Good morning ladies and gentlemen.

Let me begin by personally welcoming you to our 2015 Annual General Meeting. I appreciate that you have taken time to be with us today and I would like to especially recognize those of you who have travelled from out of town.

We are pleased to be here in Toronto for this year's AGM because the city is playing a central role in the ongoing transformation of Air Canada, particularly with respect to making our airline a true global leader.

The great leadership demonstrated by our executive team has been key to the execution of our business plan and most of our Senior Executive Team is with us today representing virtually all activities of the company. I thank them for their commitment and hard work and I encourage you to seek them out once today's meeting concludes.

My second order of business is to note, with sadness, the very recent passing of Claude Taylor, who most of you know was the president, chief executive and, later, also the chairman of Air Canada between 1976 and 1984.

Claude was not only an esteemed predecessor and role model for me, but also an extremely important mentor and friend. He loved Air Canada to his core and he led the company through some of its most transformative years, including its complex privatization, from a state-owned enterprise. Virtually every employee and retiree who was here during his time has a warm memory to share about Claude.

Since I became president and CEO in 2009, I have stood before you at each annual meeting and described how our ultimate aim was to make Air Canada sustainably profitable over the long term. While some may have viewed that as little more than an aspirational goal while we were busy transforming so many aspects of our business at the same time, today consistent profitability is a reality. In 2014, we turned in the best performance in our history, and our second consecutive year of record results.

Financial Results of 2014

In fact, 2014 was nothing short of a breakout year for Air Canada. We reported a number of financial and operational records and, in the process, showed what this airline is truly capable of.

Our adjusted 2014 net income of $531 million exceeded the previous year's record by $191 million. A 56 per cent increase.

Our GAAP net income was $105 million, up from $10 million in 2013.

Total revenue for the year was $13.3 billion compared to $12.4 billion. An increase of seven per cent.

We carried a record 38.5 million customers safely to their destination and did so with a record load factor.

We were also named Best airline in North America for an unprecedented fifth year in a row and the only Four Star Network carrier in North America.

We have not only eliminated the very large pension deficit that we had been carrying for years but in 2014 we delivered a pension surplus of approximately $660 million as at year end and our pension fund continues to deliver top quartile returns.

Of perhaps greatest importance to investors in the room today, the market applauded our accomplishments. The value of Air Canada's shares increased 60 per cent in 2014, far in excess of the S&P/TSX Composite's 10.5 per cent total return for the year, following on 2013 when we were the number one stock on the TSX. Over two years Air Canada stock has returned almost 600 per cent and since the end of 2009 our shares have increased by 800 per cent.

Put another way, if you had invested $100 in Air Canada on December 31, 2009, it would have been worth $900 at the end of 2014. Meanwhile, a $100 investment in the S&P TSX Composite over that same period would have been worth less than $200.

First Quarter 2015

Today there was more good news as we released the results of our first quarter of 2015. We reported the best first quarter financial performance in Air Canada's history, which is always our toughest quarter.

In the quarter EBITDAR tripled over last year to $442 million. Operating income improved by $262 million and we expanded our all important operating margin by 820 basis points. We had adjusted net income of $122 million versus an adjusted net loss of $132 million a year ago.

This solid first quarter performance positions us well for another strong year at Air Canada. But that said, we are taking nothing for granted given the dynamic and volatile nature of this industry. We remain firmly fixed on further cost and revenue improvements.

Most notably, while lower average fuel prices in the quarter contributed significantly to the results, our strategy is not based on an assumption of permanent low fuel prices. Low fuel prices are a welcome added breeze in our sails, but history has shown how fickle oil pricing can be, so we intend to keep running a tight ship and maintain a vigilant watch for opportunities and risk.

International Expansion

As I have mentioned previously, we see our best revenue opportunities in the international market.

IATA estimates that while globally 3.3 billion people will board aircraft this year, the number is expected to reach 7.3 billion by 2034. Accordingly, international expansion is our prime focus and 90 per cent of our capacity growth in 2015 will be in international markets.

We are well-positioned to achieve this aim and we are aggressively building on our available assets: Our extensive global network touching five continents; our bilateral rights to fly nearly anywhere we wish; hard-to-come-by slots at major global airports; the geographical advantage of Canada being ideally-situated on the great circle routes crossing both the Atlantic and Pacific; and a fleet of aircraft that we are now renewing with a $9 billion investment over the coming years to acquire modern, next generation fuel efficient aircraft.

