

**Remarks for Calin Rovinescu
President and Chief Executive of Air Canada
Air Canada Annual Shareholder Meeting
June 25, 2020**

Thank you [Vagn].

Good morning ladies and gentlemen. Thank you for joining us today for our first virtual AGM.

February was only four months ago. Yet it seems like a lifetime ago. We reported record results for 2019, to cap off an incredible decade of growth, job creation, prosperity, development of an entrepreneurial culture and stock market performance.

And, as we started 2020, there was every reason for unbounded optimism.

We had strong financial results and record passengers carried.

Our shares gained 87%.

Transformative projects, such as our new reservation system and our new industry leading Loyalty program, were advancing steadily.

Skytrax had named us The Best Airline in North America for the third consecutive year – and the eighth time in 10 years. The Globe and Mail reported that Air Canada was the best

performing stock on the TSX, in all industrial categories, over the 10 years ended December 31, 2019, with a total shareholder return exceeding 3600%.

We had also recently celebrated the arrival into our fleet of the first game-changing Airbus A220, the former Bombardier C-Series which Air Canada helped save with our critical order at a time of uncertainty for the aircraft program. It has entered service to incredibly positive customer reviews.

However, COVID-19 has upended everything. Literally within weeks, even days, our business was decimated as a global pandemic was declared and travel restrictions and quarantines were imposed overnight, without advance warning, consultation or coordination between countries or with airlines.

Canada imposed amongst the most stringent restrictions, including:

- Travel bans prohibiting all foreign nationals from entering Canada by air under the Aeronautics Act;
- 14-day quarantine requirements under the Quarantine Act for all travellers entering Canada, including Canadians;
- Comprehensive restrictions around land, sea and air travel across the Canada-U.S. border;
- Inter-provincial restrictions on travel and/or quarantines in Nova Scotia, New Brunswick, PEI, Newfoundland, Manitoba and in the three territories – for all persons including Canadians travelling in their own country, and;

- The Government and its representatives formally and informally advising Canadians to avoid all air travel, even within Canada.

These constraints, while needed in March, still remain in place and their combined effect has been to devastate the airline business, reducing us as of the beginning of April to 3-5% of passengers carried last year.

Yet today there is growing unease that as we have flattened the curve in Canada and in other countries, increasingly these broad brush, blanket prohibitions and restrictions are less effectively combatting COVID and more inhibiting an economic recovery. This is especially the case with respect to aviation and more broadly the travel industry, which has been the hardest hit by the pandemic.

Global network carriers like Air Canada operate with a high fixed cost structure, high capital expenditures and large unionized work forces. It is therefore not possible to cut expenses overnight, at the same speed at which travel restrictions were imposed, leading to severe and unprecedented cash burn. In March alone we went through approximately \$688 million or \$22 million per day of net cash burn. This is much worse than 9-11, SARS or the global financial crisis, by a longshot.

However, being the nimble company we have become, Air Canada was able to move faster than most carriers in response to COVID-19. We were among the first airlines in the world to

suspend our China schedule to help prevent the spread of the virus, withdrawing service on January 29, 2020. This was well ahead of any government restrictions and encouraged regulators to take the initial China risk seriously, even before a pandemic was declared.

We also acted swiftly to dramatically reduce costs, raise liquidity and conserve cash to reduce the burn rate. Among the steps we took was to initiate a company-wide Cost Reduction and Capital Reduction and Deferral program, which is now around \$1.1 billion, up from an initial target of \$500 million.

We painfully unwound a decade of profitable growth and network expansion, reducing our capacity by between 85% - 95%. This summer we are flying to less than half the destinations we served last year with much lower passenger numbers. We have and will continue to act decisively to shed parts of our network. And, in enacting this reduction, we made the decision to streamline our fleet and remove our Embraer E-190s, Boeing 767s and most of our 319s – 79 aircraft permanently removed from the mainline and Rouge fleets.

Thanks to years of prudent capital allocation, we entered the crisis with access to significant liquidity and lines of credit, more on a relative basis than almost any airline in the world. Nonetheless, since no one knows the duration or extent of the damage COVID-19 and government-imposed travel restrictions will exact on us or on our industry, liquidity became and remains an even greater priority.

Since the crisis began, in just over three months, we have successfully bolstered our cash position by more than \$5.5 billion, through a series of debt and equity financings, masterfully executed by our finance and legal teams in record time.

