

ACE AVIATION 

Second Quarter 2006

August 11, 2006

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ACE Operating Results Improve by \$3 mln – Despite \$76 mln Fuel Price Incr.

Consolidated

<i>(millions)</i>	Q2 2006	Q2 2005	Change Fav./Unfav.)
Oper. Revenue	\$ 2,682	\$ 2,458	\$ 224
Oper. Expense	2,501	2,280	(221)
Oper. Income*	181	178	3
Non-oper. Income	52	104	(52)
Inc. (Loss) Before Reorg., FX & Tax	233	282	(49)
Non-controlling Interest	(19)	(4)	(15)
FX Gain (Loss)	107	(53)	160
Provision for Income Taxes	(85)	(56)	(29)
Income	\$ 236	\$ 169	\$ 67

Q2 Net Interest Expense Down \$10 mln Due Income From Higher Cash Balances

<i>(millions)</i>	Q2 2006	Change Fav./Unfav.)
Net Interest Inc. (Exp.)	\$ (49)	\$ 10
Gain (Loss) on Sale	101*	101
Dilution Gain on Aeroplan	-	(190)
Other Non-Operating Inc. (Exp.)	-	27
Total Non-Operating Inc.	\$ 52	\$ (52)

* Gain on sale of US Airways shares \$100 mln

Q2 2006

Actual vs Prior Year

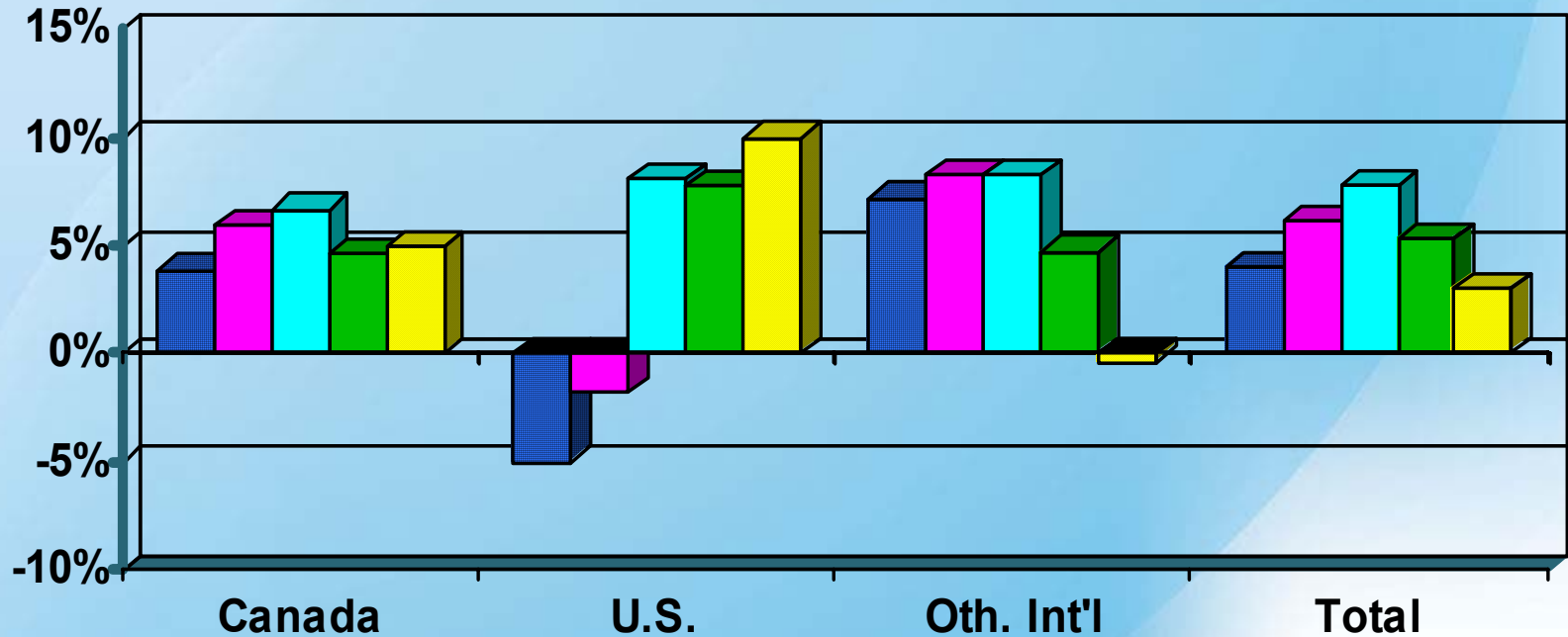
Consolidated

	ASMs	RPMs	PLF	Yield	RASM	Rev
Canada	↑ 5.0%	↑ 2.1%	↓ 2.2 PP	↑ 3.4%	↑ 0.6%	↑ 5.6%
US Transborder	↑ 10.0%	↑ 17.5%	↑ 4.9 PP	↑ 1.1%	↑ 8.0%	↑ 18.8%
Atlantic	↑ 3.7%	↑ 8.0%	↑ 3.6 PP	↑ 1.4%	↑ 5.7%	↑ 9.6%
Pacific	↓ 5.1%	↓ 1.0%	↑ 3.4 PP	↑ 2.8%	↑ 7.1%	↑ 1.7%
Latin Amer. & Other	↓ 2.2%	↑ 4.3%	↑ 4.9 PP	↑ 6.7%	↑ 13.8%	↑ 11.2%
Total	↑ 3.0%	↑ 5.5%	↑ 1.9 PP	↑ 3.2%	↑ 5.6%	↑ 9.0%
			Total Expense			↑ 9.7%
			Total CASM		↑ 6.5%	
			Total CASM excl. Fuel		↑ 3.6%	

Increasing North American Capacity Growth – Flat International

(Y-O-Y Changes in Consolidated Capacity)

