

**Remarks by Calin Rovinescu
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Good afternoon and thank you Michel for that very kind introduction.
Mister Mayor Denis Coderre, dear friends.

Thank you, everyone, for taking time to be here today. I see many familiar faces in the crowd and, of course, so many of our most loyal customers. One of the great perks of my job is being able to join groups like this throughout the country and meet the many Canadians who engage with our company on a regular basis. We are privileged to be one of the country's most recognizable brands and our team is committed to retaining your loyalty far into the future.

History Introduction

But before we get to the future, I would like to talk a little about the past. Montreal and Canada were not the only ones with milestone birthdays this year. Earlier this month we celebrated our own very special anniversary at Air Canada. We had our eightieth birthday. And our story somewhat mirrors our country's evolution over eight decades.

It was on September 1, 1937, when the first Trans Canada Airlines (TCA) flight took off from Vancouver for Seattle.

I am quite certain that no one at the time foresaw that a Canadian icon was being born that day. Certainly, not the two passengers, who paid \$7.90 each to sit amongst the mailbags.

Air Canada has been a company of many "firsts" in our industry. In 1938, we became the first airline to install alcohol de-icing nozzles to keep our planes' windshields ice-free for pilots.

Before the decade was out we introduced our first trans-continental flight. By 1943 we operated our first trans-Atlantic flight, Montreal to Prestwick, Scotland. It took 12 hours, including a pit stop in Iceland.

Mid-year 1950, TCA welcomed its 3 millionth passenger, a number it took nearly 13 years to reach but which we now carry in about 24 days.

We greeted the 1960s by introducing jet aircraft. The new DC-8s cut travel time to London by half to six hours. That decade, we became the first airline with a computerized reservation system and then participated in the development of the industry's first Black Box recorder.

The most visible change of the sixties was adopting the name Air Canada. It was a name that had already been in use in Quebec for years, and which properly celebrated Canada's bilingualism.

The 1970s heralded the jumbo-jet era, as Air Canada took delivery of its first Boeing 747.

Another milestone was reached in 1977 when we hired our first female pilot. While that trailblazing pilot retired in 2015, today we have more than 200 women flying our aircraft and promoting "women in aviation" is today a major initiative for us.

The 1980s brought further tremendous change with the company's 1988 privatization – and the beginning of my own personnel association with the company. By decade's end we carried 10 million people a year, less than one quarter of passengers we carry today.

As the new century dawned, there was also significant upheaval – with a hostile takeover bid in 1999, our merger with Canadian Airlines in 2000, SARS and then 9-11 in 2001. While the industry faced a perfect storm, and iconic global airlines like TWA, PanAm, Eastern, Sabena, Ansett, and many others had disappeared, Air Canada was able to successfully restructure like several others in the North American industry and managed to live to fight another day.

Then, as the first decade of the new century was drawing to a close, in 2008, the airline was caught up in yet another crisis -- the global financial crisis and recession, which took the entire industry, including Air Canada, to the edge of the precipice once more.

And I was appointed CEO on April Fools Day 2009 – my friends wondering if I had succumbed to some sad form of self-flagellation.

Global Champion

As Canada's national carrier, we get to play multi-dimensional chess in a fish bowl, in full view of the public – customers, employees, suppliers, competitors, shareholders, analysts, unions, media. Virtually everyone gets a peek at virtually everything that we do. In good times and bad.

From coast to coast. Certainly a challenge, but also an enormous privilege. We get to fly the maple leaf on our tail. We are the first sign of home when someone boards our planes in Delhi, Shanghai or Tokyo. We get to show off our world class fleet, world class crews and world class product. We get to convey everything that is good about Canada. Especially now, when the world does indeed need more Canada.

By 2010, Canadian business had already lost many leading global icons from all sorts of industries, not only airlines – but also companies in communications, manufacturing, retail, mining, steel, breweries, etc.

