ACE Aviation Holdings Inc.

News Release

ACE AVIATION HOLDINGS INC. REPORTS THIRD QUARTER OPERATING INCOME OF $320 MILLION AND NET INCOME OF $270 MILLION

OVERVIEW

- Net income of $270 million.
- Operating income of $320 million in the third quarter of 2005.
- Despite a fuel expense increase of $213 million or 46 per cent, an improvement of $77 million compared to the $243 million in operating income before reorganization and restructuring items achieved in the third quarter of 2004.
- Operating revenues up $337 million or 14 per cent reflecting passenger revenue increases in all markets.
- EBITDAR for the quarter of $550 million, an improvement of $36 million from the 2004 quarter.
- Excluding fuel expense, unit cost was reduced by 3 per cent.
- System passenger load factor up 2.0 percentage points to 82.4 per cent, a record for any quarter in the Corporation's history.
- North America's most profitable carrier in the third quarter.

MONTRÉAL, November 2, 2005 – ACE Aviation Holdings Inc. (ACE) reported today operating income of $320 million for the third quarter of 2005, an increase of $77 million from the operating income before reorganization and restructuring items of $243 million recorded in the third quarter of 2004. EBITDAR [(1)] of $550 million was achieved in the third quarter of 2005, an improvement of $36 million over the 2004 quarter. Operating revenues were up $337 million or 14 per cent reflecting passenger revenue increases in all markets. Passenger traffic, as measured by revenue passenger miles (RPMs), increased 9 per cent on a capacity increase of 6 per cent, as measured by available seat miles (ASMs), resulting in a passenger load factor improvement of 2.0 percentage points. On the same basis of presentation as in the third quarter of 2004, passenger revenue per available seat mile (RASM) was up 5 per cent reflecting the improvement in the passenger load factor combined with the 3 per cent improvement in passenger yield, as measured by passenger revenue per revenue passenger mile.

Operating expenses increased $260 million or 12 per cent over the third quarter of 2004 and included a fuel expense increase of $213 million or 46 per cent versus the 2004 quarter on a capacity increase of 6 per cent. Excluding fuel expense, unit cost was reduced by 3 per cent from the third quarter of 2004.

Net income for the third quarter of 2005 was $270 million and included a provision for income taxes of $128 million. This compared to a net loss of $81 million which included reorganization and restructuring items of $313 million recorded in the third quarter of 2004 and an income tax provision of only $1 million.

“Since the formation of ACE thirteen months ago we have reported improved operating results in successive quarters year over year and I am pleased to again report a significant improvement in operating results for the Corporation in the third quarter,” said Robert Milton, Chairman, President and CEO of ACE Aviation Holdings Inc.

“Our ongoing efforts to reposition this company are clearly paying off. These results for the third quarter, traditionally our best, are the strongest results reported by any North American carrier for the period and reflect our ability to now achieve North American industry leading levels of profitability versus low cost carriers as well as legacy carriers. However, in the face of record fuel prices and ever-increasing airport and air navigation fees, we must renew our focus on reducing costs while ensuring we retain the highest levels of safety and remain the airline of choice for consumers. In addition to my appreciation for the unrelenting efforts of our employees, on behalf of all of us at ACE, I would like to thank our customers for their tremendous support in enabling us to achieve eighteen straight months of record load factors.

“We remain confident that, barring any further unforeseen events, ACE’s financial results for the full year will be amongst the strongest in the industry.”

Other developments

Fleet and network enhancements

Since the commencement of the third quarter, Air Canada has added 14 aircraft to its fleet: one Airbus A340-300 aircraft, two Boeing 767-300 aircraft and the first 11 of 15 EMBRAER 175 aircraft on order. The remaining four EMBRAER 175 aircraft on order will be in operation by January 2006. The airline will begin taking delivery of 45 EMBRAER 190 aircraft in November 2005.

Air Canada Jazz continued taking delivery of 75-seat CRJ-705 aircraft in the quarter, following the arrival of the first of 15 aircraft in May. Fourteen CRJ-705s are currently in operation and the remaining aircraft will be in service in November 2005. Jazz also entered into a four year lease agreement with GECAS for an additional 8 recent production CRJ-200 aircraft. By mid-2006, the Jazz fleet will be at 133 aircraft including 73 Bombardier Regional Jet aircraft.

The introduction of these next-generation, fuel efficient jet aircraft has allowed Air Canada and Jazz to better match capacity to market demand thereby allowing the airline to maintain its strategy of disciplined capacity growth and pursue new opportunities in markets best suited for these sizes of aircraft. With the arrival of these new aircraft, Air Canada has introduced Executive Class and in-flight enhancements on key U.S. transborder routes serving Washington D.C. Regan National, Philadelphia, Atlanta, Dallas and Houston, as well as on Montreal-Winnipeg and Ottawa-Winnipeg routes. New next-generation jet aircraft were also deployed on Toronto-Boston and Toronto-Newark routes, resulting in increased service with Executive Class. The deployment of new CRJ-705s has introduced Executive Class service on the Toronto-Houston route, and has resulted in increased flights on the Calgary-

Houston, Toronto-Saskatoon and Toronto-Regina routes. Customers have responded very favourably to the introduction of these two new aircraft types.

