AIR CANADA

at the

RBC Capital Markets

Canadian Automotive, Industrial & Transportation 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, industry, market, credit, economic and geopolitical conditions, energy prices, currency exchange, competition, our dependence on technology, cybersecurity risks, our ability to pay our indebtedness and secure financing, our ability to successfully implement appropriate strategic initiatives or reduce operating costs, war, terrorist acts, epidemic diseases, airport user and related fees, high levels of fixed costs, liquidity, 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 18 "Risk Factors" of Air Canada's 2017 MD&A dated February 16, 2018. 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 February 16, 2018 for additional information on non-GAAP measures, as well as major assumptions relating to Air Canada's financial targets.

Path to Global Champion

Financial Stability

- Pension solvency surplus
- 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

Solid foundation allows Air Canada to leverage its unique competitive advantages

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
- On a system basis, capacity increased 40% over last three years
- Broadening footprint with commercial alliances and leveraging A++ revenue sharing joint venture
- Increased international-to-international connecting traffic through major Canadian hubs (6th Freedom)
- International and U.S. routes represented 68% of total passenger revenue in 2017
- 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 has Been a Major Success

Founded:	July 2013
Destinations:	75
Fleet:	53 Aircraft (Summer 2018)
Hubs:	Toronto, Montreal, Vancouver

Lower CASM Aircraft

- Seat Density
- Ownership Costs
- Labour Costs

Summer 2018

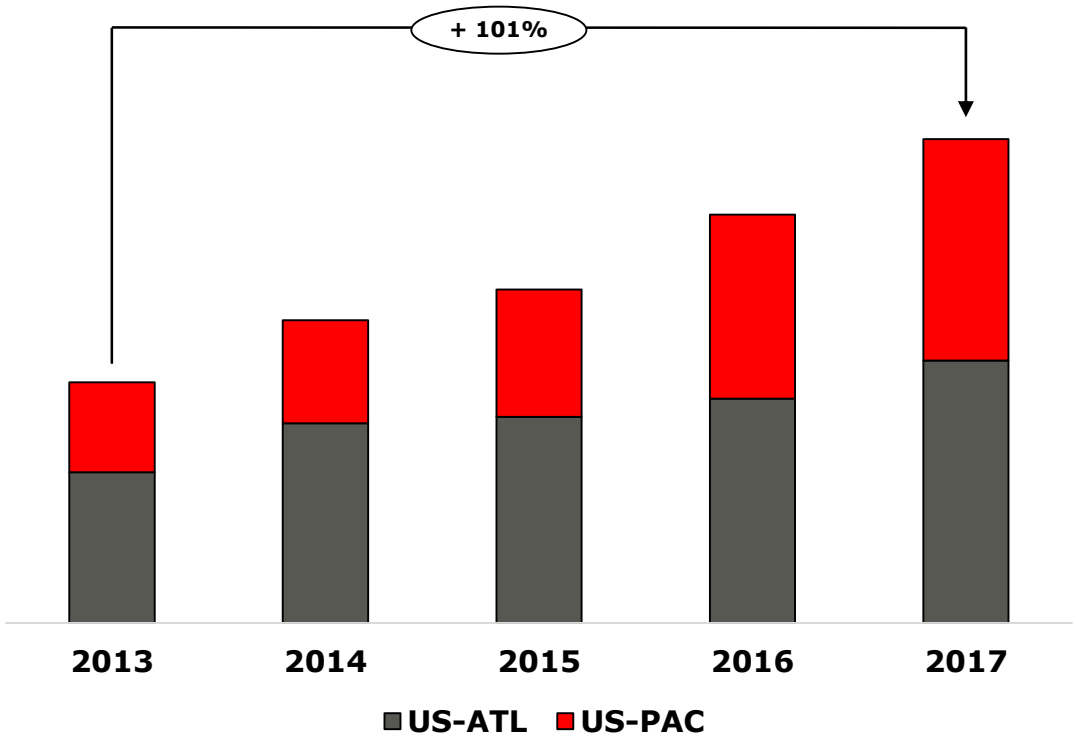
Winter 2018

Alternating between Atlantic (summer) and Sun (winter) is a major competitive advantage