% Change in ASMs

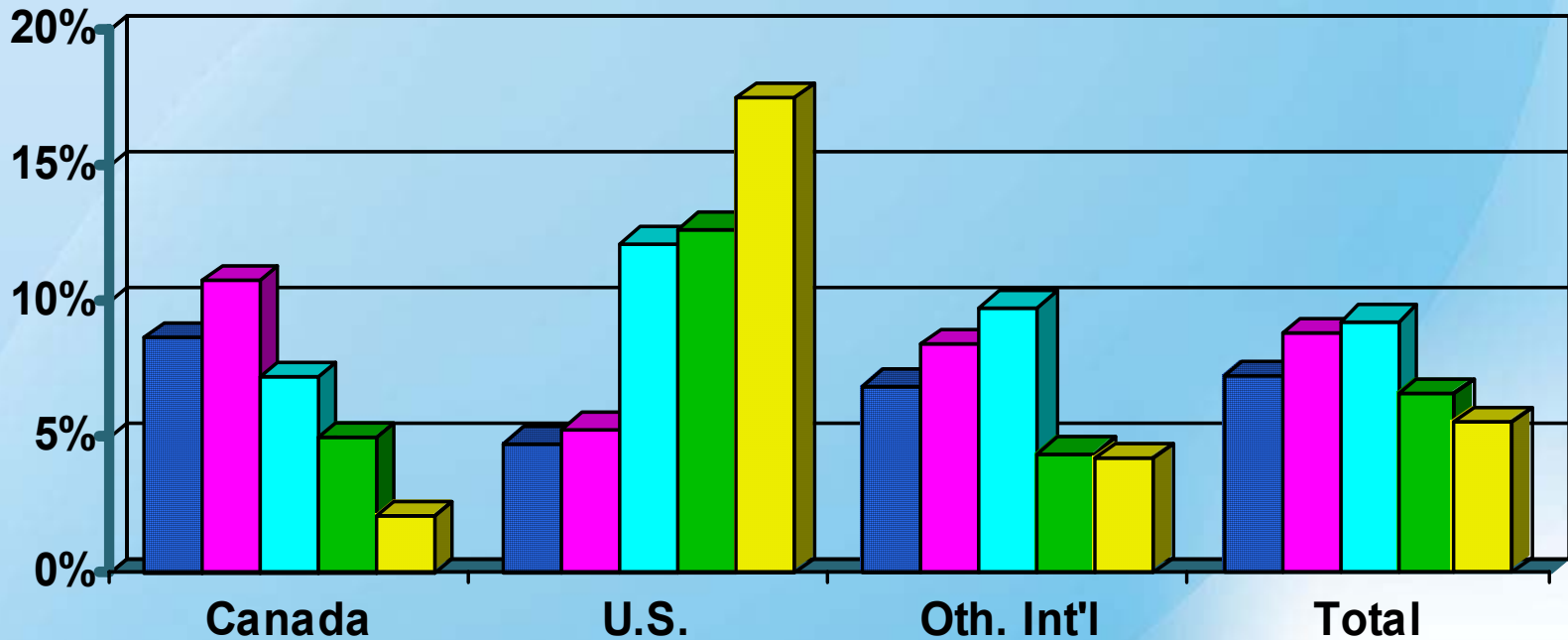


■ Q2 2005/2004
 ■ Q3 2005/2004
 ■ Q4 2005/2004
 ■ Q1 2006/2005
 ■ Q2 2006/2005

U.S. Transborder Traffic Up Sharply While International Also Strong

(Y-O-Y Changes in Consolidated Traffic)

% Change in RPMs

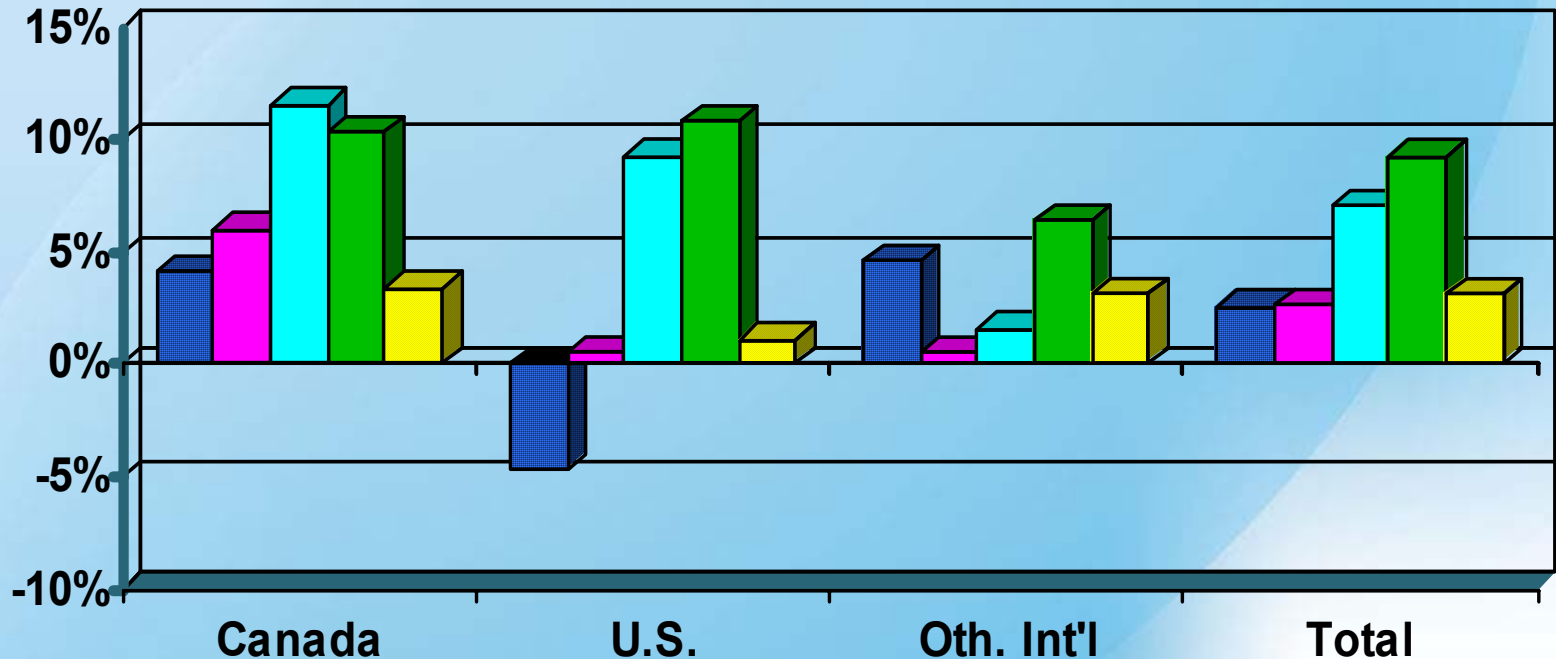


■ Q2 2005/2004 ■ Q3 2005/2004 ■ Q4 2005/2004 ■ Q1 2006/2005 ■ Q2 2006/2005

N.A. Yield Growth Slows in Q2 as Positive Impact of Jetsgo's Bankruptcy Completed a Full Year in Q1'06

