AIR CANADA

at the

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Significant Progress

- ✓ Sustainably profitable over long term
- ✓ Delivered on commitments
- ✓ Much lower risk profile
- ✓ ROIC well in excess of WACC

Opportunities Ahead

Improved key financial targets

1. Targets factor in the expected impact of the new accounting standard change IFRS 16
2. Based on the consolidated results of Air Canada, including the Aeroplan loyalty business starting from the acquisition date of January 10, 2019.

Improved Key Financial Targets

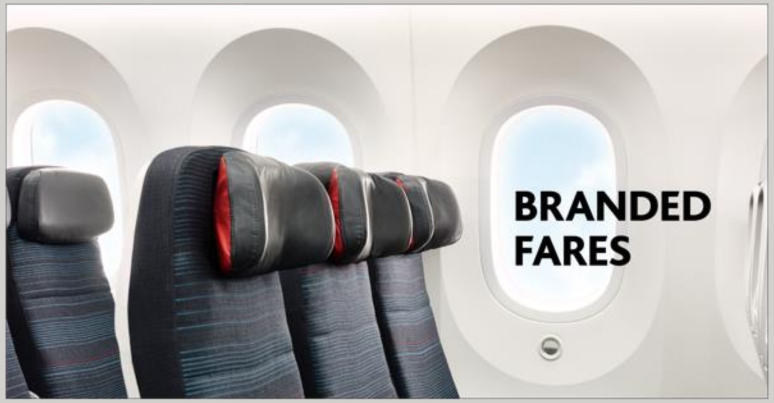
On March 15, 2019, Air Canada announced that, following Transport Canada's safety notice closing Canadian airspace to Boeing 737 MAX aircraft until further notice, the Federal Aviation Administration's temporary grounding order and Boeing's decision to suspend MAX deliveries to airline customers, it was suspending all financial guidance in respect of the first quarter and full year 2019*, and maintaining the financial guidance for 2020 and 2021 in respect of annual EBITDA margins, annual ROIC and cumulative free cash flow over the 2019-2021 period.*

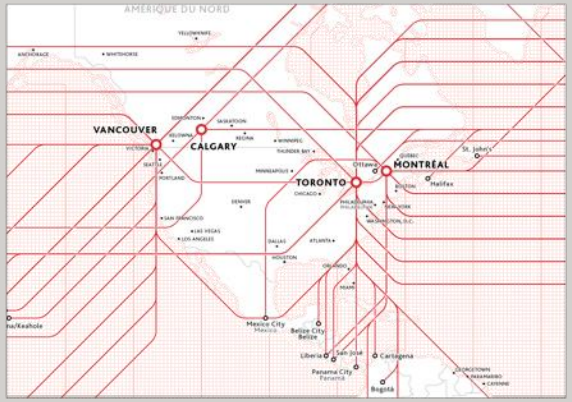
	2019 Currently Suspended	**Over the period 2020-2021**
✓ **Annual EBITDA margin**	19% – 22%	19% – 22%
✓ **Annual return on invested capital**	16% – 20%	16% – 20%
✓ **Leverage ratio**	No more than 1.2 by end of 2019	
	Over the period 2019-2021	
✓ **Cumulative free cash flow**	$4.0B – $4.5B	

For additional information, including related assumptions, refer to Air Canada’s February 28, 2019 news release

Project Strong EBITDA Margins

Unique Competitive Advantages





Project Strong EBITDA Margins

- ✓ Investments in technology – new reservation system
  - **Annual incremental benefits of $100M**
- ✓ Cost Transformation Program
  - **Savings of $250M by end of 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


Boeing 787

29% CASM advantage over the Boeing 767


Boeing 737 MAX

11% CASM advantage over the Mainline Airbus A320*


Airbus A220

12% CASM advantage over the Embraer E190

- Complete restructuring of regional fleet

*Note: Boeing 737 MAX fleet is currently grounded until further notice

Increased Competitiveness in Regional Sector

Jazz CPA extended by 10 years

(January 1, 2026 to December 31, 2035)

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

Amended CPA with Jazz –
Estimated NPV of $275M (2019-2025 period)

$50M
2019

$50M
2020

$53M
2021-2025

Competitive rates
2026-2035

$97M equity investment — excellent value for shareholders

Loyalty

- Aeroplan loyalty business
- Launch of new loyalty program in summer 2020

Loyalty

Incremental benefits incorporated into three-year targets

- NPV in excess of $2.5B
- Materially contributes to free cash flow
- Improves seasonality
- Reduces risk profile from introduction of new program

Declining Level of Capital Expenditures

Narrow-body fleet replacement program –
Average mainline fleet age 8.5 years at end of 2021

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

Level of projected capital expenditures to decline
by $1.4B by end of 2021, when compared to 2019

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

Capital Allocation Strategy

CUMULATIVE FREE CASH FLOW* OF $4.0B TO $4.5B OVER NEXT THREE YEARS

- Continue to aggressively manage debt levels
- Purchasing majority of 2019 aircraft deliveries with excess cash
- Share buyback program

* 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	5-notch improvement to Ba2 (stable)

More Aggressive Buyback Program an Opportunity

PURCHASED, FOR CANCELLATION,
25.6M SHARES OR **9.3%**
OF OUTSTANDING SHARES
(SINCE MAY 2015)

- Will continue to utilize Normal Course Issuer Bid
- Expect to be more aggressive when opportunities present themselves

Much Stronger Balance Sheet

- ✓ **Lowered leverage ratio to 1.2* from 1.6** at end of December 31, 2018
- ✓ **Average cost of debt and lease liabilities of 5.3%***
- ✓ **Average cost of capital of 7.5%*,** 700 basis points lower than ROIC of 14.5%*
- ✓ **Freed up collateral by purchasing new aircraft**
- ✓ **Currently US$3.0B unencumbered assets –** will increase in 2019
- ✓ **Record unrestricted liquidity of $6.9B***

*At March 31, 2018

Financial Risks are Very Well Managed

PENSION

- $2.5B solvency surplus at January 1, 2019
- 81% 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
- Currently unhedged
- Derivative contracts
- Assessing IMO 2020 market impact

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

	Currently	By end of 2021
Unencumbered aircraft • Air Canada and Air Canada Rouge	**61** (25%)	**100** (40%)

Currently 54% of combined Mainline and Rouge is leased – Ratio will decrease as Air Canada purchases more aircraft with cash

Summary

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

Thank you