As of this summer, we will have increased our system-wide international capacity, measured by seats, by approximately 50 per cent since 2009. We are nearly one third larger internationally. Among the new international destinations we have added to our mainline and Air Canada *rouge* networks in that time are Edinburgh, Manchester, Copenhagen, Brussels, Lisbon, Madrid, Barcelona, Geneva, Venice, Milan, Athens, Istanbul, Rio de Janeiro, Panama City and Tokyo-Haneda.

This month we launched new seasonal Air Canada *rouge* service between Vancouver and Osaka, the only non-stop service between Canada and Japan's second largest city. Next month we are starting year-round mainline service to Amsterdam and Air Canada *rouge* service from Montreal to Venice and Mexico City. This fall, Dubai and Delhi will be added to our mainline network from Toronto.

Augmenting this growth has been Air Canada's success forming partnerships with other carriers, such as several of the Star Alliance carriers, the world's largest airline alliance, and through joint ventures, notably our Atlantic Plus-Plus venture with Lufthansa and United Airlines.

Crucial to our growth strategy is our ability to connect customers at our hubs, particularly those travelling internationally. Connecting traffic is the lifeblood of any international airline and it is essential for building successful hubs. The classic case is Holland where, in a country of only 16 million, Amsterdam Schiphol airport has 52 million customers passing through each year.

Although we operate international gateways in Montreal, Vancouver and Calgary, Toronto is our global hub and has been the main focus of these efforts. For several years, Air Canada has worked closely with the Greater Toronto Airports Authority to transform Toronto Pearson into a leading North American airport and to gain a greater share of the global connecting – or so-called "Sixth Freedom" – market. A major battle of hubs is emerging in this increasingly globalized world and we fully intend to participate meaningfully.

In late 2013, the GTAA and Air Canada concluded an enhanced commercial relationship designed to deliver continued improvements to customer service.
This has placed Air Canada in a better position to more profitably target a larger share of international traffic flows. Toronto Pearson has a strategic advantage due to its proximity to densely-populated major markets in the U.S. Approximately 150 million people reside within a 90 minute flight from Toronto.

Moreover, Air Canada and its Star Alliance partners' operations are consolidated in one terminal, and Toronto Pearson has efficient in-transit facilities that allow passengers and their bags to move seamlessly between Canada and U.S. Customs and Immigration. The new Union Pearson Express rail service between the airport and Toronto's downtown can only heighten Pearson's appeal.

So how is this strategy working?

Last year we grew international connecting traffic by 23 per cent. In the first quarter of this year, we grew it a further 25 per cent system-wide and 30 per cent in Toronto alone.

This is proof positive that our approach is producing results attracting, for example, U.S. passengers going to, say China, or Brazilians going to Japan.
And the benefits spread far beyond the balance sheet of Air Canada.

A study of Europe by Airports Council International concluded that for every 10 per cent increase in air connectivity in a country, the GDP for every person will increase by an additional 0.5 per cent. This is a striking statistic when you consider that over the past two decades it is estimated that air connectivity has doubled to more than 16,000 unique city pairs worldwide.

Other countries have recognized this. As a result, governments the world over are eager to promote their aviation industry, both for the direct benefits it brings – in Toronto area alone, for example, we employ 12,000 people and have a billion dollar payroll – but also for its catalytic benefits in other sectors of the economy.

Air Canada Cargo plays an important part in this. In 2014 it generated revenue of $502 million, an increase of nearly 6 per cent from the previous year. Our cargo division is possibly the best kept secret at the airline - generating half-a-billion dollars in revenue at a low incremental operating cost because it uses spare capacity in the bellies of our aircraft.

And the outlook for air cargo is promising. Last year the global value of air cargo was close to US $7 trillion, which while impressive, is more so when you realize it represents 35 per cent of total world trade by value.

Capital Expenditures

Airlines are well-known to be capital intensive and their huge capital expenditures create many jobs – especially opportunities for the young. They also promote research and development, and support the service, hospitality, tourism, entertainment and other industries as well.

In our own case, Air Canada is looking at investing more than $9 billion over the next few years just on aircraft. But that is not all, we also spend billions on other equipment such as simulators, fuel, avionics equipment, components and communications equipment.

We have suppliers, service providers and partners around the world but a significant portion is spent right here in Canada. Our spending on Canadian suppliers, airports and regional operators alone amounts to $4.4 billion, or $7.1 billion if you include fuel. To give you an idea, last year for example we spent $3 million on Canadian cheeses and other dairy products and $5 million on Canadian dessert and pastry suppliers.