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

% Change in Yield

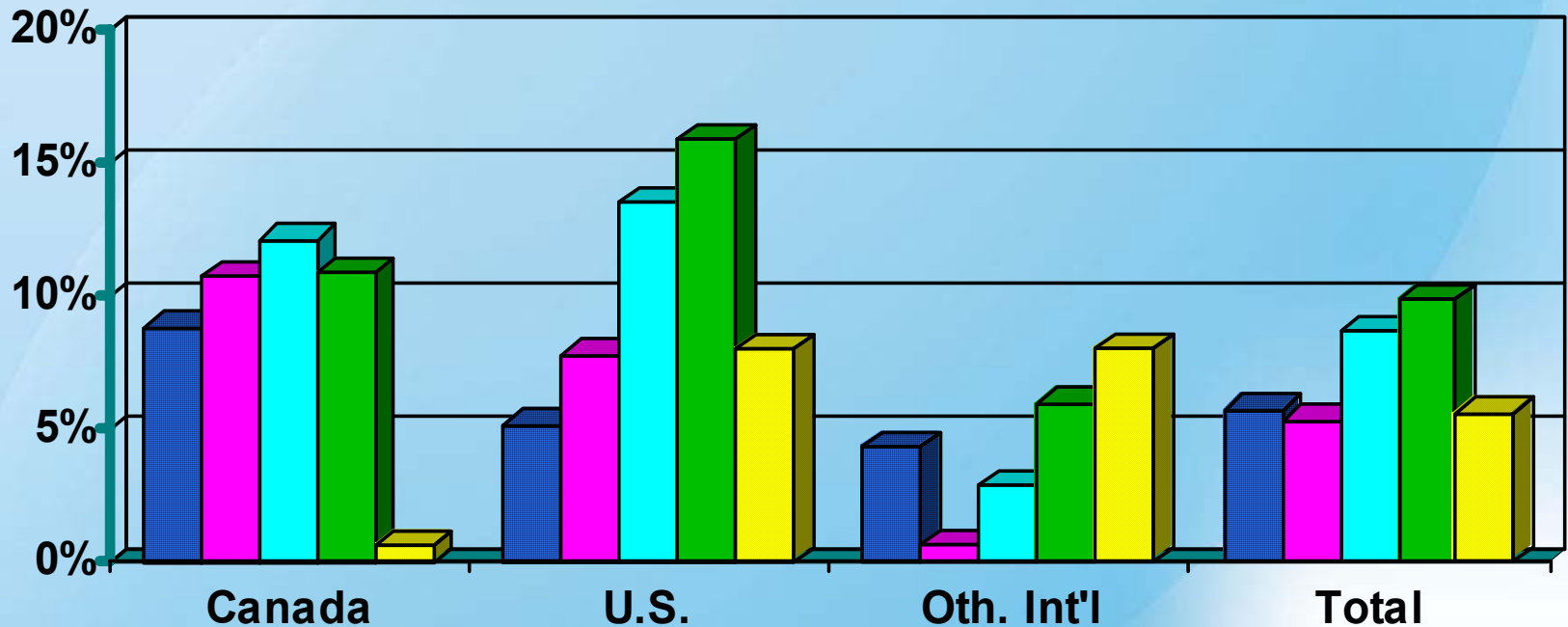


■ Q2 2005/2004
 ■ Q3 2005/2004
 ■ Q4 2005/2004
 ■ Q1 2006/2005
 ■ Q2 2006/2005

Domestic RASM Increase Slows on Weaker Yield Growth and Lower Load Factor

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

% Change in RASM

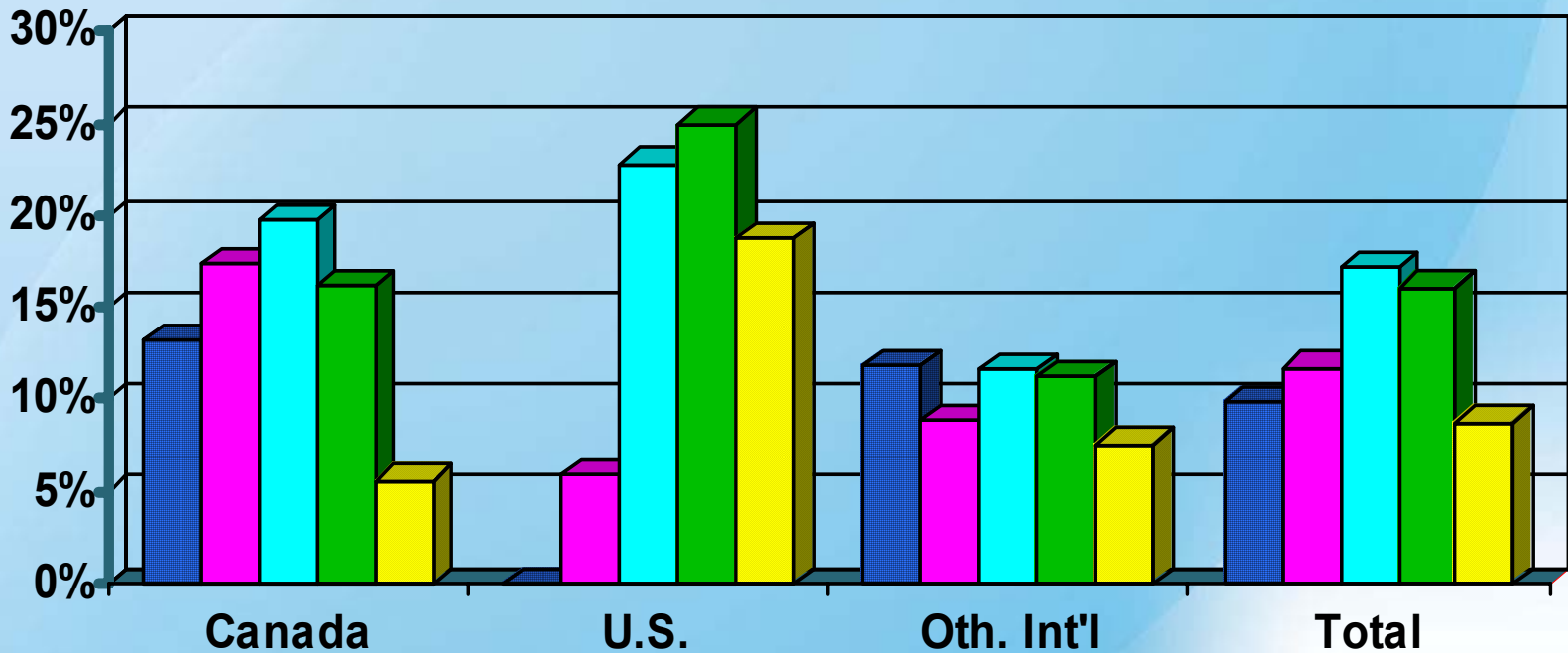


■ Q2 2005/2004 ■ Q3 2005/2004 ■ Q4 2005/2004 ■ Q1 2006/2005 ■ Q2 2006/2005

North America Revenue Growth Accounts For Two Thirds of Quarterly Revenue Increase

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

% Change in Revenue

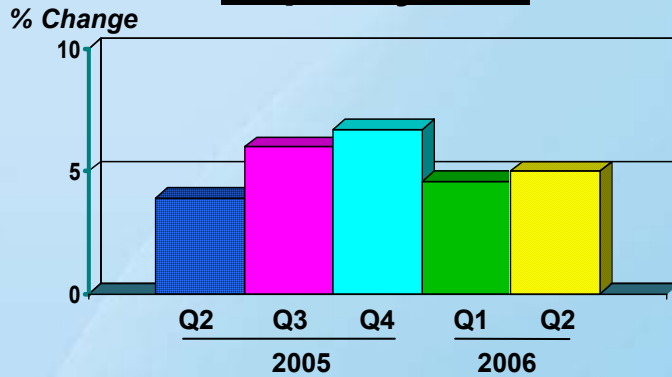


■ Q2 2005/2004
 ■ Q3 2005/2004
 ■ Q4 2005/2004
 ■ Q1 2006/2005
 ■ Q2 2006/2005

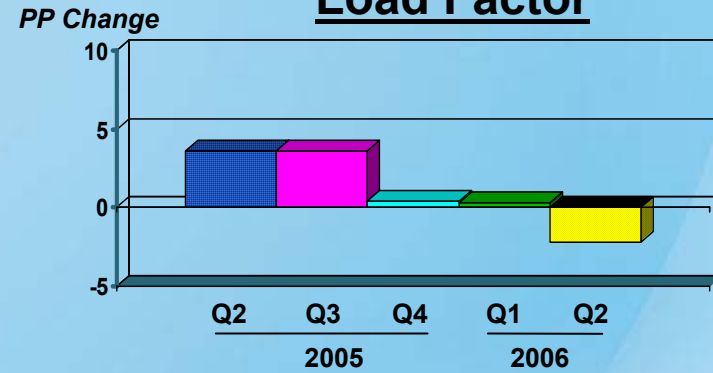
Canada* – Q2 RASM Up 0.6% on 3.4% Increase in Yield and 2.2 PP Load Factor Decline

