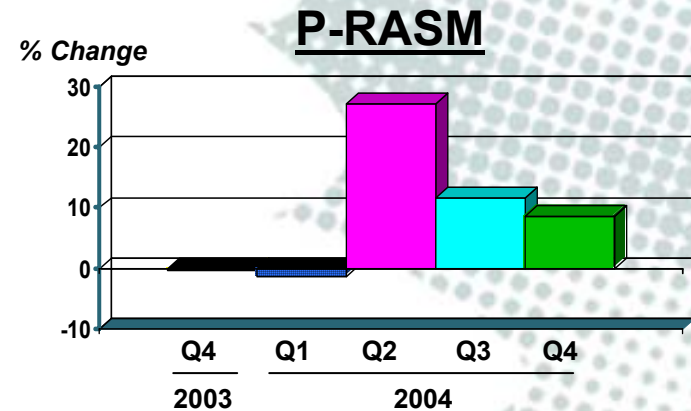
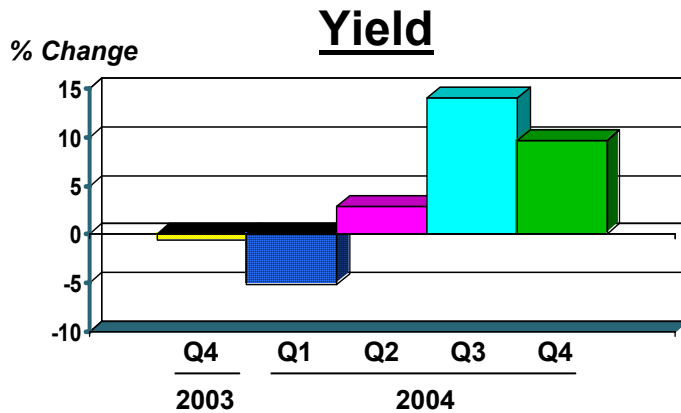
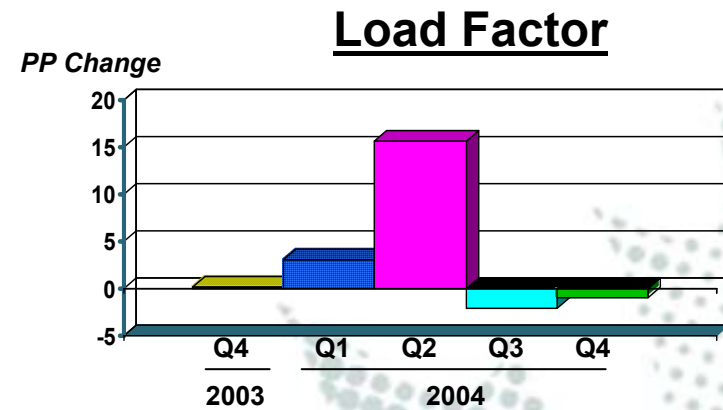
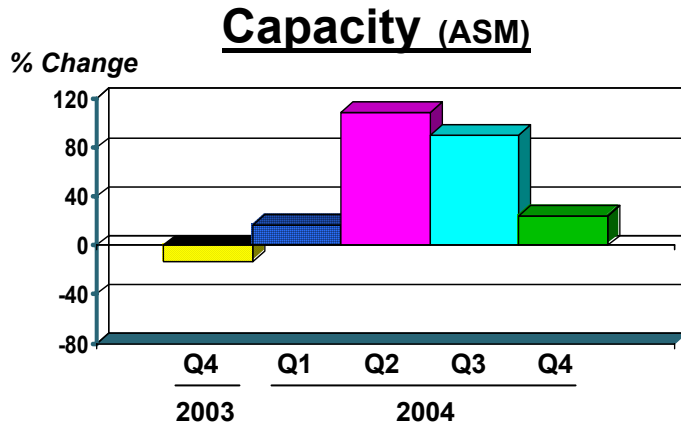
### P-RASM





