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 using 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, 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 successfully implement appropriate strategic initiatives or reduce operating costs, our ability to successfully integrate and operate the Aeroplan Loyalty business following its acquisition from Aimia Inc. and to successfully launch our new loyalty program, our ability to preserve and grow our brand, airport user and related fees, high levels of fixed costs, our dependence on key suppliers including regional carriers, employee and labour relations and costs, our dependence on Star Alliance and joint ventures, interruptions of service, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), our ability to pay our indebtedness and maintain liquidity, pension issues, limitations due to restrictive covenants, pending and future litigation and actions by third parties, our ability to attract and retain required personnel, war, terrorist acts, casualty losses, changes in laws, regulatory developments or proceedings, epidemic diseases, insurance issues and costs, as well as the factors identified in Air Canada’s public disclosure file available at www.sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada’s 2018 MD&A dated February 15, 2019. The forward-looking statements contained or incorporated by reference in this news release represent Air Canada's expectations as of the date of this news release (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 because of new information, future events or otherwise, except as required under applicable securities regulations.
Significant Progress

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

Opportunities Ahead

New reservation system

Loyalty

A220
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 (cont’d)

<table>
<thead>
<tr>
<th>Target</th>
<th>Target Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Annual EBITDA margin</td>
<td>19% – 22%</td>
</tr>
<tr>
<td>✓ Annual return on invested capital</td>
<td>16% – 20%</td>
</tr>
<tr>
<td>✓ Cumulative free cash flow</td>
<td>$4.0B – $4.5B</td>
</tr>
<tr>
<td>✓ Leverage ratio</td>
<td>No more than 1.2</td>
</tr>
<tr>
<td></td>
<td>by end of 2019</td>
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Over the period 2019-2021

Based on assumptions outlined in Air Canada’s February 28, 2019 news release
Project Strong EBITDA Margins
Unique Competitive Advantages
Project Strong EBITDA Margins (cont’d)

- 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
• 29% CASM advantage over the Boeing 767
• 11% CASM advantage over the Mainline Airbus A320
• 12% CASM advantage over the Embraer E190
• Complete restructuring of regional fleet
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 equity investment — excellent value for shareholders
Loyalty

- Aeroplan loyalty business
- Launch of new loyalty program in summer 2020
Loyalty (cont’d)

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

- IFRS 16 adds $200M to projected CAPEX due to higher capitalized
  maintenance (offset is reduced maintenance expense) (versus 2018 MD&A)
Capital Allocation Strategy

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

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

* Excludes the net proceeds on the closing of the Aeroplan transaction
Leverage Ratio of No More than 1.2 Supports Investment Grade Credit Rating

SINCE 2012, AIR CANADA’S CREDIT RATING IMPROVED

S&P  4 notch improvement to BB with positive outlook
Moody’s 5 notch improvement to Ba2 Stable
More Aggressive Buyback Program an Opportunity

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

PURCHASED, FOR CANCELLATION, 23.4M SHARES OR 8% OF OUTSTANDING SHARES (SINCE MAY 2015)
Much Stronger Balance Sheet

- Lowered leverage ratio to 2.1 from 3.1 since end of 2012
- Reduced average cost of debt to 4.4%
- Average cost of capital of 7.2%, 540 basis points lower than ROIC of 12.6%
- Freed up collateral by purchasing new aircraft
- US$2.6B unencumbered assets – will increase in 2019
- Record unrestricted liquidity of $5.725B – will increase post-Aeroplan acquisition
- Excess cash of $2.0B
Financial Risks are Very Well Managed

**PENSION**
- $2.4B* solvency surplus
- 81% of liabilities matched with fixed income products
- No past service or current service payments required

**FUEL RISK MANAGEMENT**
- Flexible program
- Currently unhedged
- Derivative contracts
- Assessing IMO 2020 market impact

**FOREIGN EXCHANGE RISK MANAGEMENT**
- U.S cash reserves
- Derivative contracts
- 75% coverage for 18 months

*Based on preliminary estimates as of January 1, 2019*
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
Unencumbered aircraft
• Air Canada and Air Canada Rouge

Currently 55% of combined Mainline and Rouge is leased – Ratio will decrease as Air Canada purchases more aircraft with cash

Currently

55
(23%)

By end of 2021

100
(40%)
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