LONG TERM SUSTAINED PROFITABILITY – TAKING IT TO THE NEXT LEVEL

Calin Rovinescu

President & Chief Executive Officer

June 2, 2015
This news release 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.

Pension funding obligations under normal funding rules are generally dependent on a number of factors, including the assumptions used in the most recently filed actuarial valuation reports for current service (including the applicable discount rate used or assumed in the actuarial valuation), the plan demographics at the valuation date, the existing plan provisions, existing pension legislation and changes in economic conditions (mainly the return on fund assets and changes in interest rates). Actual contributions that are determined on the basis of future valuation reports filed annually may vary significantly from projections. In addition to changes in plan demographics and experience, actuarial assumptions and methods may be changed from one valuation to the next, including due to changes in plan experience, financial markets, economic conditions, future expectations, changes in legislation, regulatory requirements and other factors.

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 a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, energy prices, currency exchange and interest rates, competition, employee and labour relations, pension issues, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this news release and those identified in section 18 "Risk Factors" of Air Canada’s 2014 MD&A dated February 11, 2015. The forward-looking statements contained 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 as a result of new information, future events or otherwise, except as required under applicable securities regulations.
PROGRESS ON OUR BUSINESS PLAN

- Fleet initiatives, capital programs, liquidity targets and debt levels on target
- Delivering permanently lower cost structure, profitably growing our business
- Expanded margins, increased adjusted net income, improved ROIC
- Strengthened our balance sheet
- Reduced cost of debt
- Achieved objectives restructuring our pension plans
## On Track to Exceed 2013 Investor Day Targets

<table>
<thead>
<tr>
<th></th>
<th>2013 Target</th>
<th>Results*</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASM</td>
<td>Lower CASM using 2012 as baseline</td>
<td>CASM savings of 21% by 2018</td>
</tr>
<tr>
<td>ROIC</td>
<td>10 to 13%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Leverage Ceiling Ratio</td>
<td>Leverage ceiling ratio of 3.5:1 over the medium term</td>
<td>2.6</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Unrestricted liquidity level of $1.7 billion</td>
<td>$3.1 billion</td>
</tr>
</tbody>
</table>

*As at March 31 2015
NEW FINANCIAL TARGETS 2015-2018

- EBITDAR margin **15% to 18%**
- Return on Invested Capital (ROIC) **13% to 16%**
- Leverage ratio of **2.2** by 2018
STRATEGY INCREASES VALUE

1,600% INCREASE SINCE BEGINNING 2009

FIVE YEAR TOTAL SHAREHOLDER RETURN COMPARISON

Air Canada Class A & Class B
S&P/TSX Composite Index
Our Four Priorities

1. International expansion
2. Cost reduction and revenue growth
3. Customer engagement
4. Culture change
INTERNATIONAL EXPANSION
INTERNATIONAL EXPANSION

APPROXIMATELY
50%
SEAT INCREASE
SINCE 2009
INTERNATIONAL EXPANSION
PROFITABLE GROWTH

- Disciplined approach
  - Contribute to profitability
  - Focus on expanded margins, adjusted net income, ROIC
International connecting traffic grew 23% in 2014

In the first quarter 2015 this traffic grew 25%, 30% through Toronto Pearson alone
INTERNATIONAL EXPANSION
PREMIUM PRODUCT
INTERNATIONAL EXPANSION
AIR CANADA ROUGE

30%
LOWER UNIT COST
ON BOEING 767
AIRCRAFT

LEISURE
MARKETS

FLEXIBILITY
Cost Reduction and Revenue Growth
 Costs and Revenues
Improved Financial Performance

Boeing 787
31% Savings in maintenance and fuel compared to Boeing 767

Air Canada Rouge Boeing 767 unit cost is 30% lower than mainline
Costs and Revenues
Regional Carriers

- Amended and extended capacity purchase agreement with Jazz, a win/win
- Estimated $550 million in financial value over next six years
- Expanded capacity purchase agreements with Sky Regional and Air Georgian
COSTS AND REVENUES

ELIMINATED PENSION DEFICIT

$1.2B

ESTIMATED PENSION SURPLUS
AS OF MAY 20, 2015
Costs and Revenues
Operating Revenue

2014
$13.3B
$890M increase from 2013
SUCCESSFUL PARTNERSHIPS
Costs and Revenues
New Approach to Revenue Management

