at the

AltaCorp Capital 8th Annual Institutional Investor Conference

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Caution Regarding Forward-looking Information

This presentation includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to preliminary results, guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as “preliminary”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions.

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, industry, market, credit, economic and geopolitical conditions, energy prices, currency exchange, competition, our dependence on technology, cybersecurity risks, our ability to successfully implement appropriate strategic initiatives (including the return to service of Boeing 737 MAX aircraft in our fleet as well as the introduction of those on order and the management of our fleet and operations until their return to service or introduction) or reduce operating costs, our ability to successfully integrate and operate the Aeroplan loyalty business following its acquisition from Aimia Inc. and to successfully launch our new loyalty program, our ability to preserve and grow our brand, airport user and related fees, high levels of fixed costs, our dependence on key suppliers including regional carriers, employee and labour relations and costs, our dependence on Star Alliance and joint ventures, interruptions of service, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), our ability to pay our indebtedness and maintain liquidity, pension issues, limitations due to restrictive covenants, pending and future litigation and actions by third parties, our ability to attract and retain required personnel, war, terrorist acts, casualty losses, changes in laws, regulatory developments or proceedings, epidemic diseases, insurance issues and costs, as well as the factors identified in Air Canada’s public disclosure file available at www.sedar.com and, in particular, those identified in section 14 “Risk Factors” of Air Canada’s Third Quarter 2019 MD&A and section 18 “Risk Factors” of Air Canada’s 2018 MD&A. Furthermore, the acquisition of Transat A.T. Inc. is subject to regulatory approvals and certain customary conditions, and there are no assurances that the acquisition will be completed. The forward-looking statements contained or incorporated by reference 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 because of new information, future events or otherwise, except as required under applicable securities regulations.

This presentation also includes certain non-GAAP financial measures used by Air Canada to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s Third Quarter 2019 MD&A for a further discussion of such non-GAAP measures and a reconciliation of such measures to Canadian GAAP.
Significant Progress

✓ Strong, sustainable financial results
✓ Delivered on commitments
✓ Significantly lower risk profile
✓ ROIC well in excess of WACC
✓ Named *Best Airline in North America* for third consecutive year (2019 Skytrax World Airline Awards)

Opportunities Ahead

New reservation system and technology investments

Loyalty

A220
# Improved Key Financial Targets

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>Over the period 2020-2021*</th>
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<tbody>
<tr>
<td>✓ Annual EBITDA margin</td>
<td>approximately 19%</td>
<td>19% – 22%</td>
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<tr>
<td>✓ Annual return on invested capital</td>
<td>15.5% – 16%</td>
<td>16% – 20%</td>
</tr>
<tr>
<td>✓ Leverage ratio</td>
<td>not exceeding 1.0 by end of 2019</td>
<td></td>
</tr>
<tr>
<td>✓ Cumulative free cash flow</td>
<td>$1.3B-$1.5B</td>
<td>$4.0B – $4.5B</td>
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For assumptions as they pertain to 2019, refer to Air Canada’s October 29, 2019 news release.
For assumptions as they pertain to 2020 to 2021, refer to Air Canada’s February 28, 2019 news release.

*Guidance provided as at October 29, 2019
EBITDA Margin Drivers
Unique Competitive Advantages
EBITDA Margin Drivers

✓ Investments in technology – new reservation system
  – Annual incremental benefits of $100M+
✓ $250M Cost Transformation Program completed in Q2 2019
✓ Replacement of less-efficient narrow-body aircraft
✓ Incremental benefits from extended capacity purchase agreement with Jazz
✓ Acquisition of Aeroplan loyalty business and launch of new program
Cost Reduction Remains a Priority

Air Canada Rouge
  • Adjusted CASM is 29% lower than mainline

Cost Transformation Program
  • Renegotiation of agreements

Fleet

- **29% CASM** advantage over the Boeing 767
- **11% CASM** advantage over the Mainline Airbus A320*
- **12% CASM** advantage over the Embraer E190
  • Complete restructuring of regional fleet

*Note: Boeing 737 MAX fleet is grounded until further notice*
Increased Competitiveness in Regional Sector

Amended CPA with Jazz – estimated NPV of $275M (2019 to 2025)

• $97M equity investment at time of issuance – excellent value for shareholders

Jazz CPA extended by 10 years (2026 to 2035)

• Provides significant network benefits
• Bolsters strength of Air Canada Express brand
• Improves coast-to-coast regional network
• Air Canada Rouge backfilling certain routes
Loyalty

• Enhance existing program from 2019 to summer 2020 and then launch of new program
• NPV in excess of $2.5B
• Materially contributes to free cash flow
• Improves seasonality
• Reduces risk profile from introduction of new program
• Arrangement Agreement concluded on June 27th and Amending Agreement concluded on August 11th – approved by almost 95% of shareholders on August 23rd 2019

• Air Canada to acquire 100% of all issued and outstanding shares of Transat A.T. for $18 per share – value of the all-cash transaction is approximately $720 million

• Superior Court of Quebec granted a final order approving the Plan of Arrangement for the proposed combination of Air Canada and Transat A.T. Inc. on August 29th 2019