# Pacific – Strong Pricing Also Pushes Pacific RASM Up

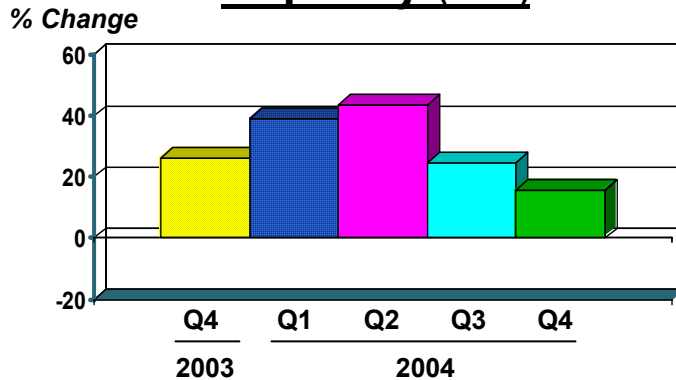
## Y-O-Y Change



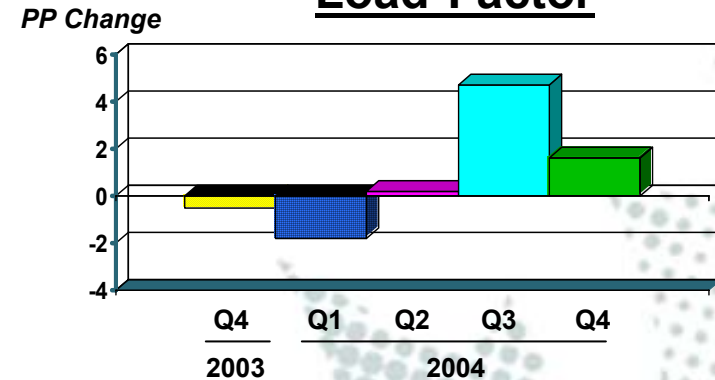
# Caribbean, Latin America & Australia – Higher LF and Yield Pushes RASM Up

## Y-O-Y Change

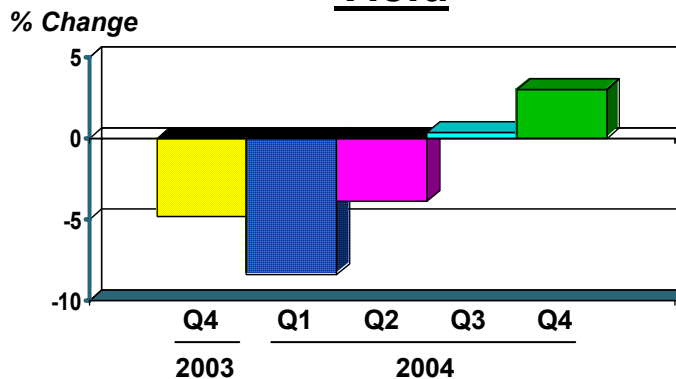
### Capacity (ASM)



