

Second Quarter 2005

Preliminary & Unaudited

August 4, 2005

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ACE Operating Results Improve By \$155 Million

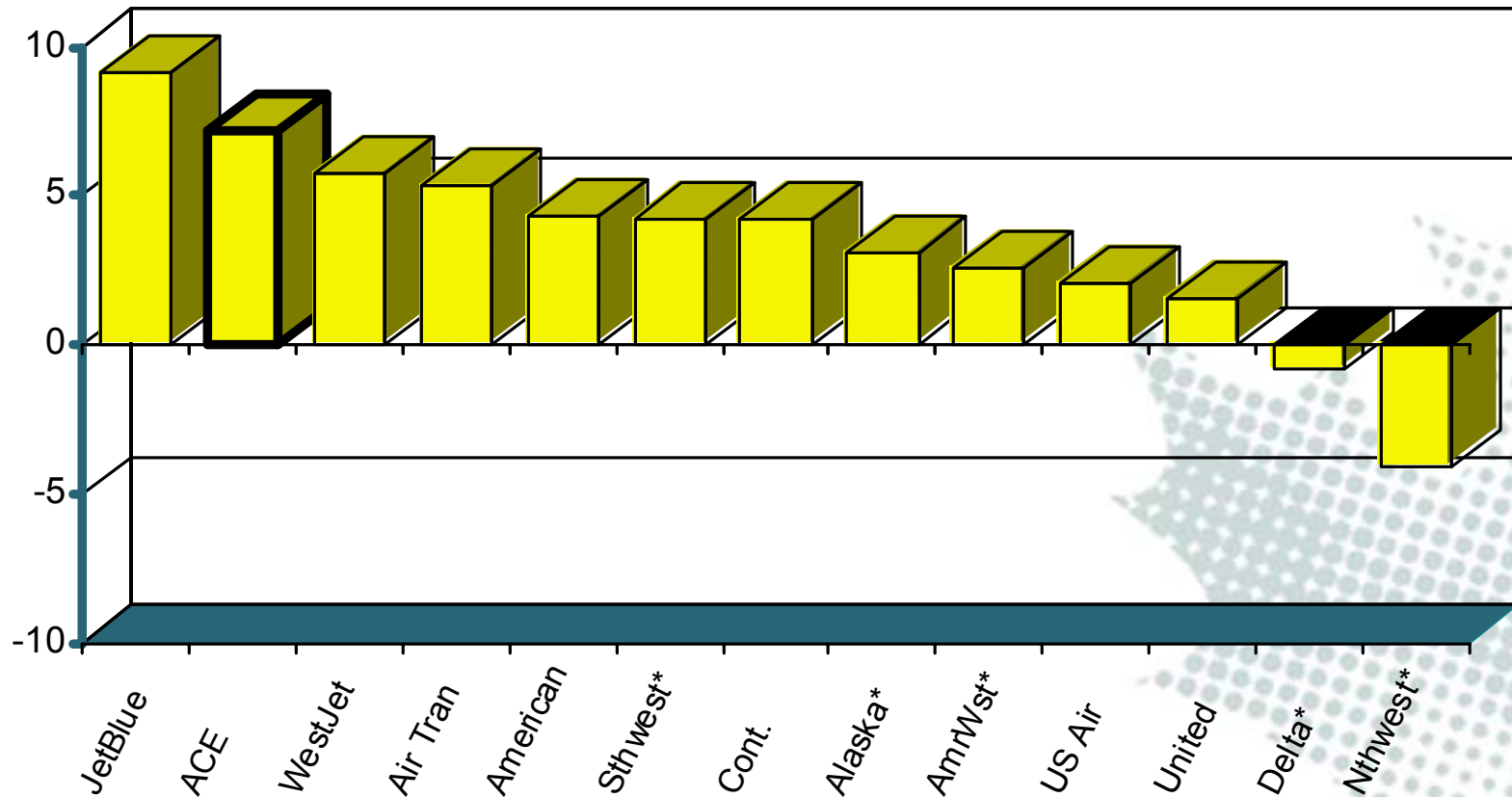
Consolidated (millions)	Q2 2005	Q2 2004	Change Fav./Unfav.)
Oper. Revenue	\$2,458	\$ 2,221	\$ 237
Oper. Expense	2,281	2,199	(82)
Oper. Income	177	22	155
Non-oper. Income (Expense)	100	(72)	172
Inc. (Loss) Before Reorg., FX & Tax	277	(50)	327
Reorganization Items	0	(426)	426
FX Loss	(53)	(34)	(19)
Income (Loss) Before Tax	\$ 224	\$ (510)	\$ 734

Q2 Non-Op Favourable Due \$190 mln Dilution Gain on 14.4% Divestiture of Aeroplan

<i>(millions)</i>	Q2 2005	Change Fav./((Unfav.)
Net Interest Inc. (Exp.)	\$ (59)	\$ 1
Gain (Loss) on Sale	190	200
Non-Controlling Interest	(4)	(4)
Other Non-Operating Inc. (Exp.)	(27)	(25)
Total Non-Operating Inc. (Exp.)	\$ 100	\$ 172

ACE's Q2 Operating Margin Close to Top of North American Carriers

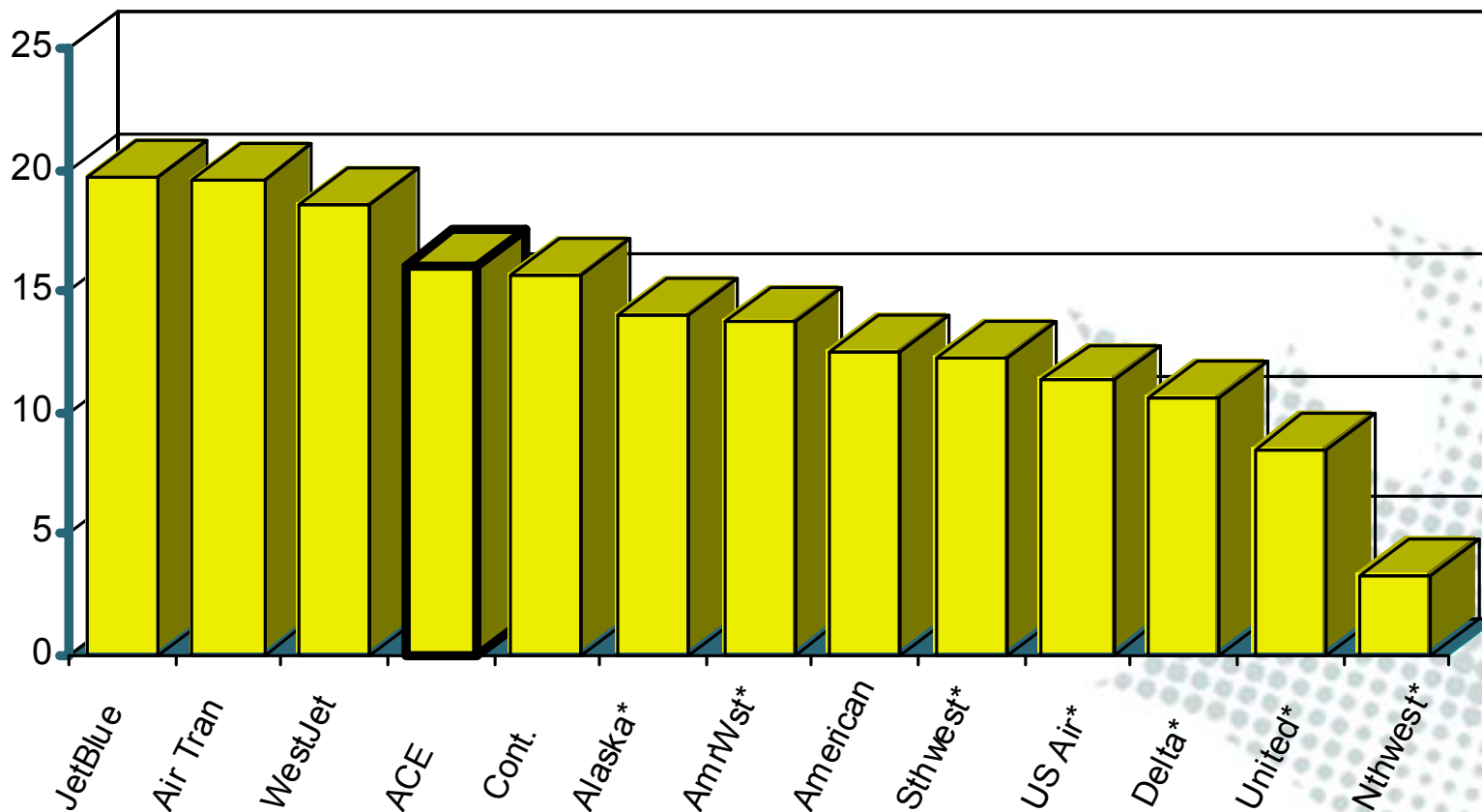
% Operating Margin



* Adjusted for non recurring & special items

ACE's Q2 EBITDAR Margin of 16.0% Also Close to Top

% EBITDAR Margin



* Adjusted for non recurring & special items

Q2 2005*

Actual vs Prior Year (1)

