ACE AVIATION

News Release

ACE AVIATION HOLDINGS INC. REPORTS SECOND QUARTER NET INCOME OF $236 MILLION AND OPERATING INCOME OF $181 MILLION; ANNOUNCES PLANS TO SURFACE SHAREHOLDER VALUE

SECOND QUARTER OVERVIEW

- Net income of $236 million compared to net income of $169 million in the second quarter 2005.
- Operating income of $181 million compared to operating income in the 2005 quarter of $178 million.
- EBITDAR for the quarter of $434 million, an improvement of $39 million from the 2005 quarter.
- Passenger revenues up $188 million or 9 per cent, driven by a 3 per cent yield improvement and 5 per cent growth in traffic.
- Fuel expense increase of $101 million or 19 per cent over the prior year's quarter.

MONTRÉAL, August 11, 2006 – ACE Aviation Holdings Inc. (ACE) today reported net income of $236 million for the second quarter 2006 compared to net income of $169 million in the 2005 quarter. ACE reported operating income of $181 million for the quarter, despite a fuel expense increase of $101 million or 19 per cent over the second quarter of 2005. Operating income increased by $3 million compared to the second quarter of 2005. Net income includes foreign exchange gains of $107 million (2005 losses of $53 million).

The 2006 quarter also includes a pre-tax gain of $100 million ($83 million after tax) on the sale of 3.25 million shares of US Airways. The non-recurring items in the 2005 quarter, principally related to the initial public offering of Aeroplan, amounted to $161 million ($143 million after tax).

Passenger revenues were up $188 million or 9 per cent reflecting increases in all markets due to a 3 per cent improvement in passenger revenue per revenue passenger mile (yield) and a 5 per cent growth in passenger traffic, as measured by revenue passenger miles (RPMs), on a capacity growth of 3 percent. Unit cost, as measured by operating expense per available seat mile (ASM), rose 6 per cent from the same period in 2005. Excluding fuel expense, unit cost was up 4 per cent and included the effect of growth in non-ASM producing businesses.

EBITDAR[(1)] for ACE amounted to $434 million, an improvement of $39 million from the second quarter 2005, reflecting improvements in all segments with the exception of ACTS. EBITDAR for Transportation Services, Aeroplan and Jazz were up $22 million, $8 million and $29 million, respectively, while ACTS showed a decrease of $20 million.

"I am pleased to report a strong second quarter from both an operating and financial perspective," said Robert Milton, Chairman, President and Chief Executive Officer, ACE Aviation Holdings Inc. "Air Canada's revenue performance remains positive with the airline reporting a $188 million or 9 per cent increase in revenues over the previous year. This growth was achieved without the benefit of domestic traffic and yield gains derived from Jetsgo's demise in March 2005, and despite the negative impact of a strong Canadian dollar on revenues in international and transborder markets.

"Record fuel costs continued to impact the airline's cost performance with oil prices now hovering around US$75 a barrel on the WTI index.

"Both Aeroplan and Jazz provided value to their investors during the quarter. Aeroplan reported another strong performance in the quarter with record gross billings as well as a 23 per cent increase in operating income over the previous year. ACE's loyalty marketing company recorded $44 million in distributable cash. The increase in distributions announced in May will become effective in the third quarter.

"I am also pleased at the strong results achieved by Jazz since it became a publicly traded company in February. Our regional carrier reported a profit of $35.6 million for the quarter and recorded over $33 million in distributable cash to its investors. This solid performance clearly reflects the stability inherent in its Capacity Purchase Agreement with Air Canada.

"ACE's wholly-owned Maintenance, Repair and Overhaul (MRO) business, ACTS, reported a modest operating income in the quarter and I am encouraged by the progress being made by the new leadership team. The changes being fast tracked by the new team are starting to pay off and I remain positive on the prospects and value of this business.

"ACE's investment in US Airways has proved to be highly successful and our original investment of US$75 million has tripled, yielding over US$206 million in net proceeds to date and a remaining stake valued at US$20 million," said Mr. Milton.

PLANS TO SURFACE SHAREHOLDER VALUE

ACE also said today that its Board of Directors has completed a review of progress on the implementation of its strategic plan. A key feature of the review is the adoption of plans to surface value for ACE shareholders over the medium and longer term by further illuminating the value of its subsidiaries.

The Board has identified the following initiatives, market conditions permitting, to create further value:

- Launching of an initial public offering (IPO) of a minority stake in Air Canada in late 2006;
- Commencing a process in late 2006 to monetize ACTS;
- Pursuing opportunities that realize the value of its investment in Aeroplan and Jazz.

