



TRANSFORMING INTO A GLOBAL CHAMPION

Benjamin Smith

President, Passenger Airlines

August 31, 2015

A STAR ALLIANCE MEMBER
MEMBRE DU RÉSEAU STAR ALLIANCE





TRANSFORMATION PLAN

ACCELERATED, BALANCED TRANSFORMATION OF AIR CANADA TOWARD SUSTAINED PROFITABILITY

Between 2015 and 2018:

Network Optimization

Strategic international growth

Increase diversification of route portfolio

Leverage route 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







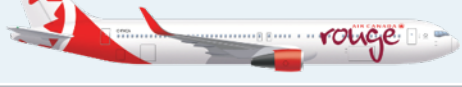
EVOLVING OUR VALUE PROPOSITION

Strong foundation for
profitable growth









WIDEBODY FLEET PLAN (SUMMER PEAK)

| Fleet | 2012 Fleet | 2015 Fleet | 2016 Fleet | 2017 Fleet | 2018 Fleet |
|---|------------|------------|------------|------------|------------|
|  777 | 18 | 23 | 25 | 25 | 25 |
|  787 | 0 | 9 | 21 | 26 | 34 |
|  A330 | 8 | 8 | 8 | 8* | 8* |
|  767 | 30 | 17 | 15 | 10-12* | 5-7* |
|  rouge 767 | 0 | 13 | 19 | 25 | 25 |
| Total Widebody Fleet <i>*Swing/flexible capacity</i> | 56 | 70 | 88 | 94-96* | 97-99* |

