

News Release

ACE AVIATION REPORTS SECOND QUARTER 2008 RESULTS

SECOND QUARTER OVERVIEW

- Net income of \$830 million.
- Operating loss of \$2 million.
- EBITDAR of \$238 million including EBITDAR of \$249 million at Air Canada.
- Secondary offering of Aeroplan units in April 2008 for net cash proceeds of \$343 million.
- Sale of remaining stakes in Aeroplan and Jazz in early June 2008 for net cash proceeds of \$349 million and \$85 million respectively.
- Substantial issuer bid of \$500 million completed in June 2008.
- ACTS Aero stake increased to 27.8% in June 2008 following exercise of put option by Grupo TACA related entity for US\$18.4 million.
- ACE cash of \$828 million at June 30, 2008.

MONTRÉAL, August 8, 2008 – ACE Aviation Holdings Inc. (ACE) today reported net income of \$830 million for the second quarter of 2008. This included pre-tax gains of \$908 million from the sale of Aeroplan and Jazz units in the quarter.

ACE recorded an operating loss of \$2 million for the quarter. Air Canada reported operating income of \$7 million, a decrease of \$81 million from the second quarter 2007, on a comparative basis.

EBITDAR⁽¹⁾ for ACE amounted to \$238 million. Air Canada reported EBITDAR of \$249 million for the quarter, a decrease of \$50 million over second quarter 2007.

“I am pleased with ACE’s continued progress on the execution of its strategy,” said Robert Milton, Chairman, President and Chief Executive Officer, ACE Aviation Holdings Inc.

“In April 2008, we raised a further \$343 million in cash through a secondary offering of Aeroplan units. In June, we also raised a total of \$434 million by way of the sale of our remaining holdings in Aeroplan and Jazz, and we completed a \$500 million substantial issuer bid.

“We are now actively exploring options for our 75 per cent interest in Air Canada to maximize value for our shareholders,” 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 standardized meaning and is therefore not likely to be comparable to similar measures presented by other public companies. Readers should refer to ACE's Second Quarter 2008 Management's Discussion and Analysis (MD&A) for a reconciliation of EBITDAR and EBITDAR (before the provision for cargo investigations) 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 acts, 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 of ACE's 2007 MD&A dated February 7, 2008 and in Section 11 of ACE's Second Quarter 2008 MD&A dated August 8, 2008. 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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Contacts:	Isabelle Arthur (Montréal)	(514) 422-5788
	Peter Fitzpatrick (Toronto)	(416) 263-5576
	Angela Mah (Vancouver)	(604) 270-5741

Internet: aceaviation.com

Consolidated Statement of Operations

Unaudited (Canadian dollars in millions except per share figures)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007*	2008	2007*
Operating revenues				
Passenger	\$ 2,454	\$ 2,336	\$ 4,765	\$ 4,488
Cargo	139	135	263	275
Other	190	188	481	521
	2,783	2,659	5,509	5,284
Operating expenses				
Wages, salaries and benefits	487	626	983	1,324
Aircraft fuel	848	637	1,563	1,222
Aircraft rent	69	91	132	195
Airport and navigation fees	255	256	496	499
Aircraft maintenance, materials and supplies	172	121	375	263
Communications and information technology	72	69	145	145
Food, beverages and supplies	81	81	158	164
Depreciation, amortization and obsolescence	171	149	340	295
Commissions	47	51	100	110
Capacity purchase with Jazz	233	76	468	76
Special charge for labour restructuring	-	6	-	15
Other	350	400	778	909
	2,785	2,563	5,538	5,217
Operating income (loss) before under-noted item	(2)	96	(29)	67
Provision for cargo investigations	-	-	(125)	-
Operating income (loss)	(2)	96	(154)	67
Non-operating income (expense)				
Interest income	23	28	48	61
Interest expense	(87)	(96)	(183)	(219)
Interest capitalized	8	28	25	64
Gain on disposal of assets	915	18	961	25
Gain (loss) on financial instruments recorded at fair value	176	(6)	153	28
Equity and other investment income	5	24	17	27
Other	-	(1)	(1)	(1)
	1,040	(5)	1,020	(15)
Income before the following items	1,038	91	866	52
Non-controlling interest	(32)	(56)	32	(79)
Foreign exchange gain (loss)	48	158	(41)	191
Provision for income taxes				
Current	(1)	-	(1)	(6)
Future	(223)	(75)	(208)	(112)
Income for the period	\$ 830	\$ 118	\$ 648	\$ 46
Income per share				
Basic	\$ 15.46	\$ 1.14	\$ 11.24	\$ 0.45
Diluted	\$ 10.76	\$ 0.98	\$ 8.18	\$ 0.44

