

News Release

ACE AVIATION REPORTS 2006 FULL YEAR AND FOURTH QUARTER 2006 RESULTS

2006 FULL YEAR OVERVIEW

- EBITDAR of \$1,539 million (excluding special charges), an increase of \$185 million over 2005
- EBITDAR (excluding special charges) improvements of \$107 million at Air Canada Services, \$44 million at Aeroplan and \$72 million at Jazz
- Operating income of \$522 million (excluding special charges) compared to operating income of \$455 million in 2005 (despite a fuel expense increase of \$348 million or 16 per cent over 2005). Operating income of \$395 million after special charges
- Income before non-controlling interest, foreign exchange and income taxes of \$577 million, an increase of \$207 million on 2005
- Net proceeds of \$232 million raised from IPO of Jazz in February 2006
- \$232 million in proceeds from the sale of US Airways shares during quarters 2 and 3
- Net proceeds of \$491 million raised from Air Canada IPO in November 2006
- Distribution of Aeroplan units to ACE shareholders of \$251 million in March 2006. Further distribution amounting to \$899 million announced in December 2006, completed in January 2007

FOURTH QUARTER OVERVIEW

- EBITDAR of \$329 million (excluding special charges), an increase of \$121 million from the 2005 quarter
- EBITDAR improvements (excluding special charges) in all segments: Air Canada Services \$92 million, Aeroplan \$7 million, Jazz \$6 million, and ACTS \$20 million
- Operating income of \$73 million, compared to an operating loss in the 2005 quarter of \$34 million
- Income before non-controlling interest, foreign exchange and income taxes of \$46 million (including Air Canada IPO dilution gain of \$25 million) compared to a loss of \$122 million in the 2005 quarter (including provisions on assets of \$30 million)

MONTREAL, February 9, 2007 – ACE Aviation Holdings Inc. (ACE) today reported operating income of \$522 million (excluding special charges) for the full year 2006, representing an improvement of \$67 million from 2005 (despite a fuel expense increase of \$348 million or 16 per cent over 2005).

EBITDAR⁽¹⁾ for ACE amounted to \$1,539 million (excluding special charges), an improvement of \$185 million from 2005. Air Canada Services reported EBITDAR of \$1,043 million (excluding special charges), an increase of \$107 million. EBITDA at Aeroplan amounted to

\$154 million, representing an improvement of \$44 million, driven by increased redemptions, higher average revenue recognized per Aeroplan mile, and a lower average cost per mile redeemed. Jazz EBITDAR amounted to \$299 million, an improvement of \$72 million. ACTS reported EBITDA (excluding special charges) of \$34 million for the year.

For the fourth quarter of 2006, ACE reported operating income of \$73 million. This represented an improvement of \$107 million from 2005. EBITDAR for ACE in the fourth quarter amounted to \$329 million (excluding special charges), an improvement of \$121 million from the fourth quarter 2005. Air Canada Services reported EBITDAR (excluding special charges) of \$197 million, an increase of \$92 million. EBITDA at Aeroplan amounted to \$40 million, representing an improvement of \$7 million. Jazz EBITDAR amounted to \$72 million, an improvement of \$6 million. ACTS reported EBITDA of \$20 million for the quarter, an improvement of \$20 million.

"I am pleased with our strong progress during 2006 in the implementation of ACE's business strategy," said Robert Milton, Chairman, President and Chief Executive Officer, ACE Aviation Holdings Inc. "We have delivered strong financial results for the year and we've also made excellent progress in delivering shareholder value.

"During the year we further highlighted the value of ACE and its businesses. The completion of the IPOs of both Jazz and Air Canada during 2006, means that the value of three of our four major investments are recognized by the public market. We are now actively pursuing the monetization of our fourth principal investment, ACTS. In addition, we made distributions to our shareholders of \$251 million in March 2006 and \$899 million in January 2007.

"In the fourth quarter, Air Canada Services delivered a strong revenue driven performance. Aeroplan reported another strong quarter with a \$7 million increase in operating income over the previous year. Jazz reported operating income of \$33 million for the quarter.