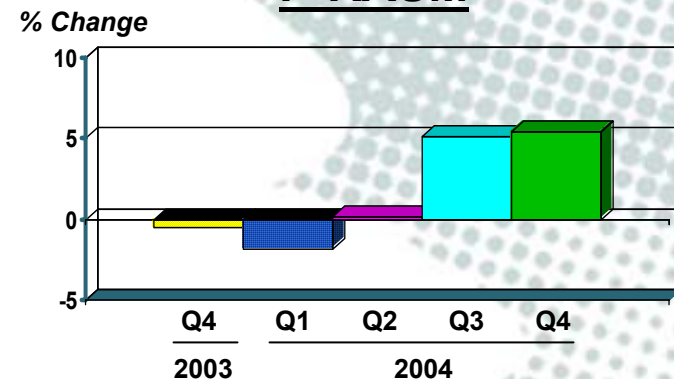
### Load Factor



### Yield

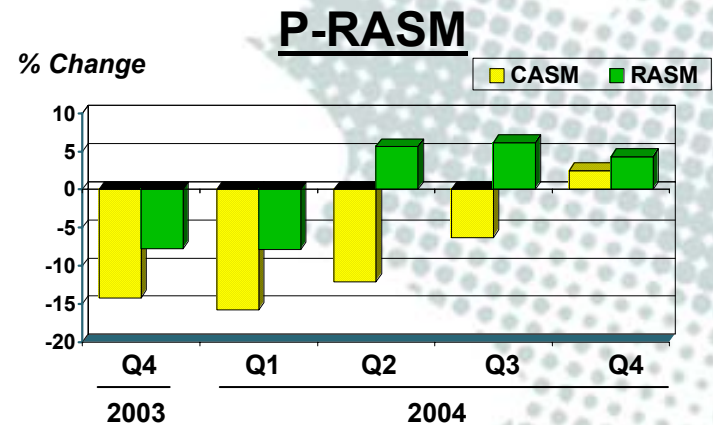
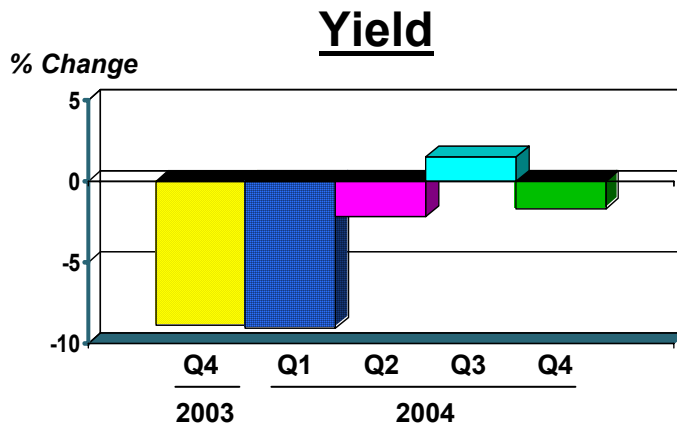
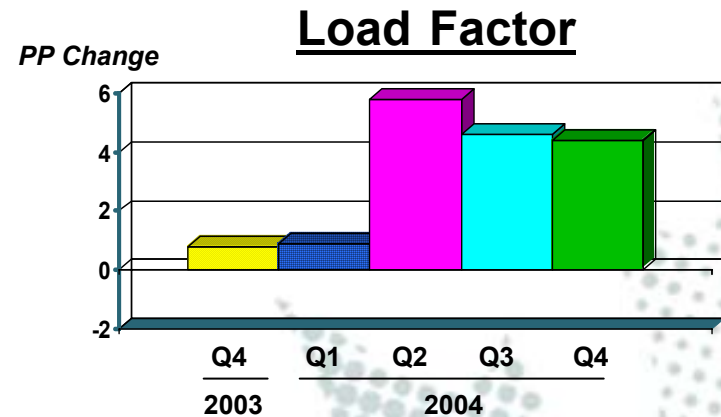
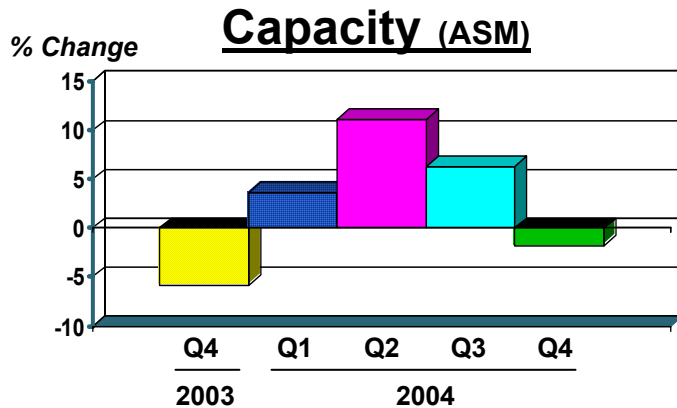


