



News Release

ACE AVIATION HOLDINGS INC. RELEASES THIRD QUARTER RESULTS: REPORTS \$243 MILLION OF OPERATING INCOME BEFORE REORGANIZATION AND RESTRUCTURING ITEMS

Q3 OVERVIEW

- Operating income of \$243 million before reorganization and restructuring items, an improvement of \$226 million from the third quarter of 2003.
- Passenger revenues up \$222 million or 12 per cent. Domestic yield grew by 4 per cent in the quarter and domestic RASM improved by 12 per cent.
- Passenger revenue per ASM (RASM) up 6 per cent.
- Unit cost down 4 per cent for the Mainline-related operations (down 11 per cent, excluding fuel).
- As at November 9, 2004, ACE's consolidated cash balance, measured on the basis of unrestricted cash in its bank accounts, amounted to approximately \$1.9 billion.
- Despite record high fuel prices, third best Q3 operating income before reorganization and restructuring items for third quarter in Corporation's history.

MONTRÉAL, November 12, 2004 – On October 15, 2004, ACE Aviation Holdings Inc (ACE) released an estimate of \$235 million representing operating income before reorganization and restructuring items for the third quarter of 2004. The objective of the early release was to ensure that stakeholders were given current information on its recent operations given record high fuel prices and the deteriorated performance of US carriers.

ACE reported today operating income of \$243 million before reorganization and restructuring items for the third quarter of 2004, an improvement of \$226 million from the third quarter of 2003. Operating revenues were up \$268 million or 12 per cent. The improvement in passenger revenues of \$222 million, or 12 per cent, was due to a recovery in all markets, with the exception of the US transborder market. International markets rebounded from a SARS impacted 2003. A stronger domestic market showed improving yield and traffic performance as well. Total operating expenses increased \$42 million or 2 per cent despite an increase in fuel expense of \$138 million on an ASM capacity increase of 6 per cent. Operating expense per ASM was 4 per cent below the 2003 quarter for the Mainline-related operations (down 11 per cent, excluding fuel expense).

As at November 9, 2004, ACE's consolidated cash balance, measured on the basis of cash in its bank accounts, amounted to approximately \$1.9 billion. The Corporation's debt and capitalized operating lease obligations, net of cash, has been reduced from the previously disclosed approximate \$5 billion to approximately \$4 billion mainly as a result of the strengthening of the Canadian dollar.

Since Air Canada's filing under CCAA, it has recorded significant reorganization and restructuring items directly associated with the rearranging of its business affairs while under the Court's protection. These "reorganization and restructuring items" represent revenues, expenses, gains and losses and provisions for losses since the date of filing that can be directly associated with the reorganization and restructuring of the business under CCAA.

In the third quarter of 2004, reorganization and restructuring items amounted to \$313 million, of which \$281 million represented non-cash items. As the Corporation emerged from CCAA proceedings on September 30, 2004, this is the last quarter that reorganization and restructuring items will be recorded. Foreign exchange gains on non-compromised long term monetary items of \$123 million were recorded in the quarter. With the benefit of fresh start reporting and the recognition of the remaining renegotiated leases effective on emergence, results for the fourth quarter will more accurately reflect the progress achieved in the airline's restructuring.

The net loss for the quarter including the above significant items was \$81 million. This compares to a net loss of \$263 million in the third quarter of 2003, an improvement of \$182 million. The third quarter of 2003 included \$273 million of reorganization and restructuring items.

"In October, we achieved record load factors for the seventh straight month and forward bookings remain strong for the balance of the quarter," said Robert Milton, Chairman, President and CEO of ACE Aviation Holdings Inc. "Our commercial strategy is producing the desired results. Notwithstanding an obvious concern over fuel prices, we continue to expect to achieve significant profitability in 2005 over the full year," said Mr. Milton.

ACE Aviation Holdings Inc. Third Quarter 2004 Management's Discussion & Analysis and Unaudited Interim Consolidated Financial Statements and Notes will be available on Air Canada's website www.aircanada.com and at SEDAR.com on November 12, 2004. A copy may also be obtained on request by contacting Shareholder Relations at (514) 422-7578.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

ACE's communications often contain written or oral forward-looking statements which are included in the MD&A and may be included in filings with securities regulators in Canada and the United States. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. All such statements are made pursuant to the "safe harbour" provisions of the governing US securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, war, terrorist attacks, energy prices, general industry, market and economic conditions, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, employee relations, labour negotiations and disputes, restructuring, pension issues, currency exchange and interest rates, changes in laws, adverse regulatory developments or proceedings, pending litigation and actions by third parties. The forward-looking statements contained in this discussion represent ACE's expectations as of November 12, 2004, and are subject to

change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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INFORMATION

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