- Implementing sophisticated revenue management system to optimize passenger flows and revenue
- Expected to deliver annual incremental revenues in excess of $100 million
CUSTOMER ENGAGEMENT
CUSTOMER ENGAGEMENT AWARDS

- **Skytrax Award**
  - Best Airline North America fifth consecutive year

- **Ipsos Reid Canadian Business Traveller Survey**
  - Preferred carrier 83% (up by 14 percentage points over the last six years)

- **Premier Traveler**
  - Best Flight Attendants in North America
Culture Change
Culture Change
Employee Engagement

- Employee surveys demonstrated significant improvements
- Nearly 50% year-over-year increase to profit-sharing pool
- 8% of total issued shares held by employees
10-year agreement reached with Air Canada Pilots Association

New labour agreements with unions in the U.S. and U.K.
TRANSFORMING INTO A GLOBAL CHAMPION

Benjamin Smith
President, Passenger Airlines

June 2, 2015
ACCELERATED, BALANCED TRANSFORMATION OF AIR CANADA TOWARD SUSTAINED PROFITABILITY

Between 2015 and 2018:

Network Optimization
- Strategic international growth
- Increase diversification of route portfolio
- Leverage rouge model
- Sixth freedom focus
- Leverage strategic Toronto geography

Aircraft Growth and Reconfiguration
- Delivery of 787 order
- Densification and optimization of fleet configurations
- Leverage best in class products and services

Flexibility to adjust to shifting market conditions
- Swing capacity
  - Leverage 10yr agreements:
    - Labour stability with pilots
    - Regional lift with Chorus

Team culture
- Customer centricity
- Delivering brand promise
Evolving our Value Proposition

Strong foundation for profitable growth
# Widebody Fleet Plan (Summer Peak)

<table>
<thead>
<tr>
<th>Fleet</th>
<th>2012 Fleet</th>
<th>2015 Fleet</th>
<th>2016 Fleet</th>
<th>2017 Fleet</th>
<th>2018 Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>777</td>
<td>18</td>
<td>23</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>787</td>
<td>0</td>
<td>9</td>
<td>21</td>
<td>26</td>
<td>34</td>
</tr>
<tr>
<td>A330</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8*</td>
<td>8*</td>
</tr>
<tr>
<td>767</td>
<td>30</td>
<td>17</td>
<td>15</td>
<td>5-8*</td>
<td>5-8*</td>
</tr>
<tr>
<td>rouge 767</td>
<td>0</td>
<td>13</td>
<td>16-19</td>
<td>19-25</td>
<td>25</td>
</tr>
</tbody>
</table>

**Total Widebody Fleet**

*Swing/flexible capacity*
# Narrowbody Fleet Plan (Summer Peak)

<table>
<thead>
<tr>
<th>Fleet</th>
<th>2012 Fleet</th>
<th>2015 Fleet</th>
<th>2016 Fleet</th>
<th>2017 Fleet</th>
<th>2018 Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus NBJ</td>
<td>86</td>
<td>73</td>
<td>75</td>
<td>75</td>
<td>63-70*</td>
</tr>
<tr>
<td>Boeing NBJ</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Embraer E75/E90</td>
<td>60</td>
<td>45</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Rouge NBJ</td>
<td>0</td>
<td>20</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Narrowbody Fleet</strong></td>
<td><strong>146</strong></td>
<td><strong>137</strong></td>
<td><strong>125</strong></td>
<td><strong>125</strong></td>
<td><strong>131-138</strong>*</td>
</tr>
<tr>
<td><strong>Total AC Mainline Fleet</strong></td>
<td><strong>202</strong></td>
<td><strong>174</strong></td>
<td><strong>169-173</strong></td>
<td><strong>169-172</strong></td>
<td><strong>173-194</strong>*</td>
</tr>
<tr>
<td><strong>Total AC Rouge Fleet</strong></td>
<td><strong>0</strong></td>
<td><strong>33</strong></td>
<td><strong>41-44</strong></td>
<td><strong>44-50</strong></td>
<td><strong>50</strong></td>
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<tr>
<td><strong>Total Mainline/rouge Fleet</strong></td>
<td><strong>202</strong></td>
<td><strong>207</strong></td>
<td><strong>210-214</strong></td>
<td><strong>213-222</strong></td>
<td><strong>223-244</strong>*</td>
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</table>

