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 June 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.
ACE is Positioned for Success

- Canada’s #1 Domestic and International Airline
- New Business Strategy to Achieve Sustained Profitability in a Low Fare Environment
- Improving Operating Performance
- Strong Financial Position
- Focus on Maximizing Value of Business Units
The ACE Platform
The ACE Platform

- **Air Canada**: Canada’s largest domestic and international airline
- **Jazz**: Canada’s second largest airline
- **Aeroplan**: Canada’s premier loyalty program
- **Technical Services**: Full service maintenance repair and overhaul
- **Market Cap**: ≤ $3.7B
- **2004 revenue**: $8.9B
- **2004 EBITDAR**: $1.1B
Canada’s Largest Service Provider

- Largest airline in Canada
- Linking 63 cities within Canada
- Combined fleet of 293 aircraft
Canada’s Largest Service Provider

- Unique global network
- 14th largest carrier in the world
- 29 million passengers annually
Leading Share in all Markets

Domestic
- ACE 55%
- WestJet 27%
- Other Airlines 11%
- Jetsgo 7%

International
- ACE 45%
- Other Airlines 33%
- BA 7%
- CX 7%
- AF 5%
- LH 3%

Transborder
- ACE 40%
- Other Airlines 29%
- Jetsgo 5%
- WestJet 3%
- NW 6%
- AA 9%
- UA 8%

Source: OAG March 2005, defined as Available Seat Miles (ASMs) capacity share
The New Air Canada

Transformed from Legacy Carrier to Loyalty Carrier

Legacy Carriers
- High cost structure with high labor costs
- Loss of customer trust
- Loss of market share
- Too much debt

The New Air Canada
- Competitive cost structure
- New revenue model
- Regained customer trust
- Enhanced network and product
- Record load factors
- Strong financial position

Legacy Carriers Must Morph or Die

Sustained Profitability
ACE’s Business Strategy

- Customer driven revenue model
- Leverage competitive cost structure
- Capitalize on network, product and technology
- Maximize value of business units
Leverage Competitive Cost Structure

**Target: $2B Sustainable Reduction in Annual Operating Costs**

20% Reduction from 2002 Levels

**Annual savings ($ billions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor and benefits expense savings</th>
<th>Cash aircraft lease reductions</th>
<th>Supplier contract initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$0.3</td>
<td>$0.6</td>
<td>$0.2</td>
</tr>
<tr>
<td>2004</td>
<td>$0.5</td>
<td>$0.6</td>
<td>$0.4</td>
</tr>
<tr>
<td>2005E</td>
<td>$0.8</td>
<td>$0.6</td>
<td>$0.5</td>
</tr>
<tr>
<td>2006E</td>
<td>$0.9</td>
<td>$0.6</td>
<td>$0.5</td>
</tr>
</tbody>
</table>

**Sustainability**

- Labor
- Rent
- Procurement
Leverage Competitive Cost Structure

Non-Fuel Unit Costs Sharply Cut Since 2002

Quarterly costs compared to equivalent quarter in 2002 (1)

Decrease of 20% over two years

(1) For example, costs in Q105 were 17.2% lower than in Q102
Customer Driven Revenue Model

The New Model Drives Loyalty

Best Network
- High frequency service between major cities
- Global reach
- Star and other alliances

Competitive Prices
- Simplified fare structure
- Comprehensive packages not easily matched
- Restore trust

Ease of Use
- Web or agency bookings through AC.com
- Kiosk check-ins
- Choice and transparency
- High frequency schedules “Show and Go”
Customer Driven Revenue Model

Restore Customer Trust

**Old Way**
- What is being sold: travel from A to B
- Complex pricing - rules, rules, rules
- Hidden information, choices unclear

**New Way**
- What is being sold: *How* one wants to travel from A to B
- Product very differentiated:
  - Tailored to individual choice
  - Clear link between price and value
- Transparency and trust are guiding principles
## Customer Driven Revenue Model