Sometimes through buy-outs by foreign companies, sometimes through an inability to transform and ultimately bankruptcy. Moreover, there had been much debate about the “hollowing out” of corporate Canada. And also much hand-wringing over the struggles of companies that couldn't adapt quickly enough to changed paradigms, to the inevitability of disruption, companies such as Kodak, Polaroid, Blockbuster.

So, while we were near an all-time low, we decided to take the theme of global leadership and build it into somewhat of a corporate mantra – for our Board, our senior executives, our managers, and our front-line employees. We sought to understand how highly successful international champions in other industries – like Amazon, Apple, Google – were able to achieve what they had achieved.

Why couldn't Air Canada be capable of really thinking big, despite the challenges of 2008 and 2009? And why couldn't we make the case for a Global Champion coming out of the very deep recession we were then in. Frankly, given the history and brand strengths of Air Canada, simply having everyone in our organization asking themselves these very basic questions was already half the battle.

Moreover, we learned a few very simple lessons. (1) Take some risk. One cannot be risk averse when all is bleakest; we had to move quickly to seize opportunities arising from the ashes of 2008 and to do so, we needed to see our legacy as a strength rather than a weakness. (2) Invest in Brainpower. (3) Invest in Diversity. And (4) Leave the place better than when you were handed the reins.

Start-up Culture

Being a global champion requires taking risk. It means seizing new opportunities, innovating and expanding with a clear vision for the future. Global Champions pursue a strategy that balances economic, environmental and social considerations.

And even though I don't appear before you today in a T-shirt, ripped jeans and sneakers, I am just as enthusiastic as any Silicon Valley entrepreneur about the future of Air Canada and our goal to become a recognized, global champion. It is a goal we are well on the way to achieving.

With several years of record results and profitability, a strengthened balance sheet, an expanded global network and engaged employees, we are confident in saying that we are on the right trajectory.

We are an airline with an improved cost structure, an improved debt rating, strong free cash flow and great prospects for the future. And our share price? It has posted a return of over 3,500 per cent... from \$0.78 on my first day on the job, April 1, 2009, to over \$27 as of last week. In the process, we have created nearly \$ 7 billion in shareholder value.

Strategy

Our strategy has been to selectively and profitably expand our international services by leveraging an improved cost structure and our inherent competitive advantages.

To tackle our legacy costs, we started with a Cost Transformation Program of approximately \$500 million, which then morphed into a comprehensive company-wide cost reduction target. Our initiatives to become more efficient included a \$10 billion aircraft re-fleeting, the launch of Air Canada Rouge, modified arrangements with our regional airline partners, and many other commercial and operational initiatives.

Along with restoring our finances, we have also achieved unprecedented labor stability with long term agreements with all of our major unions. Everyone is now on the same page. In turn, this has given us a stable platform to continue investing.

These competitive attributes are reinforced by our privileged geography in

Canada – sitting on top of the largest market in the world, the United States. And we are also able to further exploit this geography through wide-ranging traffic rights and Canada’s numerous bilateral air agreements with other countries.

Additionally, with Rouge, we have a great tool which can be used both defensively and offensively including competing with the various domestic and international low-cost carriers attempting to start up in Canada.

Finally, to further secure and broaden our market appeal, we have a suite of loyalty initiatives – including our existing Altitude program and plans for our own consumer loyalty program to replace Aeroplan in 2020, bringing us much closer to our most loyal customers.

International Growth

Following years of flat to negligible growth, Air Canada has undertaken a significant expansion in recent years. While Air Canada may have recently celebrated its 80th birthday, our explosive growth more closely resembles that of a new wave start-up.

Air Canada has grown about half as much in the last five or six years as it did in the first 75 years of its existence. Since the start of 2016 alone, we have launched close to 50 new routes to U.S. and international destinations. All of this was made possible by our wide-body fleet renewal with our new 777s and, more recently, our 787 Dreamliners.

This has not been growth for growth’s sake or a bid for market share. As our results show, this has been profitable growth through margin expansion to achieve sustained profitability.