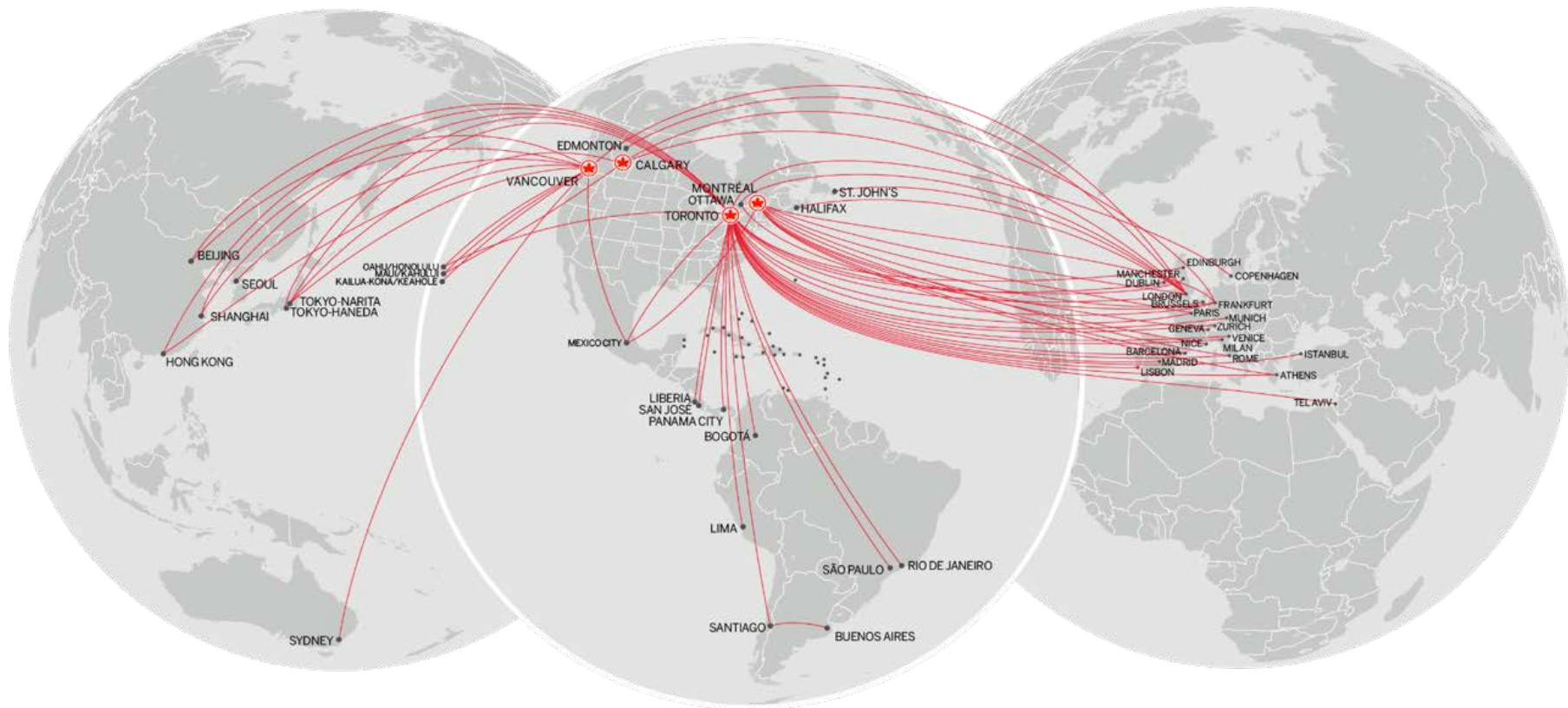


NARROWBODY FLEET PLAN (SUMMER PEAK)

| Fleet | 2012 Fleet | 2015 Fleet | 2016 Fleet | 2017 Fleet | 2018 Fleet |
|---|------------|------------|------------|----------------|-----------------|
|  Airbus NBJ | 86 | 73 | 75 | 75 | 67-70* |
|  Boeing NBJ | 0 | 0 | 0 | 0 | 18 |
|  Embraer E75/E90 | 60 | 45 | 25 | 25 | 25 |
|  rouge NBJ | 0 | 20 | 25 | 25 | 25 |
| Total Narrowbody Fleet | 146 | 138 | 125 | 125 | 135-138* |
| Total AC Mainline Fleet | 202 | 175 | 169 | 169-173 | 182-203* |
| Total AC rouge Fleet | 0 | 33 | 44 | 50 | 50 |
| Total Mainline/rouge Fleet | 202 | 208 | 213 | 219-223 | 232-253* |
| *Swing/flexible capacity | | | | | |



