at the

5th Annual Industrials 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.

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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
Unique Competitive Advantages Set Air Canada Apart from the Competition

<table>
<thead>
<tr>
<th>Dual Brand</th>
<th>Geographic Advantage</th>
<th>Three Powerful Hubs (YYZ/YVR/YUL)</th>
<th>Competitive Fleet &amp; Product</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Air Canada" /></td>
<td><img src="image2" alt="Geographic Advantage" /></td>
<td><img src="image3" alt="Three Powerful Hubs" /></td>
<td><img src="image4" alt="Competitive Fleet &amp; Product" /></td>
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<table>
<thead>
<tr>
<th>Star Alliance</th>
<th>A++ Joint Venture</th>
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<tr>
<td><img src="image5" alt="Star Alliance" /></td>
<td><img src="image6" alt="A++ Joint Venture" /></td>
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</table>
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.

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

- 2012: 3.1%
- 2013: 2.8%
- 2014: 2.1%
- 2015: 6.7%
- 2016: 5.0%

Increasing U.S. revenues provides more U.S. net coverage and reduces net U.S. FX exposure.
1 International growth
2 **Cost & revenue transformation**
3 Customer engagement
4 Culture change
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

**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

**$100M in Annual Incremental Benefits**

**$20M in Annual Incremental Benefits**

**$3M in Annual Incremental Benefits**

**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

**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

- Amended and extended capacity purchase agreement expected to provide $550 million in financial value from 2015-2020 versus previous agreement

- Greater network flexibility

- Fleet economics

- Pilot mobility agreement

- The Jazz fleet is transitioning to more efficient and larger aircraft

- Mix of larger, newer regional jets (CRJ705s) and turboprops (Q400s)

- Fleet decreases in size over time to accommodate the addition of the Q400s, replacing older, inefficient Dash 8-100s

- 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
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

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

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

- **2018**
  - June 2019: Communication of initial program details.

- **2019**
  - 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)
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
Fostering Positive Culture Change with Engaged Workforce

Employee surveys and multiple awards demonstrate marked improvements in employee culture and engagement

- 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>Annual EBITDAR Margin</th>
<th>17% - 20%</th>
</tr>
</thead>
<tbody>
<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.

(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) 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></td>
<td><strong>Expect cumulative free cash flow of $2B to $3B over 2018 to 2020 period</strong> (1)</td>
</tr>
<tr>
<td>ROIC</td>
<td>Expect ROIC to continue to exceed weighted average cost of capital by a wide margin</td>
</tr>
<tr>
<td></td>
<td><strong>Forecast annual ROIC of 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</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<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>13</td>
<td>22</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>14</td>
<td>8</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>-</td>
<td>2</td>
</tr>
<tr>
<td>Airbus A319, A320, A321</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Embraer 190</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Mainline</strong></td>
<td><strong>168</strong></td>
<td><strong>173</strong></td>
</tr>
<tr>
<td>Boeing 767-300ER</td>
<td>20</td>
<td>24</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><strong>45</strong></td>
<td><strong>49</strong></td>
</tr>
<tr>
<td>Total Wide-body Aircraft</td>
<td>88</td>
<td>95</td>
</tr>
<tr>
<td>Total Narrow-body Aircraft</td>
<td>125</td>
<td>127</td>
</tr>
<tr>
<td><strong>Total Mainline and Air Canada rouge</strong></td>
<td><strong>213</strong></td>
<td><strong>222</strong></td>
</tr>
</tbody>
</table>
## Normalization of Capital Expenditures by 2020

<table>
<thead>
<tr>
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</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)

(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