Mainline Operations

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↑ 0.5%	↑ 4.7%	↑ 3.3 PP	↑ 2.3%	↑ 6.6%	↑ 7.1%
US Transborder	↓ 1.7%	↑ 7.9%	↑ 6.5 PP	↓ 0.8%	↑ 8.8%	↑ 7.0%
Atlantic	↑ 7.6%	↑ 7.5%	↓ 0.1 PP	↑ 2.9%	↑ 2.7%	↑ 10.5%
Pacific	↑ 3.8%	↑ 3.8%	0.0 PP	↑ 7.1%	↑ 7.1%	↑ 11.2%
Latin Amer. & Other	↑ 13.2%	↑ 12.0%	↓ 0.7 PP	0.0%	↓ 1.0%	↑ 12.0%
Total (excluding Aeroplan)	↑ 3.6%	↑ 6.3%	↑ 2.1 PP	↑ 2.3%	↑ 5.0%	↑ 8.7%
Total (including Aeroplan)	↑ 3.6%	↑ 6.3%	↑ 2.1 PP	↑ 6.5%	↑ 9.3%	↑ 13.1%
						↑ 4.0%
					↑ 0.4%	
					↓ 7.6%	

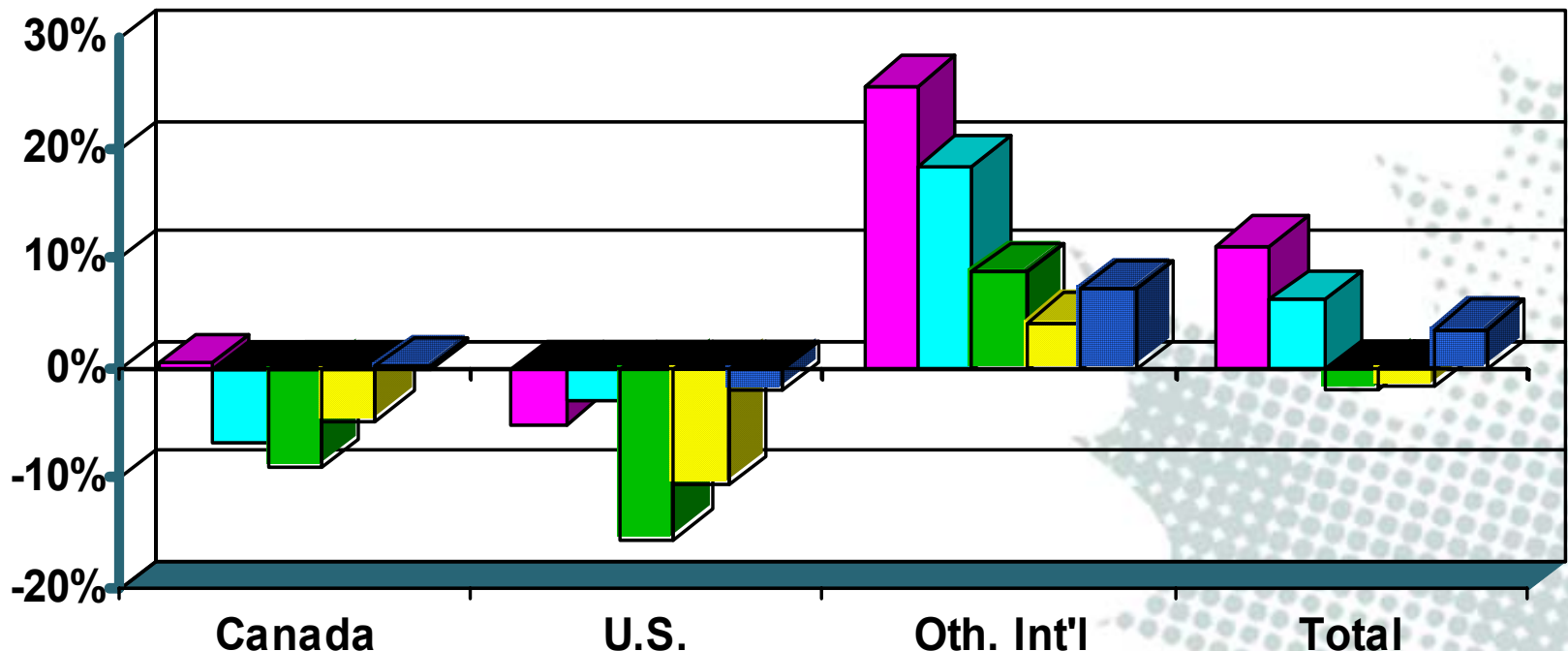
* Preliminary and subject to change.

1) Beginning in Oct 2004, Aeroplan air redemption revenues are recorded in psgr. revenues. Previously, these revenues were recorded in incidental revenues.

Essentially Flat North Amer. Capacity – Int'l Expansion Driven by Atlantic and Latin America

(Y-O-Y Changes in Mainline Capacity)

% Change in ASMs

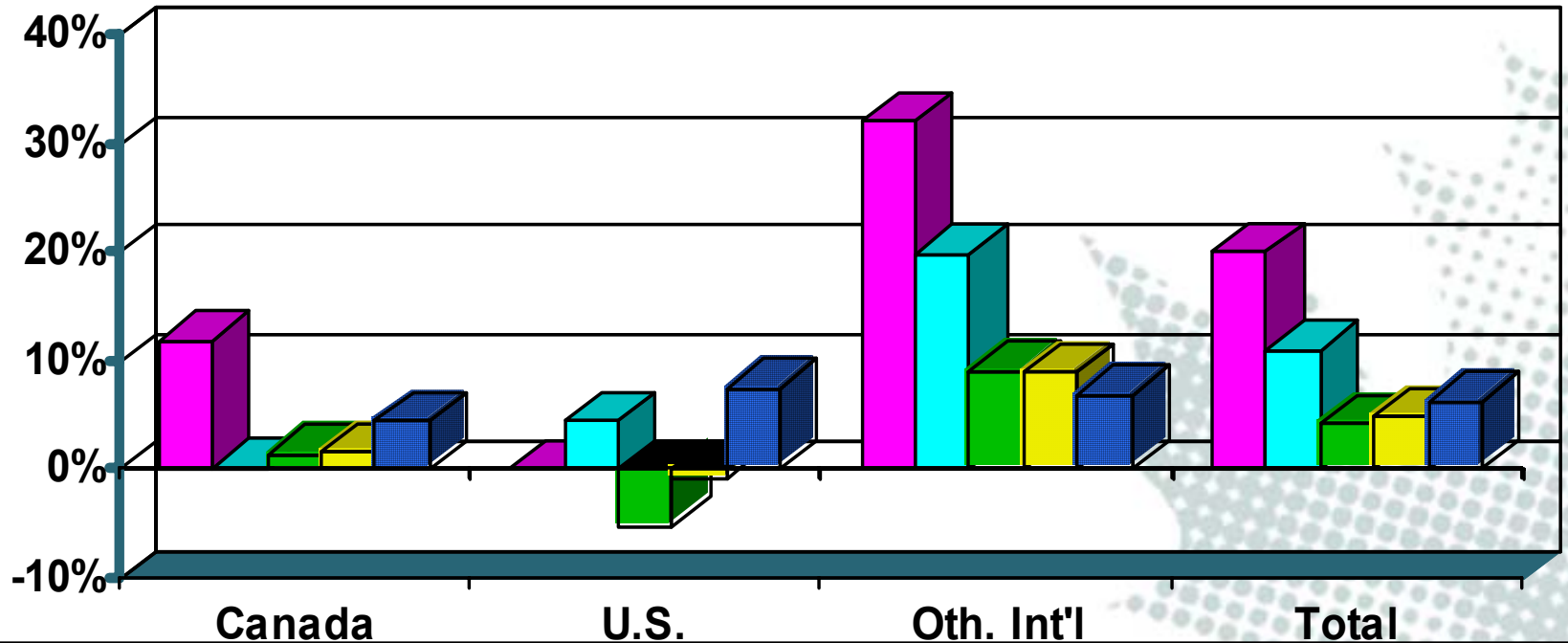


■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003 ■ Q1 2005/2004 ■ Q2 2005/2004

Domestic Traffic Accelerates Growth – International Remains Very Strong

(Y-O-Y Changes in Mainline Traffic)