**TODAY AIR CANADA FLIES OVER 38 MILLION
PASSENGERS ANNUALLY TO OVER 175 DESTINATIONS**





COMPREHENSIVE NORTH AMERICAN NETWORK







LEVERAGE STRONG COMPETITIVE ADVANTAGES



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

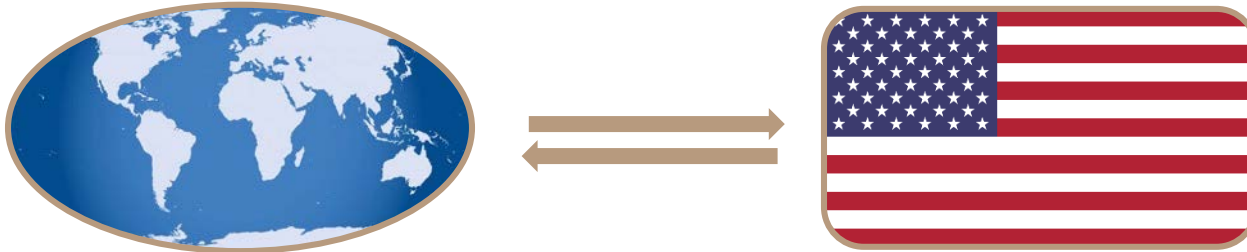




BEST IN CLASS CONNECTIONS PROCESS AT YYZ

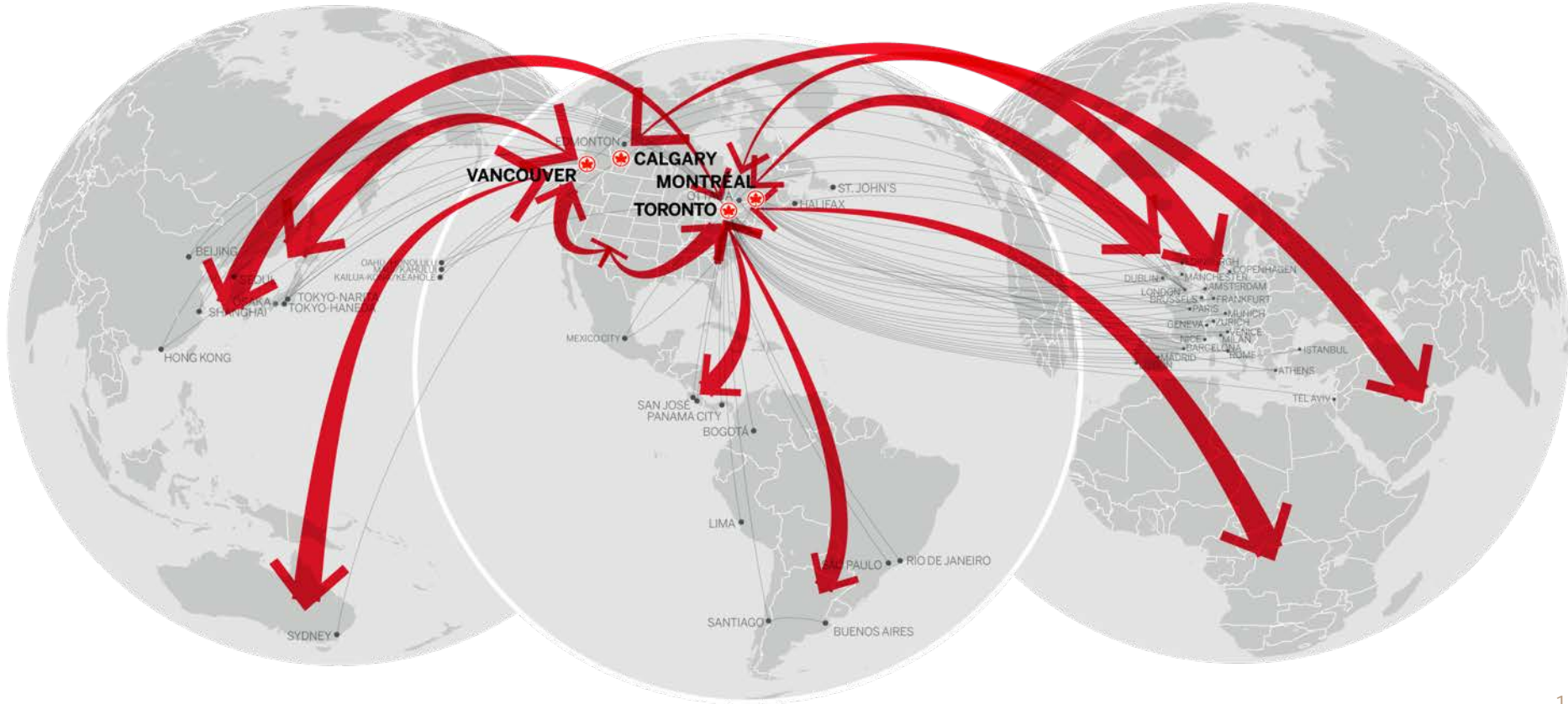
International-to-US & international-to-international connections process is **objectively the simplest in North America**

