AIR CANADA

at the

ALTACORP CAPITAL

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Air Canada –
Transforming into a Global Champion

Business Plan on Target

- Record EBITDAR(1) of $1,248M and record operating income of $896M in Q3 2016, and on a 12-month trailing basis to September 30, 2016, EBITDAR(1) margin was 19.0% and ROIC(1) was 15.5%
- Fleet initiatives and capital programs on target
  - 21 B787s in operating fleet
  - B787s meeting financial and operational expectations
- Delivering a permanently lower cost structure
  - on track to realizing CASM savings of 21% (excluding impact of FX and fuel prices) by the end of 2018 when compared to 2012 baseline
- Enterprise and financial risk reduced
  - Route diversification
  - Balance sheet leverage
  - Fleet flexibility
  - Pension
  - Long-term labour contracts

As reported on November 7, 2016

(1) *These measures are non-GAAP financial measures used by Air Canada in an effort to provide additional information on Air Canada's financial and operating performance. Such measures however 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. Reconciliations of these measures to comparable GAAP measures for the relevant periods can be found in Air Canada's MD&A reports, available at aircanada.com.*

Global Champion Strategy

Safe & Reliable Operation

Fleet & Network

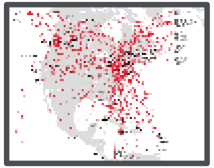
- Star Alliance
- A++ Joint Venture
- Modern fleet / Seat density
- Extensive route rights
- Favourable slot times at busy airports
- Swing capacity

Brand

- Operational Excellence
- Award winning products/ services
- Only airline among Canada's Top 50 brands
- Iconic Canadian brand
- Rouge

Commercial Strategy

- Toronto - a true global hub
- 6th freedom connection traffic
- Improving premium value proposition
- Competitive leisure offering



Geography

- AC hubs are en route to Europe & Asia
- Logical connection for U.S. origins and destinations
- Easy transfer/ transit process

People & Experience

- 30,000+ dedicated employees
- Top 100 Employers in Canada – 4th consecutive year
- One of Canada's Best Diversity Employers for 2016
- Long-term labour stability with all major unions

LOWER RISK PROFILE

Our Four Priorities

1 International expansion

2 Cost reduction and revenue growth

3 Customer engagement

4 Culture change

1. **International expansion**
2. Cost reduction and revenue growth
3. Customer engagement
4. Culture change

Transformation Plan

Accelerated, balanced transformation of Air Canada towards sustained profitability

Network Optimization

- Strategic international growth
- Increase diversification of route portfolio
- Leverage Rouge model
- Sixth freedom focus
- Leverage strategic Toronto geography

Aircraft Growth and Reconfiguration

- Delivery of B787s
- Densification and optimization of fleet configurations
- Replacement of narrowbody fleet with B737 MAX
- Leverage best in class products and services

Flexibility to Adjust to Shifting Market Conditions

- Swing capacity
- Leverage 10-year agreements
  - Long-term labour stability with most major unions
  - Regional lift with Chorus (Jazz)

Team culture ▪ *Customer centricity* ▪ *Delivering brand promise*

90% of Projected Capacity Growth Aimed at International Markets

- Focused on selective expansion of network and developing synergies offered by alliances with other carriers
- Historically, margins have been the highest on international routes
- Leveraging strengths internationally:
  - extensive and expanding global network
  - geographically well-positioned hubs
  - competitive products and services
- Capacity growth of 13.9% in the first nine months or 2016, of which 87.7% was to international destinations
- Launched more than 20 international and U.S. Transborder routes in the summer of 2016 – most intensive period of expansion in Air Canada's history – all fully meeting expectations
- Natural consequence – anticipated negative yield impact due to increased average stage lengths and a greater mix of leisure revenues vs business revenues
- However, incremental traffic is being flown at a significantly lower-cost (B787s, increased seats on B777s, and Air Canada Rouge) resulting in margin expansion
- Diversified network lowers risk profile

Fleet

	Actual 2015	Planned 2016	2017
Widebody			
Boeing 787-8	8	8	8
Boeing 787-9	4	13	22
Boeing 777-300ER	12	12	12
Boeing 777-300ER (higher-density)	5	7	7
Boeing 777-200LR	6	6	6
Boeing 767-300ER	17	15	10
Airbus A330-300	8	8	8
Narrowbody			
Boeing 737 MAX-8	-	-	2
Airbus A319, A320, A321	74	75	75
Embraer 190	37	25	25
Total Mainline	**171**	**169**	**175**
Boeing 767-300ER	15	19	24
Airbus A319, A321	24	25	25
Total Air Canada rouge	**39**	**44**	**49**
Total Widebody Aircraft	75	88	97
Total Narrowbody Aircraft	135	125	127
Total Mainline and Air Canada rouge	**210**	**213**	**224**