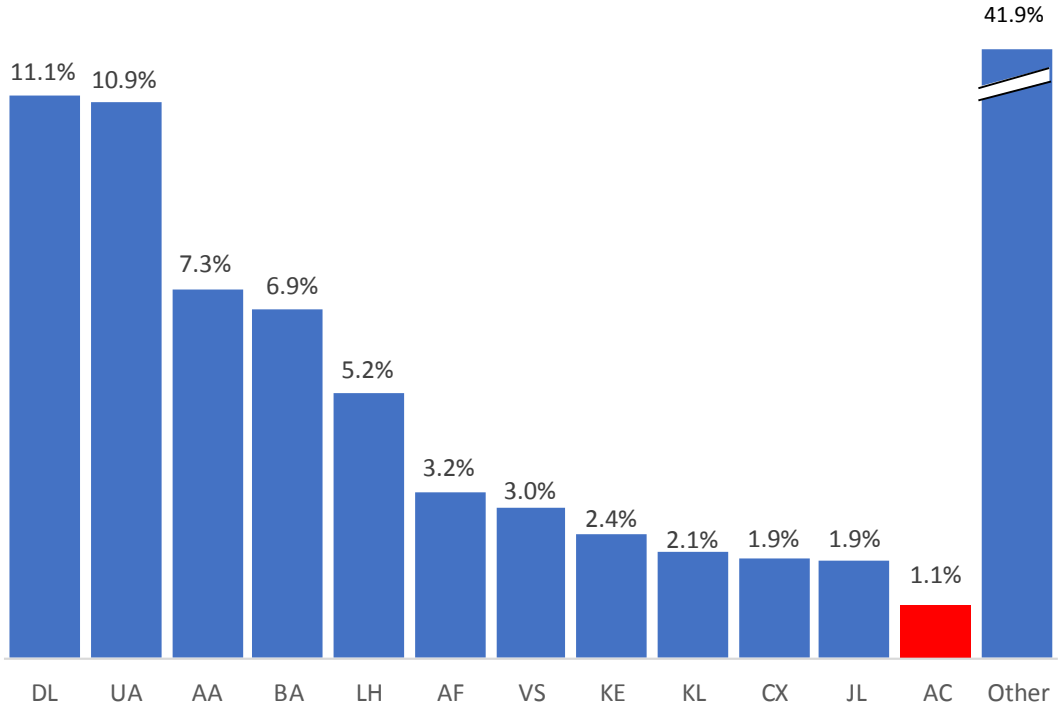
Growth of Traffic Transiting Canada to/from the U.S. (6th Freedom)

Growing market share to 2% would represent $930M of incremental annual revenue

AC 6th Freedom Passengers Carried to/from U.S.



Market Share of International Traffic to/from U.S.



Increasing U.S. revenues provides more U.S. net coverage and reduces net U.S. FX exposure

