

**Remarks by Calin Rovinescu
President and Chief Executive, Air Canada
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Thank you, Gregoire for that kind introduction.

I have spoken at the Canadian Club of Montreal many times in the past and each time, it is a pleasure to be here, especially when I see such a room full of, partners, suppliers, shareholders and especially loyal customers!

But let me start somewhat differently this year. While we are proud of our financial and operational performance in 2018, doing well is not enough. We believe that it is also by doing good, and by fully participating in the communities we serve, that our airline truly thrives.

So, let me start with this short video on some of the things we do behind the scene with kids who need our help.

Along with helping thousands of children like Kaleb through the Air Canada Foundation, in recent years we have also made a meaningful contribution to rescue efforts with some 3,000 Syrian refugees – being

brought to new homes in Canada, as well as in places decimated by natural disasters like Haiti following the devastating earthquakes, the Caribbean following the destructive hurricanes in 2017, Fort McMurray following the disastrous fires, or right here in Quebec following the 2017 catastrophic floods.

I am also proud of our environmental impact in reducing our footprint. Today, based on billions invested in new aircraft, our fleet is 43% more fuel efficient than it was in 1990, an environmental efficiency improvement we are very proud of. And we will do even better once the Airbus 220 (C-Series) enters our fleet late this year in replacement of older Embraer aircraft.

Last April, to mark Earth Day, Air Canada was the lead partner in a pilot project to introduce biofuel into the shared fuel system at Toronto-Pearson. Through this one project we reduced our emissions by 160 tonnes in one day. 160 tonnes. Moreover, we showed it is feasible to supply aircraft with biofuel through regular airport systems. This sets our whole industry up for success in reducing emissions in the future.

And our crowning achievement last year - one that I am as proud of as our Best Airline in North America award - we were named the 2018 Eco-Airline of the Year by the respected airline industry publication Air Transport World at its 44th Annual Airline Industry Achievement Awards. This is a global award. Being number one in the world in sustainability sends a strong message to both governments and to our various stakeholders that we are serious about this - with or without an imposed carbon tax!

Finally, when it comes to our values expressed through our Corporate Social Responsibility, safety is our foremost core value. First, last and at all times. To ensure safe operations we have a very robust Safety Management System and standard operating procedures throughout our airline. Our SMS not only reacts to safety incidents, but also combines extensive reporting systems and data mining techniques to identify in advance potential risks so that they do not arise in the first place or if they do, that they are corrected quickly.

2018, a year in which we carried over 50 million customers, was a remarkable year for our company in many ways. We demonstrated that our transformation and evolution have not only yielded strong financial results and an award-winning product, but have also produced a highly engaged and very talented workforce, positioning us well to compete on a global platform with the best in the world. I want to thank our remarkable leadership team, many of whom are here today, for their devotion to helping me achieve what we have so far.

This has been a hard-fought, long-term victory - one that has taken the enormous contribution and proud commitment of our 30,000-person strong team moving in one direction and the better part of a full decade to achieve.

While I am not an overly nostalgic person, 2019 is a milestone year for me. This year will mark my 10th anniversary as the President and CEO of Air Canada.

When I started -- on April Fool's Day 2009 -- the economy and our industry globally were in turmoil. Coming on the heels of the 2008 financial crisis, a global recession and \$140 per barrel of fuel, our

company was short of cash and short of prospects. On my first day on the job, our shares closed at 78 cents. Everyone was unhappy – our shareholders, our creditors, our staff, our customers. The only ones who were happy were our competitors.

With our backs against the wall, we did not waste this existential crisis – rather we used it to stabilize the company and to develop courage for the future. Surviving this near-death experience emboldened us to set out in 2010 the then-audacious goal of truly making Air Canada a global champion.

No one outside the company believed we could make it happen but as I stand here before you today, I think we have largely achieved that.

As Canada's national carrier, we get to play multi-dimensional chess in a fish bowl, in full view of the public – customers, employees, suppliers, competitors, shareholders, analysts, unions, media, Governments, regulators . Virtually everyone gets a peek – and has an opinion on - virtually everything that we do..... In good times and bad.

From coast to coast. Certainly a challenge, but also an enormous privilege. We get to fly the maple leaf on our tail. We are the first sign

of home when someone boards our planes in Shanghai or Geneva or Casablanca. We get to show off our world class fleet, our world class crews, our world class product. We get to convey everything that is good about Canada.

