ACE AVIATION

News Release

ACE AVIATION REPORTS SECOND QUARTER NET INCOME OF $118 MILLION

SECOND QUARTER OVERVIEW

- EBITDAR[1] of $342 million (excluding special charges).
- Operating income (excluding special charges) of $102 million.
- Net income of $118 million.
- Strong performance by ACTS with EBITDA[1] of $26 million (excluding special charges), $18 million up over second quarter 2006.
- Distributions of Aeroplan and Jazz units to ACE shareholders totaling $0.5 billion during the quarter.
- ACTS sale transaction announced in June 2007 at an enterprise value of approximately $975 million.
- ACE cash of $347 million at June 30, 2007.

MONTRÉAL, August 10, 2007 – ACE Aviation Holdings Inc. (ACE) today reported EBITDAR[1] of $342 million (excluding special charges) and operating income (excluding special charges) of $102 million for the second quarter of 2007.

Special labour charges amounting to $6 million were recorded in the 2007 quarter related to the termination of a heavy maintenance contract at ACTS. After special charges, EBITDAR[1] and operating income amounted to $336 million and $96 million respectively.

ACE ceased to consolidate the results and financial position of Jazz Air LP with effect from May 24, 2007, and is accounting for its 49 per cent investment in Jazz under the equity method. This, together with the equity accounting for Aeroplan from March 14, 2007, means that ACE's results for the second quarter 2007 are not directly comparable to the results for the 2006 quarter.

Net income of $118 million was recorded for the second quarter of 2007. This included foreign exchange gains of $158 million.

Air Canada reported EBITDAR[1] of $295 million, a reduction of $19 million. Passenger revenues at $2,336 million increased by $74 million or 3 per cent over the 2006 quarter, primarily reflecting traffic growth of 3 per cent on a capacity increase of 2 per cent. This increase was offset by a decline of $17 million in cargo revenues, driven by freighter capacity reduction. Operating costs rose $84 million or 3 per cent over the 2006 quarter, largely driven by increases in wages and salaries, fleet introduction and aircraft return and subleasing costs.

Aeroplan delivered a strong performance in the quarter with a 13 per cent increase in gross billings, a 21 per cent increase in operating revenues and a 43 per cent increase in EBITDA[1].

Jazz delivered a solid performance in the quarter with EBITDAR of $78 million, an improvement of $2 million on the 2006 quarter.

ACTS reported a strong EBITDA[1] (excluding special charges) of $26 million for the quarter, an improvement of $18 million on the 2006 quarter.

“The results for the quarter demonstrate very good performances by Aeroplan, Jazz and ACTS,” said Robert Milton, Chairman, President and Chief Executive Officer, ACE Aviation Holdings Inc.

“The results for Air Canada for the quarter are behind the 2006 quarter, primarily due to cost increases in a number of captions. On the positive side, Air Canada continues to make good progress on its fleet replacement and related subleasing program which should yield improved operating results in the remainder of 2007 and beyond. In addition, Air Canada reported that the solvency deficit on its registered domestic pension plans fell from $1.66 billion on January 1, 2006 to $0.54 billion on January 1, 2007. This will result in a reduction to Air Canada’s previously projected pension plan cash funding obligations in 2007 and beyond.

“ACTS continued to build on the progress made in recent quarters. ACTS delivered EBITDA[1] of $26 million in the quarter (excluding special labour charges), an improvement of $18 million over the 2006 quarter. Management continues to strategically develop and operationally improve the business. In addition, the business continues to win new contracts.

“During the quarter, we returned $0.5 billion of capital to shareholders in the form of Aeroplan and Jazz units’ distributions. This represents the third and final installment in the return of $2 billion of capital to shareholders under the plan of arrangement approved in October 2006.

“On June 22, we also announced the sale of a 70 per cent interest in ACTS to a consortium consisting of Sageview Capital and KKR. The transaction, which implies an enterprise value of approximately $975 million for 100 per cent of ACTS, is expected to close in the current quarter.

STRATEGIC UPDATE

With the monetization of ACTS, ACE has fully executed the initiatives announced in August 2006 to surface shareholder value.

Over the past number of months, the Board has also actively considered ACE’s strategic options to maximize shareholder value.

The Board will further consider specific actions in relation to each of the assets of the corporation and also how excess cash can be distributed to shareholders.

Further announcements will be made in due course.

(1) Non-GAAP Measures

Special charges refer to expenses recorded in 2007 related to restructuring at ACTS and expenses recorded in 2006 related to 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 businesses 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 are therefore not likely to be comparable to similar measures presented by other public companies. Readers should refer to ACE's Quarter 2 2007 Management's Discussion and Analysis (MD&A) for a reconciliation of EBITDAR and EBITDA to operating income (loss) for the quarter.

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

<u>CAUTION REGARDING FORWARD-LOOKING INFORMATION</u>

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 risk 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 of ACE's 2006 Annual Management's Discussion and Analysis dated February 14, 2007 and section 15 of ACE's Quarter 2 2007 Management's Discussion and Analysis of Results dated August 9,2007. 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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