1 International growth

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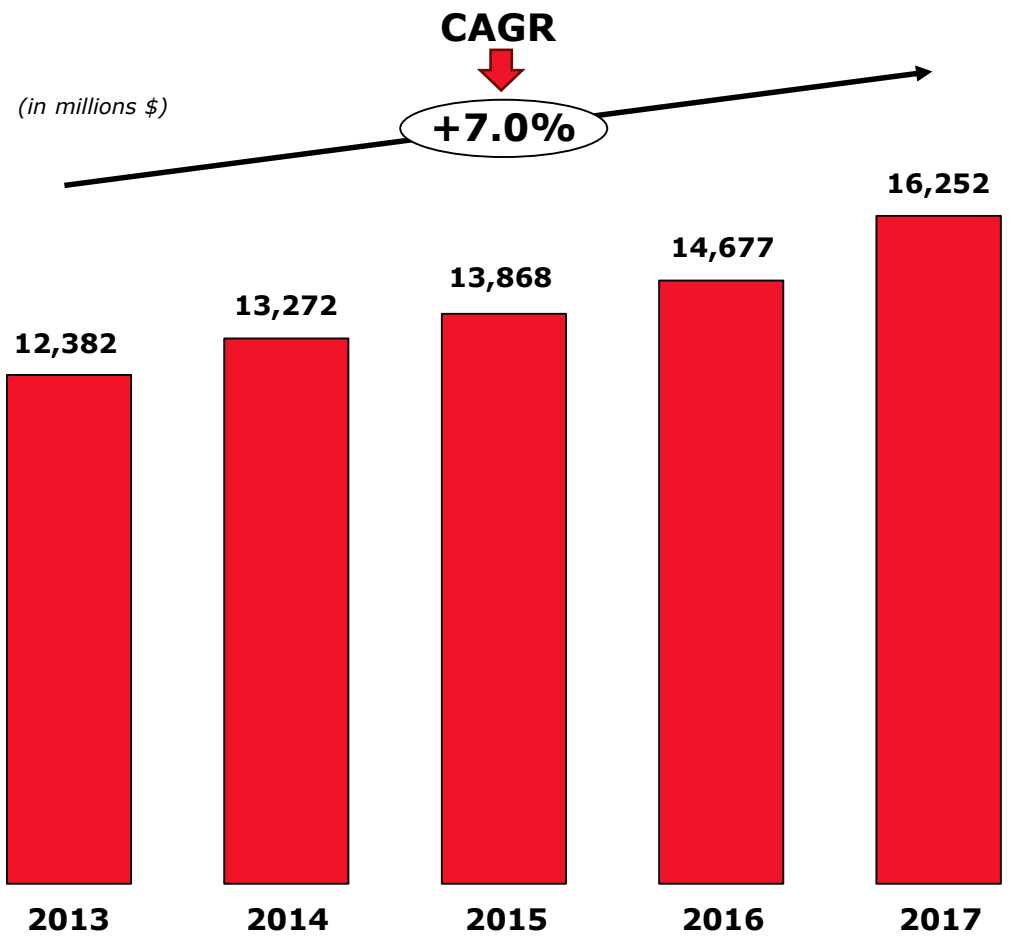
Strong Revenue Growth Continues



- 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
  - Updated suite of branded fare products
- Building up diversified revenue streams
- New PSS to provide robust full retailing platform
- New loyalty program post-2020

Improving Margins through Premium Products

AIR CANADA SIGNATURE SUITE

- International growth strategy is fueled by premium traffic
- Air Canada Signature Class
- Premium products (Air Canada Signature Suite, Maple Leaf Lounges, Priority check-in areas, concierge, priority boarding, quality in-flight cuisine) enhance the experience