*Swing/flexible capacity
<table>
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<th>2012 Fleet</th>
<th>2015 Fleet</th>
<th>2016 Fleet</th>
<th>2017 Fleet</th>
<th>2018 Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>76 seat jet</td>
<td>16</td>
<td>31</td>
<td>31-50</td>
<td>31-60</td>
<td>31-60</td>
</tr>
<tr>
<td>76 seat prop</td>
<td>11</td>
<td>31</td>
<td>37-42</td>
<td>39-45</td>
<td>39-45</td>
</tr>
<tr>
<td>50 seat jet</td>
<td>45</td>
<td>24</td>
<td>19</td>
<td>17</td>
<td>17</td>
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<tr>
<td>37-50 seat prop</td>
<td>60</td>
<td>54</td>
<td>45</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td>18 seat prop</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
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<tr>
<td>Total AC Regional Fleet</td>
<td>149</td>
<td>157</td>
<td>149-173</td>
<td>146-181</td>
<td>145-180</td>
</tr>
</tbody>
</table>
Achieving enhanced aircraft utilization through:

- Longer average stage length
- Optimising network efficiency
- Focus on new international destinations
CONFIGURATION OPTIMIZATION CONTINUES
RECONFIGURATION IS LOWERING CASM AND ENHANCING REVENUE

Seats
June 2015
349
270
251
265
174
93
191-211
- 
120
73
75
74

Fleet
777-300ER
777-200LR
787-8
A330-300
A321
E-190
767-300ER
A321
A319
E-175
CRJ-705
DH8-Q400

Seats
2018
400
300
255
292
181-188
97
282
200
136 (J)
76
76
78

Latest Aircraft
Entry Into Service
Spring 2016
Spring 2016
Fall 2016
Winter 2016
Fall 2016
Completed
Completed
January 2016
June 2015
TBD
TBD
TBD
Today Air Canada flies over 38 million passengers annually to over 175 destinations.
2018 Network Opportunities

+>3-5 million additional passengers annually
Favourable Slot Times at Busy Airports
- Beijing (2)
- Shanghai (2)
- Hong Kong (2)
- Tokyo NRT (3)
- Tokyo HND (1)
- Paris CDG (2)
- Frankfurt (5)
- London LHR (S13/W9)
- New York LGA (24)
- Washington DCA (8)

Extensive Global Network
- Largest foreign carrier in the US
- Nine Canadian airports offer US Preclearance facilities
- Hubs offer seamless options for sterile transit
- Only daytime flight North America to Tokyo Haneda

Strong Canadian Presence
- Largest carrier in Toronto, Montreal, and Vancouver
- Strong #2 in Calgary
International-to-US & international-to-international connections process is objectively the simplest in North America

- Competitive elapsed time
- No need to pick up and/or re-check bags
- No need to change terminals
- US CBP pre-clearance facilities → Passengers arrive in USA with other domestic flights
LEVERAGING OUR GEOGRAPHY TO MAXIMIZE 6TH FREEDOM TRAFFIC POTENTIAL
Air Canada is the largest foreign carrier operating to the USA.
REGIONAL LIFT PIVOTAL TO SUCCESS
Recent Growth in 6th Freedom Market

Revenue Growth
- Since 2010, total 6th freedom revenue via all AC hubs has grown in excess of 75%, or $250 million

Traffic Growth
- In 2014, Air Canada transported nearly 1.9 million 6th freedom passengers
- Growth of 56% since 2010

6th Freedom traffic has increased by 56% since 2010, revenues by 75%
ENORMOUS POTENTIAL FOR CONTINUED GROWTH IN US 6TH FREEDOM MARKET

Target 1.5% market share, which equates to an additional 1.68M passengers per year, or approximately $605M in incremental revenue
Network composition continues to shift from North America to International

Cost base is relatively more competitive in the international sector

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>46%</td>
<td>46%</td>
<td>46%</td>
<td>46%</td>
<td>45%</td>
<td>43%</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>International</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>55%</td>
<td>57%</td>
<td>60%</td>
<td>62%</td>
</tr>
</tbody>
</table>
ACHIEVE MARKET LEADERSHIP AT YYZ
PATH TOWARD GLOBAL CHAMPION

Improved margin

Market position strength

Sustained profitability through margin expansion
Canada → Leisure Europe continues to grow significantly