% Change in RPMs

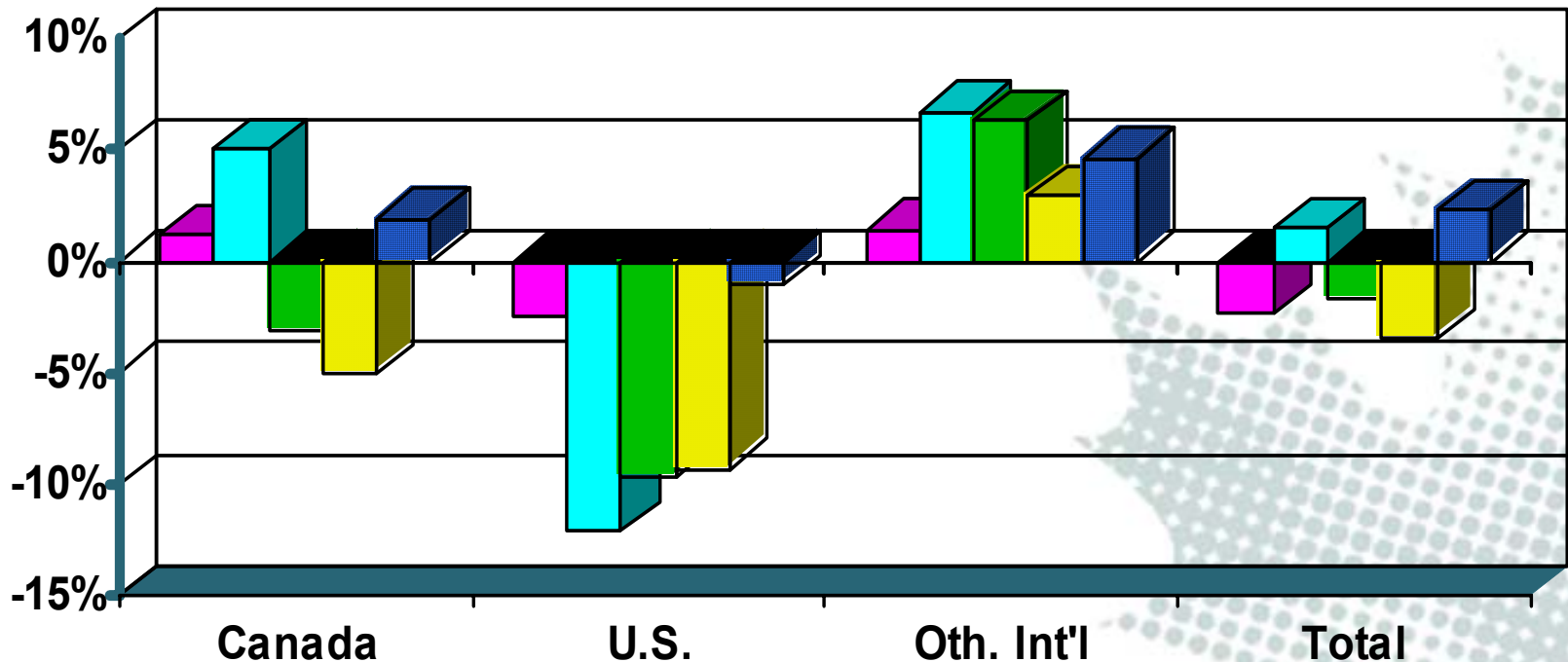


■ Q2 2004/2003
 ■ Q3 2004/2003
 ■ Q4 2004/2003
 ■ Q1 2005/2004
 ■ Q2 2005/2004

Greatly Improved North America Yields Lift System Average

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

% Change in Yield

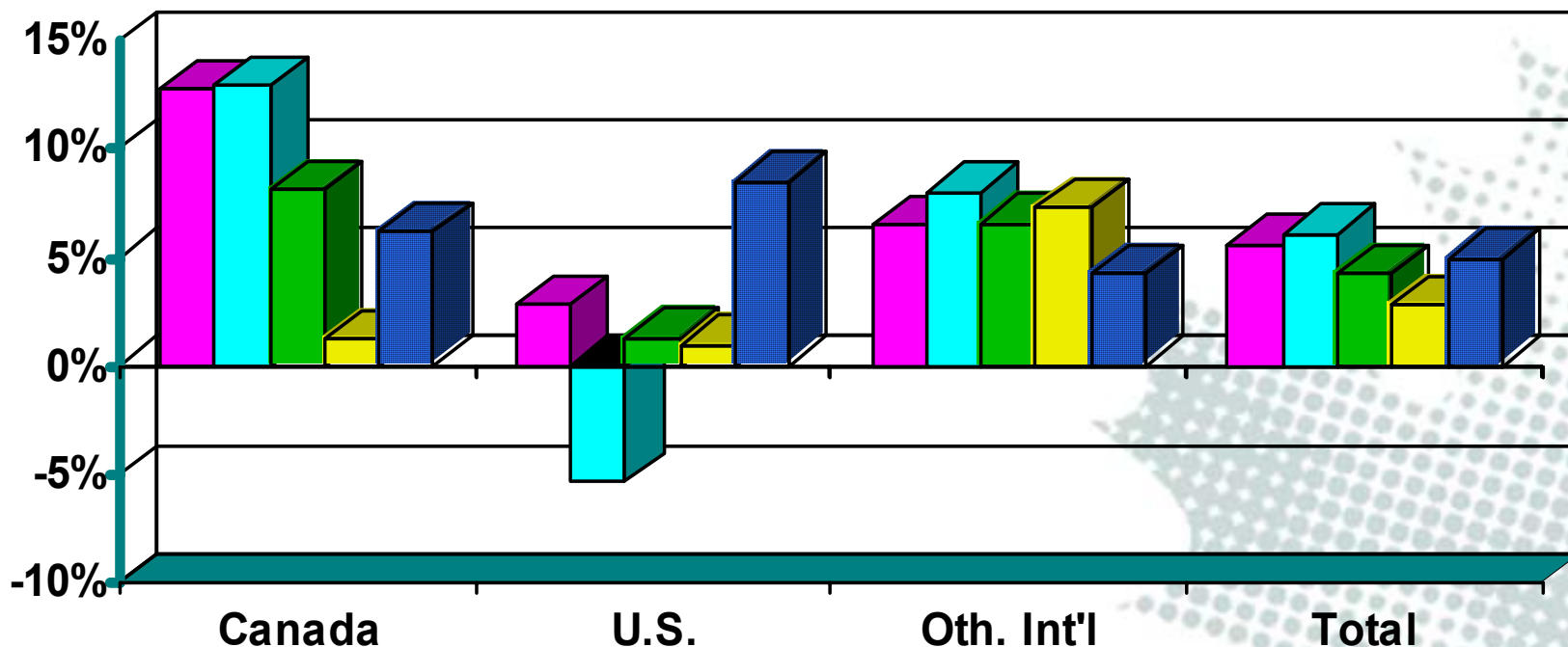


■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003 ■ Q1 2005/2004 ■ Q2 2005/2004

RASM Up in All Markets as Higher Load Factors and Yields Push Up Unit Revenue

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

% Change in RASM

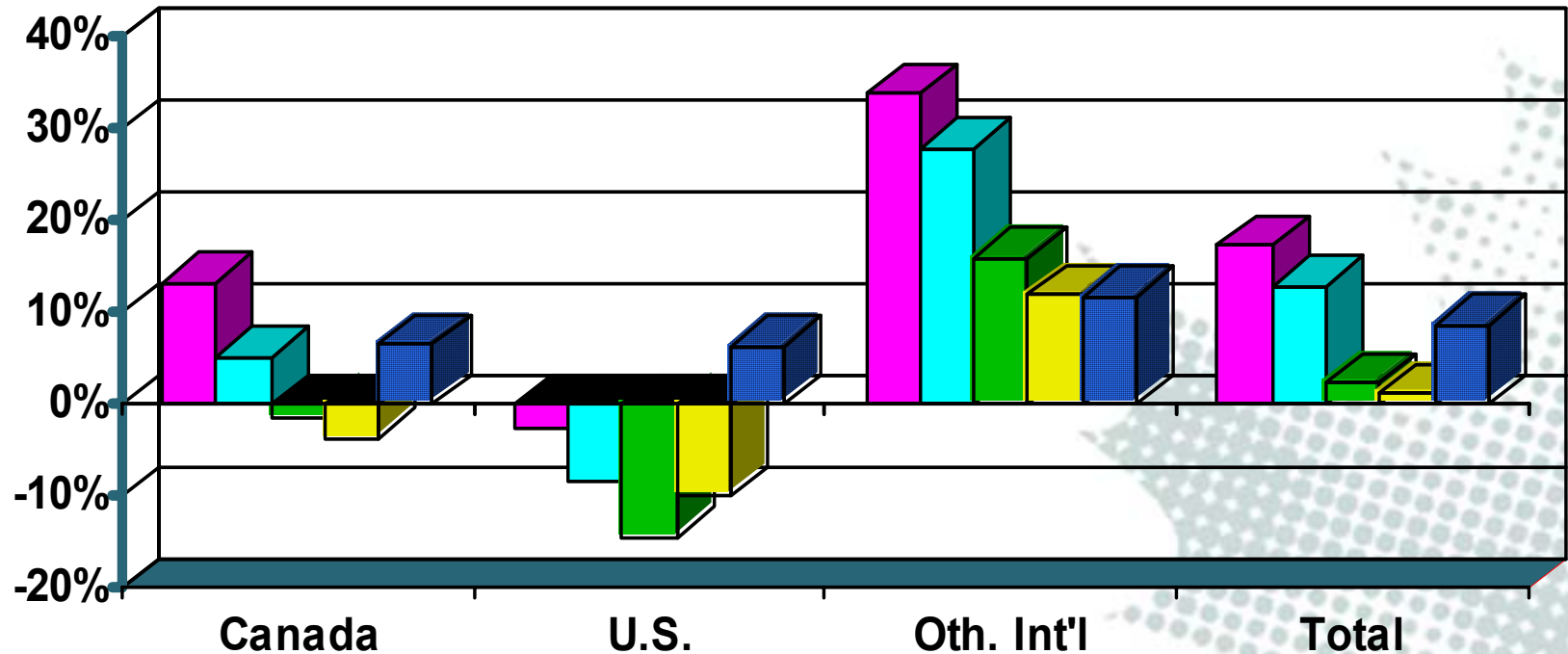


■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003 ■ Q1 2005/2004 ■ Q2 2005/2004