Y-O-Y Change

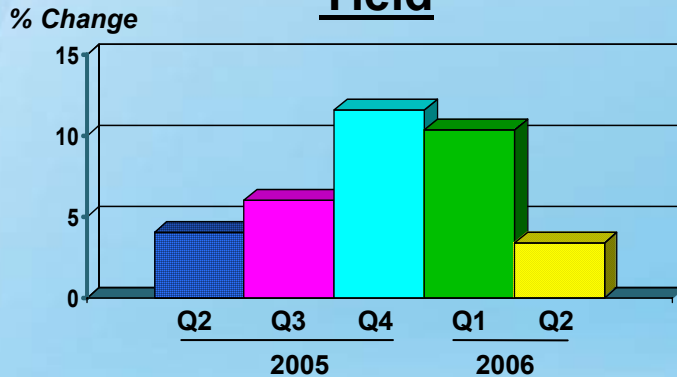
Capacity (ASM)



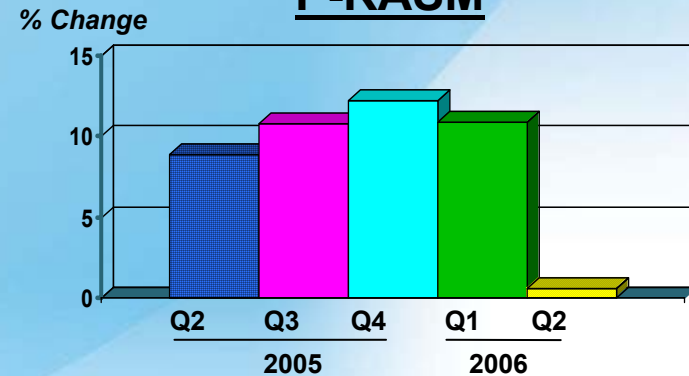
Load Factor



Yield



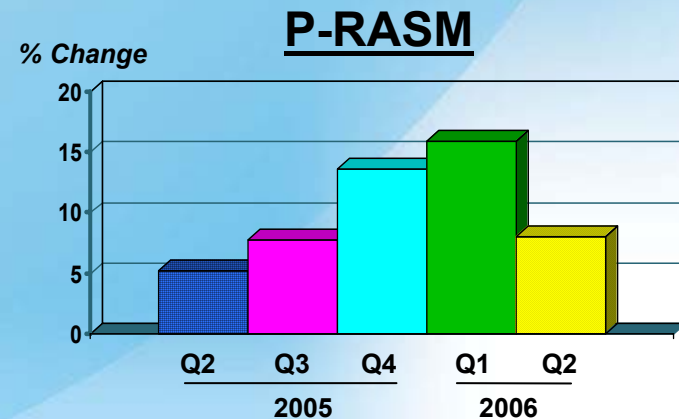
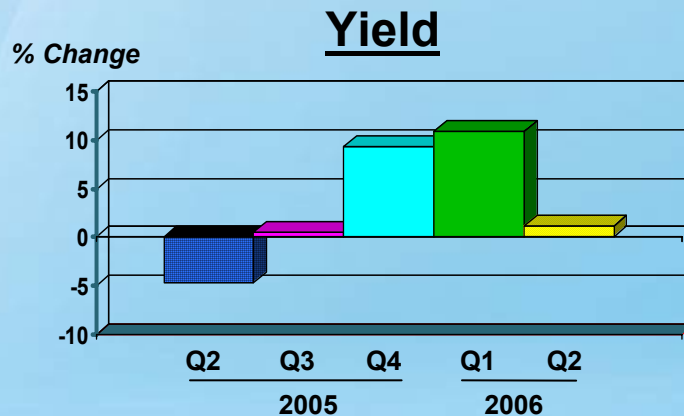
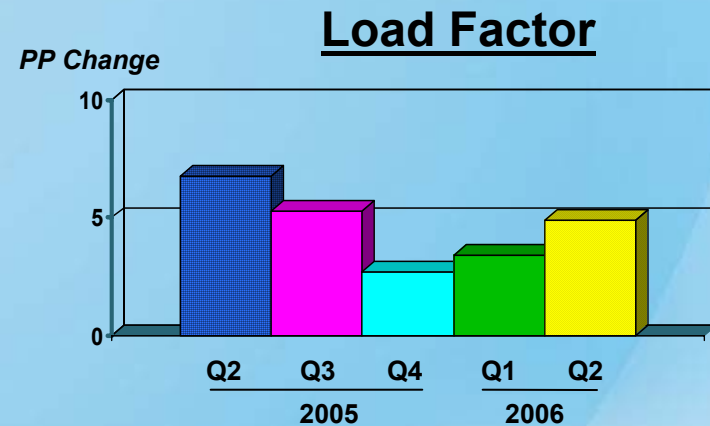
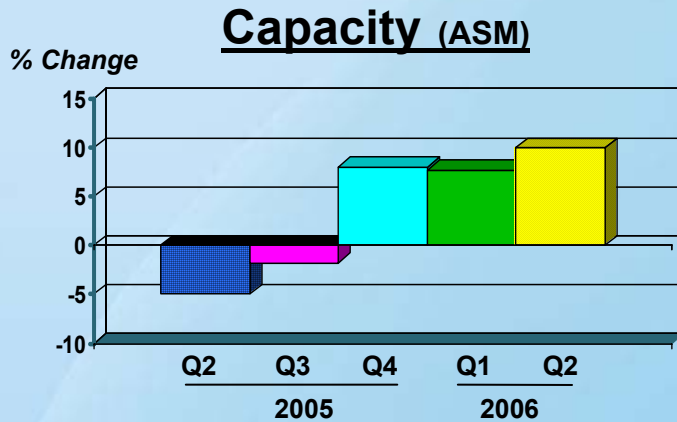
P-RASM



*Consolidated

US Transborder* – RASM Growth Up 8% as Strong LF Compensates for Slowing Yield

Y-O-Y Change

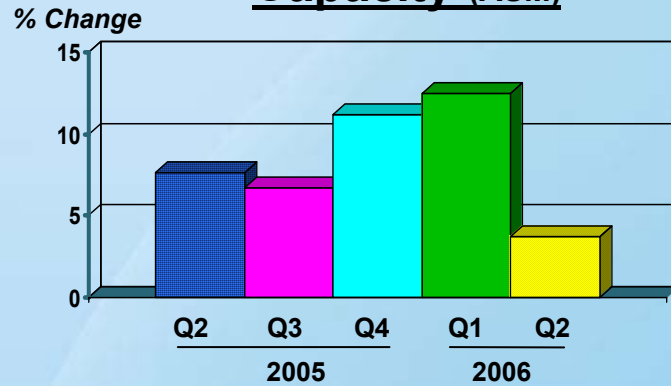


*Consolidated

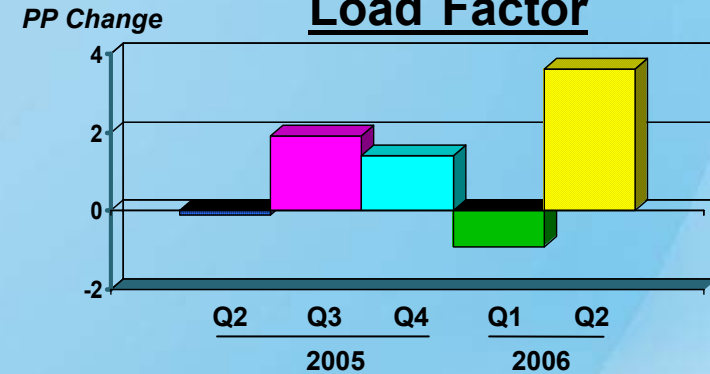
Atlantic – Stronger Load Factor lifts RASM