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

Branded Fares

Re-introducing branded fares and fixed buy-across

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

Fuel Management System

Petroleum administration, inventory control and expenditures system

- To provide visibility to fuel movements from refinery to wing

OTHER TECHNOLOGY INVESTMENTS

Mobile 3.0
- AC mobile application upgrade

Plusgrade
- To allow customers to bid on premium seats

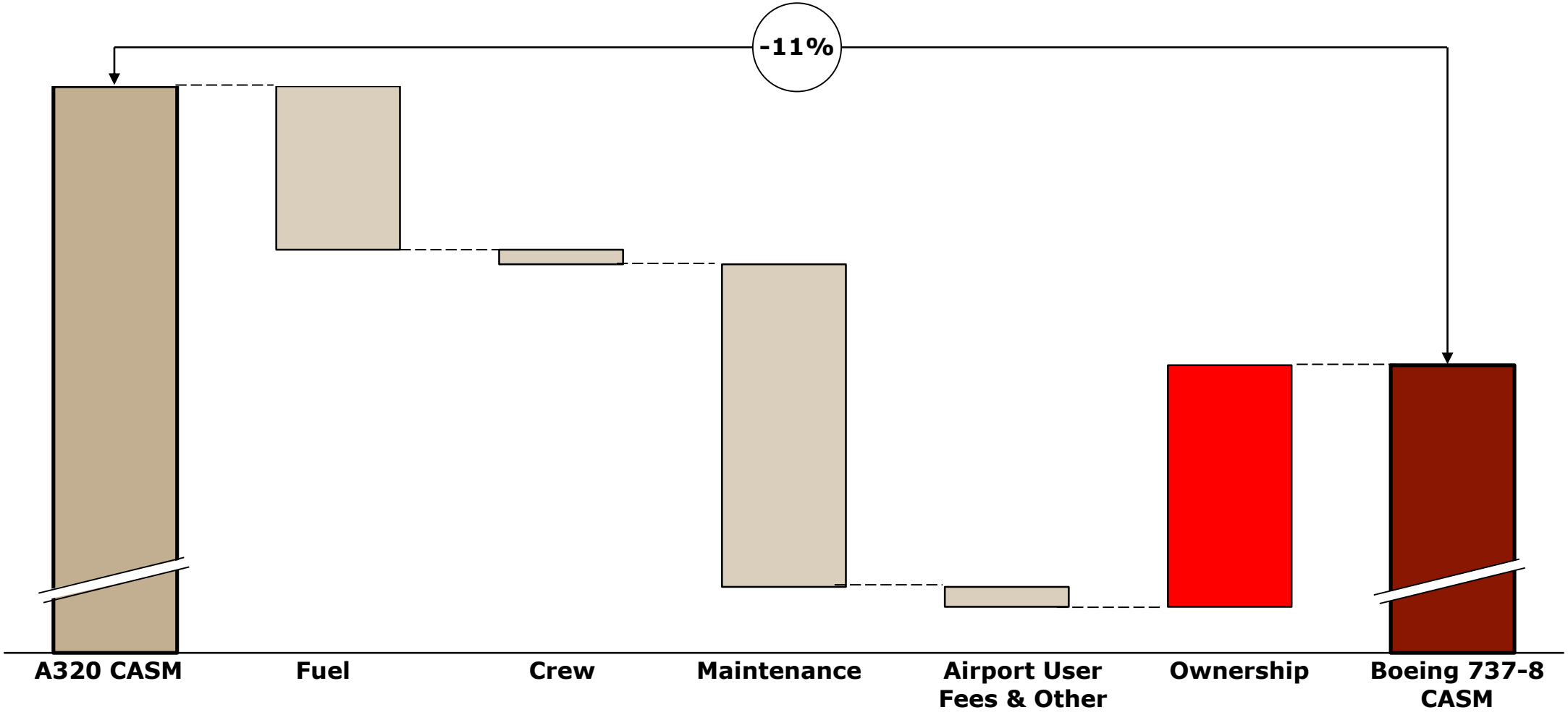
SmartSuite
- To replace operating system on critical digital devices

