at the

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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 by the use of 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, currency exchange, industry, market, credit, economic and geopolitical conditions, energy prices, competition, our ability to successfully implement appropriate strategic initiatives or reduce operating costs, our dependence on technology, cybersecurity risks, our ability to pay our indebtedness and secure financing, war, terrorist acts, epidemic diseases, our dependence on key suppliers including regional carriers and Aimia Canada Inc., our success in transitioning from the Aeroplan program and launching our new loyalty program, casualty losses, employee and labour relations and costs, our ability to preserve and grow our brand, pension issues, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), limitations due to restrictive covenants, insurance issues and costs, our dependence on Star Alliance, interruptions of service, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties and our ability to attract and retain required personnel, as well as the factors identified throughout this presentation and those identified in section 17 "Risk Factors" of Air Canada’s 2016 MD&A dated February 17, 2017 and section 12 of Air Canada’s Third Quarter 2017 MD&A dated October 25, 2017. The forward-looking statements contained 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 as a result of new information, future events or otherwise, except as required under applicable securities regulations.

This presentation also includes references to non-GAAP measures, such as EBITDAR margins, Returns on Invested Capital, Free Cash Flow and Leverage Ratio. Please refer to Air Canada’s news release dated October 25, 2017 for additional information on non-GAAP measures, as well as major assumptions relating to Air Canada’s financial targets.
Solid foundation allows Air Canada to leverage its unique competitive advantages

Financial Stability
- Pension and liquidity risks addressed
- Record financial results
- CTP
- CASM reduction
- Lower debt

Labour Stability
- Long-term agreements with all major unions
- Increased flexibility and cost certainty

Fleet
- Modern WB fleet
- Seat densification
- Swing capacity
- NB fleet replacement
- Award winning product

Network & Hubs
- Extensive & expanding global network
- Geographically well-positioned hubs

Air Canada Rouge
- Competitive cost structure in leisure markets
- Provides new growth opportunities

Regional Feed
- Diversification
- More competitive cost structure at Jazz

Loyalty
- Improved customer experience
- Significant financial value to Air Canada
- Credit card RFP

Path to Global Champion
Unique Competitive Advantages Set Air Canada Apart from the Competition

Dual Brand

Geographic Advantage

Three Powerful Hubs (YYZ/YVR/YUL)

Competitive Fleet & Product

Star Alliance

A++ Joint Venture
Materially Reduced Risk Profile

- Network diversification
- Fleet flexibility
- Pool of unencumbered assets
- Long-term labour contracts
- Fully-funded pension plans
- Fuel and foreign exchange programs
- Lower leverage and cost of debt, and access to several financing sources
- Significantly higher liquidity levels
Four Priorities
1 International growth
2 Cost & revenue transformation
3 Customer engagement
4 Culture change
Growth Directed to International Markets

• Over 90% of growth in last several years has been directed at U.S. and international markets

• Broadening footprint with commercial alliances and leveraging A++ revenue sharing joint venture

• Increased international-to-international connecting traffic through major Canadian hubs (6th Freedom)

• Network diversification strategy lowers overall risk

• International and U.S. routes now represent 68% of total passenger revenue

• Expect rate of capacity growth to steadily decline as focus shifts from wide-body growth to mainline narrow-body fleet replacement programs
Air Canada Rouge, With Its Leisure-Oriented Product, Has Proven Its Success

Founded: July 2013
Destinations: 49 (Asia, Caribbean, Europe, U.S.)
Fleet: 49 Aircraft
Hubs: Toronto, Montreal, Vancouver

Very Low CASM Aircraft
- Seat Density
- Ownership Costs
- Labour Costs

Alternating between Atlantic (summer) and Sun (winter) is a major competitive advantage
Growth of Traffic Transiting Canada to/from the U.S. (6th Freedom)
Growing market share to 2% would represent $1.2B of incremental annual revenue.