- 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



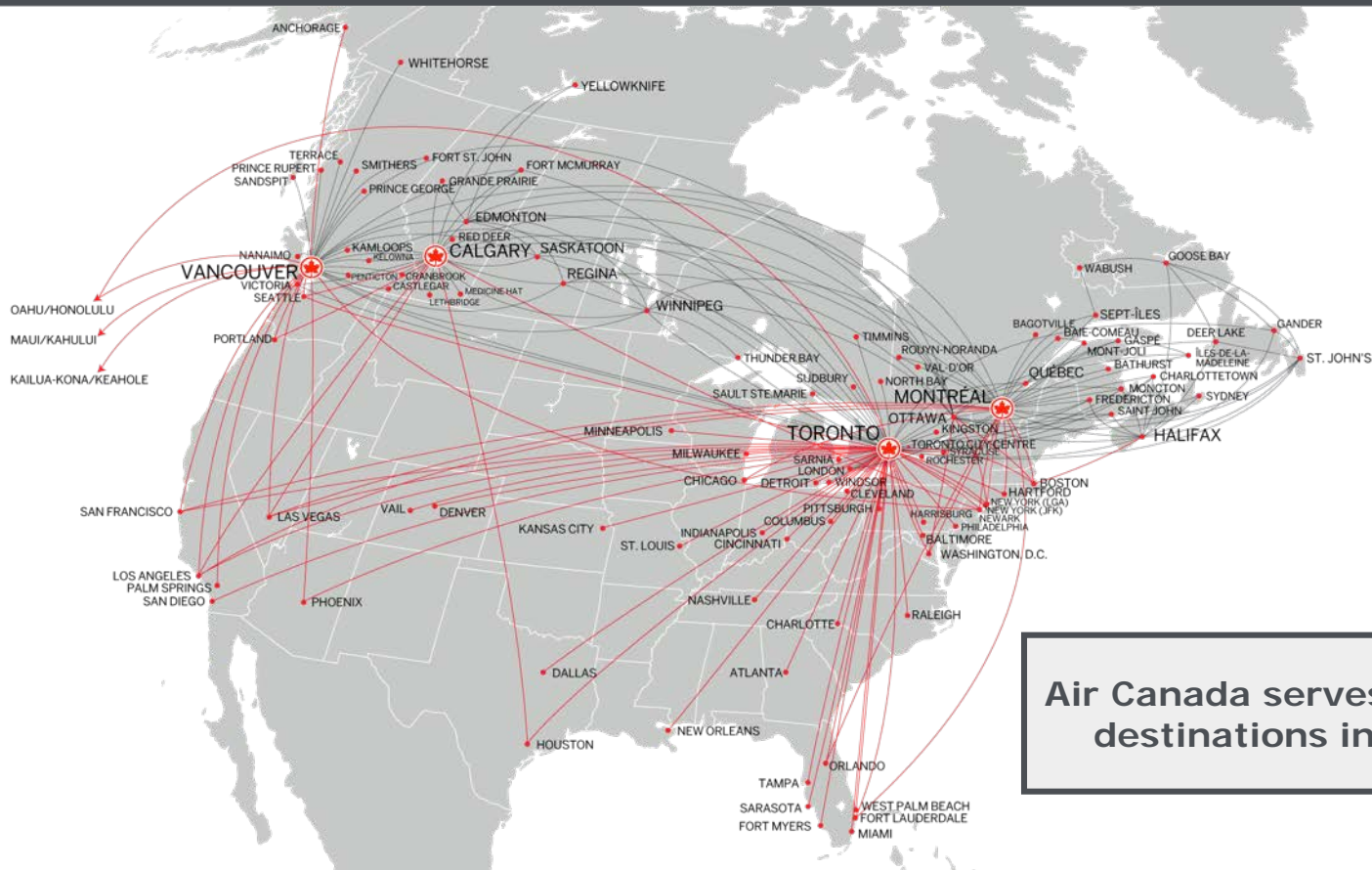


LEVERAGING OUR GEOGRAPHY TO MAXIMIZE 6TH FREEDOM TRAFFIC POTENTIAL





AIR CANADA IS THE LARGEST FOREIGN CARRIER OPERATING TO THE USA

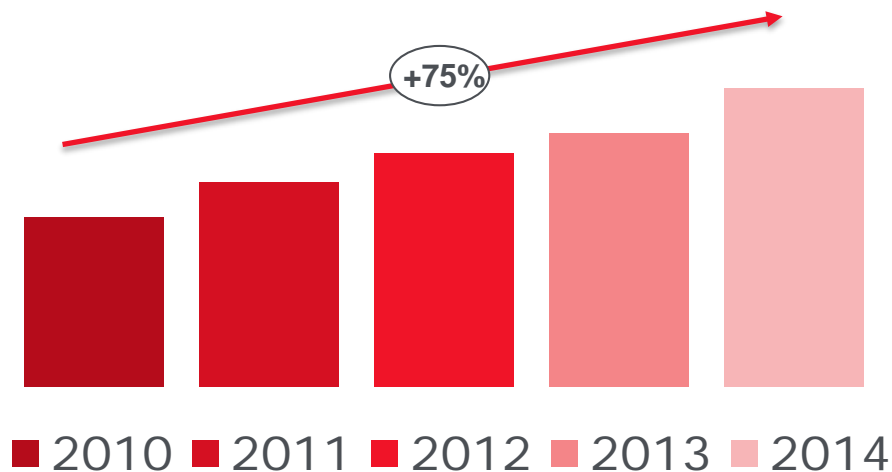


Air Canada serves 51 online destinations in the USA



RECENT GROWTH IN 6TH FREEDOM MARKET

Total 6th Freedom Revenue



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%

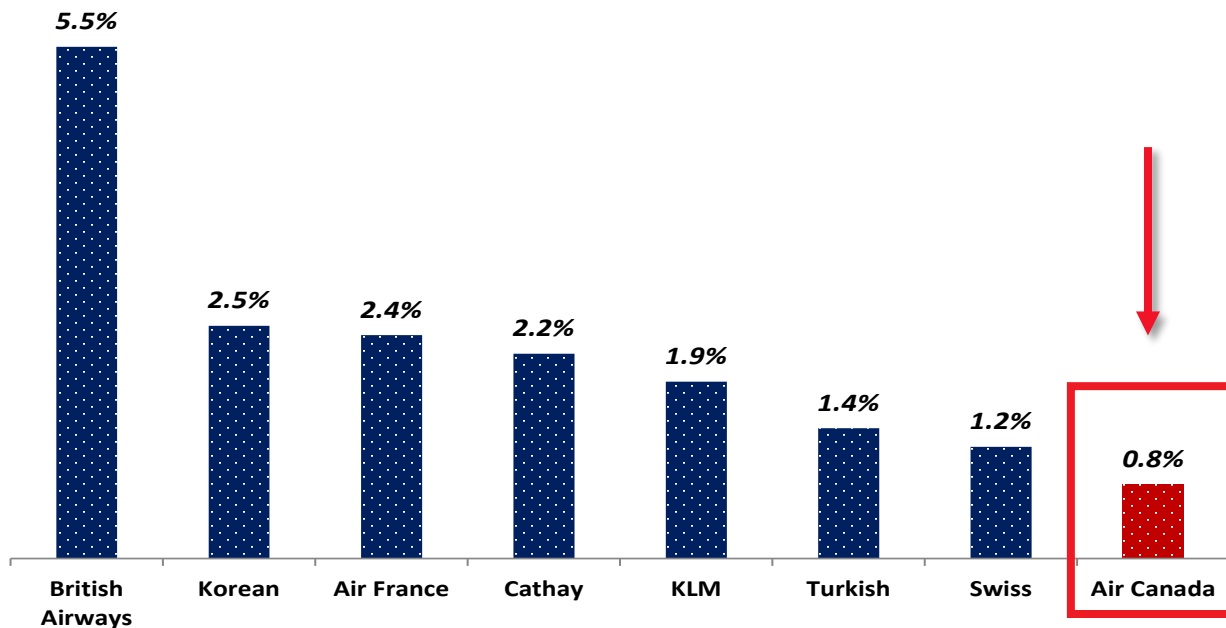


ENORMOUS POTENTIAL FOR CONTINUED GROWTH IN US 6TH FREEDOM MARKET

Target 1.5% market share, which equates to an additional 1.68M passengers per year, or approximately \$605M in incremental revenue