Looking back to that 1st day of April 2009, when we embarked on our transformation, Canadian business had already lost many leading global icons from all sorts of industries. Not only iconic airlines such as TWA, PanAm, Eastern, Ansett, Swissair, Sabena, Canadian Airlines – but also companies in communications, manufacturing, retail, mining, steel, breweries.

Sometimes through buy-outs by foreign companies, sometimes through an inability to transform and ultimately bankruptcy. There had been much debate about the “hollowing out” of corporate Canada. And also much hand-wringing over the struggles of companies that couldn't adapt quickly enough to changed paradigms, to the inevitability of disruption, great companies such as Kodak, Polaroid, Blockbuster.

So, while we were near an all-time low in morale, low on cash and low on prospects, (but high on pension deficit), in 2010, we decided to take the theme of global leadership and build it into a corporate mantra – for our Board, our senior executives, our managers, and our front-line employees.

Why couldn't Air Canada be capable of really thinking big, despite the challenges of 2008 and 2009? And why couldn't we make the case for a Global Champion – an airline that would compete for global traffic flows with the best in the world – coming out of the very deep recession we were then in.

Given the history and brand strengths of Air Canada, simply having everyone in our organization asking themselves these very basic questions was already half the battle, whether or not we actually achieved it.

Moreover, we learned a few very simple lessons.

(1) Invest in capital and take risk. One cannot be risk averse when all is bleakest. To seize opportunities arising from the ashes of 2008, we needed to view our legacy as a strength and not a weakness. And we

needed to invest massively in fleet, in equipment, in technology, in branding, in uniforms, and in product that will benefit our customers for decades into the future. \$12B worth and still counting.

(2) Invest in brainpower and talent: Brainpower and talent are simply the most valuable natural resources we have. They are exportable, importable, transferable, scalable and available to be richly mined without damaging the environment. They are the most basic and most abundant truly “natural” resources.

(3) Invest in Diversity and Sustainability. Leave the place better than when you were handed the reins. Diversity is good for business - the more races, gender diversity, cultures, languages, ethnic backgrounds we have inside, the better we can serve our global customers outside. For three consecutive years now, Air Canada has been named one of Canada’s Top Diversity Employers and among our employees no fewer than 80 different languages are spoken. We are proud of this.

We first needed to set our financial house in order, with the over-riding goal of long-term, sustainable profitability. Achieving this, as we now

have, has given us the financial foundation from which to transform all other aspects of our company.

One example was turning a massive pension solvency deficit of \$4.2 billion into a more than \$2.0 billion surplus today. This removed another existential threat to our company and was a huge relief for the tens of thousands of retirees who rightly rely on us in retirement.

Through transformation, we have grown our annual revenue to what should exceed \$20 billion next year after taking into account the Aeroplan acquisition just completed. Moreover, we have been reporting record financial results for several of the past years.

This revenue performance has been accompanied by stringent cost control, which helps account for the fact that we now have more than \$5 billion in liquidity available to us. In our industry, this is an essential safeguard against any downturn or unforeseen event. It is security we've never had before, shielding us in the event of volatility of fuel prices, of trade wars, of recessions or other macro-economic factors beyond our control.

Air Canada is an important contributor to Canada's economy. Recent studies by KPMG and InterVistas calculated that Air Canada's direct, indirect, induced and catalytic effects on Canada's GDP, amount to a \$21.2 billion impact. We also support nearly 190,000 jobs. Other economists estimate our total economic impact at 5x our spend in Canada, so close to \$50 billion.

In Quebec, where our company is headquartered, we employ about 9,000 people, including our teams at Air Canada Vacations, Air Canada Rouge and now at Aeroplan, after our recent acquisition. Beyond these direct jobs, we also account for another 1,000 jobs at our regional partners and we support close to 40,000 additional jobs in the province. We are the third largest private sector employer in Montreal. More than a quarter of our jobs in Quebec are in management and administrative positions at our Montreal head office. The average salary at our company is more than \$72,000, which is 53 per cent higher than the average salary in the province.

We spend about \$2.6 billion each year on operating and capital expenses in Quebec. And we support other industries, such as aerospace and

tourism. Our international passengers spend approximately \$800 million a year in Quebec alone and we are looking to grow this through our participation in MT Labs, an innovation hub dedicated to strengthening innovation in the tourism, culture and entertainment sectors.

And for those in the room who are investors, including our largest shareholder Letko Brosseau, I should add that our shares have appreciated more than 3,900% since that April Fool's Day 2009. From \$0.78 to an all time record high of \$30.52 this morning, with average analyst share price targets now at just over \$38. Even last year, when the TSX index fell 11.6%, the Dow fell 5.6%, and North American Airlines fell 22.2%, our shares nonetheless retained their value and in 2019 are already up 16.4% as of last Friday.

