

**AMENDED CONSOLIDATED FINANCIAL STATEMENTS OF ACE AVIATION HOLDINGS INC. -  
SEPTEMBER 30, 2004**

Consolidated Statement of Operations and Retained Earnings (Deficit)	No Change
Consolidated Statement of Financial Position	No Change
Consolidated Statement of Cash Flow (Predecessor Company)	Amended to reflect transactions of Predecessor Company only, by removing exit financing transactions of the Successor Company.
Consolidated Statement of Cash Flow (Successor Company)	New statement disclosing exit financing transactions of the Successor Company.
Note 17	New note containing reconciliation to US GAAP.

**ACE Aviation Holdings Inc.**  
**Consolidated Statement of Operations and Retained Earnings (Deficit)**

(in millions except per share figures) (unaudited)

	Predecessor Company - Air Canada (note 1)			
	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
<b>Operating revenues</b>				
Passenger	\$ 2,123	\$ 1,901	\$ 5,628	\$ 5,243
Cargo	142	122	405	388
Other	231	205	805	760
	<u>2,496</u>	<u>2,228</u>	<u>6,838</u>	<u>6,391</u>
<b>Operating expenses</b>				
Salaries, wages and benefits	630	657	1,989	2,195
Aircraft fuel	462	324	1,174	963
Aircraft rent	157	257	521	799
Airport and navigation fees	206	214	616	575
Aircraft maintenance, materials and supplies	80	75	265	305
Communications and information technology	73	92	236	295
Food, beverages and supplies	98	92	264	258
Depreciation, amortization and obsolescence	114	89	312	272
Commissions	78	74	240	214
Other	355	337	1,101	1,122
	<u>2,253</u>	<u>2,211</u>	<u>6,718</u>	<u>6,998</u>
<b>Operating income (loss) before reorganization and restructuring items</b>	243	17	120	(607)
Reorganization and restructuring items (note 6)	(313)	(273)	(871)	(490)
<b>Non-operating income (expense)</b>				
Interest income	2	6	6	21
Interest expense	(62)	(18)	(169)	(96)
Interest capitalized	-	-	-	4
Loss on sale of and provisions on assets (note 7)	(62)	(1)	(75)	(50)
Other	(11)	(7)	(10)	(29)
	<u>(133)</u>	<u>(20)</u>	<u>(248)</u>	<u>(150)</u>
<b>Loss before foreign exchange on non-compromised long-term monetary items and income taxes</b>	(203)	(276)	(999)	(1,247)
<b>Foreign exchange gain</b>	123	16	106	144
<b>Loss before income taxes</b>	(80)	(260)	(893)	(1,103)
<b>Recovery of (provision for) income taxes</b>	(1)	(3)	(2)	4
<b>Loss for the period</b>	<u>\$ (81)</u>	<u>\$ (263)</u>	(895)	(1,099)
<b>Plan of arrangement and fresh start reporting (note 5)</b>			6,042	-
<b>Deficit, beginning of period</b>			(5,147)	(3,280)
<b>Deficit, end of period</b>			<u>\$ -</u>	<u>\$ (4,379)</u>
<b>Loss per share</b>				
- Basic and diluted	<u>\$ (0.67)</u>	<u>\$ (2.18)</u>	<u>\$ (7.45)</u>	<u>\$ (9.14)</u>

*The accompanying notes are an integral part of the consolidated financial statements*

**ACE Aviation Holdings Inc.**  
**Consolidated Statement of Financial Position**

(in millions) (unaudited)	Successor	Predecessor
	Company (note	Company
	5)	
	September 30	December 31
	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,939	\$ 670
Restricted cash	62	157
Accounts receivable	732	502
Spare parts, materials and supplies	202	211
Prepaid expenses	140	171
	<u>3,075</u>	<u>1,711</u>
Property and equipment (note 7)	3,665	1,700
Deferred charges	111	2,340
Goodwill	-	510
Intangible assets (note 8)	1,875	164
Other assets	106	485
	<u>\$ 8,832</u>	<u>\$ 6,910</u>
<b>LIABILITIES</b>		
<b>Liabilities not subject to compromise</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,315	\$ 1,508
Advance ticket sales	1,129	721
Current portion of long-term debt and capital lease obligations	239	173
	<u>2,683</u>	<u>2,402</u>
Long-term debt and capital lease obligations (note 9)	2,551	332
Convertible preferred shares (note 11)	127	-
Future income taxes	434	11
Pension and other benefit liabilities (note 14)	2,368	964
Other long-term liabilities	1,280	679
Deferred credits	-	1,364
	<u>9,443</u>	<u>5,752</u>
Liabilities subject to compromise	-	5,313
	<u>9,443</u>	<u>11,065</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital and other equity (note 11)	(611)	967
Contributed surplus	-	25
Deficit	-	(5,147)
	<u>(611)</u>	<u>(4,155)</u>
	<u>\$ 8,832</u>	<u>\$ 6,910</u>