"I am particularly pleased with the results reported by ACTS. ACTS delivered EBITDA of \$20 million in the quarter, an improvement of a similar amount over the 2005 quarter. This together with its improved performance in quarter 3 and the announcement of the acquisition of an 80 per cent interest in the Aeroman business in El Salvador reflects the real progress being made by the new management team. I am excited about the prospects for this business as we continue the monetization process. "

(1) Non-GAAP Measures

Special charges refer to expenses recorded in 2006 related to obligations for the redemption of Aeroplan Miles issued before 2002 and labour restructuring. 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. For segments without aircraft rent, such as Aeroplan and ACTS, EBITDA is used to view operating results before depreciation, amortization and obsolescence as these costs can vary significantly among companies due to differences in the way companies finance their assets. EBITDAR and EBITDA are not recognized measures for financial statement presentation under GAAP and do not have standardized meaning and is therefore not likely to be comparable to similar measures presented by other public companies. Readers should refer to Consolidated Highlights or ACE's 2006 Management's Discussion and Analysis (MD&A) which will be filed on SEDAR for a reconciliation of EBITDAR and EBITDA 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, 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 2006 MD&A which will be filed on SEDAR. 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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For the year ended December 31 (in millions – Canadian dollars)	Unaudited 2006	Unaudited 2005
Operating revenues		
Passenger	\$ 8,969	\$ 8,269
Cargo	625	620
Other	1,063	941
	10,657	9,830
Special charge for Aeroplan miles	(102)	-
	10,555	9,830
Operating expenses		
Salaries, wages and benefits	2,553	2,517
Aircraft fuel	2,546	2,198
Aircraft rent	441	417
Airport and navigation fees	983	924
Aircraft maintenance, materials and supplies	471	367
Communications and information technology	289	303
Food, beverages and supplies	335	334
Depreciation, amortization and obsolescence	576	482
Commissions	236	253
Special charge for labour restructuring	25	-
Other	1,705	1,580
	10,160	9,375
Operating income	395	455
Non-operating income (expense)		
Interest income	120	66
Interest expense	(378)	(315)
Interest capitalized	61	14
Gain on sale of US Airways shares	152	-
Dilution gain – Air Canada	25	-
Dilution gain – Jazz	220	-
Dilution gain – Aeroplan	-	190
Loss on sale of and provisions on assets	(4)	(28)
Other	(14)	(12)
	182	(85)
Income before non-controlling interest, foreign exchange and income taxes	\$ 577	\$ 370

2006 versus 2005

The following table reflects the income / loss before non-controlling interest, foreign exchange, and income taxes of ACE and its reportable segments and earnings before interest, taxes, depreciation, amortization and obsolescence, and aircraft rent (EBITDAR), which is a non-GAAP measure, for 2006 and 2005.

UNAUDITED (in millions - Canadian dollars)	2006						2005					
	Air Canada Services	Aeroplan	Jazz	ACTS	CIE	ACE Total	Air Canada Services	Aeroplan	Jazz	ACTS	CIE	ACE Total
Operating revenue												
Passenger revenue	\$ 8,887	\$ -	\$ -	\$ -	\$ 82	\$ 8,969	\$ 8,197	\$ -	\$ 2	\$ -	\$ 70	\$ 8,269
Cargo revenue	625	-	-	-	-	625	620	-	-	-	-	620
Other revenue	558	759	7	228	(489)	1,063	537	627	8	187	(418)	941
External revenue	10,070	759	7	228	(407)	10,657	9,354	627	10	187	(348)	9,830
Inter-segment revenue	169	10	1,374	627	(2,180)	-	155	13	1,013	567	(1,748)	-
	10,239	769	1,381	855	(2,587)	10,657	9,509	640	1,023	754	(2,096)	9,830
Special charge for Aeroplan miles	(102)	-	-	-	-	(102)	-	-	-	-	-	-
	10,137	769	1,381	855	(2,587)	10,555	9,509	640	1,023	754	(2,096)	9,830
Operating expenses												
Salary, wages, and benefits	1,816	79	311	331	16	2,553	1,857	71	265	308	16	2,517
Aircraft fuel	2,544	-	285	1	(284)	2,546	2,197	-	177	1	(177)	2,198
Aircraft rent	314	-	134	-	(7)	441	341	-	80	-	(4)	417
Airport user fees	982	-	178	-	(177)	983	924	-	124	-	(124)	924
Aircraft maintenance, materials, and supplies	768	-	98	234	(629)	471	693	-	68	174	(568)	367
Depreciation, amortization, and obsolescence	493	14	21	31	17	576	404	8	18	32	20	482
Food, beverages and supplies	322	-	15	-	(2)	335	326	-	8	-	-	334
Commissions	237	-	-	-	(1)	236	253	-	-	-	-	253
Capacity purchase fees paid to Jazz	871	-	-	-	(871)	-	693	-	-	-	(693)	-
Special charge for labour restructuring	20	-	-	5	-	25	-	-	-	-	-	-
Other operating expenses	1,656	536	195	255	(648)	1,994	1,630	459	154	192	(552)	1,883
	10,023	629	1,237	857	(2,586)	10,160	9,318	538	894	707	(2,082)	9,375
Operating income (loss)	114	140	144	(2)	(1)	395	191	102	129	47	(14)	455
Non-operating income (expense)												
Interest income	82	20	6	1	11	120	48	6	1	-	11	66
Interest expense	(313)	(15)	(8)	(18)	(24)	(378)	(270)	(5)	(16)	(14)	(10)	(315)
Interest capitalized	62	-	(1)	-	-	61	14	-	-	-	-	14
Gain on sale of US Airways shares	-	-	-	-	152	152	-	-	-	-	-	-
Dilution gain - Air Canada	-	-	-	-	25	25	-	-	-	-	-	-
Dilution gain - Jazz	-	-	-	-	220	220	-	-	-	-	-	-
Dilution gain - Aeroplan	-	-	-	-	-	-	-	-	-	-	190	190
Gain (loss) on sale of and provisions on assets	(6)	-	-	-	2	(4)	(31)	-	4	-	(1)	(28)
Other non-operating income (expense)	(16)	(1)	(1)	1	3	(14)	15	(3)	-	-	(24)	(12)
	(191)	4	(4)	(16)	389	182	(224)	(2)	(11)	(14)	166	(85)
Income (loss) before non-controlling interest, foreign exchange and income taxes	(77)	144	140	(18)	388	577	(33)	100	118	33	152	370
EBITDAR	921	154	299	29	9	1,412	936	110	227	79	2	1,354
EBITDAR excluding special charges	1,043	154	299	34	9	1,539	936	110	227	79	2	1,354

