at the

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Michael Rousseau
Deputy Chief Executive Officer & Chief Financial Officer

Shawn Altman
Corporate Reporting & Investor Relations Manager

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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.

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This presentation also includes certain non-GAAP financial measures used by Air Canada to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s First Quarter 2019 MD&A for a further discussion of such non-GAAP measures and a reconciliation of such measures to Canadian GAAP.
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.
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.

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

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

- **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

*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
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

- 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
Air Canada’s Credit Rating Strengthened, Advancing Us to Our Goal of Investment Grade Status

S&P 5-notch improvement to BB+ (stable)
Moody’s 5-notch improvement to Ba2 (stable)

SINCE 2012, AIR CANADA’S CREDIT RATING IMPROVED
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

Unencumbered aircraft
- Air Canada and Air Canada Rouge

Currently
- 61 (25%)

By end of 2021
- 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