In connection with these plans, ACE intends, subject to shareholder and Court approval under the Canada Business Corporations Act, to enter into a plan of arrangement. The plan would provide the Board of ACE with the authority to reduce the capital of the Corporation up to an aggregate amount of approximately $2 billion over time, but without any maximum time limit. A special meeting of shareholders will be convened in October 2006 to review the proposed plan of arrangement.

"The Board has reaffirmed its strategy to maximize shareholder value by surfacing the underlying value of the subsidiaries.

"The IPOs of Aeroplan and Jazz in June 2005 and February 2006 were very successful. Since then, both businesses have developed well as stand-alone businesses with outside investors and have delivered strong financial results. We expect both Air Canada and ACTS to benefit in a similar way as we move ahead.

"The execution of the initiatives above should facilitate unlocking the value of ACE's assets which is not being adequately recognized by the market," concluded Mr. Milton.

(1) Non-GAAP Measures

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 depreciation, amortization and obsolescence as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. 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 Consolidated Highlights or ACE's Quarter 2 2006 Management's Discussion and Analysis (MD&A) for a reconciliation of EBITDAR to operating income (loss).

For further information on ACE's public disclosure file, including ACE's Annual Information Form, please consult SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar.shtml

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this news release may contain forward-looking statements. 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. 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. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, 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 or disputes, restructuring, pension issues, currency exchange and interest rates, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout ACE's filings with securities regulators in Canada and the United States and, in particular, those identified in the Risk Factors section to ACE's 2005 MD&A dated February 9, 2006. The forward-looking statements contained herein represent ACE's expectations as of the date they are made 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, except as required under applicable securities regulations.*

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INFORMATION

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ACE AVIATION

Consolidated
HIGHLIGHTS

Financial (Canadian dollars in millions unless stated otherwise)	**Quarter 2 2006**	Quarter 2 2005	$ Change	**YTD Quarter 2 2006**	YTD Quarter 2 2005	$ Change
Operating revenues	**2,682**	2,458	224	**5,166**	4,635	531
Operating income	**181**	178	3	**119**	168	(49)
Non-operating income	**52**	104	(52)	**221**	41	180
Income before non-controlling interest, foreign exchange and provision of income taxes	**233**	282	(49)	**340**	209	131
Income for the period	**236**	169	67	**354**	92	262
Operating margin	**6.7%**	7.2%	(0.5) pp	**2.3%**	3.6%	(1.3) pp
EBITDAR (1)	**434**	395	39	**619**	595	24
EBITDAR, excluding special labour charges (1)	**434**	395	39	**652**	595	57
EBITDAR margin	**16.2%**	16.1%	0.1 pp	**12.0%**	12.8%	(0.8) pp
Cash, cash equivalents and short-term investments	**2,822**	2,782	40	**2,822**	2,782	40
Cash flows from operations	**210**	339	(129)	**567**	653	(86)
Weighted average common shares used for computation - basic	**102**	101	1	**102**	95	7
Weighted average common shares used for computation - diluted	**120**	118	2	**120**	106	14
Earnings per share - basic	**$2.32**	$1.68	$0.64	**$3.47**	$0.97	$2.50
Earnings per share - diluted	**$2.05**	$1.50	$0.55	**$3.16**	$0.93	$2.23

Operating Statistics	**Quarter 2 2006**	Quarter 2 2005	% Change	**YTD Quarter 2 2006**	YTD Quarter 2 2005	% Change
Revenue passenger miles (millions) (RPM)	**12,248**	11,613	5	**23,488**	22,199	6
Available seat miles (millions) (ASM)	**14,926**	14,487	3	**29,213**	28,053	4
Passenger load factor	**82.1%**	80.2%	1.9 pp	**80.4%**	79.1%	1.3 pp
Passenger revenue yield per RPM (cents)	**18.6**	18.1	3	**18.3**	17.3	6
Passenger revenue per ASM (cents)	**15.3**	14.5	6	**14.7**	13.7	8
Operating revenue per ASM (cents)	**18.0**	17.0	6	**17.7**	16.5	7
Operating expense per ASM (cents)	**16.8**	15.7	6	**17.3**	15.9	8
Operating expense per ASM, excluding fuel expense (cents)	**12.5**	12.1	4	**13.2**	12.6	5
Operating expense per ASM, excluding fuel expense and special labour charges (cents) (2)	**12.5**	12.1	4	**13.1**	12.6	4
Average number of full-time equivalent (FTE) employees (thousands)	**33.0**	32.4	2	**33.0**	32.0	3
Available seat miles per FTE employee (thousands)	**452**	448	1	**885**	877	1
Operating revenue per FTE employee (thousands)	**$81**	$76	7	**$156**	$145	8
Aircraft in operating fleet at period end (3)	**329**	295	12	**329**	295	12
Average aircraft utilization (hours per day) (4)(5)	**10.2**	10.6	(4)	**10.2**	10.5	(3)
Average aircraft flight length (miles) (5)	**862**	857	1	**861**	860	0
Fuel price per litre (cents) (6)	**67.4**	59.6	13	**65.5**	54.6	20
Fuel litres (millions)	**932**	884	6	**1,822**	1,721	6