Big network potential

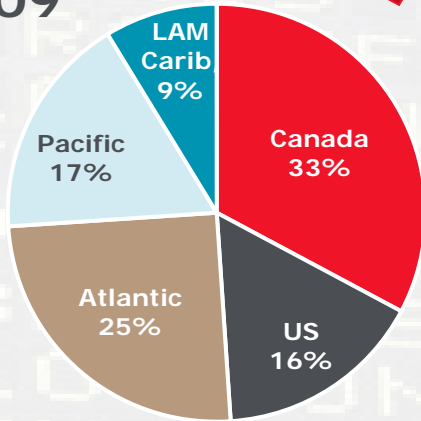
% of US-Europe/Asia Market by non-US Carriers



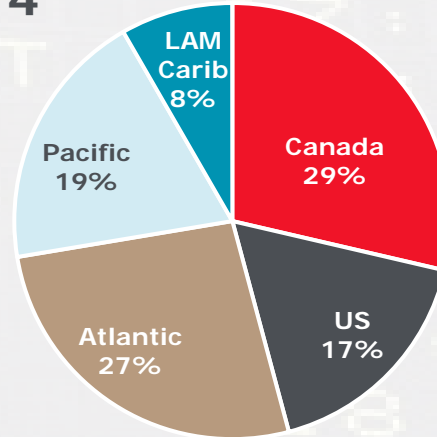


NETWORK COMPOSITION CONTINUES TO SHIFT FROM NORTH AMERICA TO INTERNATIONAL

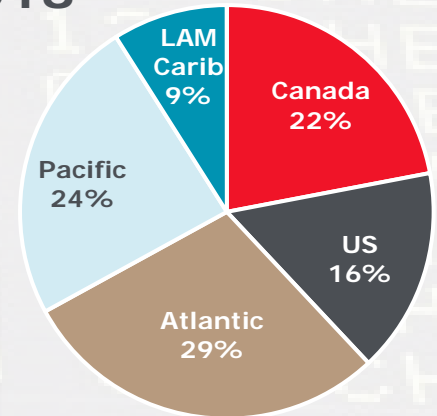
2009



2014



2018



Cost base is relatively more competitive in the international sector

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------|------|------|------|------|------|------|------|------|
| North America | 46% | 46% | 46% | 46% | 45% | 43% | 40% | 38% |
| International | 54% | 54% | 54% | 54% | 55% | 57% | 60% | 62% |