Given all this investment, it is dismaying when governments persist in treating our industry as a cash cow in the form of taxes and fees, heedless of their negative long-term effects on economic growth, their costs and the lost opportunities.

The most recent egregious example is the Ontario government's decision to increase its aviation fuel tax to the highest level in Canada through a four-year, 148 percent hike in its 2014 budget. While other jurisdictions, most recently Manitoba, have gone in the opposite direction to reduce this tax, Ontario presses on despite clear evidence of the damage caused by such taxes, including higher costs for travellers.

Similarly, the federal government collected almost $1 billion from the Air Travelers Security Charge; Airport ground lease payments; and excise taxes on jet fuel. Very little of that money has been reinvested to improve the system.

Costs and Revenue

For our part, we have prepared for this competition over the last years by getting the fundamentals right, especially the economic fundamentals.

Everyone in the organization has been working together on bold actions to reduce costs and sustainably increase revenues. We achieved an operating margin of 6.1 per cent in 2014, up 1.8 percentage points from the previous year, excluding the impact of benefit plan amendments.

Overall, we achieved a 2.6 per cent reduction in adjusted unit costs despite an unfavourable currency impact owing to the much weaker Canadian dollar.

We have also been keenly focused on delivering on our financial targets unveiled during our first Investor Day two years ago. Return on Invested Capital at year-end was 12.1 per cent, versus 10.5 per cent a year earlier. This puts us squarely within our stated target of a sustainable ROIC of 10-to-13 per cent by 2015.

We ended the year with nearly $2.7 billion in liquidity, well above our target minimum liquidity level of $1.7 billion. Adjusted net debt grew in 2014 to $5.1 billion, but this was primarily as a result of the financing of new aircraft purchases. And we plan to further update our targets at another Investor Day June 2 given our progress to date.

An important component of our cost reductions has been the arrival of the Boeing 787 into our fleet, which offers a 29 per cent unit cost saving over the older 767 aircraft they are replacing. At the same time, Air Canada rouge is able to operate these older 767 aircraft 30 per cent more efficiently through denser seating and work rule changes.

Air Canada enhances its domestic and transborder network through capacity purchase agreements with regional airlines, namely Jazz, Sky Regional, Air Georgian and EVAS Air, which operate flights on behalf of Air Canada under the Air Canada Express banner. As part of Air Canada's continued focus on cost reduction, earlier in February Air Canada and Chorus Aviation Inc., the parent company of Jazz Aviation concluded an amended and extended capacity purchase agreement which we expect will result in approximately $550 million in financial value over the next six years as compared to the previous CPA with Jazz. This new CPA agreement is a clear win-win for both Air Canada and Chorus, as evidenced by the market's reaction. Moreover, consistent with our regional diversification strategy

Air Canada also has expanded capacity purchase agreements with Sky Regional who now operate 20 aircraft under the Air Canada Express banner and Air Georgian who operate 19 aircraft while EVAS Air operates scheduled service on our behalf throughout Newfoundland and Labrador and some points in the Maritimes.

These carriers form an integral part of the airline's international network strategy as they provide valuable traffic feed at competitive costs to Air Canada mainline and rouge routes. I know senior representatives from each of these important partners are here today and I encourage you to seek them out; they are key contributors to our success.

But costs are only part of the story. As mentioned, operating revenue grew for the sixth consecutive year to reach a record $13.3 billion in 2014, up $890 million from 2013. All market segments showed an increase, with passenger revenue climbing 7.1 per cent over 2013.

In 2015, we will further improve the quality of our revenue through a radically new approach to revenue management. We are implementing a more sophisticated system, leveraging complex algorithms that forecast passenger demand and optimize our network revenue performance. We estimate this initiative, to be implemented by the end of the second quarter, will deliver annual incremental revenues in excess of $100 million.

We have also found that customers truly value Air Canada's premium services, which were enhanced substantially with introduction of our 787s. Customers love this aircraft and its cabin, so our investment in these new aircraft is certainly being repaid based on the yields and load factors we are seeing.

We now have eight Dreamliners in our fleet of a planned total of 37. Soon, we will take delivery of the first of our larger 787-900 version of this aircraft, which will open further possibilities for new routes and destinations. At the same time, we are introducing our next generation International Business Class and a new Premium Economy cabin across the wide-body fleet beginning in 2015, and reconfiguring our Boeing 777 cabin interiors to make them more competitive in the markets they serve.