**Effective March 14, 2007, May 24, 2007, and October 16, 2007, the results and financial position of Aeroplan, Jazz and ACTS, respectively, are not consolidated with ACE. The notes are an integral part of the interim 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

Unaudited (Canadian dollars in millions)	June 30 2008	December 31 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 1,481	\$ 2,300
Short-term investments	844	839
	2,325	3,139
Restricted cash	42	124
Accounts receivable	943	793
Aircraft fuel inventory	117	98
Fuel derivatives	382	68
Prepaid expenses and other current assets	131	182
Future income taxes	-	200
	3,940	4,604
Property and equipment	7,502	7,925
Deferred charges	49	51
Intangible assets	660	647
Deposits and other assets	650	527
	\$ 12,801	\$ 13,754
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,183	\$ 1,249
Advance ticket sales	1,722	1,245
Current portion of Aeroplan Miles obligation	55	55
Current portion of long-term debt and capital leases	396	686
	3,356	3,235
Long-term debt and capital leases	4,141	4,006
Convertible preferred shares	194	182
Future income taxes	50	50
Pension and other benefit liabilities	1,738	1,824
Other long-term liabilities	511	483
	9,990	9,780
Non-controlling interest	724	757
SHAREHOLDERS' EQUITY		
Share capital and other equity	307	450
Contributed surplus	170	504
Retained earnings	1,368	2,209
Accumulated other comprehensive income	242	54
	2,087	3,217
	\$ 12,801	\$ 13,754

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Consolidated Statement of Changes in Shareholders' Equity

Unaudited (Canadian dollars in millions)	Six Months Ended June 30 2008	Year Ended December 31 2007*	Six Months Ended June 30 2007*
Share capital			
Common shares, beginning of period	\$ 243	\$ 533	\$ 533
Repurchase and cancellation of common shares	(180)	-	-
Distributions of Aeroplan units	-	(306)	(354)
Distributions of Jazz units	-	(70)	(72)
Issue of shares through stock options exercised	37	86	20
Total share capital	100	243	127
Other equity			
Convertible preferred shares	117	117	117
Convertible senior notes	90	90	92
Total share capital and other equity	307	450	336
Contributed surplus			
Balance, beginning of period	504	25	25
Repurchase and cancellation of common shares	(329)	-	-
Fair value of stock options issued to Corporation employees recognized as compensation expense	2	25	8
Fair value of exercised stock options to share capital	(7)	(29)	-
Aeroplan negative investment	-	483	483
Total contributed surplus	170	504	516
Retained earnings			
Balance, beginning of period	2,209	810	810
Repurchase and cancellation of common shares	(1,489)	-	-
Cumulative effect of adopting new accounting policies	-	5	8
Repair schemes and Non-compete agreement	-	(4)	-
Net income for the period	720	811	818
	648	1,398	46
Total retained earnings	1,368	2,209	864
Accumulated other comprehensive income			
Balance, beginning of period	54	-	-
Cumulative effect of adopting new accounting policies	-	(7)	(7)
Other comprehensive income	188	61	2
Total accumulated other comprehensive income	242	54	(5)
Total retained earnings and accumulated other comprehensive income	1,610	2,263	859
Total shareholders' equity	\$ 2,087	\$ 3,217	\$ 1,711