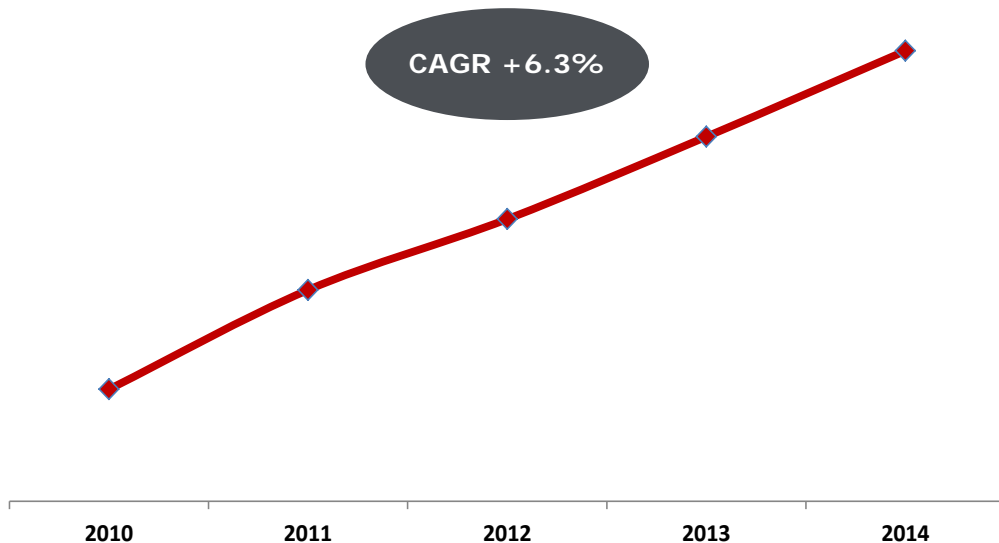
ACHIEVE MARKET LEADERSHIP AT YYZ





CANADA → LEISURE EUROPE CONTINUES TO GROW SIGNIFICANTLY

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



Source: Star Alliance Market Size Database

- 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