North America Revenue Up Sharply as Previous Declines Reversed

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

% Change in Revenue

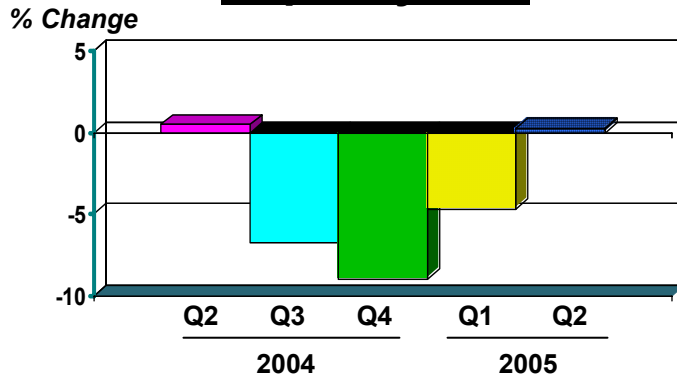


■ Q2 2004/2003 ■ Q3 2004/2003 ■ Q4 2004/2003 ■ Q1 2005/2004 ■ Q2 2005/2004

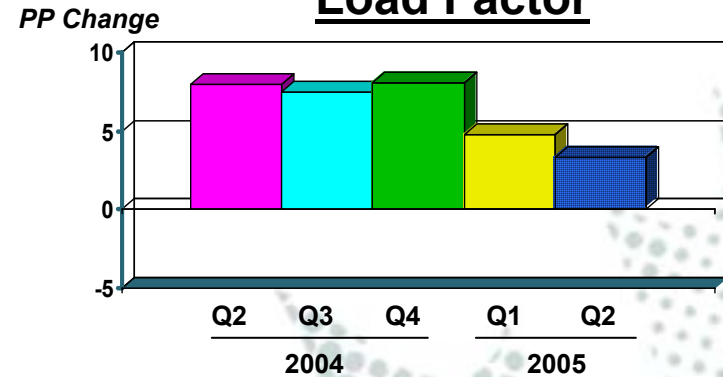
Canada* – Q2 RASM Up on 3.8 PP Load Factor Improvement and Strong Yield

Y-O-Y Change

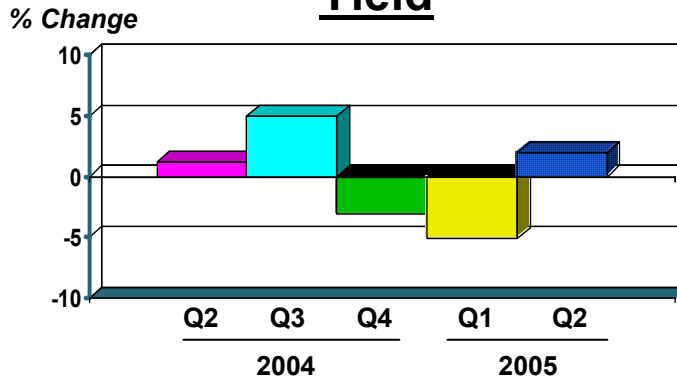
Capacity (ASM)



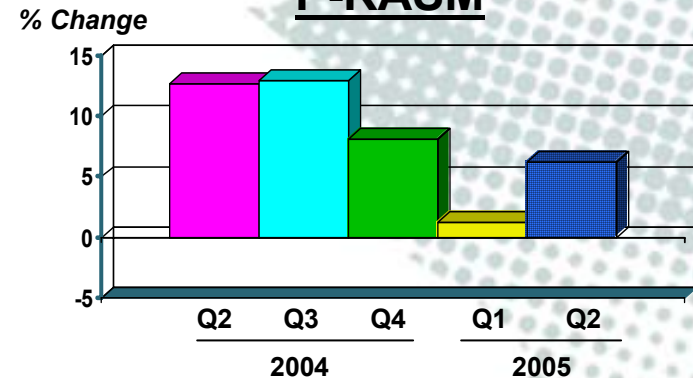
Load Factor



Yield



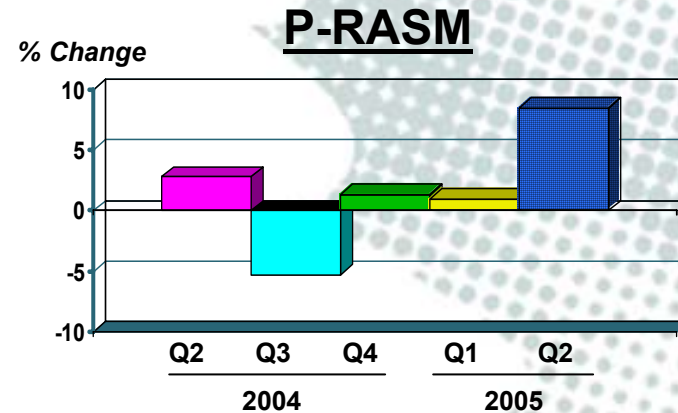
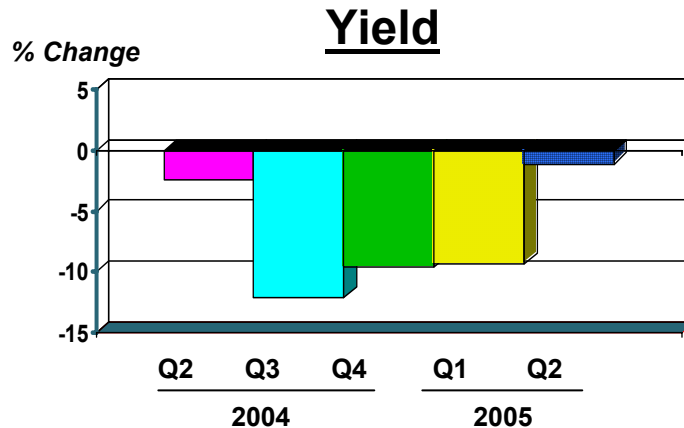
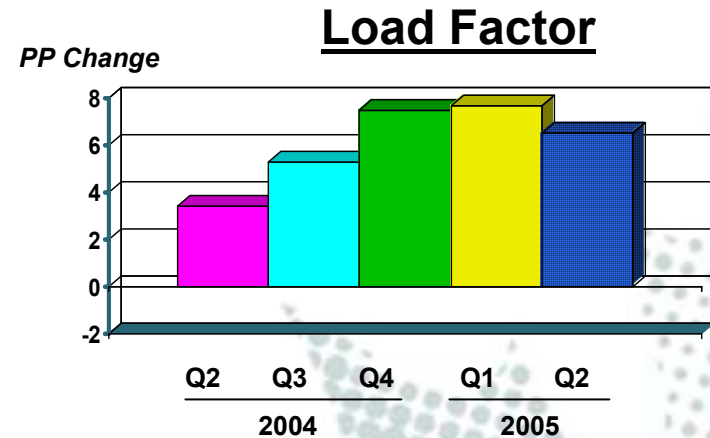
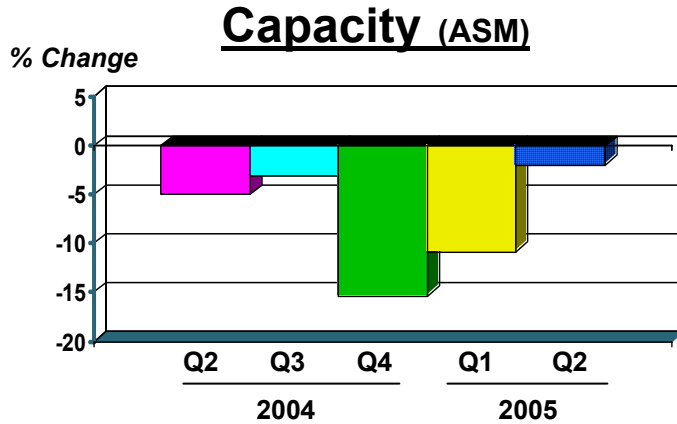
P-RASM



*Mainline excluding Jazz

US Transborder* – RASM Up Sharply on Strong LF Improv. as Yield Underrun Almost Eliminated