### P-RASM



# Total\* – Strong Traffic on Reduced Capacity Pushes Up Load Factor and RASM

## Y-O-Y Change

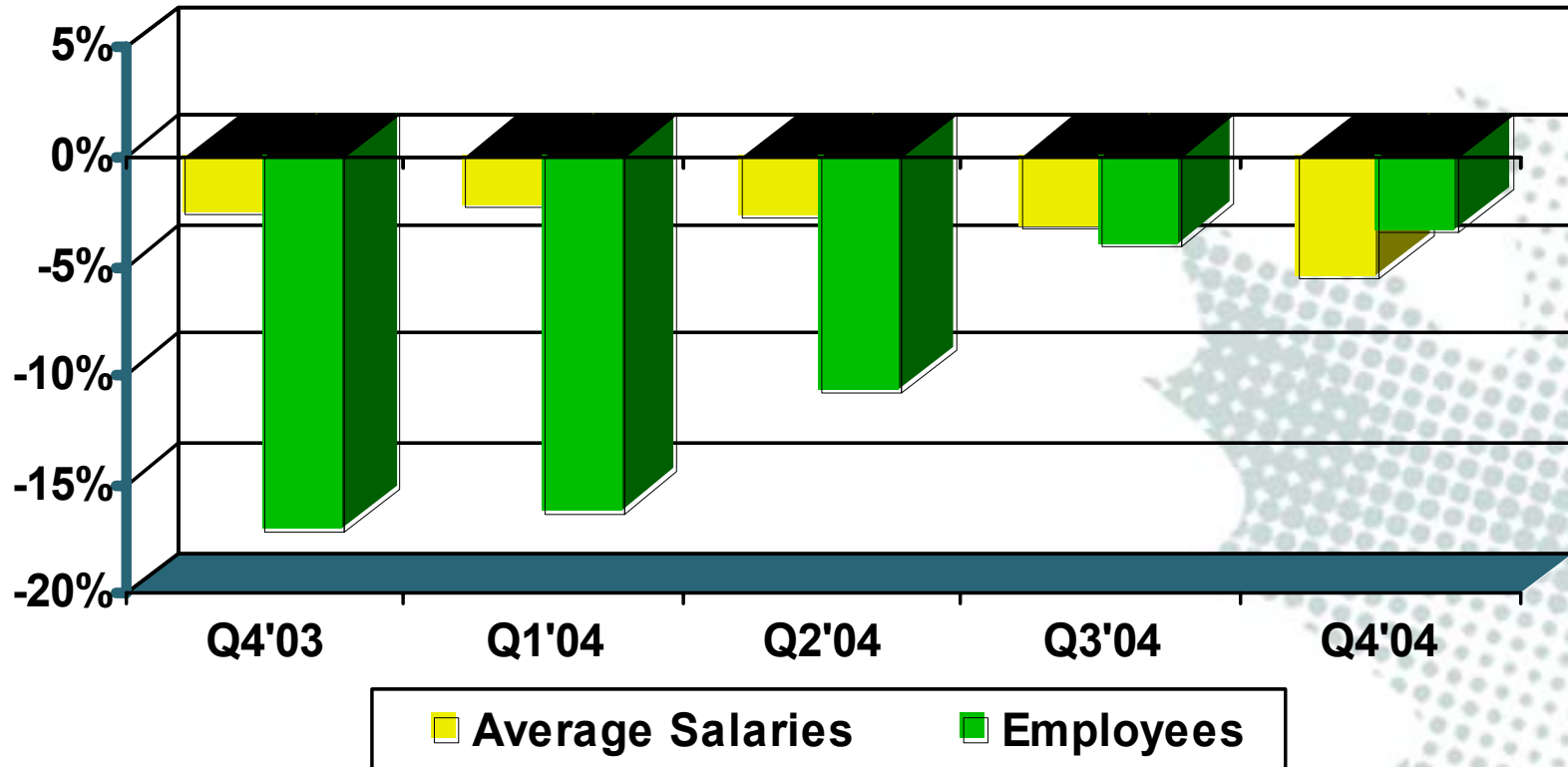


\*Mainline excluding Jazz

# Average Salary Down 5.5%, Employee Levels Down 1,001 or 3.4%

(Y-O-Y Change – Average Salaries \* & Employees\*)