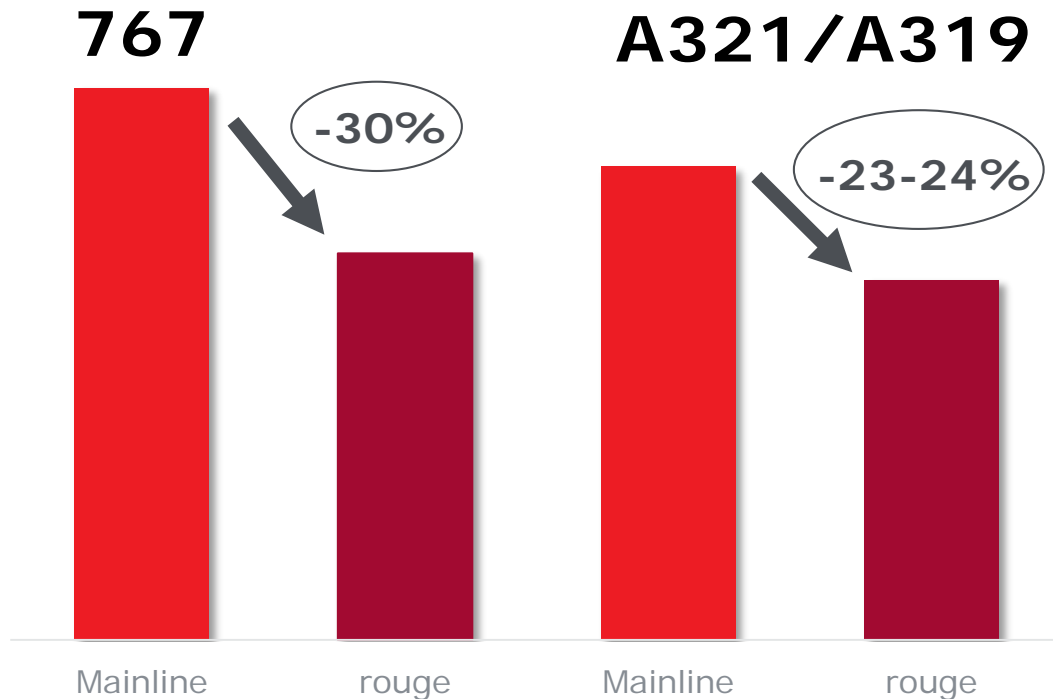
AIR CANADA



AIR CANADA
rouge



AIR CANADA ROUGE UNIT COST ADVANTAGE

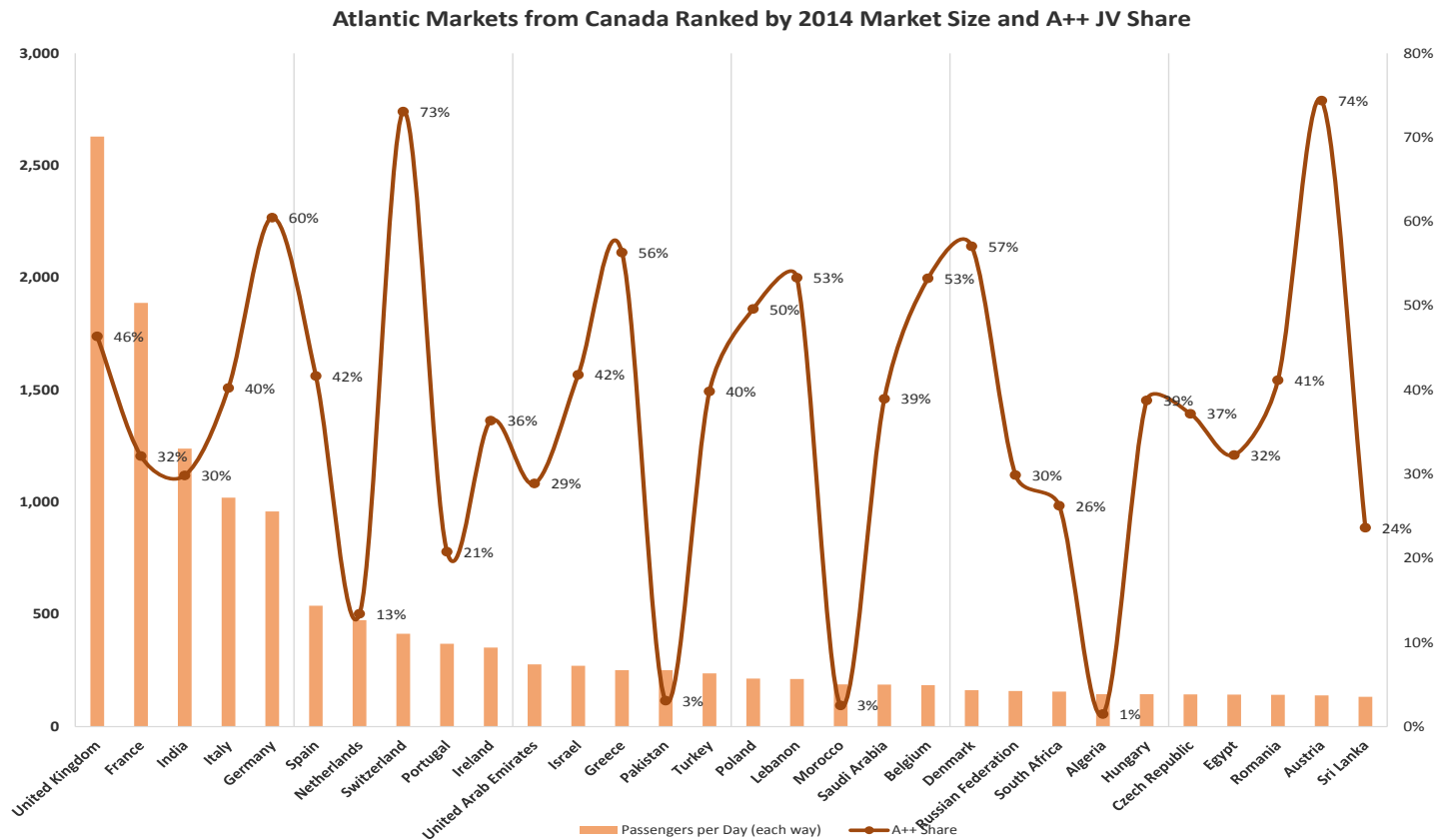


Through a combination of **higher seating density** and **lower operating costs**, Air Canada rouge is able to **dramatically reduce unit costs**