- Canada → Leisure Europe passenger demand growth has averaged +6.3% since 2010
- Relatively lower growing demand for premium cabin travel
- Air Canada, with its rouge product, is extremely well positioned to capture this growth

Canada - Leisure Europe Passenger Demand Growth (Q3 2010 - Q3 2015)

Source: Star Alliance Market Size Database
Through a combination of higher seating density and lower operating costs, Air Canada rouge is able to dramatically reduce unit costs.
Enhancing Market Presence: Star Alliance, Commercial Agreements & Joint Venture

- 27 Members
- 1,321 Airports
- 193 Countries Served
- >18,500 Daily Departures
- >637M Passengers/year
- >4,400 Aircraft
- >1000 Lounges

27 Members
193 Countries Served
1,321 Airports
>18,500 Daily Departures
>637M Passengers/year
>4,400 Aircraft
>1000 Lounges
Since the inception of A++, Air Canada results have been impressive:

✓ AC transatlantic capacity grew more than 30%
✓ Access to corporate contracts in all markets where offered by A++ partners
✓ Increased U.S. sixth freedom traffic and revenue
✓ A++ Joint Venture achieved the largest market share (28%) of all Transatlantic Joint Ventures - versus both one world and Sky Team
CONSIDERABLE OPPORTUNITY FOR AC TO PROFITABLY INCREASE MARKET SHARE OVER THE ATLANTIC
Focus on China – The Next JV Hotspot

• Air Canada and Air China signed MOU for a revenue sharing joint venture on routes Canada ⇔ China (scheduled implementation W2015/2016)

• Already realising tangible results:
  • Air China announced Beijing-Montreal for September 2015
  • Air Canada to add capacity for W2015/2016

*Subject to final documentation and regulatory approvals
**Revenue Optimization**

**Best Practices**
- **New dynamic pricing and inventory tool**, RMODC, will bring Air Canada in line with industry best practices

**6th Freedom Traffic**
- Drives network optimization, making better economic decisions on local vs international passengers

**Network Evaluation & Contribution**
- Price & inventory determined by origin and destination rather than by each segment
- Total passenger value to network evaluated for each itinerary
Leverage Superior Product
Reconsidering Position at Billy Bishop

- Insufficient slots due to Porter monopoly
- Commuter facility unsuited to jets
TRANSFORMATION PLAN STRATEGICALLY TARGETS COMPETITION
AC’s Three Hubs Present a Variety of International Expansion Opportunities

Toronto Pearson (YYZ)
Global Hub

Hub Strategy:

- Global Hub
- Improve market position
- Achieve margin expansion
- Leverage extensive network to/from North America into Europe, Asia, and South America
AC’s three Hubs present a variety of international expansion opportunities

Montreal Trudeau (YUL)
Specialized Hub

Hub Strategy:
- Special Market Hub
- Minimise duplication with YYZ
- Focus on key francophone markets & key global markets
AC’s Three Hubs Present A Variety of International Expansion Opportunities

Vancouver International (YVR)
Specialized Hub

Hub Strategy:

- Transpacific focused hub
- Leverage geography
- Closest North American hub to Asia
Transforming an iconic Canadian brand into a true global champion.
COST REDUCTION AND CUSTOMER SERVICE TRANSFORMATION

Klaus Goersch

Executive Vice President and Chief Operating Officer

02/06/2015
Continued Focus on Cost Reduction

while maintaining...

- Operational Excellence
- Outstanding Customer Service
Cost Reduction – 2014 Successes

- 2014 – $85 million in operational cost reductions
- 2015 – continuing further cost reductions – goal to achieve another $100 million
Cost Reduction Focus

▪ **Maintenance**
  - Restructuring of all major maintenance contracts (engines, airframe, components)
  - Leveraging Air Canada volume to lower maintenance costs at Regional partners
  - Reduced inventory ownership costs
  - Leveraging benefits of new aircraft (787)
  - Appropriately managing spare part inventory and aggressively managing vendors

▪ **System Operations Control**
  - Alignment of Operations Planning groups
  - Improved tools for tactical decision making
  - Crew hotel management

▪ **Airports**
  - Improved staffing model and employee performance metrics
 COST REDUCTION FOCUS - CONTINUED