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

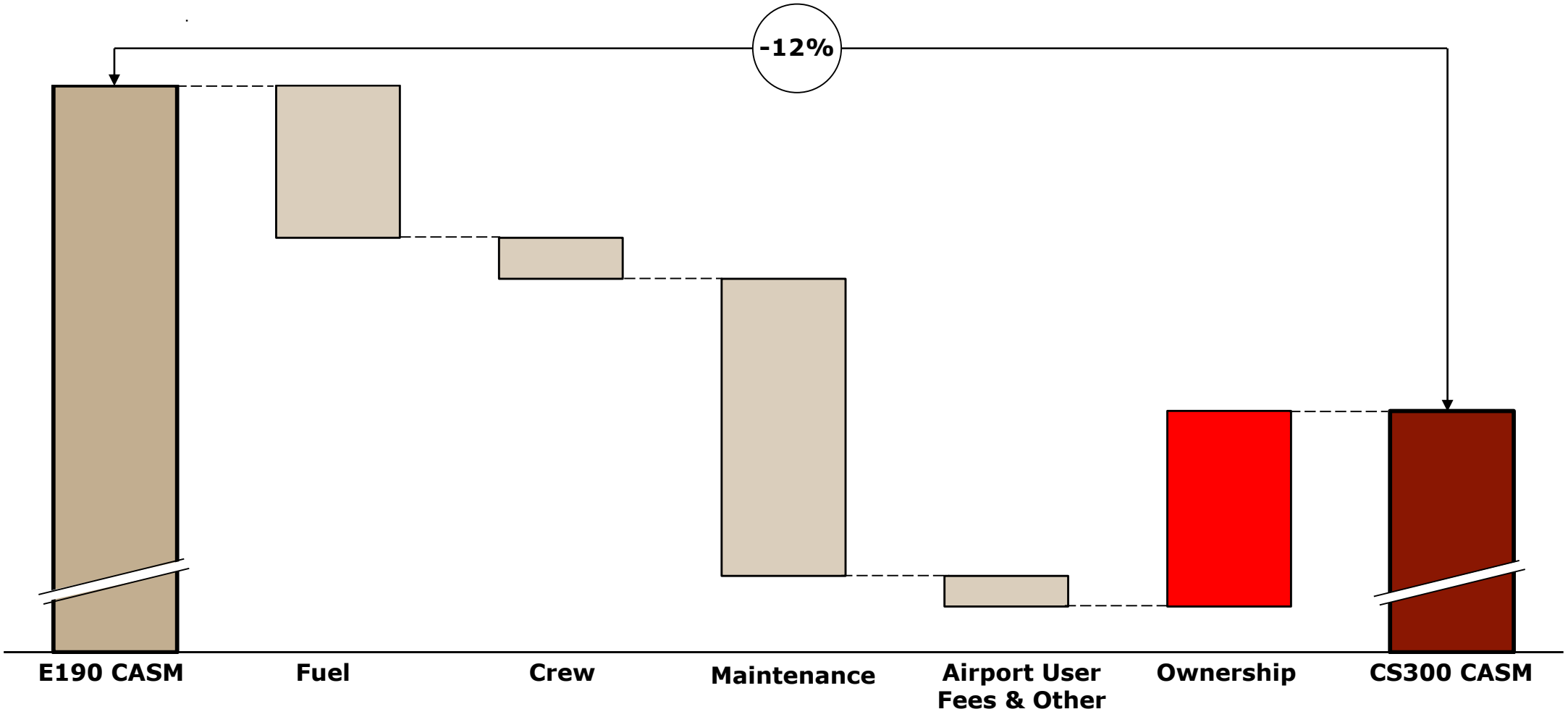
Workday
- New HR system

Data Roadmap
- Improved enterprise data capabilities

New Boeing 737-8 MAX Aircraft to Provide 11% CASM Reduction versus Air Canada's A320 Aircraft



New C-Series CS300 Aircraft to Provide 12% CASM Reduction versus Air Canada's Embraer 190 Aircraft



Cost Reduction Program

Adjusted CASM declined 6.1% over the last four years

- Company-wide initiatives – savings of $90 million in 2017
- Procurement initiatives – savings of $120 million over life of agreements
- Jazz CPA compensation declines $55 million per year from 2021
- New Cost Transformation Program to secure $250 million in savings by end of 2019

1 International growth

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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