Increasing U.S. revenues provides more U.S. net coverage and reduces net U.S. FX exposure.
<table>
<thead>
<tr>
<th></th>
<th>International growth</th>
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</thead>
<tbody>
<tr>
<td>2</td>
<td><strong>Cost &amp; revenue transformation</strong></td>
</tr>
<tr>
<td>3</td>
<td>Customer engagement</td>
</tr>
<tr>
<td>4</td>
<td>Culture change</td>
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</tbody>
</table>
Strong Revenue Growth Fueled by International Expansion Strategy Continues

- Historically, higher margins in international markets
- Diversified network lowers overall risk profile
- Capacity growth rate declines over the next several years as wide-body growth is replaced with narrow-body replacement program
- Yields expected to improve
  - Maturity of new routes
  - Stage length growth rate declines
  - Passenger mix impact diminishes
  - Focus on higher-yielding corporate customer
  - Effective yield management through O&D system / branded fares
- IATA - doubling of travelers over next 15 years
- Building up diversified revenue streams and counting on global flows (less dependent on Canada or what happens in the U.S.)
- New PSS to provide robust full retailing platform
- New loyalty program post-2020
Improving Margins Through Premium Products

• International growth strategy is fueled by premium traffic
• Premium products (Maple Leaf Lounges, Priority check-in areas, concierge, priority boarding, quality in-flight cuisine) enhance the experience
• Competitive International Business Class product

Premium products enable revenue growth to keep pace with capacity growth
Investments in Technology Driving Future Benefits

Passenger Service System
Principal IT system supporting reservations and departure control operations

- Better partner integration
- Improved efficiency
- Improved shopping

$100M in Annual Incremental Benefits

Branded Fares
Re-introducing branded fares and fixed buy-across

- Increased fare differentiation
- Improved product recognition
- Increased customer buy up

$20M in Annual Incremental Benefits

Fuel Management System
Petroleum administration, inventory control and expenditures system

- To provide visibility to fuel movements from refinery to wing

$3M in Annual Incremental Benefits

Mobile 3.0
- AC mobile application upgrade

Plusgrade
- To allow customers to bid on premium seats

SmartSuite
- To replace operating system on critical digital devices

Customer Relations System
- To replace customer relations and baggage claims system

Workday
- New HR system

Data Roadmap
- Improved enterprise data capabilities

OTHER TECHNOLOGY INVESTMENTS

CYBERSECURITY: Increased security and reduced vulnerability
New Boeing 737-8 MAX Aircraft to Provide 11% CASM Reduction Versus A320 Aircraft
New C-Series CS300 Aircraft to Provide 12% CASM Reduction Versus Embraer 190 Aircraft
## Incremental Benefits from Extended Capacity Purchase Agreement with Jazz Post-2020

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amended and extended capacity purchase agreement expected to provide</td>
<td>Greater network flexibility</td>
</tr>
<tr>
<td>$550 million in financial value from 2015-2020 versus previous agreement</td>
<td>Fleet economics</td>
</tr>
<tr>
<td></td>
<td>Pilot mobility agreement</td>
</tr>
<tr>
<td>The Jazz fleet is transitioning to more efficient and larger aircraft</td>
<td>Mix of larger, newer regional jets (CRJ705s) and turboprops (Q400s)</td>
</tr>
<tr>
<td></td>
<td>Fleet decreases in size over time to accommodate the addition of the Q400s, replacing older, inefficient Dash 8-100s</td>
</tr>
<tr>
<td>From 2021-2025, CPA compensation paid to Jazz reduces by $55 million per year, resulting in a more competitive cost structure in the regional sector</td>
<td></td>
</tr>
</tbody>
</table>
1 International growth
2 Cost & revenue transformation
3 **Customer engagement**
4 Culture change
Strengthening Customer Loyalty Through Digital Experience

**Enhanced Customer Relationship Management system**
Holistic view of the customer and their journey covering the online, offline & on-board worlds

**Redesign & optimize digital channels**
Mobile investments achieving revenue growth & behaviour shift

**Personalize customer content, offers & services**
Monetize customer data by enabling personalized offers and services based upon context, customer behaviour and commercial value

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**CRM**
• Loyalty
• Reservations
• Operations

**Traveler A**
Leisure
Low frequency
Value: $

**Traveler B**
Business
High frequency
Value: $$$

**Leisure Content Offer**

**Business Content Offer**
Launch of Own Loyalty Program

Expect to unlock significant value through the launch of loyalty program

- Net present value of $2.0 billion to $2.5 billion* (on a pre-tax basis) over a 15-year period