- **In-Flight Service**
  - Renegotiating global catering contract

- **Fuel Efficiency**
  - 767 Winglets
  - Air Canada Fuel Optimizer
  - Single Engine Taxi compliance
  - Reduced ground power hook-up time to minimize APU usage
## Running a Reliable Airline

### 2014 – Another Successful Year

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrival @14</td>
<td>61%</td>
<td>75%</td>
<td>78%</td>
</tr>
<tr>
<td>Departure @00</td>
<td>44%</td>
<td>59%</td>
<td>61%</td>
</tr>
<tr>
<td>Start-up Departure @00</td>
<td>66%</td>
<td>77%</td>
<td>78%</td>
</tr>
<tr>
<td>Flight Completion</td>
<td>98.3%</td>
<td>98.5%</td>
<td>98.8%</td>
</tr>
<tr>
<td>Missed Bag Ratio</td>
<td>4.1</td>
<td>3.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Avg AOG at 0700L</td>
<td>7.3</td>
<td>5.1</td>
<td>4.0</td>
</tr>
</tbody>
</table>
AIRPORT AND CUSTOMER SERVICE IMPROVEMENTS

- **Investing in Customer Focused Employee Training**
  - Applause, Standing Ovation, Manage the AC Way, Leading the AC Way

- **Baggage**
  - Baggage delivery, mishandled baggage rate improvement,
  - Customer relations and lost & found, IT Solutions

- **Policies & Procedures**
  - Complete review of all policies and procedures

- **Catering**
  - Business Class meal improvements

- **Operations**
  - Irregular Operations Recovery

- **Metrics / Key Performance Indicators**
  - Customer “score” at key touch-points
  - Getting to the root cause of customer complaints
AIRPORT AND CUSTOMER SERVICE IMPROVEMENTS

- **Reorganization of In-Flight Service Bases**
  - Balanced between operational integrity and customer focus
  - Improved support and focus on Customer Service Initiatives

- **In-Flight Service Base “Own a Route”**
  - Senior In-Flight Service managers own a key operational “route”
  - Improved consistency across the branch

- **Customer Relations Workshops**
  - Introduction of Quality Assurance program in Call Centers
  - Improved quality of customer service responses

- **Zonal Boarding**
  - Easier for customers to understand
  - Better visualization on boarding card
  - Clearer signage at gate area
  - Improved on time performance and customer processing
Concierge Desk at Call Centre
- Centralized contact for premium customers
- Offers personalized service across all Concierge touchpoints

Drive for 5
- 5 minute average speed of answer
- Target achieved as of March 2015

Toronto Car Chauffeur
- Airside BMW chauffeur service in Toronto
- Improved customer experience for top-tier customers
Airport and Customer Service Improvements

- **Airport Initiatives**
  - Self Service Bag Drop
  - Mobile Payments solution
  - New SmartGate boarding application
  - First Foreign airline in the USA approved for TSA Pre-Check
  - Irregular Operations Program

- **Call Centres - Virtual Call Centre Solution**
  - A suite of applications that will manage call routing, recording, emails, chat, faxes, and social media
  - Better data and analytics
Air Canada Leading in Technology

- Mobile Technology
  - Flight Operations
    - eManuals and charts to replace paper copies
  - Maintenance
    - Replacement of paper manuals and processes with electronic real time information systems for line maintenance
  - InFlight Service
    - Electronic defect log replacing paper manuals
    - Added functionality for point of sale opportunities

- Load Planning
  - Improved Operational efficiency and IT resiliency
  - Lower per flight cost

- Internet Protocol Telephone
  - Upgrade of 30 Air Canada sites’ telephone system to voice over internet protocol (VOIP)
AIR CANADA – CANADA’S BEST RUN AIRLINE
ACHIEVING NEW HEIGHTS

Mike Rousseau
Executive Vice President & Chief Financial Officer
June 2, 2015
### Annual Assumptions - 2015-2018

<table>
<thead>
<tr>
<th></th>
<th>Annually 2015-2018</th>
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<tbody>
<tr>
<td>GDP – Canada</td>
<td>2.0% to 2.4%</td>
</tr>
<tr>
<td>CPI – Canada</td>
<td>2.1%</td>
</tr>
<tr>
<td>Average jet fuel price (CAD cents per litre)</td>
<td>70¢ to 81.5¢</td>
</tr>
<tr>
<td>Average currency exchange (US$1 = C$)</td>
<td>$1.22 to $1.23</td>
</tr>
<tr>
<td>Average wage rate increase (based on collective agreements and management assumptions)</td>
<td>2%</td>
</tr>
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</table>
## FINANCIAL TRANSFORMATION CONTINUES