(1) 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 depreciation, amortization and obsolescence as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. 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 is reconciled to operating income as follows:
($ millions)

	Quarter 2 2006	Quarter 2 2005	**YTD Quarter 2 2006**	YTD Quarter 2 2005
Operating income	**181**	178	**119**	168
Add back:				
Aircraft rent	**113**	98	**226**	188
Depreciation, amortization & obsolescence	**140**	119	**274**	239
EBITDAR	**434**	395	**619**	595
Add back:				
Special labour charges	**-**	-	**33**	-
EBITDAR excluding labour charges	**434**	395	**652**	595

(2) Special labour charges of $33 million were recorded in Quarter 1 2006.
Operating expense per available seat mile, excluding fuel expense and special labour charges, is calculated as operating expense, removing fuel expense and special labour charges, divided by ASMs.
Refer to section 10 "Non-GAAP Financial Measures" of ACE's Quarter 2 2006 MD&A for additional information.
(3) Operating fleet excludes three chartered freighters in 2006 and 2005.
(4) Excludes maintenance down-time.
(5) Excludes third party carriers operating under capacity purchase arrangements.
(6) Includes fuel handling and fuel hedging expenses.

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Consolidated Statement of Operations and Retained Earnings

(in millions except per share figures - Canadian dollars) *(unaudited)*	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	**2006**	2005
Operating revenues				
Passenger	**$ 2,288**	$ 2,100	**$ 4,309**	$ 3,839
Cargo	**152**	147	**303**	282
Other	**242**	211	**554**	514
	2,682	2,458	**5,166**	4,635
Operating expenses				
Salaries, wages and benefits	**636**	622	**1,278**	1,235
Aircraft fuel	**631**	530	**1,200**	945
Aircraft rent	**113**	98	**226**	188
Airport and navigation fees	**245**	230	**475**	443
Aircraft maintenance, materials and supplies	**118**	89	**247**	183
Communications and information technology	**69**	78	**147**	155
Food, beverages and supplies	**82**	81	**162**	159
Depreciation, amortization and obsolescence	**140**	119	**274**	239
Commissions	**59**	73	**127**	138
Special charges for labour restructuring	**-**	-	**33**	-
Other	**408**	360	**878**	782
	2,501	2,280	**5,047**	4,467
Operating income	**181**	178	**119**	168
Non-operating income (expense)				
Interest income	**29**	15	**51**	27
Interest expense	**(91)**	(77)	**(179)**	(152)
Interest capitalized	**13**	3	**22**	6
Gain on sale of US Airways shares	**100**	-	**100**	-
Gain on sale of assets	**1**	-	**4**	-
Dilution gain	**-**	190	**220**	190
Other	**-**	(27)	**3**	(30)
	52	104	**221**	41
Income before the following items	**233**	282	**340**	209
Non-controlling interest	**(19)**	(4)	**(34)**	(7)
Foreign exchange gain (loss)	**107**	(53)	**120**	(68)
Provision for income taxes	**(85)**	(56)	**(72)**	(42)
Income for the period	**$ 236**	**$ 169**	**$ 354**	**$ 92**
Retained earnings, beginning of period as originally reported	**533**	80	**415**	157
Adjustment related to change in accounting policy	**(13)**	(16)	**(13)**	(16)
Retained earnings, beginning of period as restated	**520**	64	**402**	141
Retained earnings, end of period	**$ 756**	**$ 233**	**$ 756**	**$ 233**
Earnings per share				
- Basic	**$ 2.32**	**$ 1.68**	**$ 3.47**	**$ 0.97**
- Diluted	**$ 2.05**	**$ 1.50**	**$ 3.16**	**$ 0.93**

