Remarks by Calin Rovinescu

President and Chief Executive Officer, Air Canada

Annual General Meeting of Shareholders

Montreal, April 30, 2018

Welcome. Our 2018 AGM is starting somewhat differently than prior years. While we are proud of our financial results in 2017, doing well is not enough. We believe that it is also by doing good, and by fully participating in the communities we serve, that our airline truly thrives. So, we start this year's report to shareholders with social responsibility and sustainability.

Along with helping thousands of children like Kaleb through the Air Canada Foundation, in recent years we have also made a meaningful contribution to rescue efforts with some 3,000 Syrian refugees – being carried to Canada, as well as in places decimated by natural disasters like Haiti following the devastating earthquakes, the Caribbean following the destructive hurricanes of last year, Fort McMurray following the disastrous fires, or right here in Quebec following last year's flooding.

I am also proud of our environmental impact in reducing our footprint. Today, based on billions invested in new aircraft, Air Canada's fleet is 43% more fuel efficient than it was in 1990, an environmental efficiency improvement we are very proud of.

This month, to mark Earth Day, Air Canada was the lead partner in a demonstration project to introduce biofuel into the shared fuel system at Toronto-Pearson. Through this one project we reduced our emissions by 160 tonnes in one day. Moreover, we showed it is feasible to supply aircraft with biofuels through regular airport systems. This sets our whole industry up for success in reducing emissions in the future.

Earlier this year, we received a very welcome validation of our environmental accomplishments. We were named the 2018 EcoAirline of the Year by the respected airline industry publication Air Transport World in its 44th Annual Airline Industry Achievement Awards. This is a global award and winning it sends a strong message to both governments and to our stakeholders that we are serious about this. Finally, when it comes to our values expressed through our Corporate Social Responsibility, safety is our foremost core value. First, last and at all times.

To ensure safe operations we have a very robust Safety Management System and standard operating procedures. Our SMS not only reacts to safety incidents, but also combines extensive reporting systems and data mining techniques to identify in advance potential risks so that they do not arise in the first place.

Safety is also integral to another value at Air Canada -- behaving ethically and in compliance with best practices in our heavily regulated industry. Both compliance and ethics are essential to our operation, in addition to being the right thing to do.

Think of a brick wall - compliance is like the bricks and ethics the mortar that holds them together to make sure the wall is strong. Too often lately, we have seen the reputational, financial and legal problems that can arise when high profile corporations lose their ethical bearings.

I am always pleased to have an opportunity like this, once a year, to take stock of the prior year in front of our shareholders and our other important partners – many of whom are here: our main airport partners, our regional airline partners, our union leaders, our technology and service providers, and our key suppliers. This enthusiasm is shared by our executive team, almost all of whom are in attendance today. Their photos are on the screen and they are identifiable by their red maple leaf lapel pins they are proudly wearing.

Please take the time to introduce yourselves after the formal part of this meeting.

2017 was a remarkable year for our company in many ways. It was a year of records. In fact a record year for records. Above all, we demonstrated that our transformation and evolution have yielded extremely strong results, permanent gains, a powerful brand and engaged employees, positioning us well to compete on a global platform with the best in the world.

This has been a hard-fought, long-term victory - one that has taken the enormous contribution and proud commitment of our 30,000-person strong team moving in one direction and the better part of a full decade to achieve.

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 – and has an opinion on -- 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 Shanghai or Geneva or Casablanca. We get to show off our world class fleet, our world class crews, our world class product. We get to convey everything that is good about Canada.

Looking back to 2009, when we embarked on our transformation and Air Canada shares traded at $0.78, 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.

Sometimes through buy-outs by foreign companies, sometimes through an inability to transform and ultimately bankruptcy. 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 in 2009, 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.

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 – an airline that would compete for global traffic flows with the best in the world - coming out of the very deep recession we were then in.

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; To seize opportunities arising from the ashes of 2008, we needed to see our legacy as a strength rather than a weakness.

(2) Invest in Brainpower and talent: Brainpower and talent are simply the most valuable natural resources we have. They are exportable, importable, transferable, scalable and available to be richly mined without damaging the environment. They are the most basic and most abundant truly "natural" resource.

(3) Invest in Diversity. Diversity is good for business - the more races, gender diversity, cultures, languages, ethnic backgrounds we have inside, the better we can serve our global customer base outside. For three consecutive years now, Air Canada has been named one of Canada's Top Diversity Employers. And to give you a sense of magnitude, among our employees no fewer than 80 different languages are spoken.

(4) Leave the place better than when you were handed the reins. This is the "doing good" in addition to the "doing well" point I spoke of at the start.

I am pleased to present you with a very pleasing report card on all of these fronts.