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**ACE Aviation Holdings Inc.**  
**Consolidated Statement of Cash Flow - Amended**

(in millions) (unaudited)

Cash flows from (used for)	Predecessor Company - Air Canada (note 1)			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2004	2003	2004	2003
<b>Operating</b>				
Loss for the period	\$ (81)	\$ (263)	\$ (895)	\$ (1,099)
Adjustments to reconcile to net cash provided by operations				
Reorganization and restructuring items (note 6)	281	255	786	458
Depreciation, amortization and obsolescence	114	89	312	272
Loss on sale of and provisions on assets (note 7)	62	1	75	50
Foreign exchange	(123)	(16)	(106)	(144)
Future income taxes	1	(1)	(5)	(15)
Employee future benefit funding less than expense	23	71	98	212
Decrease (increase) in accounts receivable	(15)	6	(191)	45
Decrease (increase) in spare parts, materials and supplies	(7)	(1)	-	52
Increase (decrease) in accounts payable and accrued liabilities	49	(82)	34	135
Increase (decrease) in advance ticket sales, net of restricted cash	(138)	(143)	196	23
Aircraft lease payments (in excess of) less than rent expense	(3)	90	(31)	285
Other	20	21	87	(115)
	<u>183</u>	<u>27</u>	<u>360</u>	<u>159</u>
<b>Financing (note 9)</b>				
Drawdown on GE DIP financing	-	-	300	-
Aircraft related borrowings	116	-	233	-
Credit facility borrowings	-	-	80	315
Reduction of long-term debt and capital lease obligations	(49)	(64)	(358)	(132)
DIP financing fees	-	-	-	(62)
Other	(2)	(12)	(2)	4
	<u>65</u>	<u>(76)</u>	<u>253</u>	<u>125</u>
<b>Investing</b>				
Additions to property and equipment	(142)	(9)	(328)	(78)
Proceeds from sale of assets	1	30	2	44
Investments and advances	-	-	-	2
	<u>(141)</u>	<u>21</u>	<u>(326)</u>	<u>(32)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>107</b>	<b>(28)</b>	<b>287</b>	<b>252</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>850</b>	<b>838</b>	<b>670</b>	<b>558</b>
<b>Cash and cash equivalents transferred to the Successor Company</b>	<b>(957)</b>	<b>-</b>	<b>(957)</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ -</b>	<b>\$ 810</b>	<b>\$ -</b>	<b>\$ 810</b>
<b>Cash payments of interest</b>	<b>\$ 41</b>	<b>\$ 9</b>	<b>\$ 131</b>	<b>\$ 79</b>
<b>Cash payments of income taxes</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2</b>

The accompanying notes are an integral part of the consolidated financial statements

**ACE Aviation Holdings Inc.**  
**Consolidated Statement of Cash Flow - Amended**

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(in millions) (unaudited)

	<b>Successor Company - ACE (note 1)</b>	
	<b>Three Months Ended September 30 2004</b>	<b>Nine Months Ended September 30 2004</b>
<b>Cash flows from (used for)</b>		
<b>Operating</b>		
Settlement of lease obligations (note 2)	\$ (290)	\$ (290)
Rebate on lease settlement	33	33
Take out fee on notes and warrants (note 2)	(45)	(45)
Fees conditional on emergence	(12)	(12)
	<u>(314)</u>	<u>(314)</u>
<b>Investing</b>		
Cash collateralization of lines of credit (note 2)	(21)	(21)
<b>Financing (note 2 and 5)</b>		
Drawdown of exit financing	527	527
Repayment of GE DIP financing	(300)	(300)
Preferred shares issued to Cerberus for cash	238	238
Shares issued for cash under Rights Offering	852	852
	<u>1,317</u>	<u>1,317</u>
<b>Increase in cash and cash equivalents</b>	982	982
<b>Cash and cash equivalents transferred from the Predecessor Company</b>	<u>957</u>	<u>957</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 1,939</u></b>	<b><u>\$ 1,939</u></b>

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