In the meantime, existing aircraft are being redeployed to introduce new routes and enhance service on existing routes. Air Canada Jazz has converted more than 10 existing routes (of over 1.5 hours duration) from Dash-8 turboprop to 50-seat CRJ jet service offering customers enhanced comfort and faster travel times. Beyond greater convenience for customers, the conversion of these longer distance turbo-prop routes to higher speed, and more productive CRJ jet aircraft have the benefit of keeping costs of operation competitive with the turbo-props they replace.

New routes introduced include: Hamilton- Montreal, Hamilton-Ottawa, Vancouver-Las Vegas, Calgary-Las Vegas, Edmonton-Regina and Edmonton-Saskatoon. The remaining EMBRAER 175 and CRJ-705 deliveries will allow further route expansion in the coming months including the start-up of service between Vancouver-San Diego, Abbotsford-Toronto, Abbotsford-Calgary, Calgary-Newark and Calgary-Orlando.

Expansion of Toronto Hub as gateway to Asia

Air Canada continued to grow its non-stop services between its main hub in Toronto and Asia in the quarter with the addition of Toronto-Seoul non-stop summer service. From Toronto, Air Canada now operates non-stop flights to Hong Kong, Tokyo and Beijing and the carrier plans to introduce non-stop service to Shanghai in 2006 as well as re-introduce Toronto-Seoul non-stop services. Between its Toronto and Vancouver gateways, Air Canada has one of the most extensive transpacific networks in operation, with up to 12 non-stop flights per day in each direction between Canada and seven destinations in Asia. Starting November 1, long haul international flights have been relocated to Pearson's Terminal 1 adjacent to Air Canada's domestic operations eliminating the need for ground transportation to and from the airport's Infield Terminal..

The carrier also operates all-cargo services between Toronto and Shanghai five times per week.

Update on the initial public offering of Jazz Air Limited Partnership

On August 4, 2005, ACE announced its intention to proceed with an initial public offering of Jazz Air Limited Partnership ("Jazz") through an income trust structure, with ACE retaining a majority interest in Jazz. ACE is pursuing an initial public offering as a means to maximize the value of its investment in Jazz for the benefit of ACE shareholders. A preliminary prospectus in respect of the offering was expected to be filed in the third quarter of 2005.

On September 30, 2005, the Corporation provided an update on its intention to proceed with an initial public offering of Jazz stating that the preparatory work to file a preliminary prospectus had been completed, and the document was ready for submission. However, given conditions in the income trust market subsequent to the launch by the Department of Finance of consultations on the economic and fiscal implications of publicly listed flow-through entities (FTEs), including income trusts, and the decision by the Minister of National Revenue to postpone providing advance rulings respecting FTE structures, ACE management felt it appropriate to refrain from proceeding with the filing. ACE will proceed with a Jazz offering as market conditions warrant.

Investment – US Airways

During the quarter, ACE completed its acquisition for $87 million (US$75 million) of approximately 7 per cent of the newly created US Airways, resulting from the merger of US Airways and America West airlines. The market has responded favourably to the formation of this carrier and the value of ACE's investment in the carrier has appreciated by approximately 67 per cent or $US50 million as of the close of trading on November 1, 2005.

Air Canada and ACTS continue to develop their commercial relationships with US Airways. Thus far, ACTS has signed five-year contracts covering a range of activities including heavy maintenance of US Airways' Airbus A330 fleet, landing gear overhaul and work on a variety of engine and flight control components. These contracts will provide approximately $50 million in annual revenues to ACTS. Ongoing discussions continue between US Airways and ACTS on further contracts covering a wide variety of maintenance work. The dollar value and scope of contracts entered into is anticipated to grow further.

In the area of airport services, meaningful cost reductions are expected as Air Canada and US Airways finalize agreements providing for Air Canada's relocation to more attractive airport facilities than currently utilized in a number of U.S. cities.

ACE's Interim Unaudited Third 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 November 2, 2005. A copy may also be obtained on request by contacting ACE's Shareholder Relations at (514) 205-7856.

(1) <u>NON-GAAP MEASURE</u>

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 a standardized meaning and is therefore not comparable to similar measures presented by other public companies. Readers should refer to the attached Consolidated Highlights or ACE's Third Quarter 2005 Management's Discussion and Analysis for a reconciliation of EBITDAR before reorganization and restructuring items to operating income (loss) before reorganization and restructuring 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 November 2, 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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ACE Aviation Holdings Inc.
Consolidated

HIGHLIGHTS (1)