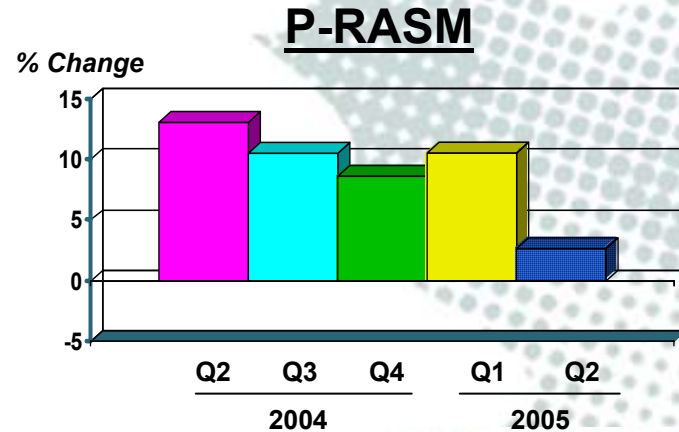
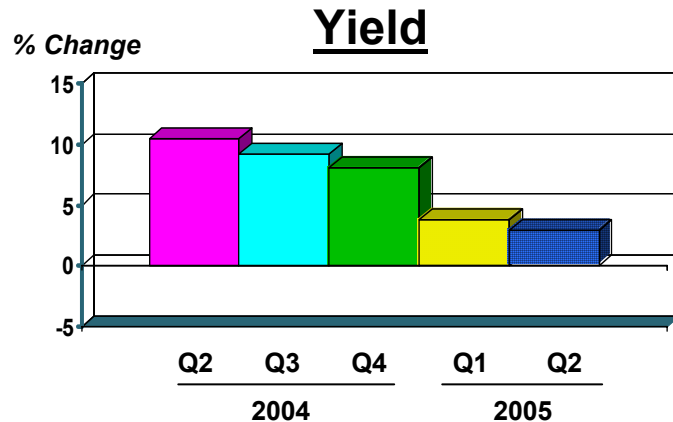
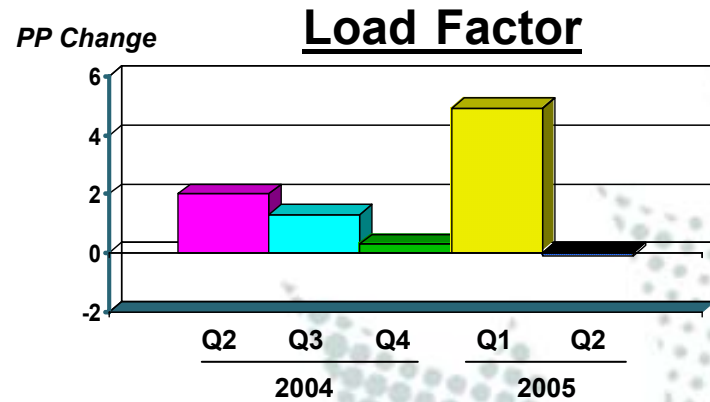
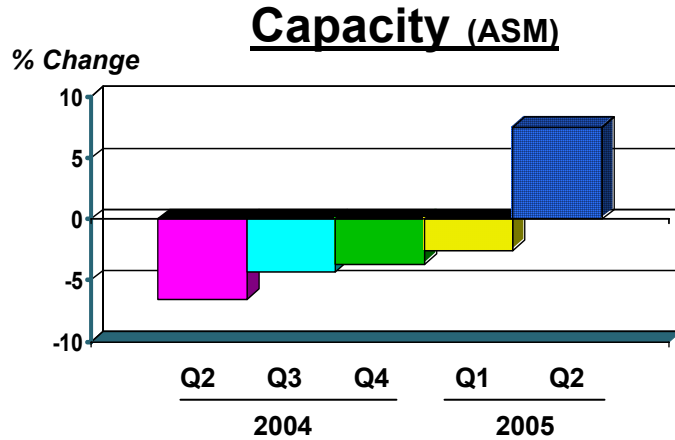
Y-O-Y Change



*Mainline excluding Jazz

Atlantic* – Strong Pricing Keeps RASM Rising

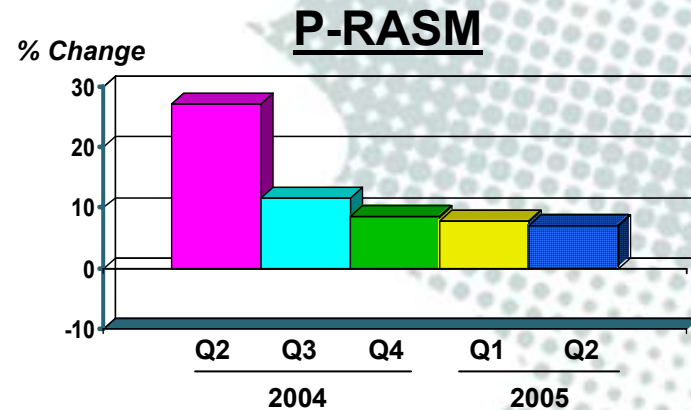
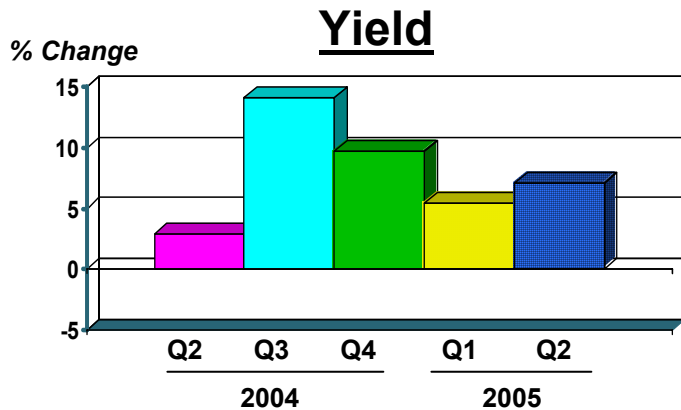
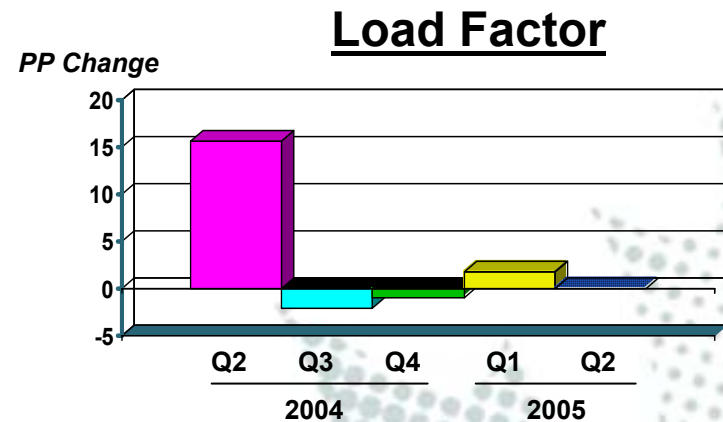
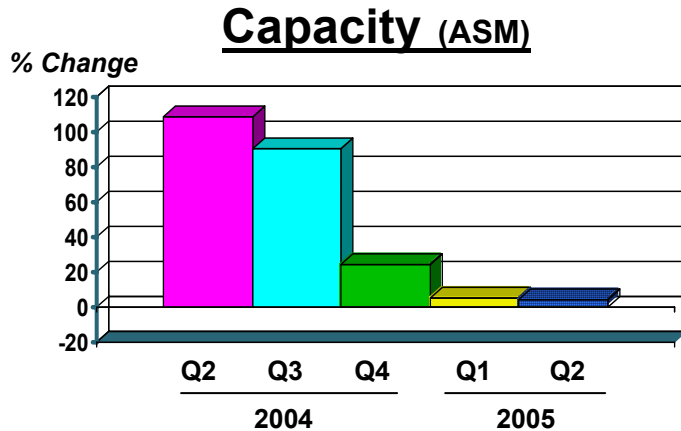
Y-O-Y Change