**NEW TARGETS SET FOR NEXT LEVEL OF PERFORMANCE IMPROVEMENT**

<table>
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<tr>
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<tbody>
<tr>
<td><strong>EBITDAR margin</strong></td>
<td>11.5%</td>
<td>12.1%</td>
<td>15% to 18%</td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td>5.2%</td>
<td>11.3%</td>
<td>13% to 16%</td>
</tr>
<tr>
<td><strong>Leverage ratio by 2018</strong></td>
<td>3.4</td>
<td>3.1</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Pension (deficit) surplus</strong></td>
<td>Jan 1, 2012 ($4.2B)</td>
<td>Jan 1, 2015 $660M</td>
<td>Maintain surplus</td>
</tr>
</tbody>
</table>
Disciplined capacity management
- Growth focused on higher margin international routes, supported by sixth freedom traffic
- Margin expansion through Air Canada rouge in leisure markets

Unrelenting commitment to deliver sustainable cost reduction
- Fleet initiatives
- Renegotiation of key partnerships agreements (Jazz, GTAA, etc.)
- Process improvements and productivity gains
- Competitive maintenance contracts
- Enhanced operational performance
- Supplier base consolidation and supplier-driven innovation

Continued focus on strengthening balance sheet
- Lower adjusted net debt and financial leverage
- Credit rating upgrades
- New financing arrangements concluded on favourable terms

Creative and successful pension plan management

10-year pilot agreement provides stability/long-term cost certainty

Underscored by strong focus on customer service and employee engagement
### What We Accomplished Since We Last Met

#### June 2013 Target

CASM reduction of 15% over medium term (excluding the impact of foreign exchange and fuel prices)

<table>
<thead>
<tr>
<th>As of June 2, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trending to 21%</td>
</tr>
</tbody>
</table>

#### June 2013 Targets

<table>
<thead>
<tr>
<th>FY 2014 Actuals</th>
<th>Q1 2015 Actuals</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC of 11-13% by 2015</td>
<td>12.1%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Leverage ratio &lt; 3.5</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Unrestricted liquidity &gt; 1.7B</td>
<td>$2.7B</td>
<td>$3.1B</td>
</tr>
</tbody>
</table>
### 15% CASM Reduction Promise

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Original Benefit</th>
<th>Updated Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Canada rouge</td>
<td>21-29% reduction vs mainline</td>
<td>23-30% reduction vs mainline</td>
</tr>
<tr>
<td>Boeing 787</td>
<td>29% fuel and maintenance reduction vs Boeing 767</td>
<td>31% fuel and maintenance reduction vs Boeing 767</td>
</tr>
<tr>
<td>Boeing 777HD</td>
<td>21% reduction vs Boeing 777  (349 seats)</td>
<td>20% reduction vs Boeing 777  (349 seats)</td>
</tr>
<tr>
<td>Other</td>
<td>• Transfer of E175s to Sky Regional</td>
<td>All initial initiatives plus</td>
</tr>
<tr>
<td></td>
<td>• 1:50 flight attendant ratio</td>
<td>a) E190 replacement</td>
</tr>
<tr>
<td></td>
<td>• Procurement savings</td>
<td>b) New Jazz CPA</td>
</tr>
<tr>
<td></td>
<td>• Competitive maintenance contracts</td>
<td>c) Boeing 777 densification</td>
</tr>
<tr>
<td></td>
<td>• GTAA agreement</td>
<td>d) Two additional 777HD in Q2’16</td>
</tr>
</tbody>
</table>

**Continuing Focus on Business Transformation Initiatives**
Execution and realization of 21% CASM savings (excluding the impact of foreign exchange and fuel prices) by end of 2018 when compared to 2012
- Fleet initiatives and reconfigurations (B777s, A330s)
- B737 MAX program – estimated 10% CASM reduction vs Airbus narrow-body fleet
- New Jazz CPA

Additional programs
- Standardization of product offerings
- Asset utilization and aircraft turnaround times
- Airport continuous improvement programs
- Other productivity reviews and process improvements

Significant future opportunity
- Commercial relationship with Aeroplan
Launched a procurement transformation initiative in 2010 aimed at applying best sourcing practices company-wide to leverage our global spend