FLEET FLEXIBILITY

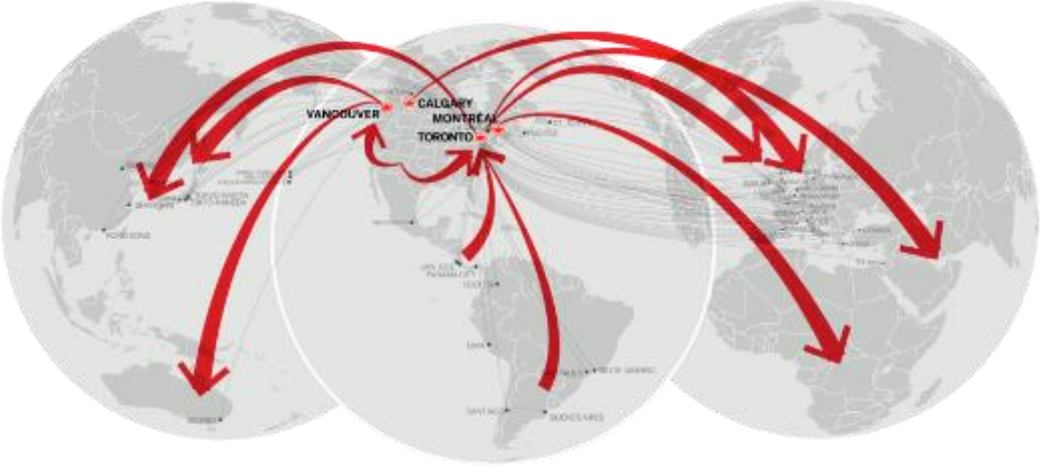
- Air Canada has positioned itself to adjust to any economic environment with fully unencumbered, older aircraft (both widebody and narrowbody), and with a sizeable amount of staggered leased aircraft expiries
- Staggered Airbus narrowbody lease expiries give Air Canada the opportunity to manage capacity, either up or down, as transitions to B737 MAX aircraft
- Longer-term flexibility exists in Air Canada's ability to defer a portion of B737 MAX aircraft deliveries

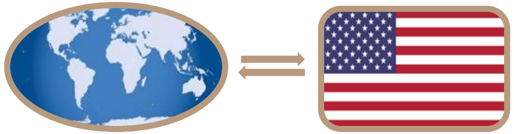
48 aircraft
owned and unencumbered by year-end 2017
(57 aircraft by Dec 31, 2018)

58 aircraft
with leases expiring in the next five years

Leveraging Our Geography to Maximize 6^{TH} Freedom Traffic Potential

- Best-in-class connections process at Toronto Pearson
- International-to-U.S. & international-to-international connections process is **simple** and allows for **seamless connections**
  - Competitive **elapsed time**
  - No need to pick up and/or re-check **bags**
  - No need to change **terminals**
  - U.S. CBP pre-clearance facilities – Passengers arrive in U.S. with other **domestic** flights
  - Agreement with GTAA reduces CASM for incremental traffic growth at Toronto Pearson





1 International expansion

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Benefits of Air Canada Rouge

- Air Canada Rouge is **enhancing margins** in existing leisure markets and pursuing new opportunities in international leisure markets made viable by its competitive cost structure
- Air Canada Rouge fleet (comprised of Airbus A319s, A321s and B767s) is estimated to generate 25% lower CASM when compared to the same aircraft in the mainline fleet
- Air Canada Rouge leverages the strengths of Air Canada including
  - Its extensive network
  - Its enhanced connection options
  - Its operational expertise
  - Its frequent flyer program

Improving Competitiveness in Regional Markets

AIR CANADA express

- Diversification strategy being implemented
  - Sky Regional & Air Georgian have very competitive cost structures
  - Air Canada will continue to add scale to Sky Regional and Air Georgian
- Significant enhancements to Jazz CPA driven by fleet changes and pilot mobility agreement
  - CPA extended to 2025
  - Estimated $550M in incremental value 2015-2020
  - Competitive cost structure post-2020
  - Incremental aircraft at competitive rates