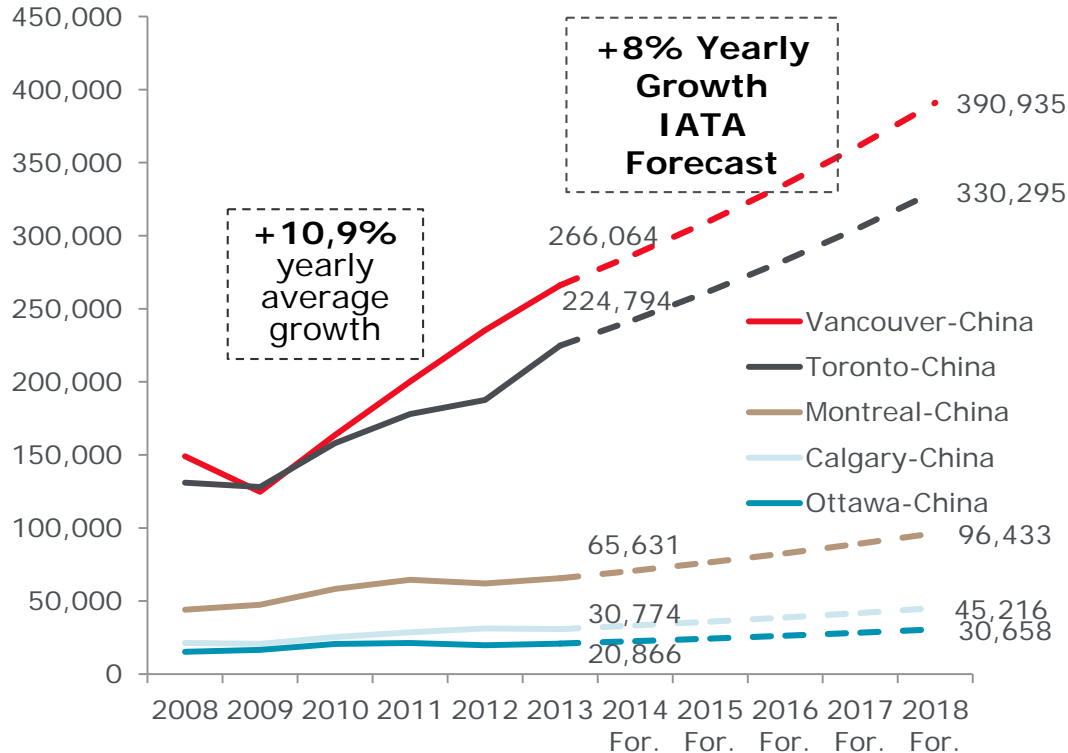


CONSIDERABLE OPPORTUNITY FOR AC TO PROFITABLY INCREASE MARKET SHARE OVER THE ATLANTIC





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 realizing tangible results:
 - Air China to inaugurate new **Beijing-Montreal** service on September 29, 2015
 - Air Canada to **add capacity** for W2015/2016
 - AC and CA mapped out network growth plan until summer 2017 – AC growth targeted at more than 35%

**Subject to final documentation and regulatory approvals*



LEVERAGE SUPERIOR PRODUCT



UPGRADE THE WAY YOU FLY WITH ALTITUDE.

As Canada's frequent flyer program is designed to enhance the travel experience of our most frequent flyers.

As an Altitude member, you'll enjoy exclusive travel privileges including Air Canada lounge access, Air Canada Maple Leaf Lounge, premium baggage, priority airport services, and more. Upgrade with Air Canada Altitude Select and you'll have even more.

AIR CANADA  *Your world awaits.*



SIT IN ABSOLUTE COMFORT BOTH ON AND OFF OUR PLANES.*

Start your journey on the right foot in 1 of our 23 award-winning Maple Leaf Lounges.

Equipped with comfortable, high-speed internet, wireless service, and TV entertainment, you'll always be able to relax the ground before you take to the skies. And if you're just looking to relax, we have you covered there, too. We have a wide selection of magazines and newspapers, and a variety of snacks and beverages to choose from, all at the heart of the lounge.

AIR CANADA  *Your world awaits.*

*Lounge access is for Air Canada Altitude Select members only.



IN INTERNATIONAL BUSINESS CLASS, A SEAT IS A BED AND BUSINESS IS PLEASURE.

Start with a bed and this space becomes a bedroom, complete with a private bathroom and a private lounge.

Onboard, you'll enjoy a private suite with a large bed, a private bathroom, and a private lounge. You'll also enjoy a private lounge with a large bed, a private bathroom, and a private lounge. You'll also enjoy a private lounge with a large bed, a private bathroom, and a private lounge.

Onboard, you'll enjoy a private suite with a large bed, a private bathroom, and a private lounge. You'll also enjoy a private lounge with a large bed, a private bathroom, and a private lounge.

AIR CANADA  *Your world awaits.*



PREMIUM ECONOMY. BUSINESS TRAVELLERS' BEST KEPT SECRET.

Upgrade yourself with Premium Economy Class and you'll enjoy wider seats, 18" of legroom, and much more. Upgrade with all the latest meals and services. Plus, you'll be able to take advantage of priority airport services, enhanced amenities, and a premium lounge.

AIR CANADA  *Your world awaits.*



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



AIR CANADA 

Transforming an **iconic
Canadian brand** into a
true global champion

