ACE Aviation Holdings Inc.

News Release

ACE AVIATION HOLDINGS INC. RELEASES FIRST QUARTER RESULTS

OVERVIEW

- Operating loss of $10 million.
- An improvement of $135 million despite fuel expense being up by $77 million, compared to an operating loss before reorganization and restructuring items of $145 million in the first quarter of 2004.
- One of the best first quarter operating results in the Corporation’s history.
- EBITDAR for the quarter of $200 million, an improvement of $56 million from the prior year.
- Net loss for the quarter of $77 million compared to a net loss of $304 million in the first quarter of 2004.
- Operating revenues up $56 million or 3 per cent reflecting passenger revenue increases in all markets with the exception of the US transborder market.
- Unit cost down 2 per cent, and excluding fuel expense, unit cost down 6 per cent versus the first quarter of 2004 and down 17 per cent versus the first quarter of 2002.
- Employee productivity up 21 per cent versus the first quarter of 2002.
- System passenger load factor up 5.1 percentage points to 78.0 per cent, a record for the first quarter.
- Positive cash flow from operations of $314 million in the quarter.
- As at May 11, 2005, after the successful completion of the public offerings completed in April and the repayment of the Exit Credit Facility with General Electric Capital Corporation, ACE’s consolidated cash balances, measured on the basis of cash in its bank accounts, and short-term investments are approximately $2.1 billion.
- Additional $300 million of liquidity available from unutilized revolving credit facility.

MONTRÉAL, May 13, 2005 – ACE Aviation Holdings Inc. (ACE) reported today an operating loss of $10 million for the first quarter of 2005, an improvement of $135 million from the operating loss before reorganization and restructuring items of $145 million recorded in the first quarter of 2004. EBITDAR(1) improved $56 million over the 2004 quarter despite a fuel expense increase of $77 million year-over-year. Operating revenues were up $56 million or 3 per cent. Passenger traffic, as measured by revenue passenger miles (RPMs), increased 5 per cent on a capacity decrease of 2 per cent, as measured by available seat miles (ASMs), resulting in a passenger load factor improvement of 5.1 percentage points. Passenger revenue per available seat mile (RASM), on a comparable basis, is up 3 per cent reflecting the significant improvement in the passenger load factor.

Despite a 23 per cent fuel expense increase in the amount of $77 million, operating expenses were reduced by $79 million or 3 per cent.

Excluding fuel expense, operating expenses declined $156 million or 8 per cent over the 2004 quarter reflecting the continued cost reductions that the Corporation has achieved. Excluding fuel expense, unit cost is down 6 per cent from the first quarter of 2004 and down 17 per cent compared to the first quarter of 2002. Including fuel expense, unit cost is down 2 per cent over the first quarter of 2004. Employee productivity, as measured by available seat mile per employee, grew 21 per cent when compared to the first quarter of 2002.

Net loss for the quarter was $77 million, an improvement of $227 million from the first quarter of 2004, which included reorganization and restructuring items of $132 million.

“Despite record high fuel costs and low North American yields throughout the period, we are reporting one of the best operating results in Air Canada’s history for the first quarter,” said Robert Milton, Chairman, President and CEO of ACE Aviation Holdings Inc. “It is particularly encouraging to note that, excluding any benefit of fuel hedging, ACE is the only North American carrier which had improved results for this quarter, traditionally our worst quarter of the year.

“Looking forward, ongoing cost reduction initiatives are on track and the revenue picture is improving. The strengthening yields and record traffic we achieved in April accelerated our year over year improvement in operating income and bode well for our revenue performance going forward. We remain committed to achieving our previously disclosed $1.6 billion EBITDAR target in 2005.”