- Initiating RFP for credit card partnership

* Assumes the current regulatory environment and a discount rate in line with Air Canada’s WACC
### Path to the New Loyalty Program in 2020

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy &amp; Program Design</td>
<td><strong>Build</strong></td>
<td><strong>Refine</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Partnerships, including credit card</td>
<td></td>
<td><strong>Identify &amp; Establish</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology &amp; Program Build</td>
<td></td>
<td><strong>Vendor Selection &amp; Build</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications &amp; Launch Preparation</td>
<td></td>
<td><strong>Launch Preparation</strong></td>
<td><strong>Launch Communication</strong></td>
<td></td>
</tr>
</tbody>
</table>

**May 11, 2017**
- Announcement to launch own loyalty program in 2020 upon expiry of commercial agreement with Aimia

**June 2019**
- Communication of initial program details

**June 2020**
- FFP launch date
Delivering Best Airline in North America

Numerous industry awards:

- Best Airline in North America (Skytrax)
- Four-Star ranking from Skytrax
- Best Long-Haul Airline in the Americas (AirlineRatings.com)
  August 16, 2017
1 International growth
2 Cost & revenue transformation
3 Customer engagement
4 Culture change
Long-Term Collective Agreements with Unions

Long-term collective bargaining agreements provide:

1. Cost certainty
2. Significantly enhanced efficiency
3. Team engagement
4. Additional flexibility to respond to competitive threats and internal business challenges
5. Solid platform from which to invest in increased team engagement initiatives
Employee surveys and multiple awards demonstrate marked improvements in employee culture and engagement as Air Canada is voted one of:

- Canada’s 15 Top Employers for Canadians Over 40
- 50 Most Engaged Workplaces in North America
- Canada’s Top 100 Employers
- Montreal’s Top Employers
- Canada’s Top Two Most Attractive Employers
- Canada’s Best Diversity Employers
- Canada’s 10 Most Admired Corporate Cultures
Financial Targets
## More Ambitious Targets for the Next Level of Performance Improvement

<table>
<thead>
<tr>
<th></th>
<th>2018-2020 Targets (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual EBITDAR Margin</td>
<td>17% - 20%</td>
</tr>
<tr>
<td>Annual ROIC</td>
<td>13% - 16%</td>
</tr>
<tr>
<td>Free Cash Flow (Cumulative over the period)</td>
<td>$2.0-$3.0 billion</td>
</tr>
<tr>
<td>Leverage Ratio (2)</td>
<td>1.2 by end of 2020</td>
</tr>
</tbody>
</table>

### 2018 – 2020 Outlook – Major Assumptions:

As part of its assumptions, during the 2018 to 2020 period, Air Canada assumes moderate Canadian GDP growth, Canadian Consumer Price Index (CPI) growth of approximately 2%, and an average annual wage rate increase of 2% throughout the period. Air Canada also assumes that the Canadian dollar will trade, on average, at C$1.32 per U.S. dollar and that the price of jet fuel will average 62 CAD cents per litre for 2018, 65 CAD cents per litre for 2019 and 67 CAD cents per litre for 2020.

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(1) As reported on October 25, 2017
(2) Air Canada continues to expect to achieve a leverage ratio not exceeding 2.2 by the end of 2018.

The 2020 leverage ratio is based on a foreign exchange rate of US$1 = C$1.32
Expect Continued Strong EBITDAR Margins

• Expect revenue growth to continue
  – Leveraging Air Canada’s unique competitive advantages and fleet investments
  – Air Canada Rouge
  – Revenue enhancement initiatives
  – Revenue diversification – International points of sale revenue
  – Ancillary sales
  – Technology

• Continuous focus on cost transformation
  – New more-efficient narrow-body aircraft
  – Lowering cost structures of regional partners
  – Cost reduction initiatives
  – Process/productivity improvements
  – Technology

• Outstanding customer service

Project annual EBITDAR margin of 17% to 20% over 2018 to 2020 period (1)

(1) As reported on October 25, 2017
## Expect Improvement in ROIC and Growth in Free Cash Flow