Starting first with our financial performance - For the full year 2017, we reported record results for several key metrics, including record income before tax of $1.3 billion and record EBITDAR of more than $2.9 billion. This EBITDAR is more than 4 times our 2009 EBITDAR and our fifth consecutive record year.

Along with this, we also reported record operating revenue of $16.3 billion, up $1.6 billion or 11% from 2016.

Passenger revenue grew in each major market where we operate, signalling the strength of our expanded international network.

We reported record free cash flow of nearly $1.1 billion in 2017, $1.2 billion better than the prior year's negative cash flow, as we both increased cash from operations and lowered our net capital expenditures.

We also continued with the cost discipline that we have been highlighting to the marketplace for the last several years.

We have been a North American industry leader in reducing adjusted CASM, which is our cost per available seat mile, excluding fuel expense, the cost of ground packages at Air Canada Vacations and special items.

While CASM decreased 1.2% in 2017 from 2016, Adjusted CASM decreased 3.0%, pointedly better than the 3.6% average increase of other major North American carriers.

These benefits have flowed to our balance sheet.

Adjusted net debt was $6.1 billion, down $974 million. At year end, the company's leverage ratio improved to 2.1X from 2.6 at the end of the previous year, and sits at 2X as of the end of Q1.

When our transformation began in 2009, it was above 8X. This reduction in leverage ratio was achieved despite massive amounts spent in the aggregate over the last years on new aircraft and equipment, on product enhancements, on building Rouge, on international routes, on pension funding, etc. Our objective is to achieve a leverage ratio of 1.2X which would support an investment grade credit rating for Air Canada.

And, due to our strengthened financial position, Air Canada's weighted average cost of capital continued to decrease – it was at 7.6 per cent at year-end, significantly below our return on invested capital of 13.9% for last year.

A key driver of this has been the many initiatives we've taken to reduce costs. A prime example is Rouge, which has lower operational and ownership costs that make it not only an excellent defensive tool against low-cost new entrants but also a tool to develop new markets and grow. From an initial four aircraft when it launched less than five years ago, Rouge will operate 53 aircraft this summer and is responsible for a large share of our international route expansion.

Air Canada carried a record of 48.1 million passengers in 2017, with an average load factor of 82.3%. This is approximately 50% more customers than we carried when our transformation began in 2009.

And customers are not just voting for us by filling our seats. In 2017, based on a global survey of 20 million flyers, we were named the Best Airline in North America by Skytrax, the industry's benchmark, which continues to rate Air Canada the only Four Star network carrier in North America.

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

We were also named the Best Long-Haul Airline in the Americas for 2018 by AirlineRatings.com. The popular website gave Air Canada its top, seven-star rating for both safety and product.

Finally, and best of all for this audience, our shares appreciated nearly 90% in 2017, the fifth best performing stock on the overall TSX for the year.

That put us ahead of all our North American network carrier peers for the second consecutive year, and well ahead of the Dow Jones U.S. Airlines Index and the S&P/TSX Composite Index.

Our shares have returned more than 3,000 per cent since 2009, creating about $7 billion in shareholder value. And just last week, the Globe and Mail's Report on Business had us as one of their two "megastars" for 2018."

Our largest shareholder is the large Montreal-based asset manager, Letko Brosseau, who had confidence in our vision and strategy and who invested significantly with us in 2009, as we were embarking on our transformation. I am informed that this investment has proven to be by far the most successful investment in Letko Brosseau's highly successful 30-year history. Mr. Peter Letko is here with us today and on behalf of all of our stakeholders I want to thank you, Peter, for your confidence and trust.

Earlier this morning, we announced strong results for the first quarter of 2018.

We reported EBITDAR of $397 million, up eight per cent from the first quarter of 2017.

We generated record operating revenues in excess of $4 billion.

Bearing in mind the first quarter is always seasonally our weakest, we pared our operating loss for the quarter to $14 million from $30 million a year ago.

We completed the quarter with record unrestricted liquidity of approximately $4.9 billion.

And, as mentioned, our leverage ratio at Quarter's end was 2.0, positioning us well on the path towards Investment grade.

Start-up Culture

Hearing about 330% EBITDAR growth or 3,000% share price gains, you would think we were at an AGM for a Silicon Valley tech company, a cryptocurrency dealer, or a marijuana grower.

It is very unlikely you would guess we are referring to an 80year-old legacy airline operating in a high-fixed cost, heavily regulated, low margin business.

And even though I don't appear before you today in a T-shirt, hoodie, ripped jeans and sneakers, I am just as enthusiastic as any Silicon Valley start-up about the future of Air Canada and our path to becoming a growth-orientated global champion, amongst the best on the planet.