I want to spend a moment on our approach to customer engagement another cornerstone of becoming a Global Champion.

We fully recognize that our competitors will not relent in their efforts to lure our customers away and develop new and improved products. So we will continually raise our game to maintain our leading position.

And we have no intention of resting on our laurels of Best Airline in North America.

This is why we have invested heavily in new aircraft and onboard amenities. This is why we have introduced new Priority services at airports. This is why we have launched Air Canada Signature Service onboard our wide-body aircraft, for premium travellers across North America and internationally. This is why we continue to spend on new and refurbished lounges – including North America’s best airport lounge, the Air Canada Signature Suite at Toronto-Pearson, featuring the equivalent of a five-star full-service restaurant.

Yet beyond the airport and onboard experience, we are also upping our game with respect to investments in IT, digital, data mining and effective customer relationship management.

For example, our new Passenger Service System, at a significant cost in terms of both money and people, will handle all of our reservations on all platforms and power our departure control processes across our global network. This will improve customer service, operational efficiency and is targeted to generate about \$100 million in incremental

benefits in the first two years following implementation, expected towards the end of this year.

We are also developing new means, including through AI, to use data to better understand our customers and deliver more relevant content, services and offers. Data for many businesses including ours, has indeed become the new oil. We are planning on exploring, drilling, and commercializing our customer and process-rich data reserves over the coming years in a meaningful fashion, building new efficiencies in our operations, a stronger customer experience, and powerful loyalty to our brand.

And on the subject of loyalty, with the successful acquisition of Aeroplan, we have re-acquired what many consider the second most valuable currency in the country after the Canadian dollar, together with tremendous analytics, loyalty marketing, technology and customer care talent. Our Digital and Loyalty teams are now comprised of over 200 people, focused only on these areas, and we fully expect to deliver not only the best loyalty program in the country but one of the best airline loyalty programs in the world.

Concurrent with the acquisition of Aeroplan, we also announced the finalization of commercial and credit card loyalty agreements with TD, CIBC and Visa Canada as well as an agreement in principle with Amex Canada giving members in our world class loyalty program access to Canada's best travel rewards credit cards,

Following years of flat to negligible growth, Air Canada has undertaken a massive expansion in recent years, especially over our three Canadian hubs. We have grown about half as much in the last five or six years as we did in the first 75 years of our existence. Since the start of 2016, we have launched or announced more than 85 new routes to U.S. and international destinations and these markets now represent more than 2/3rds of our total revenue. We have materially diversified our revenue base - as any global champion should aspire to.

In 2018 alone, we launched 10 new non-stop international services from our three key hubs of Toronto, Montreal and Vancouver. And our international connecting or transit traffic – meaning passengers from other countries connecting over our hubs to travel the globe – has increased by over 100% since 2013. A significant portion of this traffic

originates from the United States, where we are by far the largest foreign carrier serving all major U.S. cities.

Since we are in Montréal today, I need to point out that the city has been a prime beneficiary of our unprecedented growth. As of this summer, our capacity at Trudeau airport will have increased more than 75 per cent over the last six years.

In the last two years, we have started 25 new routes from the city. New destinations from Montreal include Shanghai, our first Asian link, as well as Lima, our first South American link and Casablanca, our first destination in Africa. As well we have added places like Marseille, Keflavik, Algiers, Tel Aviv, Tokyo, Bucharest, Dublin, Lisbon, to name a few!

Along with these, in 2018 we also added several new U.S. destinations from Montreal including: Phoenix, Baltimore and Pittsburgh as well as domestic services to Victoria, London and Windsor.

We also proudly serve 11 airports intra-Quebec. The international reach of Air Canada's network opens most regions of Quebec to the world and represents an important tool for economic development.

Now, with 3,900% share price gains, you would think we were speaking of a Silicon Valley tech company, a cryptocurrency dealer, or a cannabis grower. It is very unlikely you would guess we are referring to an 80-year-old legacy airline operating in a high-fixed cost, heavily regulated, low margin business. To succeed, we needed to change our culture to a “new economy” culture.

Over the last 10 years, we have consistently stressed that culture change was needed – that we had to have a more entrepreneurial “can do” attitude- performance-based. We had to break down silos and be more in line with our mantra of “Winning as One Air Canada”.