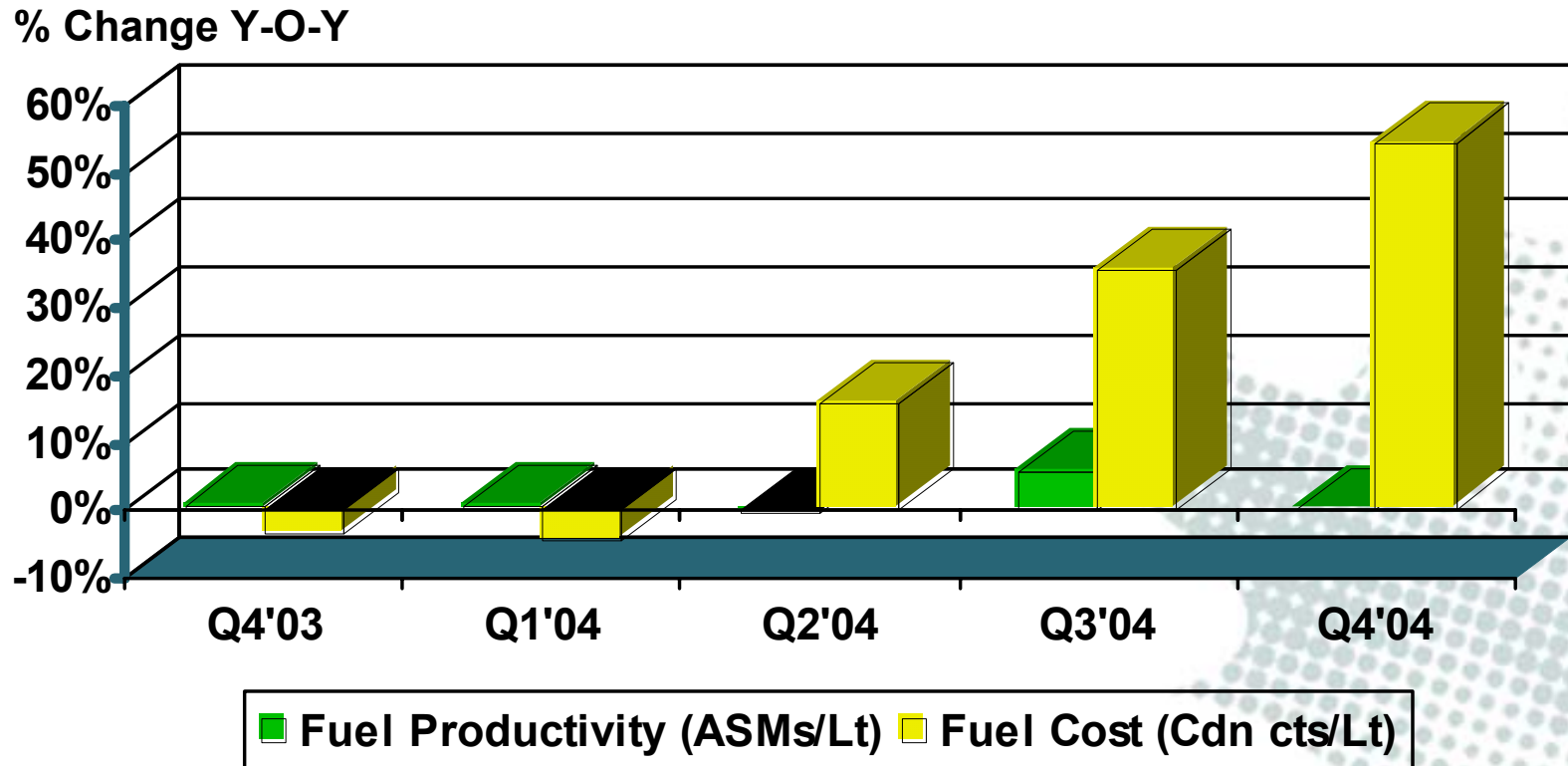
% Change Y-O-Y



\*Mainline

# Mainline Cost Per Litre Up 54.4% While