Strategy

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

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

Cost and Revenue

To tackle our legacy costs and legacy operating infrastructure, we started with a Cost Transformation Program in 2009 of approximately $500 million, none of which involved employee pay cuts, which then morphed into a comprehensive companywide cost reduction culture.

These efforts are ongoing, resulting in a CASM reduction of 6.1% over the past four years.

In 2017 alone, we implemented company-wide initiatives that saved $90 million and we identified $120 million in savings through procurement initiatives over the life of relevant contracts. We also renegotiated capacity purchase agreements with our key regional carriers to keep our regional lift costs under control in the face of emerging competition.

Coming into 2018, to avoid costs creeping back, we announced a new CTP to secure an additional $250 million in savings by the end of 2019.

Yet, often in business, one must spend money to make money. We have been investing heavily on new airplanes, new equipment, new technology, new branding, new uniforms, and new products that will benefit our customers.

For example, our new Passenger Service System, at a significant cost in terms of both money and people, will handle all of our reservations on all platforms and power our departure control processes across our global network. This will improve customer service, operational efficiency and is targeted to generate about $100 million in incremental benefits following implementation, expected towards the end of next year.

Of course, the largest initiative in making our airline more efficient has been our $10 billion aircraft re-fleeting. We are nearing the end of our wide-body fleet renewal, with our customers delighted to be flying on our much more comfortable and efficient Boeing 787 Dreamliners and 777s, which have opened up many new markets for us.

The re-fleeting drive continues with our new Boeing 737 Max aircraft having just entered service and, next year, the much-anticipated arrival of our first Bombardier CSeries aircraft. Customers will love these aircraft with their much improved longer ranges, improved onboard amenities and lower operating costs. On a CASM-basis the 737s are expected to be 11% less costly to operate than the A320s they replace. The CSeries is projected to be 12% cheaper than the Embraer 190 aircraft they will take over from.

Our new aircraft have already accounted for some of our revenue gains. We have seen 7% compound annual growth since 2013. And the quality of our revenue has also improved with better yield management derived from our new Revenue Management system, which incorporates machine learning and AI algorithms.

We aim to keep driving revenue through our continued focus on higher-yielding, international connecting traffic and Premium traffic. Two other important engines of revenue growth that I have to call out are Air Canada Cargo and Air Canada Vacations. Both are integral to our operation and had very strong years in 2017, with each having achieved record revenues in their own right.

Our own Loyalty program, launching in 2020, is expected to have a net present value of $2-$2.5 billion for us over a 15 year time frame and will help generate additional ancillary and retail revenue and bring us even 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.

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 or announced 74 new routes to U.S. and international destinations. On a system basis, our capacity has increased 40 per cent over the last three years.

In 2017, international and U.S. routes represented 68 per cent of total passenger revenue.

Next month, we will launch 10 new non-stop international services. This includes: from Montreal to Tokyo, Dublin, Bucharest and Lisbon; from Vancouver to Paris and Zurich; and from Toronto to Shannon, Zagreb and Porto.

In 2017 alone, we increased international connecting or transit traffic — meaning passengers from other countries connecting over our Canadian hubs to travel internationally — by over 20 per cent from 2016 and 100% since 2013. A significant portion of this traffic originated from the

United States, where Air Canada is by far the largest foreign carrier based on number of flights, serving all major cities.

Our penetration in competing for global traffic flows in the U.S has been broadly recognized. For example, we were 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. An important confirmation in the largest aviation market in the world.

Culture Change

We have consistently stressed that culture change was needed – that we had to have a more entrepreneurial “can do” culture, performance-based, breaking down silos and more in line with our mantra of “Winning as One Air Canada”.

Over the last years, we have achieved unprecedented labor stability with long-term agreements with all major unions. While there will always be some room for differences of opinion with unions, everyone is now on the same page when it comes to the important things, like building a healthy, sustainable and profitable global airline that can continue investing in its people, its network and its product.

One excellent example of this culture change was a “win-win” collective agreement amendment we negotiated in 2017 with the Air Canada Pilots Association, representing our 3,500 pilots.

While we currently have a ten-year agreement reached in 2014, last year’s re-opener supported Air Canada’s business plan for significant growth at both mainline and Rouge and improved conditions and prospects for our pilots.

At the same time giving us another tool in our toolkit to compete more effectively both with our main domestic competitor as well as with emerging North American Ultra Low Cost Carriers entering the market.

Moreover the pride our employees have in the company was on display early in 2017 when along with our much anticipated new livery we unveiled our new Canadian designed and made uniforms. The exercise well-illustrates the culture change at Air Canada as we engaged hundreds of employees in the process. In fact more volunteered for the testing than we could accommodate. The result was employees proudly donning their new uniforms last month and many competing on Instagram and social media across the country to show them off to the rest of the country and around the world.