*Mainline

Pacific* – Strong Pricing Also Pushes Pacific RASM Up

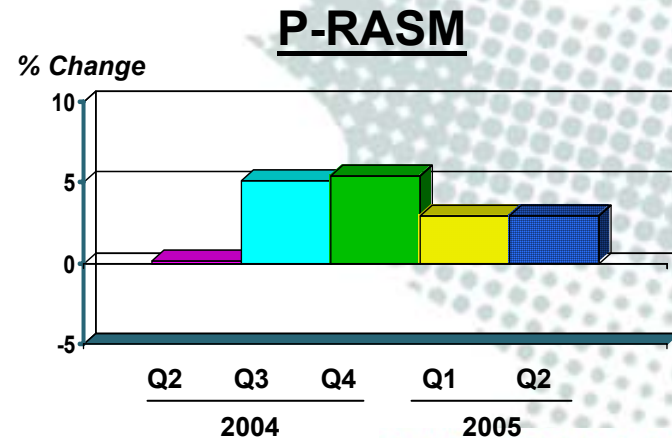
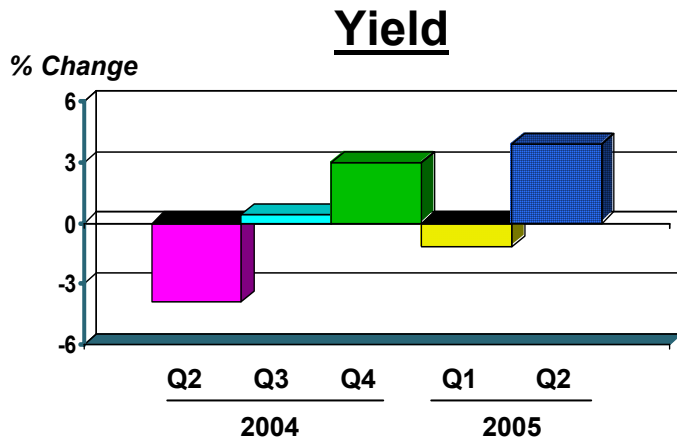
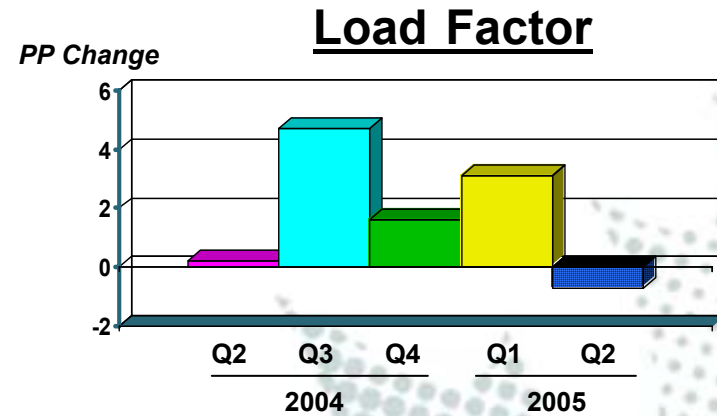
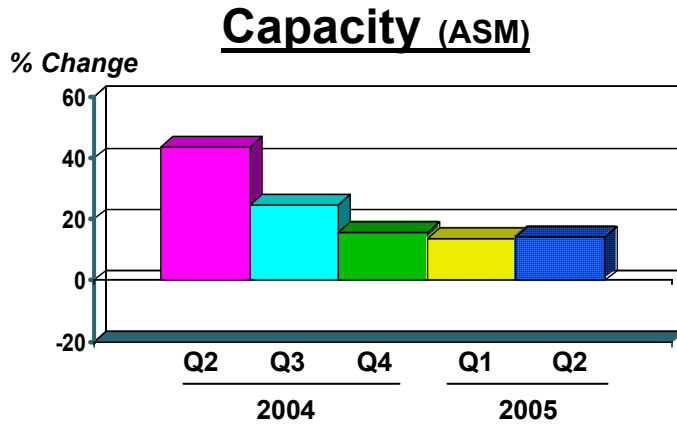
Y-O-Y Change



*Mainline

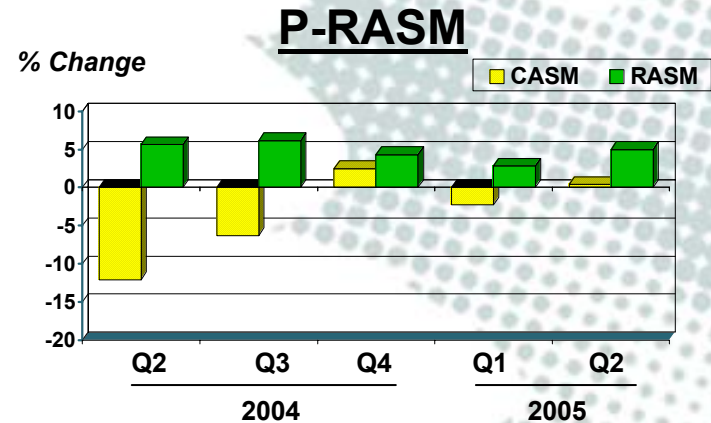
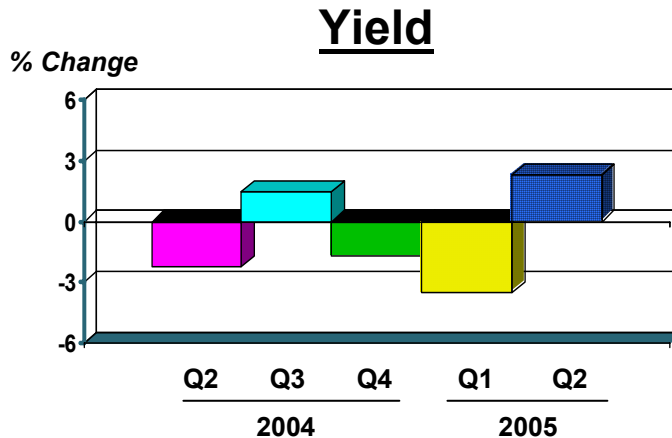
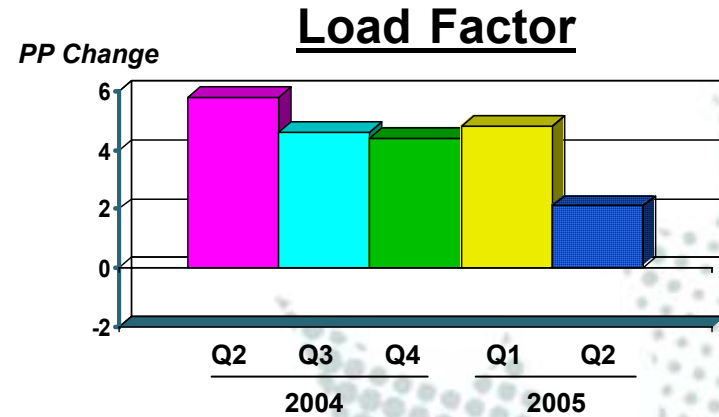
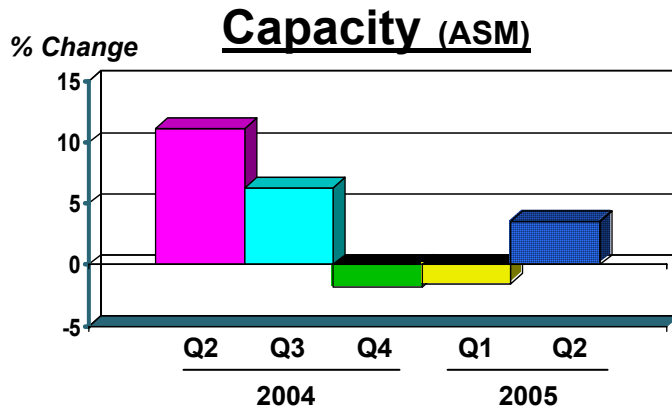
Caribbean, Latin America & Australia* – Higher Yield Pushes RASM Up