Unfortunately, the impact of COVID-19, and of provincial and federal government-imposed travel restrictions, also forced us to reduce our workforce by about 20,000 employees, or more than 50%. Many of those affected dutifully and responsibly worked up to their last shift, taking care of our customers.

Nothing has been as difficult as this decision especially after the 10,000 jobs we worked so hard to create over the last 5 years and the culture we had succeeded in establishing. It was and continues to be an agonizing outcome.

We have taken far-reaching and decisive steps to also overcome what we know is one of the biggest obstacles we face: instilling confidence in customers that it is safe to travel once more.

Already, throughout the pandemic, Air Canada has been at the forefront of biosafety, not waiting for regulators to establish standards. We very early outfitted our crews with hospital grade PPE and we required customers onboard our aircraft to wear face coverings well before doing so became standard practice. More recently, we were the first carrier in the Americas to mandate temperature checks of all passengers prior to boarding.

This last policy was adopted as part of Air Canada CleanCare+, a comprehensive suite of biosafety measures covering all stages

of the customer journey. Along with temperature screening it includes other new protocols to reassure our customers, including promoting increased personal space where possible, the distribution of personal hygiene kits, and the use of electrostatic sprayers to better disinfect our aircraft cabins.

To supplement CleanCare+, we have taken other actions too. These include developing more flexible booking policies and, in airports, introducing touchless processes, such as for obtaining bag tags. Onboard, we redesigned our service to limit personal interactions.

As well, all our mainline aircraft are equipped with high-efficiency ventilation and air exchange systems with HEPA filters. Airplane air quality meets the level recommended by the Centers for Disease Control and Prevention for medical isolation rooms, exceeding air standards in offices or in other modes of transportation. This, in part, explains why studies find onboard transmission of disease, including COVID-19, is exceedingly rare.

In designing our abridged summer schedule, we were mindful of COVID-19 yet hopeful that government-imposed travel restrictions would start being lifted thoughtfully on a safe and targeted basis. We are taking a cautious approach to gradually reintroduce destinations as jurisdictions re-open to visitors. This helps ensure it is safe for our customers to travel while also giving us greater scheduling certainty.

As we work through the “new normal”, we are determined to nonetheless continue work on long-term transformative initiatives begun prior to COVID-19. During the first quarter we substantially completed the switchover to our new reservation system, which will be foundational to our future success. As well, we continue to develop our new Loyalty program launching later this year and it continues to attract much interest.

And, we have also not abdicated our broader societal commitments. When at the onset of the pandemic governments began closing borders, hundreds of thousands of Canadians found themselves stranded abroad. We proudly carried more than 300,000 home on commercial flights and thousands more on special flights arranged with the Government of Canada, often involving logistical challenges, including restricted airspace, military airports and significant ground handling and bussing complexity. Nor have we forgotten our environmental commitments which continue in this the first year of CORSIA, the global aviation standard.

Next, I have to recognize our Cargo team for a special mention. Upon spotting an increase in demand for air freight, we took the bold step to temporarily convert four Boeing 777s and three Airbus A330s to enable them to carry cargo in the passenger cabin. With these modified cargo-only aircraft, plus our conventional belly-only operations, Air Canada Cargo has now operated more than 1,600 cargo-only flights since the end of March. They have carried not only vital medical supplies but also other essential goods for business.

Finally, I have to say a few words on the path forward, given the seriousness of the government-imposed constraints we are currently operating under. I owe it to you, our shareholders, as well as to our broader stakeholder groups - our employees, our pensioners, our customers, our lenders, our aircraft lessors, our suppliers, our partners.

For nearly four months, as a society in Canada, we heeded the calls of elected officials and did what was necessary to flatten the curve. We respected social distancing rules, quarantines, isolation and other directives. Borders were closed and Canadians were told to avoid all travel. Like many other businesses, Air Canada was virtually shut down.

We are now entering a new phase, one in which we must find a responsible way to co-exist with COVID-19 until there is a vaccine. That is why we have worked so diligently at establishing the new bio-health and consistent safety guidelines that I just spoke of.

