2016 Annual Meeting of Shareholders

Halifax, Nova Scotia

May 10, 2016
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Forward-looking statements, by their nature, are based on assumptions, including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, our ability to successfully achieve or sustain positive net profitability or to realize our initiatives and objectives, our ability to pay our indebtedness, reduce operating costs and secure financing, currency exchange, industry, market, credit, economic and geopolitical conditions, energy prices, competition, our ability to successfully implement strategic initiatives and our dependence on technology, war, terrorist acts, epidemic diseases, casualty losses, employee and labour relations, pension issues, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), limitations due to restrictive covenants, insurance issues and costs, changes in demand due to the seasonal nature of the business, dependence on suppliers and third parties, including regional carriers, Aeroplan and the Star Alliance, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties and the ability to attract and retain required personnel, as well as the factors identified throughout Air Canada’s public disclosure file available at www.sedar.com, including those identified in section 17, “Risk Factors”, of Air Canada’s 2015 Management’s Discussion and Analysis of Results of Operations and Financial Condition dated February 17, 2016.

Any forward-looking statements contained in this presentation represent Air Canada’s expectations as of the date of this presentation (or as of the date they are otherwise stated to be made), 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, except as required under applicable securities regulations.
2016 Annual Meeting of Shareholders

Halifax, Nova Scotia

May 10, 2016
Jet fuel spiked to over $140/barrel
Net loss over $1B
Pension plan deficit exceeded over $4B
Stock price less than $1
The hollowing out of Canada
Are we capable of really thinking big?
Valuable lessons:

- Take some risk
- Play to strengths
- Be nimble
Our Report Card
### Operating Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$13.9B</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$9.7B</td>
<td>40%</td>
</tr>
</tbody>
</table>
## Sustaining Profitable Growth

### EBITDAR

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in billions)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$2.5B</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$679M</td>
<td>270%</td>
</tr>
</tbody>
</table>

### EBITDAR Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>18.3%</td>
</tr>
<tr>
<td>2009</td>
<td>7%</td>
</tr>
</tbody>
</table>

Targeted EBITDAR margin of: 15% to 18%
Significant Progress since 2009
- Decreased 9.3% from 2014
- Cost Transformation Program - $530M improvement
- Better fleet use through seat densification
- Efficient aircraft (Boeing 787s)
- Air Canada rouge
- Revised capacity purchase agreement with Jazz

Moving forward
- Target CASM savings of 21%
Adjusted Net Income

2015: $1,222B

2009: $(671)M*

* 2009 – Income (loss) before non-controlling interest, foreign exchange and income taxes
### Return on Investment Capital (ROIC)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18.3%</td>
<td>-1.5%</td>
<td>20 percentage points</td>
</tr>
</tbody>
</table>

Record improvement ✔
## Strengthening Our Balance Sheet

### Unrestricted Liquidity

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3B</td>
<td>$1.4B</td>
</tr>
</tbody>
</table>

### Leverage Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.5X</td>
<td>8.3X</td>
</tr>
</tbody>
</table>

**Target leverage ratio of:**

2.2X by 2018
### Pension Plans

<table>
<thead>
<tr>
<th>2015</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.3B</td>
<td>–$2.7B</td>
</tr>
</tbody>
</table>

Stabilized our plans by matching 75% of Air Canada’s pension liabilities to fixed income products.
SHARE PRICE IS UP MORE THAN 800%

Air Canada Five Year Price Performance

Source: FactSet Prices
EMPLOYMENT

6 Continents
29 Countries
28,000 Employees
Continued Growth

+ 320 pilots
+ 640 Air Canada Flight Attendants
+ 425 Air Canada rouge Flight Attendants
+ 5,500 jobs for our regional carriers
Continued Growth

- Air Canada employs 350 people in the Halifax region
- Jazz Aviation, our largest Express partner, employs about 800 people
An integral part of our North American Strategy

- New capacity agreement to 2025
- Better aligns interests of both companies
- Provides for further modernization of the Jazz fleet
- Pilot mobility agreement
Among top 15-20 largest airlines in the world
- 41 million passengers last year
- 200 destinations worldwide
Spent approximately $9.5 billion on products and services in 2015

- $100 million locally on operational expenses
- More than $1 billion Capacity Purchase Agreement with Jazz
10-year labour agreements with most of our major unions
GLOBAL CHAMPION

DIVERSITY AND INCLUSION
Investments

- $9 billion capital expenditure program
- Youngest fleet
- Taking delivery of 37 Boeing 787 Dreamliner aircraft
- Boeing 737 Max in 2017
- Bombardier C Series in 2019
UNIQUE SELLING POINTS (USP)

Network and geographic advantage

- Next-generation cabin features
- New lie-flat seats in International Business Class
- First dedicated Premium Economy cabin in North America
- WiFi installed on North America flights and plan on installing satellite WiFi on International flights
- $300 million in 2016 to refurbish Boeing 777s
EMBRACE RISK, SEIZE OPPORTUNITIES, INNOVATE, EXPAND

Air Canada rouge
- Contributing to profitability
- Expanding our leisure routes
- Job opportunities
- Swing capacity

Say hello to Air Canada rouge. a new airline from a familiar face.

London, meet Air Canada rouge flying from Gatwick to Toronto direct as of May 20, 2016. Make yourself comfortable in our stylishly designed cabins and enjoy access to player, our streaming wireless in-flight entertainment system. Your meals are always on us, and you can check your first bag for free. For even more comfort, travel in Premium rouge and enjoy a more spacious seat, priority airport services, premium meals and more. Learn more at flyrouge.com.

Book your trip at aircanada.com or speak to your travel agent.

toronto
from only £378

May 20 – June 30, 2016 and August 17 – October 16, 2016
Fares indicated are round trip from London-Gatwick.

Air Canada rouge is a brand of Air Canada, a Star Alliance member and a proud member of the Alliance of Global Champions.
Our greatest success:

Changing the very culture at Air Canada

- Entrepreneurship
- High performance
- Just do it mindset
We have increased capacity outside Canada by more than 47% 

- 90% of growth in international markets 
- Since 2009, we launched non-stop service to more than 30 destinations
First major North American carrier to order Bombardier C Series
- Investment timeframe must match long term strategy.
- We need to run our business and make capital allocation decisions based on sustainable profitability in the long term interests of our stakeholders.
Canadian Public Policy

- Not always favourable to our industry
- Higher travel costs impede economic activity
- No other airlines in Canada subject to similar restrictions
Sustainability is an integral aspect of our operations

- Improved fuel efficiency by 10% since 2009 and 38% since 1990
In 2015, Air Canada Foundation donated

- More than **1,100** promotional tickets to charities
- More than **15 million** Aeroplan® Miles
- Over **$1 million** in financial grants
  - 88% increase over 2014
In 2015, Air Canada and the Breakfast Clubs of Canada flew young Trent Leon to Montreal to meet his hero, Montreal Canadiens goalie Carey Price.
Staying ahead of the curve

We embrace change!
THANK YOU