Productivity Was Unchanged

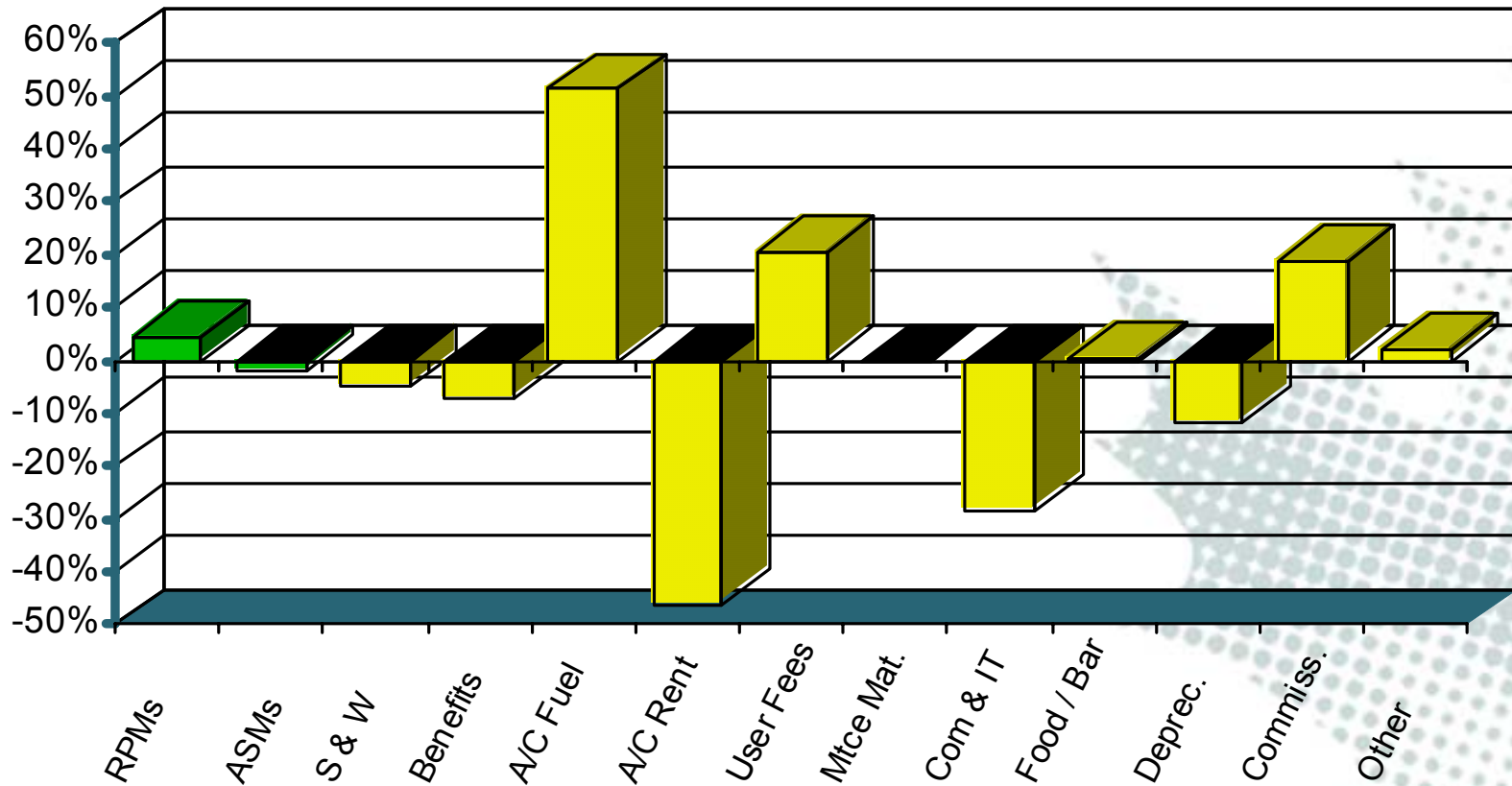
(Fuel Productivity\* & Unit Cost\*)