This changed culture enabled us to achieve unprecedented labor stability with long-term agreements with all major unions. While there will always be room for differences of opinion with unions, everyone is now on the same page when it comes to the important things-, like building a healthy, sustainable and profitable airline that can continue investing in people, network and product I commend our employees’ openness to

embrace change - as well as their professionalism and commitment to teamwork.

Air Canada is not only more harmonious, but it is also more productive - and success breeds success.

In fact, this is the part of our story that I am proudest of. Besides record financial results over several of the last years and our stock market performance, we saved 26,000 jobs. We created an additional 5,000 (and still hiring), saved pensions for another 32,000 retirees and their families. We increased salaries and also paid out significant payments as part of our profit-sharing plan. We also improved career prospects and job progression for pilots and in fact for all our front-line employees. We built a powerful new leisure carrier Rouge, offering additional growth opportunities for our people.

Before closing, in this election year, I do need to say a few words about Canada's competitiveness and economic growth prospects. Last week, I attended a meeting of the Business Council of Canada, where CEOs of Canada's leading companies are members. This group of 150 companies employs about two million Canadians – and like our team at

Air Canada, all are committed to building a future of good jobs, strong communities and a higher quality of life for Canadians – in effect, increased prosperity.

Many at the Business Council expressed frustration with Canada's competitiveness. I share that frustration. I would rank Canada a 5 out of 10 in terms of helping to build or sustain globally competitive companies. We have numerous regulatory impediments and burdens that severely impact capital investment, trade, domestic and international growth and job creation. Our country is not at this time configured to develop globally successful competitors in many industries and this needs to change.

What can we do about it as a country?

- We need to respect business (both large companies and SME's) and the enormous prosperity driver that the private sector represents.
- We need to build pipelines. This drives our economy – we need to figure it out once and for all. In the west and in the east.

- We need a globally competitive tax system that encourages investment. If Canadian companies don't invest, why should foreigners.
- We need to get serious about reducing inter-provincial trade barriers; rather than seize wine or beer being brought in someone's trunk across provincial borders, we need free trade in Canada
- We need to tackle the overlapping regulations emanating from federal, provincial and municipal authorities.
- We need to encourage national investments in real growth-enhancing infrastructure – yes, pipelines, but also roads, railways, airports and electricity grids.
- We need a strategy on skills development and keeping talented immigrants in Canada.
- We need to balance well-intentioned consumer protection regulation that may look good on paper (and, perhaps cynically, may help to win some votes in an election) with the damage it may cause to an over-regulated environment where costs, charges, taxes and barriers are already high. In our industry, for example, we

already have among the highest government costs, taxes and charges in the world – yet we are adding burdensome additional costs, in the billions of dollars, compliments of several government departments all at the same time – without any real coordination or consultation. Adding to exorbitant airport ground rents, security surcharges, fuel excise taxes and airport improvement fees, we will now face an increased uncoordinated regulatory burden with massive costs from passenger rights legislation, new fatigue rules, carbon tax, etc, etc...

- We need to have government departments and agencies that invest the time needed to understand business much better, and that are not antagonistic to growth by Canadian companies. Let's look at other successful economies around the world where governments encourage national champions – U.S., Germany, UAE, Singapore, dare I say, China...
- We need to roll out the red carpet, not the red tape when companies want to invest, take risk, expand, or seek to become global champions.

- And we need to do this with the same sense of urgency and purpose as Governments can muster when they really want to get something done.

The Cannabis legislation is a case in point. Whether I personally agree with it or not, the fact is the government got it done and almost in record time. Surely we can address pipelines, engineering, procurement, manufacturing, pharmaceuticals, telecom, media, and aviation amongst the many that need addressing, with the same sense of urgency as we did cannabis.

All the issues I raise are within our control, as a country. These are not things we can blame on others. These are self-made issues that are certainly fixable. And doing so would change the economic prosperity for Canadians for generations to come.

We need a big billboard and a communication strategy that says Canada is open for business; Canada likes business; Canada wants to develop the best talent in the world. Canada admires and supports global champions. In many industrial disciplines, not only the flavour of the day.

Our team of 30,000 has worked hard to transform our company over the last decade. And looking to the future, we fully intend to keep leveraging our natural advantages such as our geography, our brand and our legacy- while we continue to invest in people, fleet, network, product, loyalty and data. To not only deepen the bonds with our customers but to further raise the bar. Although we are over 80 years old, we are doing all this with the vigour and upbeat mindset of a start-up- with the confident expectation of exponential growth and the audacity to say we can truly be amongst the best on the planet.

Merci d'être ici aujourd'hui et pour votre appui tout au long de ces dix dernières années.