Y-O-Y Change



Total* – RASM Up on Equally Strong Yield & Higher LF

Y-O-Y Change

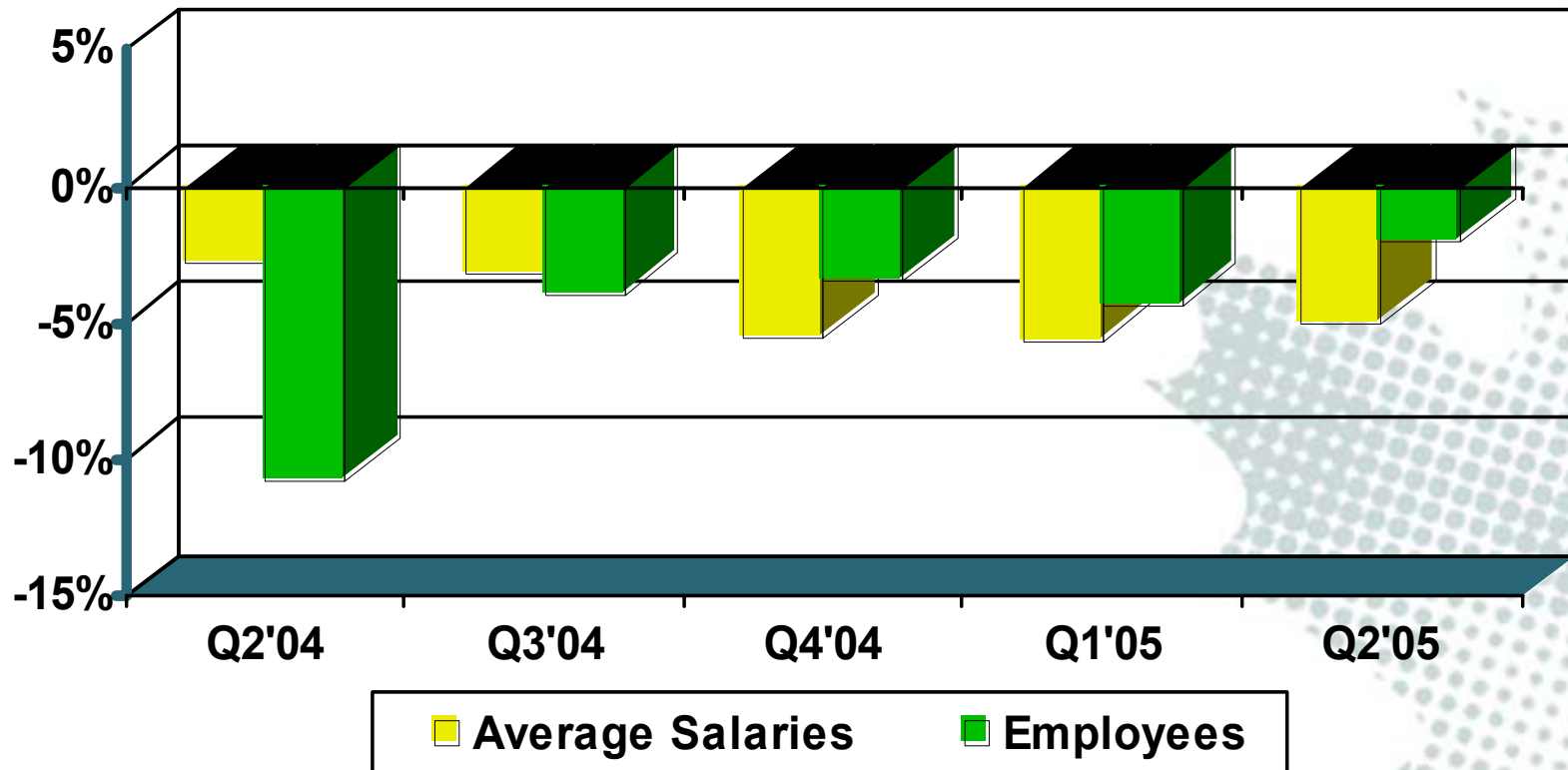


*Mainline excluding Jazz

Average Salary Down 5.0%, Employee Levels Down 579 or 2.0%

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

% Change Y-O-Y

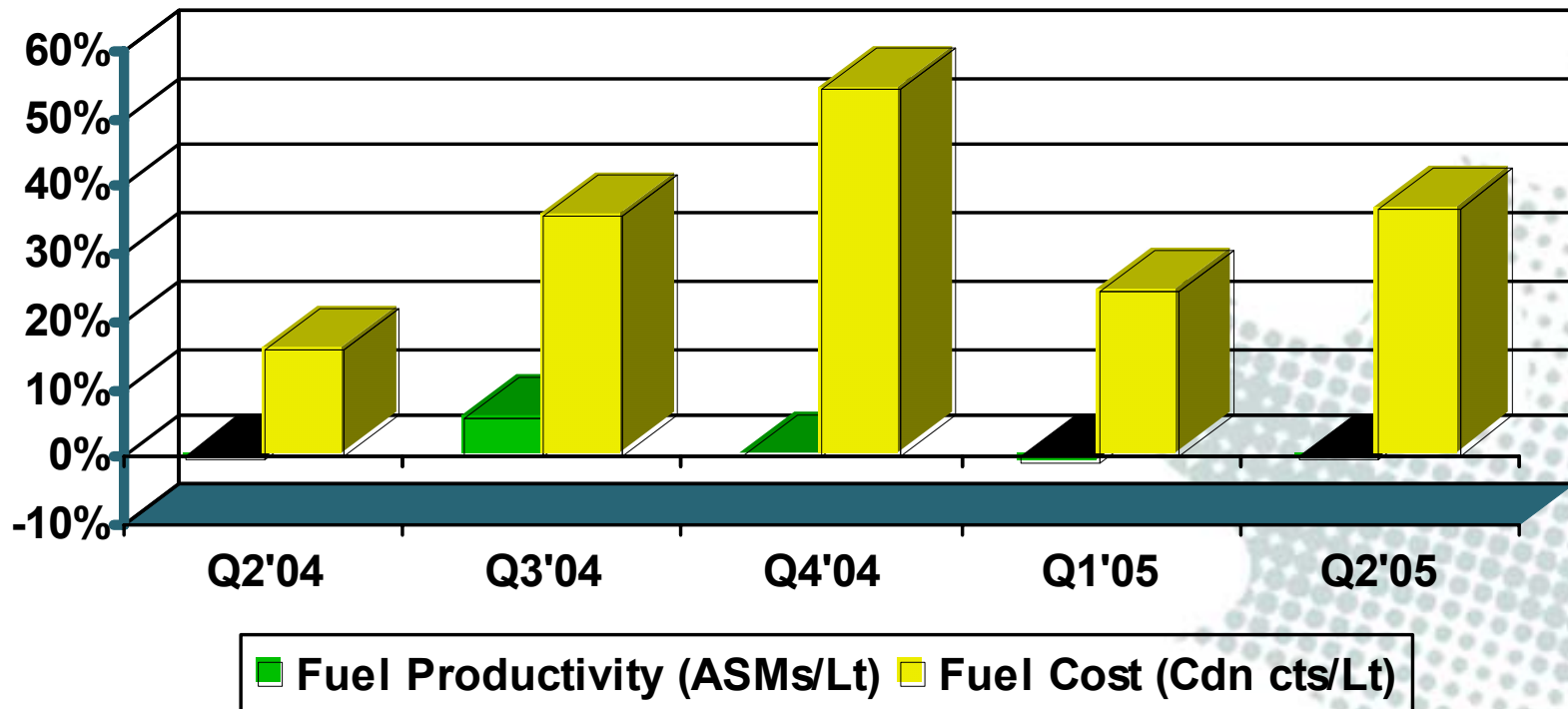


*Mainline excluding Jazz

Mainline Cost Per Litre Up 36.8% While Fuel Productivity Declined 0.4%

(Fuel Productivity* & Unit Cost*)

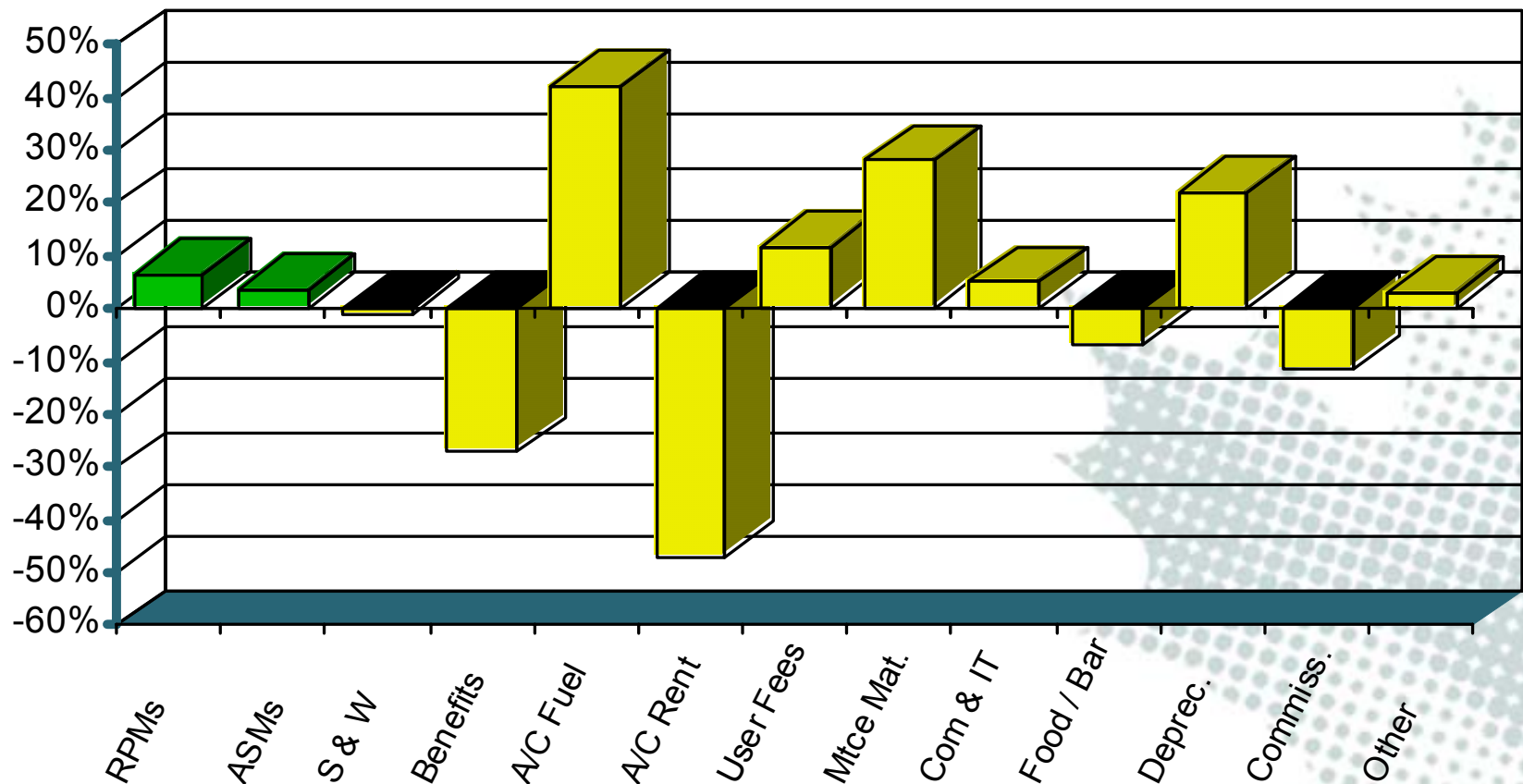
% Change Y-O-Y



*Mainline excluding Jazz

Higher Terminal Handling Chgs., Customer Mtce Mats., Cr. Card Fees & Non-air Redemption Expenses Push Up "Other" Cat.