Air Canada alone represents about \$50 billion in economic output to Canada. Prior to COVID-19 we directly employed around 38,000 people plus 6,000 at our regional airlines. We support around 34,000 retirees and their families who count on us for their pensions. We indirectly supported 190,000 jobs in spin-off industries such as hotels, restaurants, ground transport companies, tourism, airports, manufacturing, training, food and beverage and countless other suppliers. This economic activity

is critical to Canada and millions of Canadian men and women and their families depend on our company and on this economic activity.

Virtually all of the top 20 airlines in the world have received or are in the process of finalizing arrangements to receive tens of billions in support from their governments.

In our case, we have thus far managed to raise adequate liquidity to go it alone despite having been virtually shut down. But now, we need to be permitted to prudently and cautiously do some business, in the same way airlines in other countries are.

The Federal and Provincial Governments, as a matter of urgency, need to find a thoughtful way to achieve the vital public health objectives in a way that allows for the prudent opening of aviation and lifting of restrictions to safely resume travel. Throughout all Provinces of Canada, as well as from select countries with infection rates under control. Other G20 countries have managed to introduce “safe” corridors or air bridges in a gradual and coordinated manner and use science-based approaches. We need to as well.

Two weeks ago, over 120 leaders in the Canadian travel, hospitality, and tourism sector, a sector that employs 1.8 million people and contributes \$102 billion to our economy, publicly called on governments to re-open travel as we head into the summer. To cautiously begin relaxing travel restrictions and

quarantine rules in Canada, including inter-provincial ones, suggesting that the mandatory 14-day quarantine and complete closure of our country is now disproportionate, no longer necessary is out of step with other countries and is overly restrictive given the measures aviation is taking to control the spread of the virus. That continuing with these broad and indiscriminate restrictions would needlessly destroy many of their businesses without markedly improving vital public health objectives.

Last week, leaders of 27 companies in various other business sectors - including banking, manufacturing, asset management, telecommunications, energy, real estate, retail, music, film, and transportation, including Air Canada - who in 2019 collectively employed more than one million Canadians, wrote an open letter to the Prime Minister and all Provincial Premiers to also encourage the re-opening of our country to air travel in a smart and measured way.

They highlighted that air travel is not only important for tourism, but that it is also critical for the entire Canadian economy. It is a key economic driver and enabler of Canada's international competitiveness. It enhances the performance of local businesses, including many smaller ones that rely on a functioning supply chain. It influences investment decisions and supports the development of our industrial, knowledge-based and creative industries.

In imposing comprehensive, blanket quarantine and other travel restrictions, our government effectively deployed its emergency powers. And, at the time, broad brush, immediate blanket prohibitions may have been necessary, having been introduced at the peak of the crisis.

Now, more than 100 days later, aviation is still largely closed and an enormous number of people including our multitude of employees, shareholders and other stakeholders are severely impacted. Our government needs to act reasonably in discharging its broad powers. They do need to consider alternatives that achieve the public health objectives in a way that minimizes damage to the economic and social wellbeing of Canadians and apply objective, evidence-based measures that carefully balance the many competing interests and other rights at play, especially as the curve has flattened. According to COVID-19 Canada Open Data Working Group Canada's COVID-19 reproduction number has been below 1 and dropping consistently since the third week of May. The average reproduction number nation-wide is currently at 0.65.

Major European countries including Germany, France and Italy are all in the process of easing their respective restrictions to permit travel from a variety of countries this summer. Denmark likewise is adopting purely objective scientific criteria, displaying leadership in finding an alternative path.

The European Commission has proposed a detailed checklist-based approach to identifying countries where measures taken to limit the COVID-19 spread are such that it would be appropriate to lift restrictions, including an assessment of replication rates, consistency of bio-health measures and reciprocity. This approach demonstrates that evidence-based measures are indeed viable alternatives to blanket prohibitions and quarantines, without compromising safety.

Aviation and the travel, hospitality and tourism industries depend on finding viable alternatives. Many jobs in our country depend on it. Indeed, as the 27 business leaders said last week, the entire Canadian economy depends on it.

To close, we are doing everything, absolutely everything, in our power to ensure that your airline – that we have built with hard work, collaboration and energy over the last decade into one of the world's leaders – will continue to not only survive but to thrive as we work through the impact of COVID-19, and the government-imposed travel restrictions. I thank our wonderful employees, our retirees, our Board of Directors, our highly supportive investors and lenders and of course our loyal customers for sticking with us as we navigate through these difficult times.

Thank you