Air Canada’s Annual Meeting of Shareholders

Calin Rovinescu
President and Chief Executive Officer, Air Canada

Montréal, May 5, 2017
Celebrating 80 years
September 1, 1937

First flight from Vancouver to Seattle
1938

First airline to install alcohol de-icing nozzles
First trans-Atlantic flight, Montreal to Prestwick
July 1950

TCA’s 3 millionth passenger
Installation of anti-skid brakes

1950s
1960s

Introduction of jet aircraft

1963

Computerized reservation system

1965

Covered walkways
Jumbo jet era – Air Canada takes delivery of its first Boeing 747
First female pilot, Captain Judy Cameron

1977

2015
1988

Privatization of Air Canada
First carrier to make its European flights non-smoking

1990s

Debut of self-service kiosks
2000s

Merger with Canadian Airlines

Hostile takeover bid

SARS

9-11
The Turnaround
Desire to win
Record Operating Revenues

$14.7 Billion

$9.7 Billion

2016

2009

50% INCREASE
Record EBITDAR

- **2016**: $2.8 Billion
- **2009**: $679 Million

**300% Increase**

**18.9% Margin**
Return on Invested Capital

2016: 14.7%
2009: -1.5%
Leverage Ratio

2016: 2.6X
2009: 8.3X

NOW SUSTAINABLE
Unrestricted Liquidity

2016: $3.4 Billion
2009: $1.4 Billion

140% Improvement
Domestic Registered Pension Plans

$1.9 Billion surplus

-$2.7 Billion deficit

2016

2009

REVERSAL OF $4.6 Billion
Record Number of Passengers

2016: 45 Million
2009: 31 Million

45% INCREASE
Average Passenger Load Factor

82.5%

2016
Return on investment

over 1,600%
### Q1 Results for 2017

<table>
<thead>
<tr>
<th>System traffic</th>
<th>Revenues</th>
<th>Adjusted CASM</th>
<th>Fuel costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>14%</td>
<td>8.9%</td>
<td>6%</td>
<td>48%</td>
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EBITDAR results
Exceeded analysts’ consensus estimates

<table>
<thead>
<tr>
<th>Unrestricted liquidity</th>
<th>$4.073 billion</th>
</tr>
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<tbody>
<tr>
<td>Free Cash Flow</td>
<td>$470 million</td>
</tr>
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</table>
We get to play multi-dimensional chess, in full view of the public.
We convey everything good about Canada.
Global Champion
Our four guiding corporate priorities since 2009

- Revenue growth and cost transformation
- International expansion
- Culture change
- Customer engagement
Invest in Risk
Grew capacity outside Canada by 74%
- 90% of growth in 2016 was on international markets
## Invest in Risk

**Invested in fleet:** $10 billion CapEx program

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Planned</th>
<th>To Come</th>
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<tbody>
<tr>
<td>Boeing 787 Dreamliner</td>
<td>37</td>
<td>12</td>
</tr>
<tr>
<td>Boeing 737 Max</td>
<td>61</td>
<td>First to be delivered in 2017</td>
</tr>
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**Bombardier C-Series (order for 45)**
Invest in Risk

Launched leisure airline: Air Canada Rouge
- Maintain or expand leisure routes
- Enter new international markets
- Flexibility
- Best New Long-Haul Airline
- 49 aircraft, 93 routes, touching five continents
Invest in Risk

De-risked Air Canada

- Beneficial effects:
  - Route diversification
  - Increased fleet flexibility
  - Fully-funded pension plans
  - Long-term labour contracts (10-year agreements)

- Lowered balance sheet with $1.25 billion refinancing
  - Reduced debt by $355 million
  - Expected to generate $60 million in annualized interest savings
2016 Investor targets:

- Achieve annual EBITDAR margin of 15% to 18% (18.9% in 2016)
- Achieve ROIC of 9% to 12% (14.7% in 2016)
- Target leverage ratio of 2.2 by 2018 (2.6 at year end)
- Reduce overall unit cost structure, making progress each quarter to reduce CASM by 21%
Invest in Brainpower
Invest in Brainpower

Air Canada creating jobs and opportunities:

- Hired 1,500 in 2016 (800 more expected for 2017)
- Since 2009, company has grown from about 26,000 to more than 30,000
Invest in Brainpower

Support companies that also invest in brainpower
- Create leading-edge technologies and capabilities
- Challenge the status quo
- First major North American airline to order Bombardier C Series
- Encourage disruption
Invest in Brainpower

Culture change
- Recruitment website gets 110,000 visits each month
- 290 applicants for every job filled
Invest in Diversity
Invest in Diversity

- 60 different languages spoken
- 20% belong to visible minorities
Invest in Diversity

Promoting women throughout the company
Air Canada is amongst the most bilingual private sector companies in Canada

- Almost 50% of contact employees are bilingual
  - Materially in excess of national statistics throughout the country
- 94% of customers were satisfied or extremely satisfied overall with service received in their preferred official language (Ipsos Reid 2016)
Leave the Room Better
Leave the Room Better

The Air Canada Foundation

- Committed to children’s causes through:
  - Dreams Take Flight
  - Syrian Refugee Mission
  - Children’s Miracle Network
  - Breakfast Club of Canada
  - Starlight Children’s Foundation
The Air Canada Foundation turns 5 this year

- Raised 7% more funds than in 2015
- Increased grants to Canadian charitable organizations by about 40%
- 6.5 million miles donated to pediatric hospitals in 2016
Leave the Room Better

Sustainability efforts measure our progress
- 40% reduction in our carbon footprint
- Listed amongst top 100 companies in the world for CSR reputation
Leave the Room Better

- Performance recognized on Jantzi Social Index
Share Success Stories
Share Success Stories

- Private enterprise employs more than 75% of all working people
- Largest companies take much risk deploying billions in capital
- Employ millions of Canadians
- Account for most of the value of Canadians’ investment portfolios

- Contribute the largest share of corporate taxes
- Responsible for:
  - most Canadian exports
  - most private-sector investments made in research and development
  - most investments made in corporate philanthropy
Share Success Stories

Air Canada:
- Saved 26,000 jobs
- Created 4,000 jobs
- Saved pensions
- Increased salaries
- Paid profit-sharing bonuses
- Built a powerful new leisure carrier
- Grew international capacity connecting to 6 continents
Conclusion
8 decades
As a Global Champion we will:

- Change
- Improve
- Innovate
- Grow stronger
- Stay ahead of the pack
Thank you David Richardson
Thank You

— To our 30,000 dedicated employees for their hard work and taking care of our customers and producing record results
— To our shareholders for their ongoing support
— To our customers for their continued loyalty
Air Canada Annual Meeting of Shareholders

Montréal, May 5, 2017