Y-O-Y Change

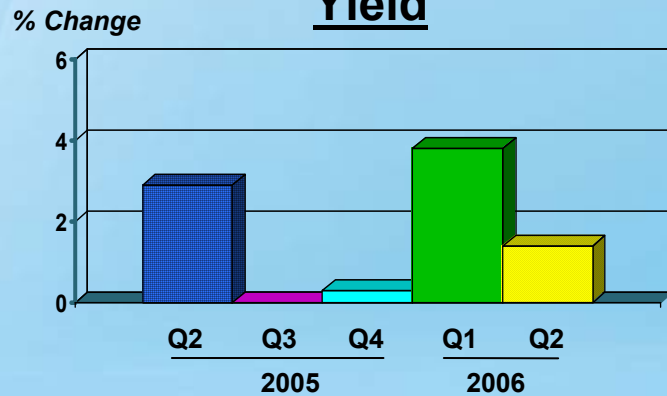
Capacity (ASM)



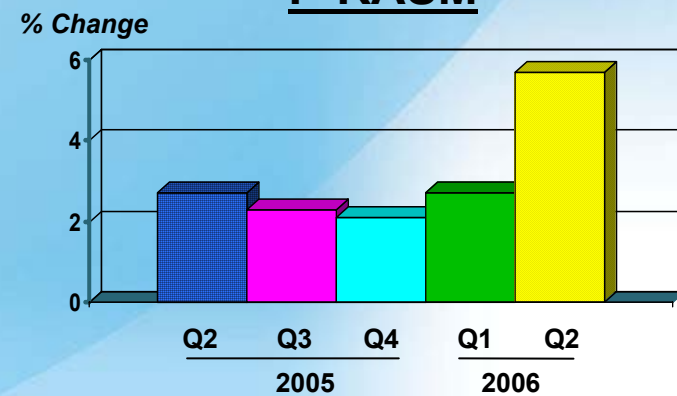
Load Factor



Yield

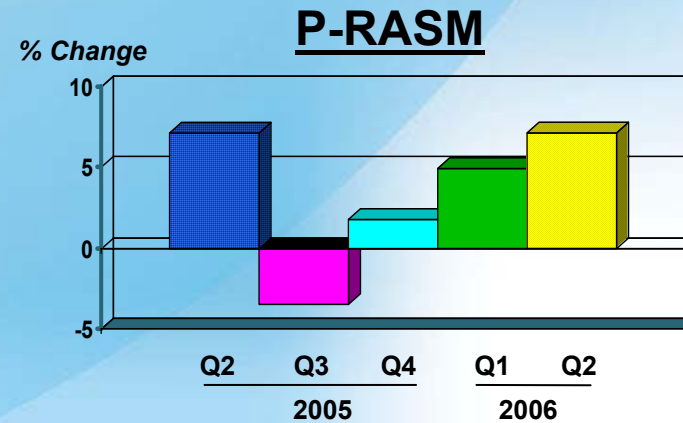
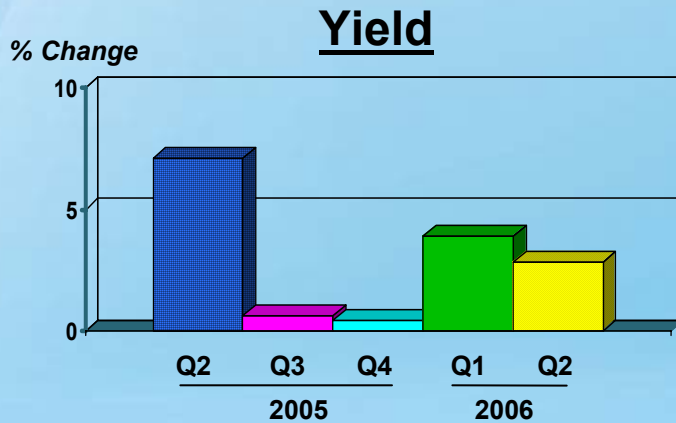
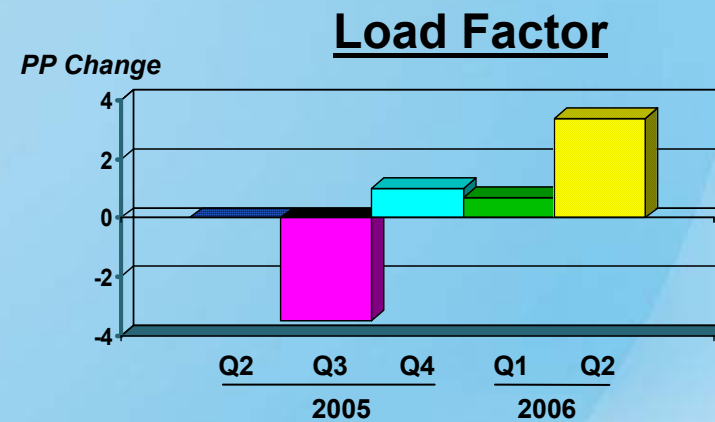
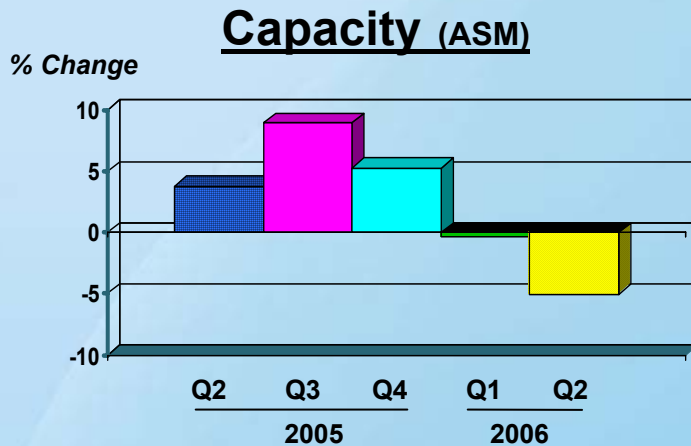


P-RASM



Pacific – Stronger Load Factor Lifts RASM Up 7.1% in Best Performance in a Year

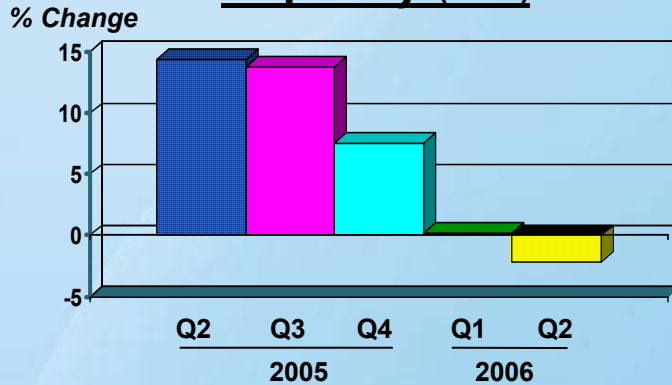
Y-O-Y Change



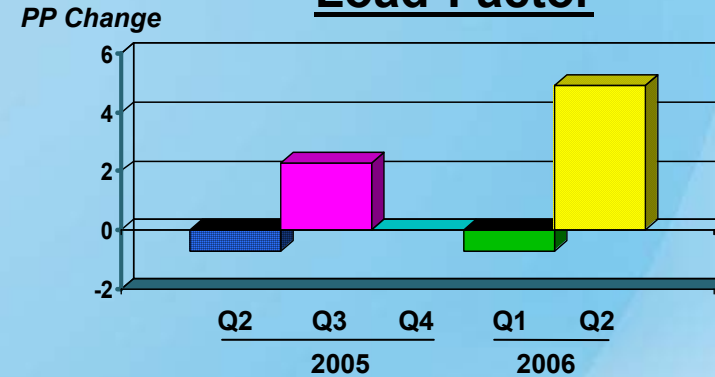
Caribbean, Latin America & Australia – RASM Growth Accelerating on Higher LF & Strong Yield