### Simple Fares - The Value is Clear

<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><strong>Anything(^1) Change Fee</strong></td>
<td>$30</td>
<td>$30</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><em>Except Same Day</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Flat Fee for Same-Day Changes at the Airport</strong></td>
<td>$150</td>
<td>$50</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Aeroplan Status Miles for Flying with Us</strong></td>
<td>50%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>150%</td>
</tr>
<tr>
<td><strong>Aeroplan Miles for Every Dollar Spent Online</strong></td>
<td>1 for $3</td>
<td>1 for $2</td>
<td>1 for $1</td>
<td>1 for $1</td>
<td>1 for $1</td>
</tr>
<tr>
<td><strong>Advance Seat Selection</strong></td>
<td>$15</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Upgrade Certificate</strong></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>NOT APPLICABLE</td>
</tr>
<tr>
<td><strong>Full Refund</strong></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Priority Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maple Leaf Lounge Access</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Effective June 1, 2005 Until June 6, 2005

Source: A STAR ALLIANCE MEMBER
## Simple Fares - The Choice is Clear

### Select departing flight

<table>
<thead>
<tr>
<th>From: Vancouver Vancouver Int'l, BC (YVR)</th>
<th>To: Toronto Pearson Int'l, ON (YYZ)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Op.</strong></td>
<td><strong>Flight</strong></td>
</tr>
<tr>
<td>----------------</td>
<td>------------</td>
</tr>
<tr>
<td>AC136</td>
<td>06:00</td>
</tr>
<tr>
<td>AC108</td>
<td>07:00</td>
</tr>
<tr>
<td>AC142</td>
<td>08:20</td>
</tr>
<tr>
<td>AC130</td>
<td>09:00</td>
</tr>
<tr>
<td>AC116</td>
<td>10:00</td>
</tr>
<tr>
<td>AC1162</td>
<td>11:00</td>
</tr>
<tr>
<td>AC1236</td>
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</tr>
<tr>
<td>AC180</td>
<td>12:00</td>
</tr>
<tr>
<td>AC1166</td>
<td>12:30</td>
</tr>
<tr>
<td>AC148</td>
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</tr>
<tr>
<td>AC192</td>
<td>14:00</td>
</tr>
<tr>
<td>AC100</td>
<td>15:00</td>
</tr>
<tr>
<td>AC152</td>
<td>16:00</td>
</tr>
</tbody>
</table>

**Best fares:** Vancouver to Toronto
Customer Driven Revenue Model

Tango Will Not Be Undersold

“Air Canada matches us, dollar for dollar on every single fare, every single minute of every single day.”

Clive Beddoes
President and CEO, WestJet

<table>
<thead>
<tr>
<th>Flight</th>
<th>Depart</th>
<th>Arrive</th>
<th>Aircraft</th>
<th>Stops</th>
<th>Tango</th>
<th>Tango Plus</th>
<th>Latitude</th>
<th>Latitude Plus</th>
<th>Executive Class</th>
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</thead>
<tbody>
<tr>
<td>AC200</td>
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<td>09:23</td>
<td>320</td>
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<td>$159</td>
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<tr>
<td>AC204</td>
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<td>$159</td>
<td>$137</td>
<td>$134</td>
<td>$337</td>
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<tr>
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<td>12:23</td>
<td>319</td>
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<td>AC208</td>
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<td>$129</td>
<td>$159</td>
<td>$137</td>
<td>$134</td>
<td>$337</td>
</tr>
</tbody>
</table>
Sustainable Domestic Load Factor Premium to WestJet (1)

(1) Revenue passenger miles as a percentage of available seat miles. Air Canada versus WestJet differential in percentage points.
Sustainable RASM Premium to WestJet in Same Markets

Higher average fare  
+  
**Higher load factor**  
Higher revenue premium
Customer Driven Revenue Model

Dramatic Web Penetration Rate

- Over 50% of domestic revenue now online
- 28% of system bookings now online
Fleet, Network and Product Opportunities
Fleet, Network and Product Opportunities

Mass Transit Schedule
Fleet, Network and Product Opportunities

Mass Transit Schedule
Regional Expansion: Jazz
Fleet, Network and Product Opportunities