	Three months – Successor Company - ACE 2005	Three months – Predecessor Company - Air Canada 2004		Nine months – Successor Company - ACE 2005	Nine months – Predecessor Company - Air Canada 2004	
Financial (CDN dollars in millions except per share figures)						
Operating revenues	**2,833**	2,496		**7,468**	6,838	
Operating income before reorganization and restructuring items	**320**	243		**487**	120	
Reorganization and restructuring items	**0**	(313)		**0**	(871)	
Non-operating expense	**(38)**	(133)		**3**	(248)	
Income (loss) before non-controlling interest, foreign exchange gain and provision for income taxes	**282**	(203)		**490**	(999)	
Income (loss) for the period	**270**	(81)		**361**	(895)	
Operating margin before reorganization and restructuring items	**11.3%**	9.7%		**6.5%**	1.8%	
EBITDAR before reorganization and restructuring items (2)	**550**	514		**1,144**	953	
EBITDAR margin before reorganization and restructuring items	**19.4%**	20.6%		**15.3%**	13.9%	
Cash, cash equivalents and short-term investments (3)	**2,481**	1,939		**2,481**	1,939	
Cash flows from (used for) operations	**(12)**	183		**641**	360	
Weighted average common shares used for computation - basic	**101**	120		**97**	120	
Weighted average common shares used for computation - diluted	**119**	120		**113**	120	
Earnings (loss) per share - basic	**$ 2.66**	$ (0.67)		**$ 3.73**	$ (7.45)	
Earnings (loss) per share - diluted	**$ 2.33**	$ (0.67)		**$ 3.37**	$ (7.45)	
Operating Statistics			% Change			% Change
Revenue passenger miles (millions) (RPM)	**13,981**	12,853	9	**36,180**	33,746	7
Available seat miles (millions) (ASM)	**16,961**	15,993	6	**45,014**	43,722	3
Passenger load factor	**82.4%**	80.4%	2.0 pp	**80.4%**	77.2%	3.2 pp
Passenger revenue yield per RPM (excluding Aeroplan) (cents) (4)	**16.9**	16.5	3	**16.8**	16.6	1
Passenger revenue yield per RPM (including Aeroplan) (cents) (4)	**17.6**	16.5	7	**17.4**	16.6	4
Passenger revenue per ASM (excluding Aeroplan) (cents) (4)	**13.9**	13.2	5	**13.5**	12.8	5
Passenger revenue per ASM (including Aeroplan) (cents) (4)	**14.5**	13.2	9	**14.0**	12.8	9
Operating revenue per available seat mile (cents)	**16.7**	15.6	7	**16.6**	15.6	6
Operating expense per available seat mile (cents)	**14.8**	14.1	5	**15.5**	15.4	1
Operating expense per available seat mile, excluding fuel expense	**10.8**	11.2	(3)	**11.9**	12.7	(6)
Average number of full-time equivalent (FTE) employees (thousands)	**32.9**	32.3	2	**32.3**	32.7	(1)
Available seat miles per FTE employee (thousands)	**516**	495	4	**1,395**	1,337	4
Operating revenue per FTE employee (thousands)	**$86**	$77	11	**$231**	$209	11
Aircraft in operating fleet at period end	**309**	293	5	**309**	293	5
Average aircraft utilization (hours per day) (5)(6)	**11.3**	10.8	5	**10.8**	10.4	4
Average aircraft flight length (miles)(6)	**921**	897	3	**881**	849	4
Fuel price per litre (cents) (7)	**64.0**	47.2	36	**58.1**	43.7	33
Fuel litres (millions)	**1,055**	975	8	**2,786**	2,674	4

Periods ended September 30

(1) References to "Successor Company" refer to ACE and its susidiaries' results for the three months and nine months ended September 30, 2005. References to "Predecessor Company" refer to Air Canada and its subsidiaries' results for the three months and nine months ended September 30, 2004. Refer to Note 1 of Interim Unaudited Third Quarter 2005 Consolidated Financial Statements for more information.

(2) EBITDAR (earnings before interest, taxes, depreciation, amortization and obsolescence and aircraft rent) is a non-GAAP financial measure commonly used in the airline industry 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 a standardized meaning and is therefore not likely to be comparable to similar measures presented by other public companies.

EBITDAR before reorganization and restructuring items is reconciled to operating income (loss) before reorganization and restructuring items as follows:

	Three months ended September 30 2005	Three months ended September 30 2004	Nine months ended September 30 2005	Nine months ended September 30 2004
	($ millions)		($ millions)	
Operating income (loss) before reorganization and restructuring items	320	243	487	120
Add back:				
Aircraft rent	112	157	300	521
Depreciation, amortization & obsolescence	118	114	357	312
EBITDAR before reorganization and restructuring items	550	514	1,144	953

(3) On September 30, 2004, ACE became the successor and parent holding company of the reorganized Air Canada and its subsidiaries. As a result, the Predecessor Company transferred its cash and cash equivalents to the Successor Company. The figure provided for the three months and nine months ended September 30, 2004 corresponds to the cash and cash equivalents of ACE, the Successor Company, on September 30, 2004.

(4) Beginning in October 2004, Aeroplan redemption revenues related to points redeemed for air travel on Air Canada and Jazz are reflected in passenger revenues. Prior to October 2004, these revenues were recorded in other revenues. Refer to page 5 of the MD&A for more information.

(5) Excludes maintenance down-time.

(6) Excludes third party carriers operating under capacity purchase arrangements.

(7) Includes all fuel handling expense.