% Change Y-O-Y



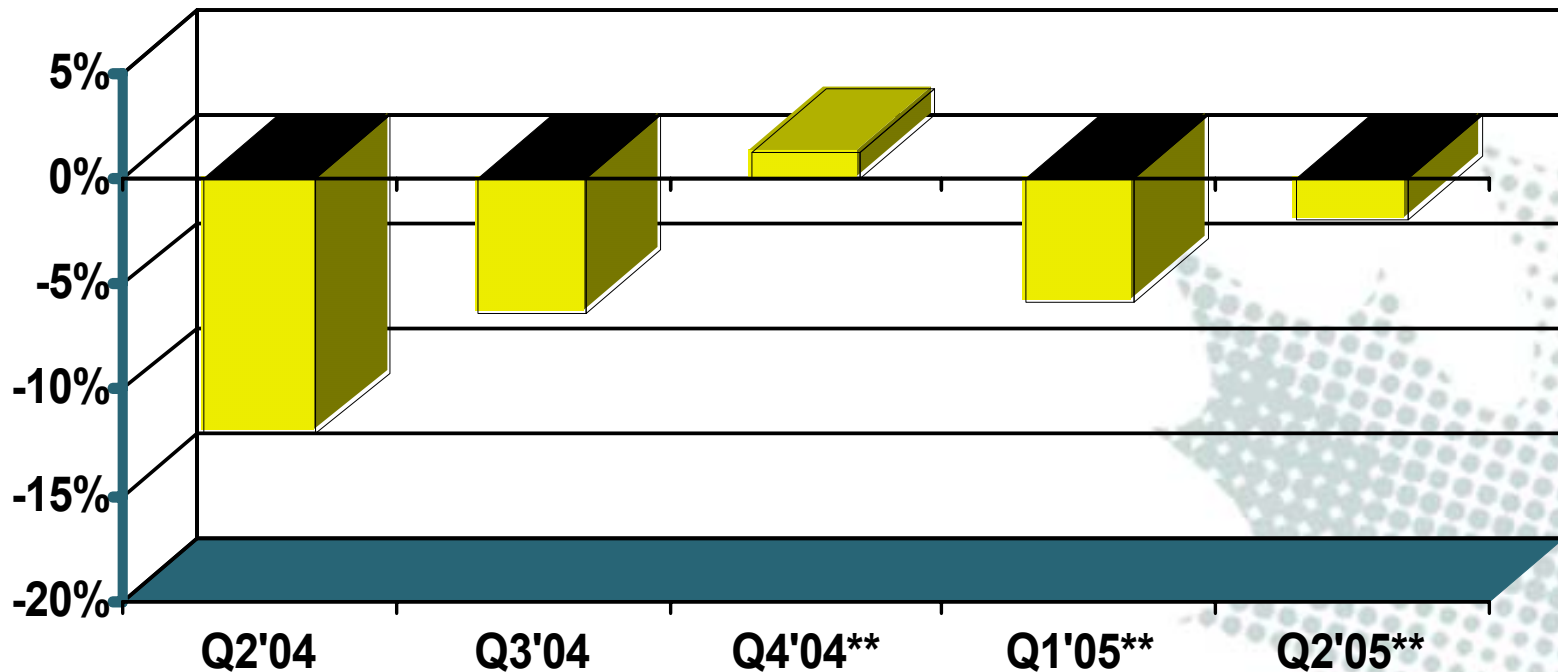
Mainline excluding Jazz

Q2 2005/2004

Net Unit Cost Down 1.9% in Spite of High Fuel Prices, Down 12.3% Excluding Fuel

(Cost Per ASM*)

% Change Y-O-Y

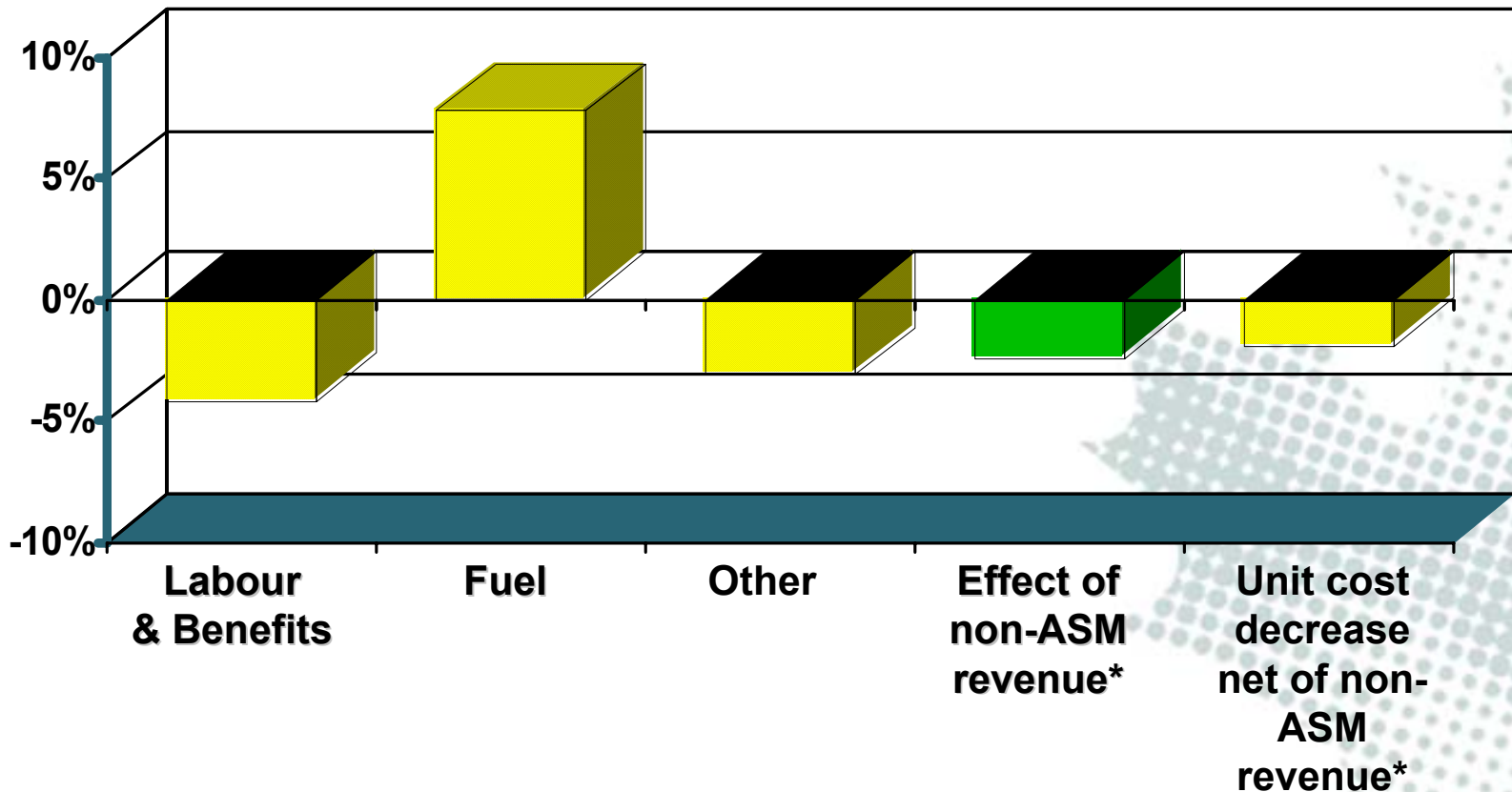


* Mainline, adjusted for non-ASM revenue

** Adjusted for change in accounting re Aeroplan revenues

Unit Cost Reductions in Non-fuel Categories Plus Higher Cargo & Other Rev. Offset Impact of Fuel

Mainline



*Adjusted for change in accounting for Aeroplane revenues

Balance Sheet* - Good Liquidity, Consolidation of Variable Interest Entities Pushes Debt Up

(ACE Aviation Holdings - Consolidated)

	June 30/05 \$ mlns	Dec 31/04 \$ mlns	% Change
• Cash	\$ 2,782	\$ 1,632	+71%
• Current Assets	\$ 3,887	\$ 2,695	+44%
• Property & Equip.	\$ 4,942	\$ 3,696	+34%
• Current Liabilities	\$ 3,201	\$ 2,491	+29%
• Long Term Debt	\$ 3,422	\$ 2,328	+47%
• Shareholder's Equity	\$ 973	\$ 203	+379%
• Book Value per share	\$ 9.61	\$ 2.29	+320%

*Preliminary & unaudited

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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 August 4, 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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