Air Canada’s Annual Meeting of Shareholders

Calin Rovinescu
President and Chief Executive Officer, Air Canada

Montréal, April 30, 2018
Doing WELL = Doing GOOD
Doing Good

- Air Canada Foundation
- Syrian refugees
- Haiti earthquakes
- Caribbean hurricanes
- Fort McMurray fires
- Quebec floods
Environment

Air Canada’s fleet is 40% more fuel efficient than it was in 1990.
Safety and Ethics

• Safety First, Last and Always
  – Robust SMS
• Solid ethical foundation
A Remarkable 2017

New Records | More Awards | 80 | New Livery | Growth | Helping Others
We get to play multi-dimensional chess, in full view of the public.
We convey everything good about Canada
Path to Global Champion

Financial Stability

Fleet

Network & Hubs

Air Canada Rouge

Regional Feed

Loyalty

Labour Stability
Lessons Learned

Take some **RISK**
Lessons Learned

Invest in BRAINPOWER
Lessons Learned

Invest in **DIVERSITY**
Lessons Learned

Leave the room BETTER
2017 Earnings

EBITDAR more than $2.9B

Fifth consecutive year of record revenue

EBITDAR (excluding special items)
EBITDAR Margin (excluding special items)

EBITDAR Margin %

$ Millions

2017 Revenues
(Millions of $)

Record operating revenue $16.3B

$1.6B or 11%

2013 2014 2015 2016 2017

12,382 13,272 13,868 14,677 16,252

+31.3%
Revenue Growth in Each Market
(% Change vs. 2016)

- Passenger revenue grew in each major market where we operate
Free Cash Flow
(Millions of $

$1.1B record free cash flow

Up more than $1B from 2016

2013: $(231)
2014: $(547)
2015: $210
2016: $(149)
2017: $1,056
Cost Discipline

• North American industry leader
• Adjusted CASM decreased 3.0% from 2017 to 2016
Adjusted Net Debt

- Adjusted net debt down $974 million

$6.1B Adjusted net debt
## Leverage Ratio (Net Debt to EBITDAR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>2009</td>
<td>8.3</td>
</tr>
<tr>
<td>2010</td>
<td>3.5</td>
</tr>
<tr>
<td>2011</td>
<td>3.7</td>
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<td>2012</td>
<td>3.1</td>
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<td>2013</td>
<td>3.0</td>
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<td>2014</td>
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<td>2015</td>
<td>2.5</td>
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<tr>
<td>2016</td>
<td>2.6</td>
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<tr>
<td>2017</td>
<td>2.1</td>
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<tr>
<td>Mar-18</td>
<td>2.0</td>
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</tbody>
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- **Weighted average cost of capital:** 7.6%
Air Canada Rouge

Founded: July 2013
Destinations: 80
Fleet: 53 Aircraft (Summer 2018)
Hubs: Toronto, Montreal, Vancouver

Lower CASM Aircraft

Summer 2018

Winter 2018
Passenger Loads

Record
48.1M
passengers

Average
load factor
82.3%

50% more
than 2009
Delivering Best Airline in North America

- Best Airline in North America
- Four-Star ranking
- Best Long-Haul Airline in the Americas 2018
Shares appreciated nearly 90% in 2017

3,000% return since 2009

Source: FactSet Prices
Top 1000

Megastars

“Air Canada returns to our Megastar list this year after a stellar run as the top performing stock on last year’s list.”
Q1 2018

- **EBITDAR** $397M (up 8% from Q1 2017)
- **Record operating revenues** in excess of $4B
- **Pared operating loss** $14M from $30M
- **$4.9B Unrestricted liquidity**
- **2.0 Leverage Ratio**
Start-up Culture

Air Canada –
a growth-orientated
global champion,
amongst the best on
the planet
Strategy

• Selectively and profitably compete for global traffic flows
• Exploit our inherent competitive advantages
Cost Transformation Programs (CTP)

- 2009 CTP $500M
- 2018-2019 CTP $250M
2017 in Review

NEW
Passenger Service System (PSS) Program

• Improved customer service, operational efficiency
• Advanced disruption management capabilities
• Makes maximum use of what we already know about our customers

Expected $100M+ incremental benefits
Aircraft re-fleeting
Aircraft re-fleeting

Boeing 737 MAX 8:
11% lower CASM to operate than A320s

Bombardier C Series CS300:
12% lower CASM to operate than Embraer 190s

Revenue gains:
7% compound annual growth since 2013
RECORD REVENUES in 2017
## Our Path to the New Loyalty Program in 2020