Y-O-Y Change

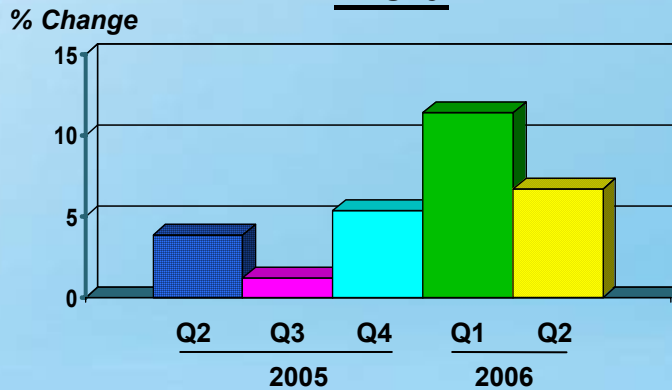
Capacity (ASM)



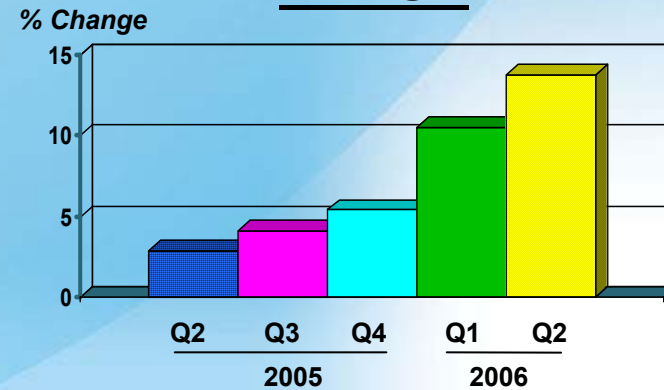
Load Factor



Yield

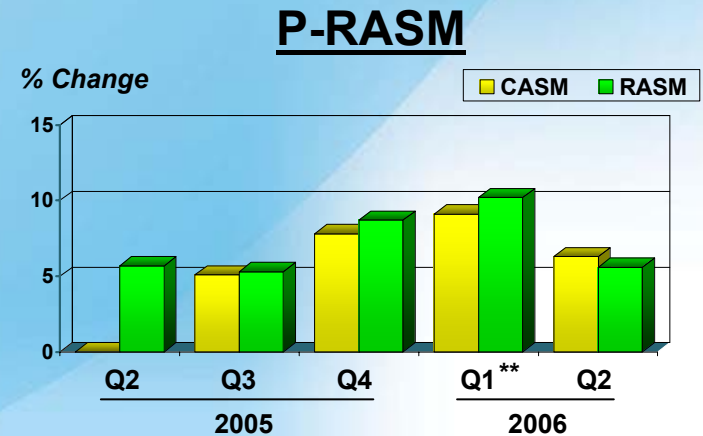
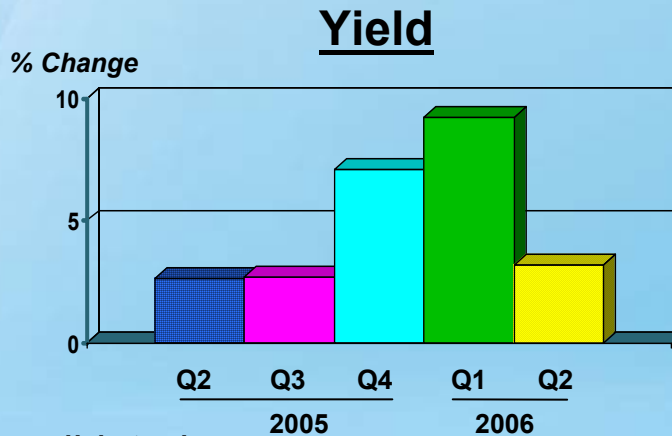
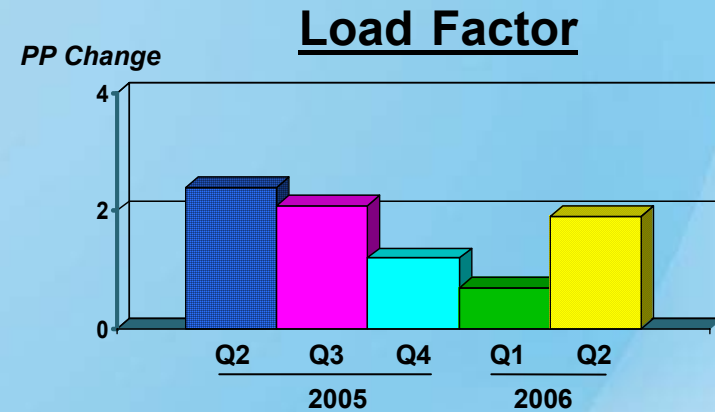
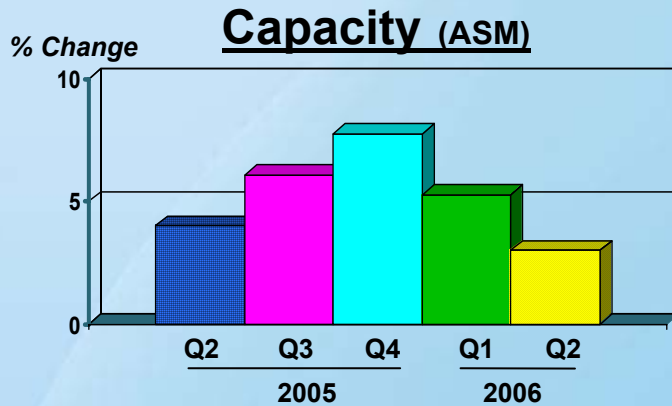