- Overall objective is to achieve best value for money on goods and services while implementing robust service level agreements to mitigate risks
- Spend categories under review include:
  - Information technology, onboard commodities, marketing, crew hotels, airside services and corporate services (uniforms, office supplies, courier services, HR administration, etc.)
- In 2014, Strategic Procurement executed 105 agreements totaling $558 million in spend with savings of 11.4%
- Achieved savings in excess of $130 million over life of contracts which average three years
- Investing in procurement technology and resources dedicated to supplier relationship management
Diversification strategy being implemented
– Sky Regional & Air Georgian have very competitive cost structures

Significant enhancements to Jazz CPA driven by fleet changes and pilot mobility agreement
– Estimated $550 million in incremental value 2015-2020
– Competitive cost structure post-2020

Further opportunities to provide additional low-cost feed in support of our international expansion strategy
$5.4 billion improvement in pension solvency position over four years
- $3.5 billion of net value created on top quartile investment returns
- $0.9 billion in pension contributions
- $1 billion in negotiated pension benefit amendments

Estimated surplus at May 20, 2015 of $1.2 billion

Opt-out of 2014 Regulations in May 2015
- Cash flow savings of $110 million in 2015
- Release of obligations to pay up to $1.1 billion in past service payments over the next six years

Risk largely eliminated
- 75% of pension liabilities matched with fixed income products
- Overall risk profile lower by 50%
- Significant surplus

Improved financial flexibility to fund capital expenditure programs, lower debt levels and return value to shareholders
Fuel hedging strategy is designed to manage our exposure to fuel price volatility

- Use of call options protects us against short-term price spikes while allowing us to participate 100% in fuel price declines
- Target hedge ratio is approximately 40% of planned fuel consumption, typically put in place three to nine months in advance of any given quarter
- Target hedge ratio is based on the assumption that the Canadian dollar acts as a natural hedge for a portion of jet fuel price risk and that fare and fuel surcharge adjustments can be considered to further mitigate a portion of any fuel price increase
- Option tenors match short-term nature of booking curves and minimizes premium costs
  - Hedged at approximately 24% for remainder of 2015 at an average WTI-equivalent capped price of US$69 per barrel for WTI prices up to US$78 and an average WTI-equivalent capped price of US$79 for prices above US$89
  - Recently re-introduced fuel hedge accounting for new positions
Foreign exchange risk strategy is to cover 65% of net U.S. exposure on a rolling 18-month basis using derivatives and U.S. cash reserves

- Currently hedged at a weighted average price of C$1.18
- Impact of hedging benefits cash flow but hedging results reported in non-operating income

Air Canada benefits from natural hedges

- Historically, correlation between Canadian dollar and price of crude oil
- U.S. and foreign-denominated revenues essentially cover U.S. and foreign-denominated non-fuel operating expense exposure
**Income tax shelter of $6.3 billion**
- Operating loss carry-forwards of approximately $1 billion and tax shields related to fixed assets and pension obligations of $5.3 billion
- No statutory limitations
- Capital expenditure programs provide additional source of tax shelter

**Unencumbered assets**
- Total value of C$1 billion (3 years ago <$100M)
- Continue to unencumber aircraft and related assets

**Significant over-collateralization of high yield notes**
- Significant growth in Pacific route rights going forward adding to collateral value
- Could comfortably remove hard assets totaling $300 million to further increase pool of unencumbered assets
- First lien high yield notes callable in October 2016 at an average weighted premium of approximately 3.5%
Air Canada – A Global Champion

- Significant expansion in EBITDAR margin from current levels to a range of between 15% to 18% during the period 2015-2018
  - Strategic initiatives are at/above expectations

- Balance sheet and risk management top priority
  - Pension risk largely eliminated
  - Fuel price and currency risks well managed
  - Leverage ratio and credit ratings continue to improve
  - Free cash flow priority is de-leveraging followed by shareholder distributions via share buybacks

- International growth and cost reduction plans improving competitive positioning and ROIC
  - Transformation positioning Air Canada to deliver sustainable returns
  - Return on invested capital increasing 13% to 16% in 2015 to 2018, well above cost of capital
LONG TERM SUSTAINED PROFITABILITY – TAKING IT TO THE NEXT LEVEL