• Transat A.T. unrestricted cash of $796 million at April 30th

• Combination of Skytrax Best Airline in North America and Skytrax Best Leisure Airline in the World to create Montreal-based global leader in leisure, tourism and travel distribution, offering Canadians choices to more destinations and promoting two-way tourism

• Transat A.T. and Transat A.T. brands to be maintained to complement the Air Canada, Air Canada Rouge and Air Canada Vacations brands

• Transat A.T. head office and key functions to be preserved in Montreal

• Purchase of outstanding Transat A.T. shares subject to regulatory approvals
Boeing 737 MAX Update

- Grounded worldwide in mid-March 2019
- B737 MAX deliveries currently suspended
- AC had 24 737 MAX aircraft in operation, an additional 12 planned to be delivered by July 2019 and 14 more planned to be delivered in first half of 2020
- AC assumes the 12 B737 MAX aircraft which had been scheduled to be delivered by July 2019 will now be delivered in 2020
- Significant mitigation plan put in place
  - Lease extensions, wet leases, suspensions or consolidations of routes
  - Operated 95% of capacity plan in Q3
- Economic impact to Air Canada will be discussed with Boeing in due course
- No visibility or reliable timing for return to service – reflecting prudent approach to scheduling and giving customers certainty in their travel plans
- AC removing B737 MAX aircraft from schedule until the end of March 2020
Lower Level of Capital Expenditures Results in Stronger Free Cash Flow

Narrow-body fleet replacement program – average mainline fleet age 6.5 years at end of 2021

$600M - $800M annually in non-aircraft expenditures focused on investments in technology

Level of projected capital expenditures to decline to $1.6B by end of 2021

By middle of next decade, certain Rouge aircraft will need to be replaced due to their age
Capital Allocation Strategy

- Continue to aggressively manage debt levels by maintaining balance sheet at investment grade level
- Purchased aircraft delivered in 2019 with excess cash
- Share buyback program

Cumulative free cash flow* of $4.0B to $4.5B over the period 2019-2021

* Excludes the net proceeds on the closing of the Aeroplan transaction
Air Canada’s Credit Rating Strengthened, Advancing Us to Our Goal of Investment Grade Status

Since 2012, Air Canada’s credit rating improved

**S&P** 5-notch improvement to BB+ (stable)

**Moody’s** 6-notch improvement to Ba1 (stable)
Much Stronger Balance Sheet

- **Lowered leverage ratio to 0.8** from 1.6 at end of December 31, 2018
- **Average cost of debt and lease liabilities of 5.1%**
- **Average cost of capital of 7.2%**, 830 basis points lower than ROIC of 15.5%
- **Freed up collateral by purchasing new aircraft**
- **Currently US$3.0B unencumbered assets**
- **Record unrestricted liquidity of nearly $7.4B**

*as at September 30, 2019 (as reported on October 29, 2019)
Financial Risks are Very Well Managed

**PENSION**
- $2.5B solvency surplus at January 1, 2019
- 85% of liabilities matched with fixed income products
- No past service or current service payments required to domestic registered pension plans

**FUEL RISK MANAGEMENT**
- Flexible program
- Hedging program in place and utilized as warranted

**FOREIGN EXCHANGE RISK MANAGEMENT**
- U.S cash reserves
- Derivative contracts
- 70% coverage for 18 months
Much More Resilient to Economic Downturns

- Higher margins
- Lower cost structure
- Record liquidity levels
- Lower leverage ratio
- Unencumbered asset pool
- Diversified network – less dependent on domestic

- Flexible and more efficient fleet
- Ability to defer new aircraft future deliveries
- Lease mix allows Air Canada to permanently reduce capacity if required
Much More Resilient to Economic Downturns

Unencumbered aircraft

- Air Canada and Air Canada Rouge

Currently 55% of combined Mainline and Rouge is leased – Ratio will decrease as Air Canada purchases more aircraft with cash

Q3 2019

80 (31%)

By end of 2019

81 (31%)
Summary

✓ Improved key financial targets
✓ New Jazz agreement – net present value of $275M
✓ Loyalty program – net present value in excess of $2.5B
✓ Arrangement Agreement with Transat
✓ Lower risk profile – record liquidity levels, large unencumbered asset pool and pension solvency surplus
✓ Lower leverage ratio supports Investment Grade credit rating
✓ Adjusted CASM performance in line with U.S. network carriers
✓ More resilient to economic downturns than ever before

✓ Engaged workforce:
  • One of Canada’s Best Diversity Employers – Mediacorp Canada
  • One of Montreal’s Top Employers – Mediacorp Canada
  • One of 50 Most Engaged Workplaces – Achievers Awards
  • Recognized for Diversity in Leadership – Airline Strategy Awards

✓ Multiple industry awards:
  • Four-Star ranking – Skytrax
  • Best Airline in North America - Skytrax
  • Best Business Class in North America – Trip Advisor
  • Best Premium Economy Class – Business Traveler
  • Best Airline for Onboard Entertainment – Business Traveler
Thank you