As reported on February 17, 2016

Other Opportunities for Margin Expansion

- B737 MAX program – estimated 10% CASM reduction vs Airbus narrowbody fleet
- Concluded agreement with Bombardier for acquisition of 45 firm Bombardier CS300 aircraft starting in late 2019 – 25 Bombardier CS300s to replace Embraer 190 aircraft – estimated CASM reduction of 10%
- Buy-up through additions of Premium Economy cabin on widebody aircraft
- Growing ancillary revenues through various passenger-related fees, including baggage, paid upgrades, on-board offerings, preferred seats and seat selection
- Implemented new Revenue Management System – Pricing and inventory determined by origin and destination rather than by individual flight legs
- Applying best sourcing practices – In 2015, Strategic Procurement team executed 156 agreements totaling $1.2B in spend with savings of 9.9% over the term of the agreements
- The renegotiation of our commercial agreement with Aeroplan which terminates in June 2020

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Engaging Our Customers

4 STAR AIRLINE SKYTRAX

The only Four-Star international network carrier in North America

- Products and services, such as the Dreamliner with newly designed cabins and next generation IFE
- Air Canada Altitude™ which recognizes and rewards frequent flyers, and Altitude Skyriders our newly launched onboard program for children
- Dedicated check-in areas and premium agent services aimed at higher-yielding customers
- A customer relationship management system to gain valuable customer insights
- Improved on-time performance and reliability – improved boarding process and streamlined in-transit processes through major hubs for connecting passengers
- Improved on-board offerings and consistency of service – multiple new products added to the Café menu
- New Maple Leaf Lounge at New York-Newark Liberty International Airport – 3rd one in the U.S. and the 22nd one world wide – complete makeover of International Maple Leaf Lounge at Montreal-Trudeau airport
- First-of-its-kind multicurrency prepaid card – the CIBC Air Canada Conversion Visa Prepaid Card is reloadable and can store up to 10 currencies on one card giving travellers flexibility and security while away from home

Customer Engagement Awards

The only Four-Star international network carrier in North America

- **2015 Skytrax Awards**
  – *Four-Star ranking*
- **2016 Business Traveler Magazine Awards named Air Canada**
  – *Best North American Airline for International Travel*
- **2016 Global Traveler Magazine Awards named Air Canada**
  – *Best Airline in North American*

1 International expansion

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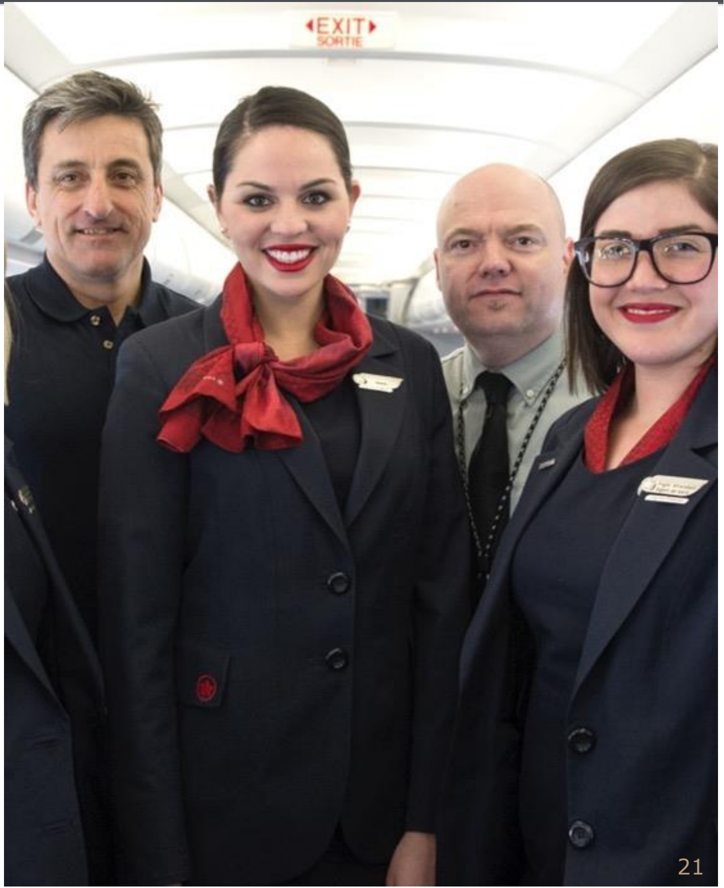
Culture Change
Employee Engagement

- Employees understand vision and strategy
- 9% of total issued shares held on employees' accounts
- Employee surveys and multiple awards demonstrate significant improvements in employee culture and engagement
  - 2016 - Canada's 3rd Most Attractive Employer
  - 2016 - One of Canada's 15 Top Employers for Canadians Over 40
  - 2016 – One of Canada's 10 Most Admired Corporate Cultures of 2016
  - 2016 - One of 50 Most Engaged Workplaces in North America