P-RASM



Total* – System RASM Equally Strong on Higher Yield and LF

Y-O-Y Change



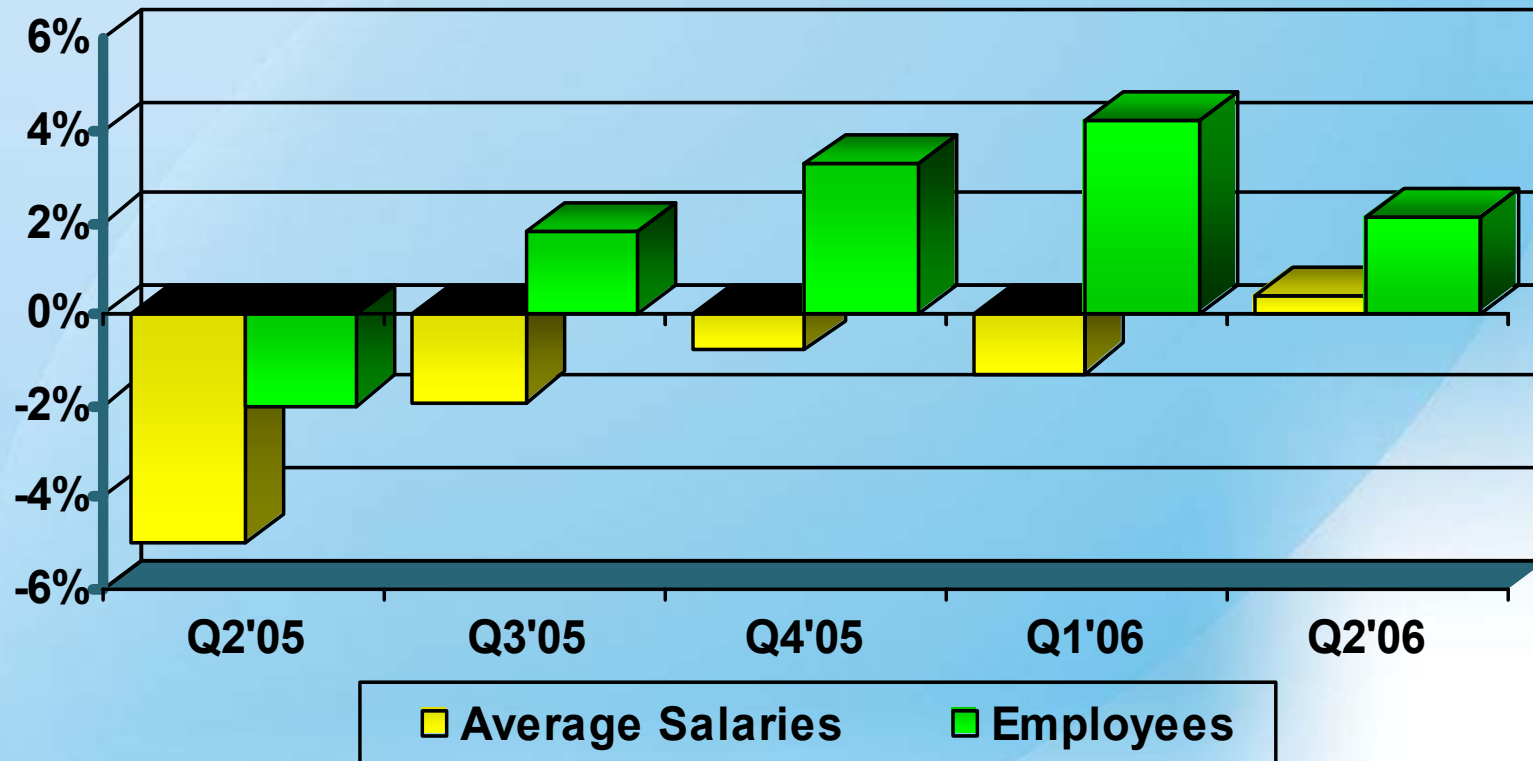
* Consolidated

** Excludes special labour charge

Average Salary Up 0.4%, Employee Levels Up 684 or 2.1% All at Jazz & ACTS

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

% Change Y-O-Y

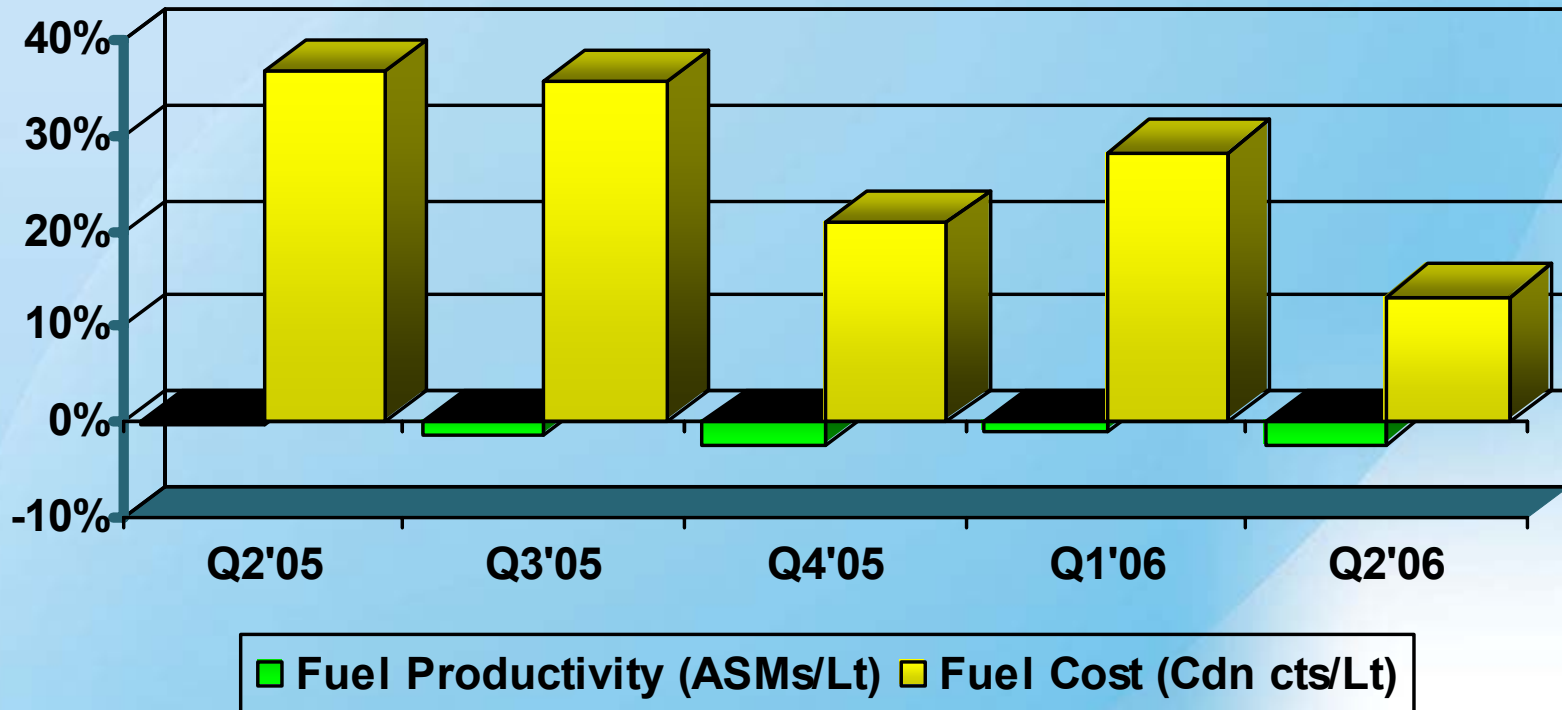


*Q3'05 and onwards consolidated - prior quarters, mainline (excluding Jazz)

Cost/Litre Up 13.1% While Fuel Prod. Decl. 2.3%. Embraer & CRJ Expansion + Two Add. Freighters

(Fuel Productivity* & Unit Cost*)