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Consolidated Statement of Comprehensive Income

Unaudited (Canadian dollars in millions)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007*	2008	2007*
Comprehensive income				
Net income for the period	\$ 830	\$ 118	\$ 648	\$ 46
Other comprehensive income (loss), net of taxes:				
Net change in unrealized loss on US Airways securities	-	(4)	-	(8)
Reclassification of realized gains on US Airways securities to income	-	(7)	-	(7)
Net change in unrealized gain on Jazz Air Income Fund	(6)	-	65	-
Reclassification of net realized gains on Jazz Air Income Fund to income	(65)	-	(65)	-
Net change in unrealized gain on Aeroplan Income Fund	331	-	331	-
Reclassification of net realized gains on Aeroplan Income Fund to income	(331)	-	(331)	-
Net gains on fuel derivatives under hedge accounting	173	8	273	14
Reclassification of net realized (gains) losses on fuel derivatives to income	(62)	2	(85)	10
Unrealized loss on translation of self-sustaining operation (net of nil tax)	-	(7)	-	(7)
	40	(8)	188	2
Total comprehensive income	\$ 870	\$ 110	\$ 836	\$ 48

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Consolidated Statement of Cash Flows

Unaudited (Canadian dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007*	2008	2007*
Cash flows from (used for)				
Operating				
Net income for the period	\$ 830	\$ 118	\$ 648	\$ 46
Adjustments to reconcile to net cash from operations				
Depreciation, amortization and obsolescence	171	149	340	295
Gain on disposal of assets	(915)	(18)	(961)	(25)
Foreign exchange gain	(64)	(154)	1	(187)
Future income taxes	223	75	208	112
Excess of employee future benefit funding over expense	(31)	(69)	(82)	(138)
Decrease in Aeroplan miles obligation	(13)	(21)	(29)	(49)
Provision for cargo investigation	-	-	125	-
Non-controlling interest	36	52	(32)	70
Financial instruments and other	(168)	36	(181)	9
Changes in non-cash working capital balances	148	(37)	409	314
	217	131	446	447
Financing				
Issue of common shares	29	-	30	19
Repurchase and cancellation of common shares	(500)	-	(1,998)	-
Aircraft related borrowings	126	532	313	644
Distributions paid to non-controlling interest	-	(8)	-	(61)
Reduction of long-term debt and capital lease obligations	(319)	(90)	(642)	(168)
Other	-	1	-	-
	(664)	435	(2,297)	434
Investing				
Short-term investments	(165)	16	(4)	(139)
Proceeds from sale of Aeroplan units	692	-	692	-
Proceeds from sale of Jazz units	85	-	182	-
Exercise of ACTS Aero put option	(19)	-	(19)	-
Proceeds from escrow related to sale of ACTS	-	-	40	-
Proceeds from sale of other assets	-	-	27	45
Proceeds from sale-leaseback transactions	297	-	708	-
Additions to capital assets	(225)	(738)	(628)	(1,175)
Deconsolidation of Aeroplan cash	-	-	-	(231)
Deconsolidation of Jazz cash	-	(138)	-	(138)
Acquisition of Aeroman, net of cash	-	-	-	(53)
Other	9	(18)	34	(3)
	674	(878)	1,032	(1,694)
Increase (decrease) in cash and cash equivalents	227	(312)	(819)	(813)
Cash and cash equivalents, beginning of period	1,254	1,353	2,300	1,854
Cash and cash equivalents, end of period	\$ 1,481	\$ 1,041	\$ 1,481	\$ 1,041
Cash payments of interest	\$ 81	\$ 71	\$ 149	\$ 131
Cash payments of income taxes	\$ 1	\$ 3	\$ 3	\$ 9

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