4th consecutive year

Canada's Top 100 Employers 2016

2016 CANADA'S BEST DIVERSITY EMPLOYERS



10-Year Labour Agreements With Most Major Unions

- **ACPA** – union representing 3,000 pilots
  – collective agreement terms for 10 years in effect until September 2024*
- **Unifor** – union representing 4,000 customer service and sales agents
  – collective agreement terms for five years in effect until February 2020
- **CUPE** – union representing 7,200 flight attendants
  – collective agreement terms for 10 years in effect until March 2025*
- **IAMAW** – union representing 7,500 machinists and aerospace workers
  – collective agreement terms for 10 years in effect until April 2026*
- **CALDA** – union representing flight dispatchers
  – collective agreement terms for 12 years in effect until February 2028*

* Subject to certain renegotiation, provisions and/or benchmarks over this period

Financial Risk Management

Pension Deficit Eliminated – Significant Reallocation of Capital to Other Uses

- As at January 1, 2016, aggregate solvency surplus in domestic registered pension plans is $1.3B
  - Plans are in a solvency surplus position therefore no past service cost payments made in 2016
  - Plans funded at 105% or more therefore no contributions are required for current service as long as the solvency position is not reduced to less than 105%
  - Total pension funding contributions are forecast to be $94M, on a cash basis, for 2016 vs $312M in 2015 – cash savings of $218M
- Risk significantly mitigated
  - 75% of pension liabilities matched with fixed income products
  - Overall risk profile lower by 50%
- Improved financial flexibility to fund capital expenditure programs, lower debt levels and return value to shareholders

Risk Mitigation – Fuel and Currency

- Fuel hedging strategy designed to lock in booking curve profitability
  - Use of call options protects against short-term price spikes while allowing to participate 100% in fuel price declines

- Foreign exchange risk strategy is to cover 70% of net U.S. exposure on a rolling 18-month basis using derivatives and U.S. cash reserves
  - U.S. dollar revenues together with foreign currency net revenues converted to U.S. dollars essentially cover non-fuel U.S. dollar costs
  - Fuel expenses are a significant U.S. dollar requirement but the impact in Canadian dollars is mitigated by a correlation between the Canadian dollar and the price of crude oil
  - Impact of hedging benefits cash flow but hedging results reported in non-operating income

Committed to Strengthening Balance Sheet Using Free Cash Flow

- $8B in capital expenditures to acquire more efficient aircraft and improve the competitiveness of existing aircraft to better position Air Canada for the future
  - Access to EETC market at investment grade rates
- Cash inflow of $690M in 2016 from sale of 20 E190s and sale and leaseback of two B787s
- Lowering adjusted net debt and leverage levels is top priority followed by shareholder distributions via share buybacks
- Leverage ratio and credit ratings have improved
- Completed $1.25B refinancing transaction at a lower cost of debt and extended term
  - Increase in unencumbered asset pool by $650M to approximately $2B
- Income tax shelter of $4.7B* - Operating loss carryforwards of $400M and tax shields related to fixed assets and pension obligations of $4.3B

*As of December 31, 2015

Financial Targets / Results

Financial Targets

Financial Targets 2016-2018*	Target	FY 2015	Q3 2016
EBITDAR margin *(on a 12-month trailing basis)*	15-18%	18.3%	19.0%
ROIC (return on invested capital) *(on a 12-month trailing basis)*	13-16%	18.3%	15.5%
Leverage ratio by end of 2018	2.2	2.5	2.5

Air Canada remains on track to reducing CASM by 21%, excluding the impact of foreign exchange and fuel prices, by the end of 2018 when compared to 2012

- Air Canada assumes relatively low to modest Canadian GDP growth for the period 2016-2018
- Air Canada assumes a continuing relationship between the price of jet fuel and the value of the Canadian dollar whereby increases and decreases in the cost of fuel continue to be respectively associated, to some degree, with increases and decreases in the value of the Canadian dollar

*As reported on November 7, 2016

CONCLUSION

- ✓ Achieved/exceeded 2013 Investor Day financial targets
- ✓ On track to meet or exceed 2016-2018 targets for EBITDAR margin, ROIC and leverage*
- ✓ Eliminated pension solvency deficit
- ✓ Engaged employees and an experienced and results-driven management team
- ✓ Focused on value creation
  - Expand earnings through strategic initiatives
  - Stronger balance sheet – reducing net debt/share buyback program

* As reported on November 7, 2016

THANK YOU