This period of significant capacity growth will now begin to taper and will be exchanged for greater revenue and earnings stability as we turn our attention to our narrow-body replacement program as we seek to modernize our fleet with newer, more fuel efficient aircraft. It begins this year with our Boeing 737 MAX and continues next year the Bombardier C-Series.

But this does not mean an end of growth. We still see opportunities to continue to add routes. Particularly as the capabilities of our new narrow-body fleet will open new markets and create new city pairings, including valuable connecting traffic over our main hubs.

In 2016 alone, we increased international connecting traffic — being passengers from other countries connecting over our Canadian hubs to travel to other countries — by over 20 per cent from 2015. This is truly competing for global traffic flows. And our success in this area has been recognized. For example we were recently the subject of a major *Wall Street Journal* article titled “Why Savvy U.S. Fliers take Air Canada”, for all American business readers country-wide to see.

Montréal Story

Montréal has been a prime beneficiary of this unprecedented growth. As of this summer, our capacity at Trudeau airport has increased 81 per cent over the last five years. Since 2016 alone we have started or announced 21 new routes from the city: 81% capacity increase in five years, 21 new routes in two years.

There have been new routes to such places as Barcelona, Nice, Mexico City, Venice, Casablanca, Lyon, Marseille, Tel Aviv, Keflavik in Iceland and Algiers. And, of course, our long-desired, daily to Shanghai, our first direct service from Montreal to Asia, to be followed next year by our new service to Tokyo.

This winter will see flights to Lima, Montreal’s first to South America. For next summer, we have already announced service to Dublin in addition to the Tokyo flight.

Plus, just this morning we announced several more new services for next summer 2018 - seasonal routes from Montreal to the Portuguese capital Lisbon and to Bucharest, Romania’s capital, and the city of my birth.

In addition, new U.S. destinations from Montreal added include: Phoenix, Washington-Dulles, Dallas, Houston, Denver and Philadelphia. All important business routes.

We know Montreal is working hard to attract Amazon’s new headquarters — as well as a few other Canadian cities. The winning city — if it is Montreal or one of the other Canadian cities — can count on Air Canada to facilitate travel to Seattle.

We are the third largest private sector employer in Montreal and have been named one of the city's Top Employers for four years in a row.

We spend over \$450 million a year on salaries and wages in the province and there are 6,500 pensioners benefiting from our retirement funds. Our total annual expenditures in Quebec are \$2 billion and the economic spin-off effect, at the economists' estimates of 5X is estimated to be more than \$10 billion in the Province.

We are also very proud to serve a total of 11 airports in Quebec. The international reach of Air Canada's network opens Quebec to the world and represents an important tool for economic development within the context of globalization.

Connectivity drives economic growth in our globalized world and in this context, I have to give a shout-out to Mayor Denis Coderre and his team, as well as Tourisme Montreal and ADM, all of whom understand the enormous contribution Air Canada makes to Montreal and who have enthusiastically supported our various initiatives.

Another economic spinoff is our significant investments on aircraft and aerospace, equipment and services strengthening Quebec's role as the center of Canada's aerospace industry.

We are proud to have been an early, large customer of Bombardier's C-Series platform. We have a firm order for 45 C-Series jets and options for 30 more. Deliveries begin in 2019 and we have great plans for these game-changing aircraft, which are exceeding expectations for the airlines that currently operate them. The C-Series is the best in class for its size and we see it comfortably co-existing in our fleet alongside our new Boeing's 737 MAX aircraft.

We are glad that Bombardier's commitment to innovation has challenged a segment of the market that is not well served — the small narrow-body segment of the market — and are very disappointed by Boeing's actions in attacking the C-Series in the U.S., especially given that Boeing makes no comparable aircraft based on size. Moreover, we find the preliminary decision of the U.S. Commerce Department released Tuesday imposing duties of nearly 220% extremely troubling, as it has the potential effect of stifling both innovation and competitiveness, to the detriment of both airlines and passengers.