<table>
<thead>
<tr>
<th>Free Cash Flow</th>
<th>Plan on using excess cash to purchase new aircraft to effectively reduce gross debt</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Will continue to leverage Normal Course Issuer Bid (NCIB) opportunities</td>
</tr>
<tr>
<td></td>
<td>Will consider other uses of cash as plan matures</td>
</tr>
<tr>
<td><strong>Expect cumulative free cash flow of</strong></td>
<td><strong>$2B to $3B over 2018 to 2020 period</strong> (1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROIC</th>
<th>Expect ROIC to continue to exceed weighted average cost of capital by a wide margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forecast annual ROIC of</strong></td>
<td><strong>13% to 16% over 2018 to 2020 period</strong> (1)</td>
</tr>
</tbody>
</table>

(1) As reported on October 25, 2017
## Fleet Plan

<table>
<thead>
<tr>
<th></th>
<th>Actual 2017</th>
<th>Planned 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wide-body</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 787-8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Boeing 787-9</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Boeing 777-300ER (higher-density)</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Boeing 777-200LR</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Boeing 767-300ER</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Airbus A330-300</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Narrow-body</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 737 MAX-8</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Airbus A319, A320, A321</td>
<td>75</td>
<td>67</td>
</tr>
<tr>
<td>Embraer 190</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Mainline</strong></td>
<td>173</td>
<td>183</td>
</tr>
<tr>
<td>Boeing 767-300ER</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Airbus A319, A321</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Air Canada rouge</strong></td>
<td>49</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total Wide-body Aircraft</strong></td>
<td>95</td>
<td>98</td>
</tr>
<tr>
<td><strong>Total Narrow-body Aircraft</strong></td>
<td>127</td>
<td>135</td>
</tr>
<tr>
<td><strong>Total Mainline and Air Canada rouge</strong></td>
<td>222</td>
<td>233</td>
</tr>
</tbody>
</table>
# Normalization of Capital Expenditures by 2020

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft and Aircraft-related</td>
<td>$1,415</td>
<td>$2,516</td>
<td>$2,198</td>
<td>$1,895</td>
<td>$1,751</td>
<td>$1,224</td>
</tr>
<tr>
<td>Information Technology</td>
<td>38</td>
<td>36</td>
<td>68</td>
<td>125</td>
<td>115</td>
<td>58</td>
</tr>
<tr>
<td>Facilities and Ground Equipment</td>
<td>84</td>
<td>77</td>
<td>83</td>
<td>107</td>
<td>84</td>
<td>82</td>
</tr>
<tr>
<td>Capitalized Maintenance</td>
<td>208</td>
<td>234</td>
<td>107</td>
<td>95</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>70</td>
<td>58</td>
<td>49</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total Capital Expenditures</strong></td>
<td><strong>$1,815</strong></td>
<td><strong>$2,921</strong></td>
<td><strong>$2,505</strong></td>
<td><strong>$2,270</strong></td>
<td><strong>$2,130</strong></td>
<td><strong>$1,544</strong></td>
</tr>
</tbody>
</table>
Lower Leverage Supports Investment Grade Credit Ratings

• Creating shareholder value by lowering gross debt and leverage remains top priority followed by shareholder distributions via share buybacks.

• Forecast continued improvement in financial leverage as debt is paid off and gross debt is reduced.

• Reduced overall risk profile by aggressively managing our financial leverage, leading to credit rating upgrades:
  - **Standard & Poor’s**
    BB- with stable outlook (from CCC+ in 2010)
  - **Moody’s**
    Ba3 with stable outlook (from B3 in 2010)

Expect projected decline in leverage ratio to 1.2 by the end of 2020 (1) to support drive for investment grade credit ratings.

(1) As reported on October 25, 2017
Air Canada – A Global Champion

• Proven strategy
• Sustainable business model
• Improved financial targets
• De-risked the airline
• Many opportunities ahead, including:
  – New more efficient narrow-body aircraft
  – Launch of loyalty program
  – RFP for new credit card partner
  – New Passenger Service System
  – Digital initiatives
  – Lower-cost Rouge growth
Thank you