Employee engagement manifested itself in other ways too. For example, during unprecedented brutal freezing conditions in Eastern Canada this winter that challenged our entire operation, our ground crews worked diligently, steadfastly and proudly, keeping our aircraft flying and safely transporting our customers.

I commend our employees' openness to embrace change. We firmly believe in creating a positive, inclusive environment where all employees feel supported and where they can see and understand how they can contribute to the Company's success.

A growing, thriving workplace, where everyone can see and benefit from tangible results, is not only more harmonious, but also more productive - and success breeds success.

In fact, this is the part of our story that I am proudest of. Besides record financial results over the last several years, we saved 26,000 jobs, created an additional 5,000 (and still hiring), saved pensions for another 32,000 retiree families, increased salaries for all, improved career prospects and job progression for our front line employees and built a powerful new leisure carrier, resulting in all sorts of growth opportunities for both Rouge and mainline Air Canada.

Our financial success has also enabled us to recognize employees for their contributions through approximately a quarter of a billion dollars in profit sharing payouts over the last four years, including 2017.

Customer Engagement

The final priority I want to discuss is customer engagement.

We fully recognize that our competitors will not relent in their efforts to lure our customers away and develop new and improved products. So we must continually raise our game to maintain our leading position. And we have no intention of resting on our laurels of Best Airline in North America.

This is why we have invested heavily in new aircraft and onboard amenities. This is why we have introduced new Priority check-in services at airports. This is why we have spent on new and refurbished lounges – including North America's best airport lounge, the Air Canada Signature Suite at Toronto-Pearson, featuring a full-service restaurant with a menu by celebrated Canadian chef David Hawksworth.

Our recently launched Air Canada Signature Service for Premium travellers raises the bar higher still across North America and Internationally. The Air Canada Signature rebranding distinguishes our North American and International business class services through enhanced amenities.

Yet beyond the airport and onboard experience, we are also upping our game with respect to investments in digital, data mining and effective customer relationship management.

We are developing new means, including through AI, to use data to better understand our customers and deliver to them more relevant content, services and offers.

Data for many businesses including ours, 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 new efficiencies in our operations, a stronger customer experience, and powerful loyalty to our brand.

We will be able to view our customers holistically and communicate with them through all phases of the journey, from the first search for a flight, through booking, travel and for any follow-up. We have doubled the size of our Digital and Loyalty team, now with 50 people focused only on this area, and we continue to recruit world-class talent.

Montréal Story

Since we are in Montréal today, I would like to note that the city has been a prime partner and beneficiary of our unprecedented growth. As of this summer, our capacity at Trudeau airport will have increased 74 per cent over the last five years.

Since 2016 alone we have started or announced 25 new routes from the city.   In December, we started non-stop flights to Lima - Montreal's first year-round, non-stop link to South America.

Other new destinations from Montreal included Shanghai, our first Asian link from Montreal, as well as Marseille, Keflavik, Algiers and Tel Aviv – to which we plan to increase service this summer.

This summer, we will be starting new international routes to Tokyo, Dublin, Portugal and Bucharest, and domestic services to Victoria, B.C., London, Ontario and Windsor, Ontario.

Along with these, we have also added or announced some new U.S. destinations from Montreal including: Phoenix, Baltimore and Pittsburgh.

Apart from making Montreal an easy place to travel to, we are also helping to drive the economy, as connectivity drives economic growth in our globalized world.

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

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 also proudly serve 11 airports in Quebec. The international reach of Air Canada's network opens all regions of Quebec to the world and represents an important tool for economic development.

Future Opportunities and Conclusion

Looking to the future, we intend to keep leveraging the natural advantages we have, such as Canada's geography and our powerful brand and legacy. And we intend to continue to refine our onboard and in-airport product to stay ahead of the curve, introducing new features to maintain and strengthen our lead.

Our team of 30,000 has worked hard to transform your company over the last years.

We are investing in our people, our fleet, our network, our product, our loyalty programs and our data to not only deepen the bonds with our customers but to also further raise our standards. And although we are 80 years old, we are doing all this with the vigor and upbeat expectations of a start-up. With an emphasis on the world of possibilities that is in front of us.

Before closing, I want to thank our outstanding and devoted board of directors, who have not only brought their diverse skills to the benefit of our company's stakeholders, but who have enthusiastically and energetically supported our leadership team in the massive transformation that has occurred at Air Canada.

Two of our long standing directors, Joe Leonard and Roy Romanow have retired after many years of outstanding service and I want to personally thank them for their contributions and sage advice and wish them the very best in retirement. +

I would also like to welcome Gary Doer to our Board of Directors. Gary was formerly the Premier of Manitoba and has served as Canada's Ambassador to the United States.

And with that, thank you very much for joining us today and for your attention. We appreciate your support.