<table>
<thead>
<tr>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td><strong>Strategy and Program Design</strong></td>
<td>Build</td>
<td>Refine</td>
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<tr>
<td><strong>Strategic Partnerships, Including Credit Card</strong></td>
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<td>Identify and Establish</td>
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<tr>
<td><strong>Technology and Program Build</strong></td>
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<td>Vendor Selection and Build</td>
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<tr>
<td><strong>Communication and Launch Preparation</strong></td>
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<td>Launch Preparation</td>
<td>Launch Communication</td>
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**May 11, 2017**
Announcement to launch own loyalty program in 2020 upon expiry of commercial agreement with Aimia

**June 2019**
Communication of initial program details

**June 2020**
Frequent Flyer Program launch date
International Growth
Available Seat Miles (millions)

2000: 52,553
2005: 58,822 (12.9% increase)
2009: 59,343
2017: 103,492 (74.4% increase)
Expanding our Reach
20% Increase in International Connecting Traffic Since 2016

Air Canada Sixth Freedom Passengers carried to/from U.S.
Why Savvy U.S. Fliers Take Air Canada

More international travelers are finding better deals, nicer planes and faster flight times than they get from Delta, United or American by heading north

By Scott McCartney

Toronto

One of the best ways to go east to Europe or west to Asia now is to go north. Air Canada, revived after years of turbulence and bankruptcy, has turned its hubs in Montreal, Toronto and Vancouver into easy, fast connecting points for U.S. travelers. You clear U.S. Customs in Canada without even having to retrieve your checked luggage. Waits are minimal. Fares are sometimes cheaper. Flights are now and fitted with premium economy cabins—an option U.S. airlines are just beginning to roll out.

U.S. airlines are just beginning to roll out.

It's the in-the-know alternative for travelers who want to avoid the slog of connecting in New York or Los Angeles, Paris or London, Chicago or Atlanta.

"People are surprised when I say it's a much better experience on Air Canada," says Louise Clements, an advertising executive who splits time between New York and Toronto.

She lived in New York until last year and found it better to fly from New York's LaGuardia Airport to Toronto for overseas trips on Air Canada than U.S. airlines from Kennedy or Newark, N.J. Now living in Toronto, she flies Air Canada often to Minneapolis and sees more passengers connecting to international flights. Air Canada has put larger aircraft on the route.

Air Canada's international connecting push has been a decade in the making. The airline has invested heavily in new planes, high-speed moving sidewalks, ultralow baggage belts, bigger security checkpoints and international airport clubs with showers to pamper travelers heading into or out of the U.S. Getting all its flights in the same terminal in all three of its hubs has made connections quicker and easier.

The carrier, a Star Alliance partner with United, has long offered connecting service abroad. But
Culture Change: Win as One Air Canada
New Livery and Uniforms
We are Fostering Positive Culture Change and Have Engaged our Workforce

Just a short note to thank you for the Profit Sharing that I received on my most recent pay check! I am happy to be apart of our company and success. #iamgrateful — Sabina

The most positive thing I’m noticing now is the shift relating to culture change and the positivity that is promoting by moving forward and moving away from the older often more abrasive attitudes. — Konrad

I trust I can speak for many here at YYZ Airport in saying that we are Thankful for your efforts in pushing Air Canada forward and further you are very respected by myself and many. — Ross

...I would like to thank you for giving us the opportunity to work for such an outstanding airline, that keeps expanding and evolving with integrity! — Irina

I have witnessed the passion of our management teams to provide guidance; the competence of our Leads to bring experience and knowledge to resolve any challenge (complexity peripheral); and the strength all our agents—the chambers of Air Canada’s heart—who place their own personal challenges “on hold” in-order to answer the call of Air Canada. — Julio
A Growing, Thriving Workplace

- Jobs
- Pensions
- Salaries
- Career prospects
- Job progression
- Growth opportunities
- Profit Sharing
Customer Engagement

- New aircraft and onboard amenities
- New Priority check-in
- New and refurbished lounges
New Products and Services

Air Canada Signature Service

• Enhanced amenities
• All Business Class services on mainline widebody
Data the New Oil

2.5 quintillion bytes of data are created daily
(Source: International Personal Data Trade Association)

Traveller A
Leisure
Low frequency
Value: $

Traveller B
Business
High frequency
Value: $$$

Business Content Offer
Leisure Content Offer
Montréal – Prime Beneficiary of Air Canada’s Growth

74% capacity increase (LAST 5 YEARS)

25 new routes since 2016

$10 billion economic contribution
Montréal – Prime Beneficiary of Air Canada’s Growth
Montréal – Prime Beneficiary of Air Canada’s Growth

- Third largest private sector employer
- Montréal’s Top Employers – five years in a row
- Serve 11 airports in Quebec
Air Canada – A Global Champion
Thank you