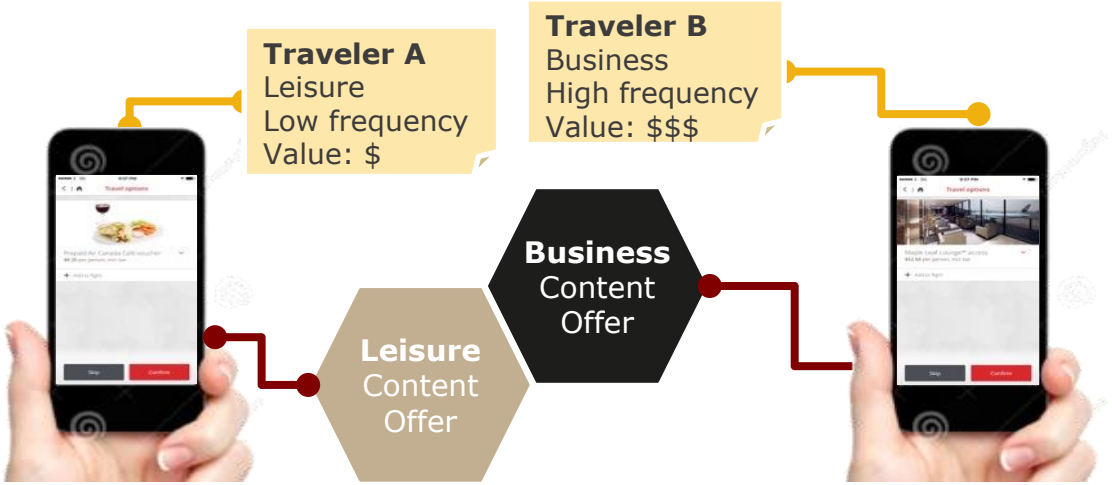
Redesign & optimize digital channels

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

- Loyalty
- Reservations
- Operations



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
- RFP for credit card partner underway
- RFP for technology platform partner underway
- Program design in process after extensive research

* Assumes the current regulatory environment and a discount rate in line with Air Canada's Weighted Average Cost of Capital (WACC)

Delivering Best Airline in North America

Numerous industry awards:

- Best Airline in North America (Skytrax)
- Four-Star ranking (Skytrax)
- Best Long-Haul Airline in the Americas (AirlineRatings.com)

WORLD AIRLINE SKYTRAX AWARDS 2017

4 STAR AIRLINE SKYTRAX

Voted Best Airline in North America

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Long-Term Collective Agreements with Unions

ACPA APAC

CUPE Canadian Union of Public Employees

UNIFOR theUnion | lesyndicat

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

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

Fostering Positive Culture Change with Engaged Workforce

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

	2018-2020 Targets [1]
Annual EBITDAR Margin	17% - 20%
Annual ROIC	13% - 16%
Free Cash Flow (Cumulative over the period)	$2.0-$3.0 billion
Leverage Ratio [2]	1.2 by end of 2020