Quarter 4 2006 versus Quarter 4 2005

The following table reflects the income / loss before non-controlling interest, foreign exchange, and income taxes of ACE and its reportable segments and earnings before interest, taxes, depreciation, amortization and obsolescence, and aircraft rent (EBITDAR), which is a non-GAAP measure, for quarter 4 2006 and quarter 4 2005.

UNAUDITED (in millions - Canadian dollars)	Quarter 4 2006						Quarter 4 2005					
	Air Canada Services	Aeroplan	Jazz	ACTS	CIE	ACE Total	Air Canada Services	Aeroplan	Jazz	ACTS	CIE	ACE Total
Operating revenue												
Passenger revenue	\$ 2,071	\$ -	\$ -	\$ -	\$ 25	\$ 2,096	\$ 1,949	\$ -	\$ 1	\$ -	\$ 19	\$ 1,969
Cargo revenue	165	-	-	-	-	165	176	-	-	-	-	176
Other revenue	138	205	2	64	(126)	283	111	149	5	39	(87)	217
External revenue	2,374	205	2	64	(101)	2,544	2,236	149	6	39	(68)	2,362
Inter-segment revenue	41	3	350	164	(558)	-	35	5	298	153	(491)	-
	2,415	208	352	228	(659)	2,544	2,271	154	304	192	(559)	2,362
Operating expenses												
Salary, wages, and benefits	443	21	82	85	3	634	463	19	75	85	5	647
Aircraft fuel	583	-	69	-	(68)	584	577	-	62	1	(62)	578
Aircraft rent	75	-	34	-	(2)	107	90	-	28	-	(1)	117
Airport user fees	232	-	46	-	(45)	233	222	-	37	-	(37)	222
Aircraft maintenance, materials, and supplies	205	-	27	56	(164)	124	180	-	18	56	(150)	104
Depreciation, amortization, and obsolescence	135	3	5	8	6	157	106	3	4	8	4	125
Food, beverages and supplies	76	-	4	-	-	80	78	-	3	-	-	81
Commissions	49	-	-	-	(1)	48	47	-	-	-	-	47
Capacity purchase fees paid to Jazz	224	-	-	-	(224)	-	194	-	-	-	(194)	-
Special charge for labour restructuring	(8)	-	-	-	-	(8)	-	-	-	-	-	-
Other operating expenses	406	147	52	67	(160)	512	405	102	43	50	(125)	475
	2,420	171	319	216	(655)	2,471	2,362	124	270	200	(560)	2,396
Operating income (loss)	(5)	37	33	12	(4)	73	(91)	30	34	(8)	1	(34)
Non-operating income (expense)												
Interest income	24	6	2	1	3	36	14	4	-	-	1	19
Interest expense	(88)	(4)	(2)	(6)	(5)	(105)	(74)	(2)	(3)	(4)	(4)	(87)
Interest capitalized	22	-	-	-	-	22	6	-	-	-	-	6
Dilution gain - Air Canada	-	-	-	-	25	25	-	-	-	-	-	-
Gain (loss) on sale of and provisions on assets	(10)	-	-	-	6	(4)	(30)	-	1	-	(1)	(30)
Other non-operating income (expense)	-	-	(1)	-	-	(1)	(2)	(3)	-	-	9	4
	(52)	2	(1)	(5)	29	(27)	(86)	(1)	(2)	(4)	5	(88)
Income (loss) before non-controlling interest, foreign exchange and income taxes	\$ (57)	\$ 39	\$ 32	\$ 7	\$ 25	\$ 46	\$ (177)	\$ 29	\$ 32	\$ (12)	\$ 6	\$ (122)
EBITDAR	205	40	72	20	-	337	105	33	66	-	4	208
EBITDAR excluding special charges	197	40	72	20	-	329	105	33	66	-	4	208