Engagement envers les clients

Customer Engagement

While new aircraft and our extensive global network are attractive, these alone are insufficient to increase customer loyalty in our highly competitive industry. This is why we have also made Customer Engagement a core priority, with a special emphasis on higher-yield business and premium passengers.

Our success in this is objectively demonstrated by the large number of awards and high ratings Air Canada has received from customers and third parties. For 2014, we were voted the Skytrax Award for Best Airline in North America for the fifth consecutive year and we also remain the only Skytrax Four-Star North American network carrier.

Given our focus on the business traveller, we were also very pleased by the 2014 Ipsos Reid Canadian Business Traveller Survey. It found we were categorically the preferred carrier of 83 per cent of Canadian business travelers. A clear measure of our progress is the fact that in the past six years we have increased our rating in this survey by 14 percentage points, despite efforts from our competition to improve their business product offerings.

In 2014, we opened a new Maple Leaf Lounge – our 21st such lounge – at Heathrow's new Terminal 2 building. Elsewhere, we developed enhanced airport self-service tools, introduced a simplified zonal boarding process and qualified for the TSA's pre-check program to expedite security screening at U.S. airports, the first foreign carrier to do so. In 2014, we also formalized a Customer Service Council consisting of senior executives with a mandate that includes ensuring front-line policies and procedures are customer-centric.

In addition to comfort, customers also put a premium on their time; thus it is vital that airlines maintain their schedules. In early 2014, Air Canada opened a new $60 million Operations Centre in Toronto that brought together operational oversight with customer care and other functions. This has contributed to a more efficient running of the airline and, in 2014, Air Canada was ranked among the top five North American airlines in the FlightStats 2014 Airline On-time Performance Service Awards. Since 2011, our On Time Performance measured by departure at zero has increased by more than 17 percentage points.

Culture Change

Delivering superior customer service also requires motivated employees, therefore we continue to reinforce Culture Change as a key ongoing priority at our company.

One effective way of advancing it is to ensure employees have the tools and training to do their jobs, which is why we have launched numerous customer training initiatives in 2014 with more planned in 2015.

Employee surveys conducted in 2010 and again in 2014 demonstrated significant improvements in employee engagement over the four-year period.

One of the most tangible signs of a positive shift in culture and employee engagement occurring at Air Canada was our landmark, 10-year agreement reached with the Air Canada Pilots Association last year which allows us to accelerate the implementation of our business strategy on a win-win basis with our pilots. It provides both the corporation and our pilots with renewed stability and enables us to confidently invest further in aircraft, technology, product and new destinations. I thank the ACPA leadership as well as our pilot group for their constructive approach to these negotiations. Subsequent to this and building on it, we also concluded new contracts with Teamsters in the U.S. and Unite in the UK.

I should add that we were also chosen one of Canada’s Top 100 Employers for 2015, one of Montreal's Top 30 employers for 2014 and one of Randstad Canada's most attractive employers based on factors such as benefits, working conditions and training.

More broadly, Air Canada continues to foster positive culture change by promoting entrepreneurship, engagement, empowerment and pay for performance. For this reason, I was extremely pleased to see a nearly 50 percent year over year increase to our 2014 employee profit-sharing pool, bringing the amount available for employees to $46 million. In addition, our unions and employees who, at January 1, 2015, held 23.1 million shares saw a 60 percent or an increase of a little over $100 million in the value of their shares over the year assuming they held those shares since January 1, 2014.

Conclusion

We are ever mindful that the Maple Leaf on the tail of our aircraft is not simply a corporate logo.
It is also an emblem of our country and a constant reminder that we have an important role and responsibility to assert our country’s place in the world and make it easier for Canadians to participate in it. To this end, Air Canada is rising to the challenge and, even more, seizing the opportunities presented by globalization and international travel and trade.

2014 was a remarkable year for our company that fully revealed what
Air Canada can achieve as it continues to pursue its goal of sustained, profitable growth.
Yet, apart from a stronger airline, we are also building one that will be increasingly nimble and responsive over the long-term.

I thank our 27,000 employees who demonstrate their commitment and professionalism every day transporting our customers safely and in comfort to their destinations.

Also, I thank our customers, shareholders and other partners for their powerful support and loyalty on our common journey.

I look forward to meeting with you again next year to report on our further progress.

Thank you.