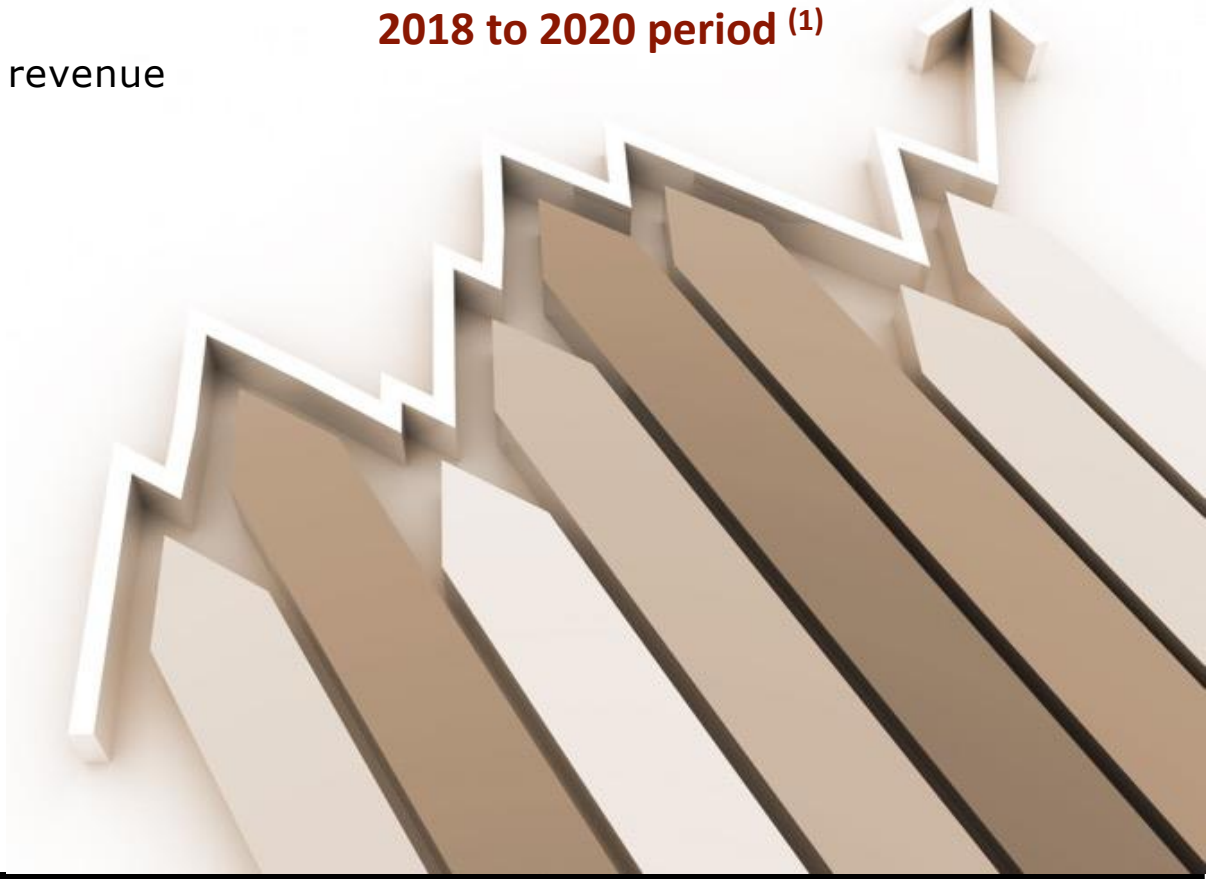
(1) As reaffirmed on April 30, 2018

(2) Air Canada continues to expect to achieve a leverage ratio not exceeding 2.2 by the end of 2018.

Expect Continued Strong EBITDAR Margins

- Expect revenue growth to continue
  - Leveraging 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

Continue to expect annual EBITDAR margin of 17% to 20% over 2018 to 2020 period [1]



(1) As reaffirmed on April 30, 2018

Expect Improvement in ROIC and Growth in Free Cash Flow

Free Cash Flow	– Plan on using excess cash to purchase new aircraft to effectively reduce gross debt – Will continue to leverage Normal Course Issuer Bid (NCIB) opportunities – Will consider other uses of cash as plan matures – **Continue to expect cumulative free cash flow of $2B to $3B over 2018 to 2020 period (1)**
ROIC	– Continue to expect ROIC to continue to exceed weighted average cost of capital by a wide margin – **Forecast annual ROIC of 13% to 16% over 2018 to 2020 period (1)**

(1) As reaffirmed on February 16, 2018

Projected Expenditures[1]

$ millions	Remainder of 2018	2019	2020	2021	2022
Projected committed expenditures	$969	$1,491	$1,346	$670	$666
Projected planned but uncommitted expenditures	175	395	294	347	302
Projected planned but uncommitted capitalized maintenance[2]	108	173	175	56	95
Total projected Expenditures	**$1,252**	**$2,059**	**$1,815**	**$1,073**	**$1,063**

(1) As reported on April 30, 2018

(2) Capitalized maintenance amounts for 2021 and 2022 are not yet determinable, however estimates of $56 million and $95 million, respectively, have been made for 2021 and 2022

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 positive outlook (from CCC+ in 2010)
  - **Moody's**
    Ba3 with stable outlook (from B3 in 2010)

Continue to 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 reaffirmed on April 30, 2018

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

aircanada.com