- Mass Transit Schedule
- Regional Expansion: Jazz
- New RJ Opportunities
Large Regional Jets Will Change the Industry

Regional Jets: a Low-Cost Network Tool

Air Canada: 4 fleet types

Jazz: 100% Bombardier

Embraer

Bombardier

Executive Class

Hospitality
Capitalize on Redesigned Network

Transborder ERJ/CRJ New Route Opportunities
Capitalize on Redesigned Network

Expanded Route Opportunities: In Service
Capitalize on Redesigned Network

Expanded Route Opportunities: Toronto
Capitalize on Redesigned Network

Expanded Route Opportunities: Other Canadian Cities
Capitalize on Redesigned Network

Expanded Route Opportunities: Other Canadian Cities
Capitalize on Redesigned Network

B787

B777
International Services are Highly Profitable

- International unit costs cut deeper
- Fares have remained high
- Gateways well positioned to serve US to Europe and Asia
- Wealth of unused international route rights
- US policy of no transit without visa a significant opportunity
- Canadians have preference for national carrier
- Frequency advantage to most destinations
- Aeroplan miles a big positive
Maximize Value of Business Units

- Bring transparency to each business
- Separate accountability to drive performance
- Expand 3rd party business
- Examine ACE shareholder value maximization strategies
Maximize Value of Business Units

Canada’s premier loyalty program

6 million members

Q1 ‘05 results:
- Revenues: $172 mln
- Operating income: $26 mln
- Operating margin: 15.1%

Approximately 60% of revenue from third parties

(1) 2003 OAG airline of the year awards
Maximize Value of Business Units

Canada’s second largest airline

9th largest regional network in the world

Q1 ‘05 results:
- Revenue: $213 million
- Operating income: $27 million

30% lower labor costs than Air Canada

Fastest growing ACE component
Maximize Value of Business Units

- Full service maintenance repair and overhaul
- Centre of excellence for Airbus, Bombardier air frames and GE engines
- Q1 ‘05 revenue: $180mm
- 3rd party customers will account for approx 50% of revenues in 2006
- Ideally positioned to benefit from outsourcing trend
- Enough capacity to significantly increase business without significant capital investment
- New five year USD $300mm maintenance contract for Delta
Maximize Value of Business Units

- Planned USD $75mm investment by ACE in merged US Airways and America West carrier
- Up to 7% ownership stake
- New maintenance contract of approx. CAD $1.5bln over five years
- Potential commercial agreements for ground handling, regional jet flying, network and training
- Maintenance and ground handling contracts to contribute an estimated CAD $65mm per year
ACE’s Business Strategy

- Customer driven revenue model
- Leverage competitive cost structure
- Capitalize on network, product and technology
- Maximize value of business units
Financial Review
Strong 1st Quarter Results

- **Close to breakeven operating income**
  - YOY improvement of $135mm, despite fuel increase of $77mm
  - Only improvement in North American airline industry excl. fuel hedges

- **Strong cost performance**
  - Non-fuel CASM\(^{(1)}\) down 6% quarter over quarter
  - Non-fuel CASM\(^{(1)}\) down 17% from Q1 2002

- **Q1 RASM\(^{(2)}\)** up 3% overall on record load factor of 78%

- **Dramatic improvement in employee productivity**

---

\(^{(1)}\) CASM: Cost per Available Seat Mile

\(^{(2)}\) RASM: Revenue per Available Seat Mile
Strong EBITDAR Margin

North American Airlines Q1 EBITDAR\(^{(1)}\) Margin

JetBlue: 18.1%
WestJet: 13.6%
America West: 10.9\(^{(2)}\)
AirTran: 9.3\(^{(2)}\)
ACE: 9.2%
AMR: 8.3%
CAL: 7.9%
Alaska: 6.6%
Southwest: 6.4\(^{(2)}\)
Delta: 0.8%

US Airways: -1.8%
Northwest: -1.8%
United: -2.1%

\(^{(1)}\) EBITDAR = Earnings Before Interest, Taxes, Depreciation, Amortization and Rent
\(^{(2)}\) EBITDAR margin excludes impact of fuel hedges
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