\*Mainline

# Addit. Mtce Mats. for 3<sup>rd</sup> Party Work + Various Items More Than Offset Exp. Reduc. in the "Other" Cat.

## % Change Y-O-Y

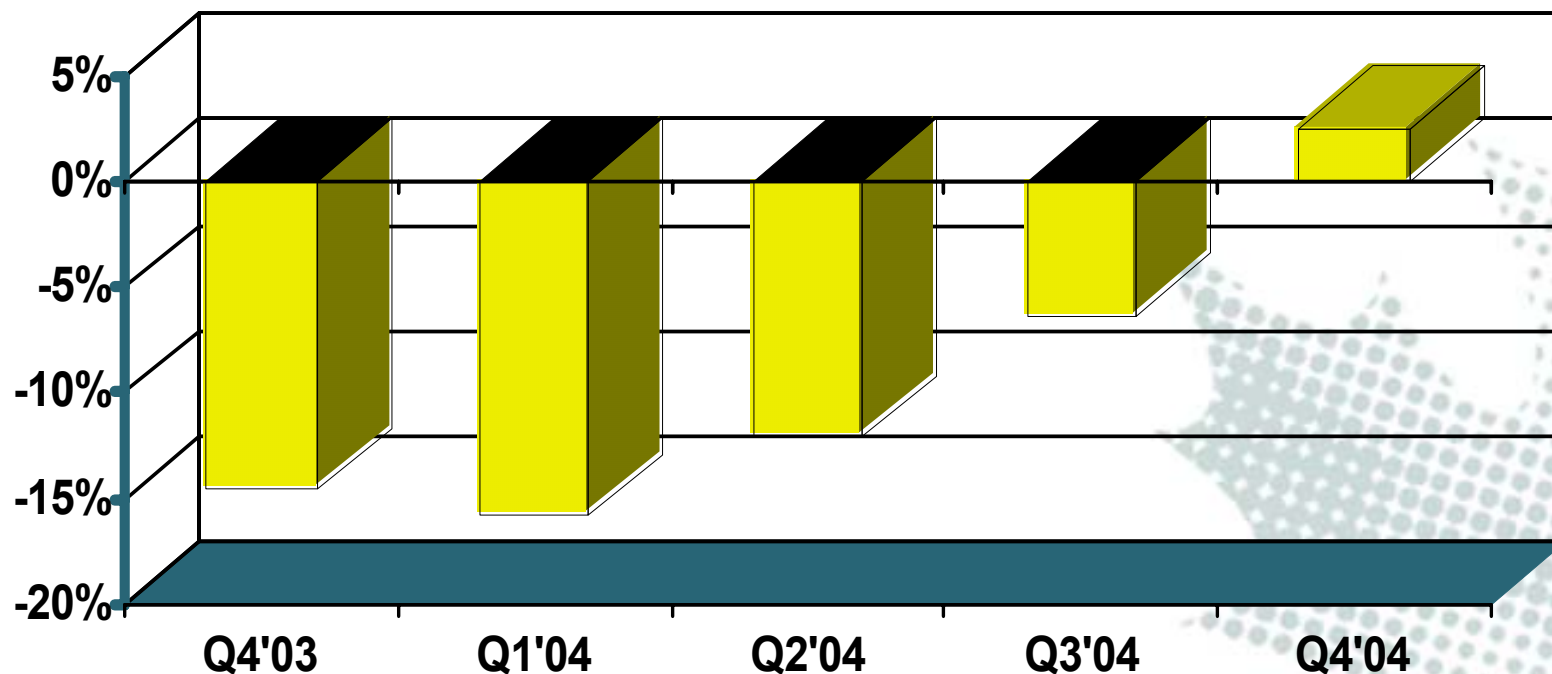


**Q4 2004/2003**

# Net Unit Cost Up 2.5% Due Record Fuel Prices, Down 8.7% Excluding Fuel

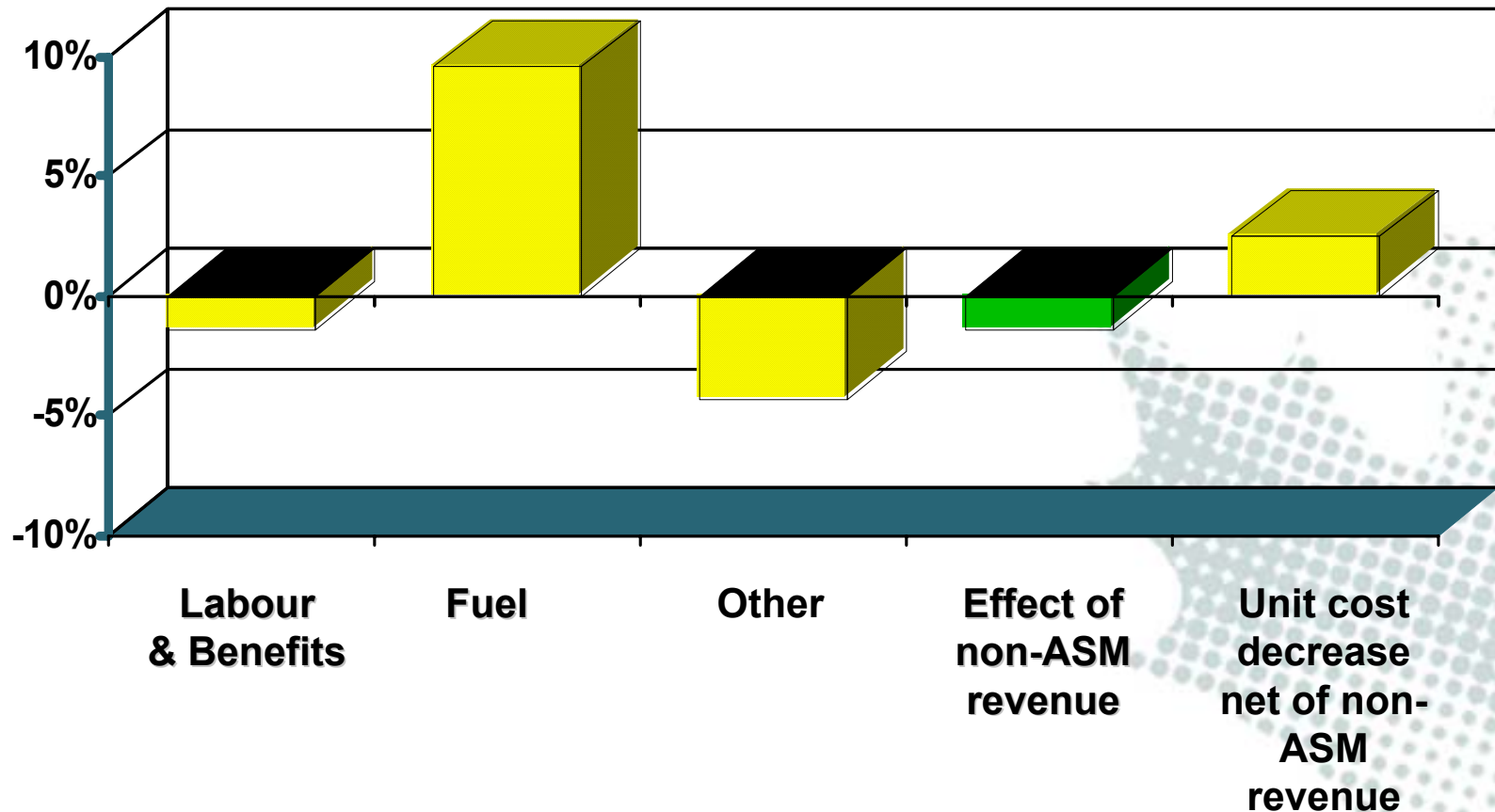
(Cost Per ASM\*)

% Change Y-O-Y



\*Mainline, adjusted for non-ASM revenue

# Extremely High Fuel Prices Offset Improvements in Most Categories



Mainline



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Certain statements made in this presentation may be of a forward-looking nature and subject to important risks and uncertainties. The results indicated in these statements could differ materially from actual results for a number of reasons, including without limitation, general industry, market and economic conditions, the ability to reduce operating costs, employment relations, energy prices, currency exchange rates, interest rates, changes in laws, adverse regulatory developments or proceedings and pending litigation. Any forward-looking statements contained in this presentation represent Air Canada's expectations as of March 8, 2005 and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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