Calin Rovinescu

President & Chief Executive Officer

June 2, 2015
TARGET EBITDAR MARGIN 15%-18% 2015-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>10.7%</td>
</tr>
<tr>
<td>2012</td>
<td>10.9%</td>
</tr>
<tr>
<td>2013</td>
<td>11.6%</td>
</tr>
<tr>
<td>2014</td>
<td>12.6%</td>
</tr>
<tr>
<td>Q1 2015</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Target 15% - 18%
**Target ROIC of 13%-16% 2015-2018**

**Target Leverage Ratio of 2.2 by 2018**

- **ROIC**
  - 2011: 7.3%
  - 2012: 7.8%
  - 2013: 9.3%
  - 2014: 10.1%
  - 2015: 11.0%
  - Target: 12.1%

- **WACC**
  - 2011: 4.2%
  - 2012: 6.7%
  - 2013: 9.3%
  - 2014: 10.1%
  - 2015: 11.0%
  - Target: 12.1%

- **Leverage Ratio**
  - 2011: 3.7
  - 2012: 3.1
  - 2013: 3.0
  - 2014: 3.1
  - Q1 2015: 2.6
  - Target: 2.2
Taking it to the Next Level

We are leveraging our accomplishments

We are executing on the right strategic plan

We will deliver sustained profitability and value for shareholders
APPENDIX
Financial information contained in this presentation has been derived from the historical consolidated financial statements of the Corporation for the applicable periods noted. Air Canada’s consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada (“GAAP”), as set out in the CPA Canada Handbook – Accounting (“CPA Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The forward looking financial information presented herein is based upon the accounting policies and assumptions in effect as of March 31, 2015 and does not reflect the impact of any accounting standard changes that may be applicable to the Corporation’s financial statements in the future.

Air Canada uses certain non-GAAP financial measures that are derived from its consolidated financial statements, but that are not recognized financial measures for financial statement presentation under GAAP. Reconciliations of those measures to comparable GAAP measures for the relevant periods can be found in Air Canada’s Management’s Discussion and Analysis reports, which are available on our website at aircanada.com.
**Non-GAAP Financial Measures**

- **Adjusted CASM (or Adjusted Cost per Available Seat Mile)**
  - Air Canada uses adjusted CASM to assess the operating performance of its ongoing airline business without the effects of aircraft fuel expense, the cost of ground packages at Air Canada Vacations, and unusual items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.
    - Aircraft fuel expense is excluded from operating expense results as it fluctuates widely depending on many factors, including international market conditions, geopolitical events, jet fuel refining costs and Canada/U.S. currency exchange rates.
    - Air Canada also incurs expenses related to ground packages at Air Canada Vacations which some airlines, without comparable tour operator businesses, may not incur.
  - Excluding aircraft fuel expense, the cost of ground packages at Air Canada Vacations, and unusual items from operating expenses generally allows for a more meaningful analysis of Air Canada’s operating expense performance and a more meaningful comparison to those of other airlines.

- **Adjusted Net Income (Loss)**
  - Air Canada uses adjusted net income (loss) to assess the performance of its business without the effects of foreign exchange, net financing income (expense) relating to employee benefits, mark-to-market adjustments on fuel and other derivatives and unusual items.
**EBITDAR**

- EBITDAR (earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent) is a non-GAAP financial measure commonly used in the airline industry to view operating results before depreciation, amortization and impairment, and aircraft rent as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.
- EBITDAR excludes benefit plan amendments in 2013 and 2012, and a provision adjustment for cargo investigations in 2010.

**ROIC (Adjusted Net Income before interest divided by Invested Capital)**

- Return on invested capital (ROIC) is used by Air Canada to assess the efficiency with which it allocates its capital to generate returns. Return is based on Adjusted net income (loss), excluding interest expense and implicit interest on operating leases. Invested capital includes average year-over-year total assets, net of average year-over-year non-interest-bearing operating liabilities, and the value of capitalized operating leases (calculated by multiplying annualized aircraft rent by 7).

**Leverage Ratio (Adjusted net debt divided by 12-months trailing EBITDAR)**

- Adjusted net debt is a key component of the capital managed by Air Canada and provides a measure of the airline’s net indebtedness. Adjusted net debt is calculated as the sum of total long-term debt and finance lease obligations and capitalized operating leases less cash and cash equivalents and short-term investments.