Cash and Short-term Investments

<i>UNAUDITED</i>							
						2006	
(in millions – Canadian dollars)	Air Canada Services	Aeroplan	Jazz	ACTS	CIE	Total	
Cash and cash equivalents	\$ 1,312	\$ 167	\$ 135	\$ -	\$ 240	\$ 1,854	
Short-term investments	798	453	-	-	73	1,324	
	\$ 2,110	\$ 620	\$ 135	\$ -	\$ 313	\$ 3,178	

							2005
(in millions – Canadian dollars)	Air Canada Services	Aeroplan	Jazz	ACTS	CIE	Total	
Cash and cash equivalents	\$ 1,000	\$ 366	\$ 34	\$ -	\$ 165	\$ 1,565	
Short-term investments	302	99	-	-	215	616	
	\$ 1,302	\$ 465	\$ 34	\$ -	\$ 380	\$ 2,181	

Long-term Debt and Capital Leases

<i>UNAUDITED</i>						
(in millions – Canadian dollars)	Final Maturity	Stated Interest Rate			2006	2005
ACE:						
Convertible senior notes	2035	4.25	\$		263	\$ 247
Air Canada:						
Embraer aircraft financing	2017 – 2021	6.89 – 8.49			776	393
Conditional sales agreements	2019	8.26 – 8.28			184	193
Lufthansa cooperation agreement	2009	6.50			44	59
GE loan	2015	11.12			48	51
Revolving credit facility	2010	-			-	-
Aeroplan:						
Credit facilities	2009	5.30			300	300
Jazz:						
Senior syndicated credit facility	2009	7.09			115	-
Term loans and credit facilities					-	14
Other	2007 – 2010	4.32 – 9.10			5	8
Direct Corporation debt					1,735	1,265
Air Canada:						
Aircraft and engine leasing entities – debt					1,051	1,125
Fuel facility corporations – debt					59	53
Debt consolidated under AcG-15 (1)					1,110	1,178
Air Canada:						
Capital lease obligations	2008 – 2027				1,281	1,365
Total debt and capital leases					4,126	3,808
Current portion					(367)	(265)
Long-term debt and capital leases					\$ 3,759	\$ 3,543

The Stated Interest Rate in the table above is the rate as of December 31, 2006.

(1) – CICA HB Accounting Guideline 15, Variable Interest Entities ("AcG-15")

Non-GAAP Financial Measures – EBITDAR/EBITDA

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, obsolescence and amortization, as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. For segments without aircraft rent, such as Aeroplan and ACTS, EBITDA (earnings before interest, taxes, depreciation, amortization and obsolescence) is used to view operating results before depreciation, amortization and obsolescence, as these costs can vary significantly among companies due to differences in the way companies finance their assets. EBITDAR and EBITDA are not recognized measures for financial statement presentation under GAAP and do not have a standardized meaning and are therefore not likely to be comparable to similar measures presented by other public companies. EBITDAR and EBITDA are reconciled to operating income (loss) as follows:

UNAUDITED <i>(in millions - Canadian dollars)</i>	Quarter 4					
	2006	2005	Change	2006	2005	Change
Air Canada Services						
GAAP operating income (loss)	(5)	(91)	86	114	191	(77)
Add back:						
Aircraft rent	75	90	(15)	314	341	(27)
Depreciation, amortization and obsolescence	135	106	29	493	404	89
EBITDAR	205	105	100	921	936	(15)
Add back:						
Special charge for labour restructuring	(8)	-	(8)	20	-	20
Special charge for Aeroplan miles	-	-	-	102	-	102
EBITDAR excluding special charges	197	105	92	1,043	936	107
Aeroplan						
GAAP operating income	37	30	7	140	102	38
Add back:						
Depreciation, amortization and obsolescence	3	3	-	14	8	6
EBITDA	40	33	7	154	110	44
Jazz						
GAAP operating income	33	34	(1)	144	129	15
Add back:						
Aircraft rent	34	28	6	134	80	54
Depreciation, amortization and obsolescence	5	4	1	21	18	3
EBITDAR	72	66	6	299	227	72
ACTS						
GAAP operating income (loss)	12	(8)	20	(2)	47	(49)
Add back:						
Depreciation, amortization and obsolescence	8	8	-	31	32	(1)
EBITDA	20	-	20	29	79	(50)
Add back:						
Special charge for labour restructuring	-	-	-	5	-	5
EBITDA excluding special charges	20	-	20	34	79	(45)
Consolidated Total						
GAAP operating income (loss)	73	(34)	107	395	455	(60)
Add back:						
Aircraft rent	107	117	(10)	441	417	24
Depreciation, amortization and obsolescence	157	125	32	576	482	94
EBITDAR	337	208	129	1,412	1,354	58
Add back:						
Special charge for labour restructuring	(8)	-	(8)	25	-	25
Special charge for Aeroplan miles	-	-	-	102	-	102
EBITDAR excluding special charges	329	208	121	1,539	1,354	185

Operating Income excluding the Special Charge for Aeroplan miles and the Special Charge for Labour Restructuring

ACE uses operating income excluding the special charges for Aeroplan miles and labour restructuring to assess the operating performance of its ongoing business without the effects of these special charges. These items are excluded from ACE financial results and from Air Canada Services and ACTS segment results as they could potentially distort the analysis of trends in business performance. The special charge for Aeroplan miles is the full and final settlement between the parties in connection with Air Canada's obligations for the redemption of pre-2002 miles. The special charge for labour restructuring is the total cost of the 20 percent non-unionized workforce reduction plan announced in February 2006. The special charges for Aeroplan miles and labour restructuring are not reflective of ACE underlying financial performance.

The following measure is not a recognized measure for financial statement presentation under Canadian GAAP and does not have a standardized meaning and is therefore not likely to be comparable to similar measures presented by other public companies.

Operating income excluding the special charge for Aeroplan miles and the special charge for labour restructuring is reconciled to operating income as follows:

UNAUDITED <i>(in millions - Canadian dollars)</i>	Quarter 4			2006	2005	Change
	2006	2005	Change			
ACE						
GAAP operating income (loss)	73	(34)	107	395	455	(60)
Add back:						
Special charge for Aeroplan miles	-	-	-	102	-	102
Operating income (loss), excluding the special charge for Aeroplan miles	73	(34)	107	497	455	42
Add back:						
Special charge for labour restructuring	(8)	-	(8)	25	-	25
Operating income (loss), excluding the special charges for Aeroplan miles and labour restructuring	65	(34)	99	522	455	67

UNAUDITED <i>(in millions - Canadian dollars)</i>	Quarter 4			2006	2005	Change
	2006	2005	Change			
ACTS						
GAAP operating income (loss)	12	(8)	20	(2)	47	(49)
Add back:						
Special charge for labour restructuring	-	-	-	5	-	5
Operating income (loss), excluding the special charge for labour restructuring	12	(8)	20	3	47	(44)

UNAUDITED <i>(in millions - Canadian dollars)</i>	Quarter 4			2006	2005	Change
	2006	2005	Change			
Air Canada Services						
GAAP operating income (loss)	(5)	(91)	86	114	191	(77)
Add back:						
Special charge for Aeroplan miles	-	-	-	102	-	102
Operating income (loss), excluding the special charge for Aeroplan miles	(5)	(91)	86	216	191	25
Add back:						
Special charge for labour restructuring	(8)	-	(8)	20	-	20
Operating income (loss), excluding the special charges for Aeroplan miles and labour restructuring	(13)	(91)	78	236	191	45