The Corporation continues to expect improved operating and financial performance during 2005 resulting from revenue enhancement and cost reduction measures implemented during the restructuring and from additional measures in the fourth quarter of 2004 and the full year 2005. The Circular and Proxy Statement dated July 12, 2004 provided an EBITDAR projection of $1.6 billion for 2005, which was based on an assumed average 2005 crude oil price of approximately US $35 per barrel for West Texas Intermediate (WTI) crude oil. While crude oil prices are now estimated to be significantly higher than this level, the Corporation remains committed to achieving its $1.6 billion EBITDAR target for 2005 as greater revenues and additional cost savings in specific areas are forecast to offset higher projected fuel expenses based on internal estimates. The current record high levels of crude oil and fuel prices exceed internal estimates and, as fuel prices are subject to many external factors beyond the Corporation’s control, the Corporation may not be able to fully mitigate the potential adverse effect that this or other factors could have on the 2005 EBITDAR projection.

“I salute ACE employees who are showing tremendous ownership and pride in the company’s success going forward,” said Mr. Milton. “Through their team effort and hard work, they are winning over more and more customers and I am proud that throughout the quarter they handled record volumes with exceptional operational performance. The month of April marked the beginning of a second year of consecutive record load factors demonstrating a definite trend towards increasing customer preference for Air Canada over and above the market’s recovery. I also thank our customers whose ongoing loyalty and support has made Air Canada the airline of choice for Canadians with the lowest fares to the greatest number of destinations, day in, and day out.

“We’re moving ahead on all fronts with the implementation of our fleet renewal program. The wide-body fleet plan announced earlier in April with Boeing will move Air Canada into a clear leadership position among North American international carriers with the acquisition of up to 36 Boeing 777s and up to 60 Boeing 787 Dreamliners.”

The agreement with Boeing is very attractive financially as the operating costs of the 777 and the 787 will be significantly less than the aircraft they will replace, the acquisition costs will be spread over several years, and the asset values of the aircraft we will replace and sell are significant. Both the 777 and 787 are uniquely suited to meet Air Canada’s current route structure and growth plans, which include long-range, non-stop routes for both passengers and cargo, with an increasing emphasis on growing markets in Latin America and China. The operation of the 777 and 787 in the same fleet will allow Air Canada to tailor capacity to seasonal demand with two aircraft types that fly the same speed and range yet offer different seating capacities.

“Later this month the initial phase of our North American network and fleet alignment plan gets underway with the delivery of the first 15 Bombardier CRJ-705 aircraft to Air Canada Jazz. The addition of these jet aircraft to the Jazz fleet will allow us to boost regional jet service to communities across Canada thus offering superior comfort, choice in non-stop markets served as well as more frequencies. Air Canada’s fleet will expand by 6 additional wide bodies to accommodate international growth this summer and 17 of the 60 state-of-the-art Embraer aircraft on order will be introduced to the mainline fleet in the last two quarters of the year,” said Mr. Milton.

ACE’s Interim Unaudited First Quarter 2005 Consolidated Financial Statements and Management’s Discussion and Analysis (MD&A) are available on ACE's and Air Canada's website www.aircanada.com and at SEDAR.com on May 13, 2005. A copy may also be obtained on request by contacting Shareholder Relations at (514) 205-7856.

(1) NON-GAAP MEASURE

EBITDAR is a non-GAAP financial measure commonly used in the airline industry to assess earnings before interest, taxes, depreciation and aircraft rent. EBITDAR is used to view operating results before aircraft rent and ownership costs as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and asset acquisitions. EBITDAR is not a recognized measure for financial statement presentation under GAAP and does not have any standardized meaning and is therefore not comparable to similar measures presented by other public companies. Readers should refer to the attached Highlights or ACE’s First Quarter 2005 Management’s Discussion and Analysis for a reconciliation of EBITDAR before restructuring and reorganization items.

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, restructuring, energy prices, general industry, market and economic conditions, war, terrorist attacks, 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, 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 May 13, 2005, 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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Contacts:	Isabelle Arthur (Montréal)	(514) 422-5788
	Laura Cooke (Toronto)	(416) 263-5576
	Angela Mah (Vancouver)	(604) 270-5741

Internet: aircanada.com