Another example of economic spin-off for the province of Quebec – just last week, one of our suppliers, the well-regarded U.S. aviation services company, AAR Corp., with our encouragement, acquired facilities from Premier Aviation at Trois-Rivières. In conjunction with this transaction, we announced long term agreements with them to maintain our Airbus narrow-body fleet and our Embraer fleet in Trois-Rivières. This will require approximately 350 aircraft mechanics at the Québec facility. The total value of the contract over its term is estimated to be about \$500 million.

Contribution of business to Canadian economy, jobs

I want to digress for a moment and turn to the overall role of corporations and of business leaders in society. While private enterprise typically employs more than 75% of all working people, there is a troubling business-bashing trend going on in the world. Indeed, some surveys have shown that there is a global implosion in the level of trust in corporations (along with media and politicians). Not sure who should be more insulted in this comparison. This makes for some great media sound-bites and for politically convenient excuses to raise taxes, attack corporate tax structures and impose more constraints on business.

The truth is, in Canada, our largest companies, employ millions of Canadians, account for most of the value of Canadians' investment portfolios, contribute the largest share of corporate taxes, and are responsible for most of Canada's exports, philanthropy, and private-sector investments in research and development. Not to mention the many thousands of smaller businesses and entrepreneurs indirectly supported in communities across Canada.

So long as this negative impression of business exists, the onus is on us, as business leaders, to not only deliver financially but to continue doing what really matters for our stakeholders. And to tell our story repeatedly.

So, here is the part of our story that I am proudest of. Besides financial results, we saved 27,000 jobs, created an additional 3,000, saved pensions, increased salaries, built a powerful new leisure carrier with all sorts of growth opportunities, opened up Montreal like never before to global traffic flows and made a meaningful contribution to rescue efforts with Syrian refugees as well as in places decimated by natural disasters like Haiti, the Caribbean, Fort McMurray - and to the health and well being of children with numerous Air Canada Foundation initiatives.

Future Opportunities

Looking to the future, we intend to keep leveraging the natural advantages we have, such as Canada's geography. And we intend to continue to refine our onboard product such as our new third-generation in-flight entertainment system that I think will impress customers.

And we are determined to keep introducing new features to maintain and strengthen our lead.

Earlier I said that brainpower was another differentiator for Global Champions. Brainpower is simply the most valuable natural resource we have. It is exportable, importable, transferable, scalable and available to be richly mined without damaging the environment. It is the most basic and most abundant truly "natural" resource. We have been recruiting innovative people and bulking up in the area of digital capabilities to position ourselves on the leading edge of mobile and other technologies.

Data has indeed become the new oil. We are planning on exploring, drilling, and commercializing our customer and process-rich data reserves over the coming years in a meaningful fashion, building powerful loyalty to our brand.

We have also made substantial investments and formed partnerships with leaders in the field of Artificial Intelligence in both Ontario and Quebec. Among other things, it will enable us to better anticipate and better respond to customer requirements.

Employees

Our team of 30,000 has worked hard to transform our culture over the last years. Still, the most important aspect of the customer experience remains face-to-face interaction. We are and will remain first and foremost a service business. This requires we have an engaged, trained and motivated workforce to deliver on these plans and we invest a lot in the tools and training of our employees.

Our efforts have also been noticed and appreciated by our customers - While we will continue to improve our products, Air Canada was ranked the Best Carrier in North America this year by the widely respected Skytrax World Airline Awards, based on a global survey of more than 20 million global

travellers. It is the sixth time in eight years we won this award.

But becoming the Best Airline in North America is not a goal in itself. No spiking the ball in the end zone. Building a winning mindset is however a vital precondition to meeting our core priority of global champion aspiration.

Conclusion

As you heard today, we are investing in our people, fleet, technologies, network, loyalty programs and other services and amenities to deepen the bonds with our customers and to further raise our standards. And although we are 80 years old, we are doing all this with the vigor and upbeat expectations of a Silicon Valley start-up. With an emphasis on brainpower, diversity and strategic risk-taking.

For this reason, I am confident when I say, that for Air Canada, the best is yet to come.

Thank you