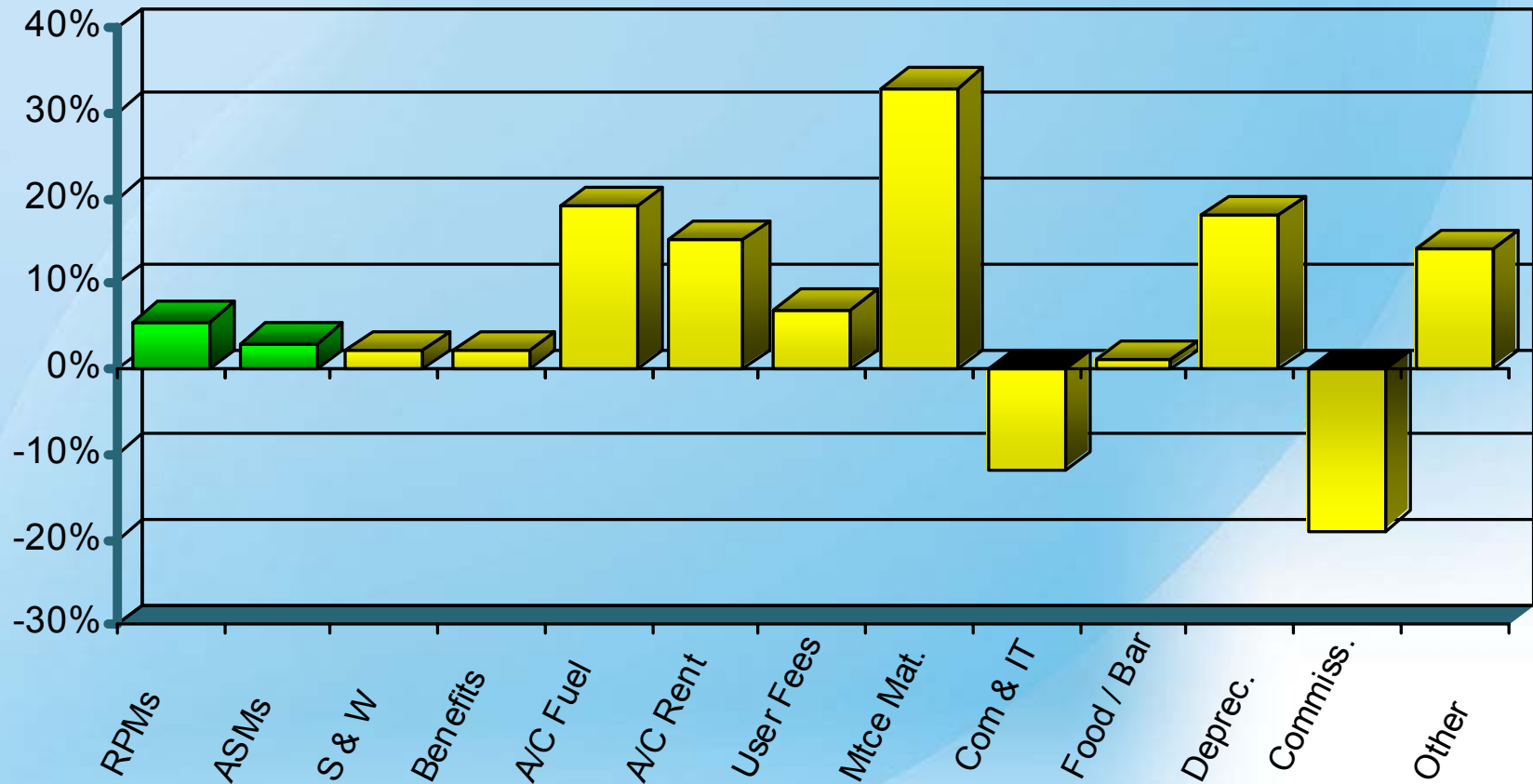
% Change Y-O-Y



*Q3'05 and onwards consolidated - prior quarters, mainline (excluding Jazz)

Higher Cust. Mtce. Mats., Incr. Fees & Services, Terminal Hndlg. Chrgs., Cr. Card Fees, Advertising, Uniforms, Non-air Aeroplan Redemption Push-up Other Operating Expenses

% Change Y-O-Y



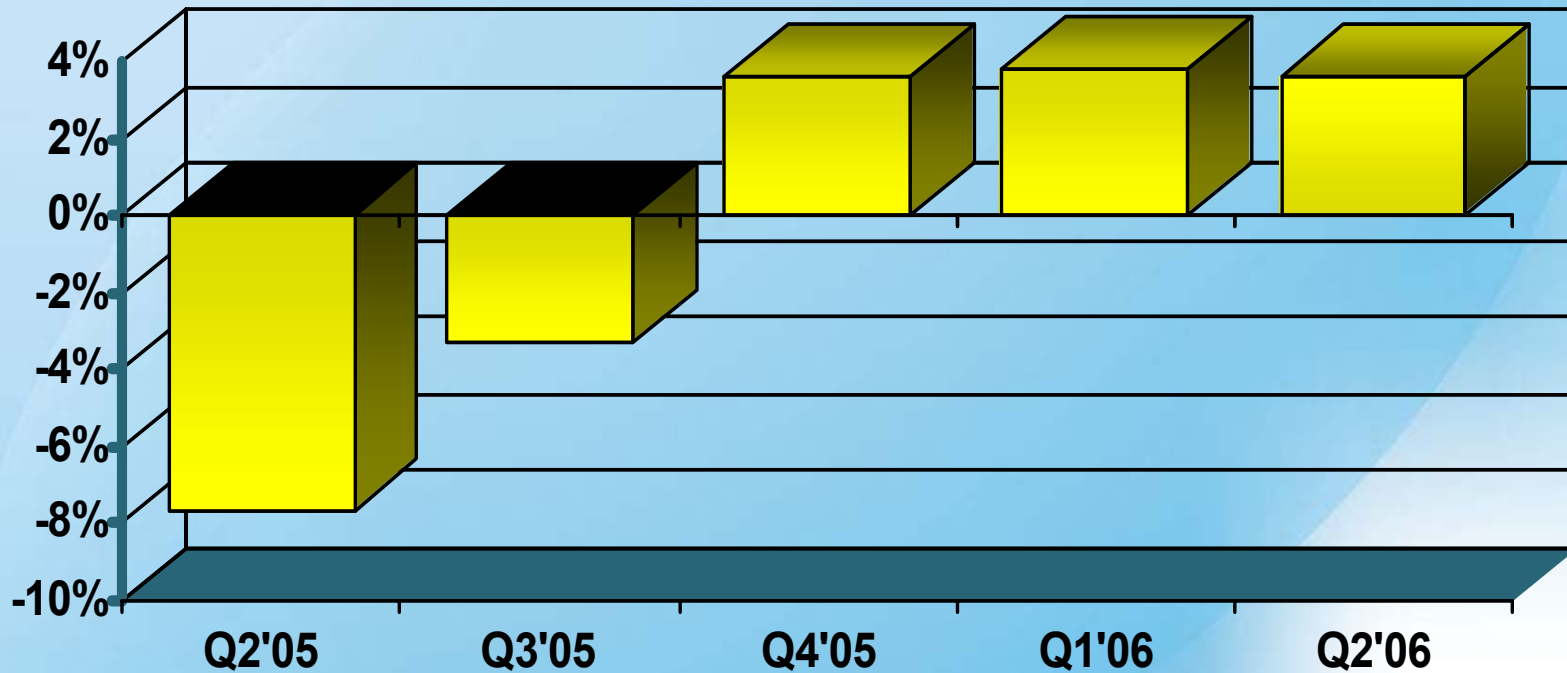
Consolidated

Q2 2006/2005

Unit Cost Excl. Fuel & Spec. Labour Chrg., Up 3.6% Due Higher Ownshp. Chrgs., Incr. Mtce., Cust Materials.

(Cost Per ASM*)

% Change Y-O-Y



*Consolidated

Balance Sheet –

Good Liquidity, Good Working Capital

(ACE Aviation Holdings - Consolidated)

	June 30/06 \$ mlns	Dec 31/05 \$ mlns	% Change
Cash + S. Term Invst.	\$ 2,822	\$ 2,181	29%
Current Assets	\$ 4,022	\$ 3,354	20%
Property & Equip.	\$ 5,753	\$ 5,494	5%
Current Liabilities	\$ 3,404	\$ 3,011	13%
Long Term Debt	\$ 3,584	\$ 3,543	1%
Shareholder's Equity	\$ 1,470	\$ 1,168	26%
Book Value/share (basic)	\$ 14.42	\$ 11.47	26%

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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 11, 2006 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.