The notes are an integral part of the consolidated financial statements and are available on SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar.shtml

Consolidated Statement of Financial Position

(in millions of Canadian dollars) *(unaudited)*	June 30, 2006	December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	$ 2,055	$ 1,565
Short-term investments	767	616
	2,822	2,181
Restricted cash	26	86
Accounts receivable	778	637
Spare parts, materials and supplies	284	325
Prepaid expenses and other current assets	112	125
	4,022	3,354
Property and equipment	5,753	5,494
Deferred charges	126	145
Intangible assets	2,267	2,462
Investments and other assets	306	392
	$ 12,474	$ 11,847
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 1,425	$ 1,355
Advance ticket sales	968	711
Current portion of Aeroplan deferred revenues	731	680
Current portion of long-term debt and capital leases	280	265
	3,404	3,011
Long-term debt and capital leases	3,584	3,543
Convertible preferred shares	157	148
Future income taxes	187	221
Pension and other benefit liabilities	2,062	2,154
Non-controlling interest	221	203
Aeroplan deferred revenues	967	953
Other long-term liabilities	422	446
	11,004	10,679
SHAREHOLDERS' EQUITY		
Share capital and other equity	691	747
Contributed surplus	23	19
Retained earnings	756	402
	1,470	1,168
	$ 12,474	$ 11,847

The notes are an integral part of the consolidated financial statements and are available on SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar.shtml

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Consolidated Statement of Cash Flow

(in millions of Canadian dollars) *(unaudited)*	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	**2006**	2005
Cash flows from (used for)				
Operating				
Income for the period	**$ 236**	$ 169	**$ 354**	$ 92
Adjustments to reconcile to net cash provided by operations				
Depreciation, amortization and obsolescence	**140**	119	**274**	239
Gain on sale of US Airways shares	**(100)**	-	**(100)**	-
Gain on sale of assets	**(1)**	-	**(4)**	-
Dilution gain	**-**	(190)	**(220)**	(190)
Foreign exchange (gain) loss	**(134)**	40	**(130)**	55
Future income taxes	**86**	53	**71**	36
Employee future benefit funding more than expense	**(46)**	(6)	**(68)**	(14)
Decrease (increase) in accounts receivable	**(127)**	(108)	**(143)**	(199)
Decrease (increase) in spare parts, materials and supplies	**(25)**	(19)	**35**	(5)
Increase (decrease) in accounts payable and accrued liabilities	**(43)**	(40)	**55**	60
Increase (decrease) in advance ticket sales, net of restricted cash	**184**	219	**389**	438
Other	**40**	102	**54**	141
	210	339	**567**	653
Financing				
Issue of common shares	**1**	443	**3**	443
Issue of convertible notes	**-**	319	**-**	319
Issue of Aeroplan units	**-**	232	**-**	232
Issue of Jazz units	**-**	-	**218**	-
Credit facility borrowings - Aeroplan	**-**	318	**-**	318
Credit facility borrowings - Jazz	**-**	-	**113**	-
Aircraft related borrowings	**98**	-	**222**	-
Reduction of long-term debt and capital lease obligations	**(61)**	(627)	**(149)**	(767)
Distributions paid to non-controlling interests	**(14)**	-	**(22)**	-
Other	**-**	(5)	**-**	(5)
	24	680	**385**	540
Investing				
Short-term investments	**8**	(680)	**(151)**	(1,355)
Additions to capital assets	**(199)**	(57)	**(479)**	(95)
Proceeds from sale of assets	**-**	-	**-**	37
Sale of US Airways shares	**158**	-	**158**	-
Proceeds from sale of Aeroplan units	**-**	35	**-**	35
Proceeds from sale of Jazz units	**-**	-	**14**	-
Cash collaterization of letters of credit	**-**	-	**(4)**	(20)
	(33)	(702)	**(462)**	(1,398)
Increase (decrease) in cash and cash equivalents	**201**	317	**490**	(205)
Cash and cash equivalents, beginning of period	**1,854**	959	**1,565**	1,481
Cash and cash equivalents, end of period	**$ 2,055**	**$ 1,276**	**$ 2,055**	**$ 1,276**
Cash payments of interest	**$ 77**	**$ 56**	**$ 140**	**$ 109**
Cash payments of income taxes	**$ 3**	**$ 5**	**$ 6**	**$ 9**

Cash and cash equivalents exclude Short-term investments of $767 as at June 30, 2006 ($616 as at December 31, 2005)

The notes are an integral part of the consolidated financial statements and are available on SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar.shtml