

News Release

ACE AVIATION FILES SECOND QUARTER FINANCIALS

MONTRÉAL, August 7, 2009 – ACE Aviation Holdings Inc. (ACE) today filed its interim unaudited consolidated financial statements and MD&A for Quarter 2, 2009.

In accordance with applicable accounting standards, ACE has reverted to preparing its financial statements on a going concern basis of presentation rather than a liquidation basis. This reflects ACE's announcement on July 29, 2009 of its participation in Air Canada's credit facility and that it is unlikely that ACE will pursue a liquidation of its net assets in the near term. On a going concern basis, ACE consolidates the operating results and financial position of Air Canada and also it is assumed that liabilities are satisfied in the ordinary course of business. ACE has also today filed audited consolidated financial statements for 2008 and unaudited consolidated financial statements for Quarter 1, 2009 prepared on a going concern basis of presentation. The related MD&As for these periods have also been filed. Statements and MD&As for these periods were previously prepared and filed on a liquidation basis.

ACE reported EBITDAR⁽¹⁾ of \$131 million for the second quarter of 2009. Air Canada reported EBITDAR of \$135 million for the quarter, a decrease of \$114 million from the second quarter 2008.

ACE recorded an operating loss of \$115 million for the quarter. Air Canada reported an operating loss of \$113 for the quarter, compared to operating income of \$7 million for second quarter 2008.

ACE recorded net income of \$110 million for the second quarter of 2009.

At July 31, 2009, ACE's principal assets are cash and cash equivalents of \$208 million, a loan to Air Canada of \$150 million and its 75 million shares in Air Canada, which had a market value of \$140 million on that date. ACE's obligations include convertible senior notes with a principal amount outstanding of \$64 million, 3.2 million convertible preferred shares with a fully accreted value of \$81 million at July 31, 2009 and accounts payable and accrued liabilities of \$1 million.

For further information on ACE's public disclosure file, including ACE's Annual Information Form, please consult SEDAR at www.sedar.com.

(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 2009 Management's Discussion and Analysis (MD&A) for a reconciliation of EBITDAR to operating income (loss).

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, credit 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, in particular, those identified in the Risk Factors section of ACE's 2008 MD&A dated August 7, 2009. 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.

- 30 -

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Consolidated Statement of Operations

Unaudited (Canadian dollars in millions except per share figures)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Operating revenues				
Passenger	\$ 2,058	\$ 2,454	\$ 4,069	\$ 4,765
Cargo	76	139	156	263
Other	196	190	496	481
	2,330	2,783	4,721	5,509
Operating expenses				
Aircraft fuel	572	848	1,165	1,563
Wages, salaries and benefits	440	487	900	983
Airport and navigation fees	241	255	471	496
Capacity purchase with Jazz	254	233	500	468
Depreciation and amortization	163	171	320	340
Aircraft maintenance	185	172	374	375
Food, beverages and supplies	73	81	140	158
Communications and information technology	80	72	159	145
Aircraft rent	83	69	169	132
Commissions	40	47	89	100
Other	314	350	741	778
	2,445	2,785	5,028	5,538
Operating loss before under-noted item	(115)	(2)	(307)	(29)
Provision for cargo investigations	-	-	-	(125)
Operating loss	(115)	(2)	(307)	(154)
Non-operating income (expense)				
Interest income	3	23	11	48
Interest expense	(97)	(87)	(205)	(183)
Interest capitalized	2	8	3	25
Gain (loss) on assets	(71)	915	(71)	961
Loss on repurchase of ACE convertible senior notes and preferred shares	-	-	(33)	-
Gain on financial instruments recorded at fair value	79	176	69	153
Equity and other investment income	-	5	-	17
Other	-	-	(1)	(1)
	(84)	1,040	(227)	1,020
Income (loss) before the following items	(199)	1,038	(534)	866
Non-controlling interest	(44)	(32)	52	32
Foreign exchange gain (loss)	355	48	254	(41)
Recovery of (provision for) income taxes				
Current	(1)	(1)	2	(1)
Future	(1)	(223)	(8)	(208)
Net income (loss) for the period	\$ 110	\$ 830	\$ (234)	\$ 648
Net income (loss) per share				
Basic	\$ 3.16	\$ 15.46	\$ (6.68)	\$ 11.24
Diluted	\$ 2.68	\$ 10.76	\$ (6.68)	\$ 8.18

The notes are an integral part of the interim consolidated financial statements and are available on SEDAR at www.sedar.com.

Consolidated Statement of Financial Position

Unaudited (Canadian dollars in millions)	June 30 2009	December 31 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 851	\$ 1,307
Short-term investments	419	506
	1,270	1,813
Restricted cash	22	45
Accounts receivable	748	700
Aircraft fuel inventory	40	97
Spare parts and supplies	80	20
Collateral deposits for fuel derivatives	109	328
Prepaid expenses and other current assets	194	206
	2,463	3,209
Property and equipment	7,180	7,469
Intangible assets	632	698
Deposits and other assets	507	495
	\$ 10,782	\$ 11,871
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,292	\$ 1,288
Fuel derivatives	110	420
Advance ticket sales	1,548	1,333
Current portion of long-term debt and capital leases	623	663
	3,573	3,704
Long-term debt and capital leases	4,438	4,980
Convertible preferred shares	57	206
Future income taxes	50	50
Pension and other benefit liabilities	1,368	1,585
Other long-term liabilities	362	370
	9,848	10,895
Non-controlling interest	456	512
SHAREHOLDERS' EQUITY		
Share capital and other equity	152	307
Contributed surplus	323	163
Retained earnings	366	600
Accumulated other comprehensive loss	(363)	(606)
	478	464
	\$ 10,782	\$ 11,871

The notes are an integral part of the interim consolidated financial statements and are available on SEDAR at www.sedar.com.

Consolidated Statement of Cash Flow

Unaudited (Canadian dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Cash flows from (used for)				
Operating				
Net Income (loss) for the period	\$ 110	\$ 830	\$ (234)	\$ 648
Adjustments to reconcile to net cash from operations				
Depreciation and amortization	163	171	320	340
Loss (gain) on assets	71	(915)	71	(961)
Loss on repurchase of ACE convertible senior notes and preferred shares	-	-	33	-
Foreign exchange (gain) loss	(355)	(64)	(212)	1
Future income taxes	1	223	8	208
Excess of employee future benefit funding over expense	(109)	(31)	(212)	(82)
Provision for cargo investigations	-	-	-	125
Non-controlling interest	44	36	(52)	(32)
Fuel and other derivatives	19	(161)	(63)	(142)
Fuel hedge collateral deposits, net	62	-	209	-
Equity investment income	-	(2)	-	(12)
Changes in non-cash working capital balances	(123)	135	158	380
Other	13	(5)	25	(27)
	(104)	217	51	446
Financing				
Issue of common shares	-	29	-	30
Repurchase and cancellation of common shares	-	(500)	-	(1,998)
Borrowings	76	126	343	313
Repurchase of ACE convertible senior notes	-	-	(233)	-
Repurchase of ACE preferred shares	-	-	(186)	-
Reduction of other long-term debt and capital lease obligations	(177)	(319)	(600)	(642)
	(101)	(664)	(676)	(2,297)
Investing				
Short-term investments	68	(165)	87	(4)
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
Additions to capital assets	(49)	(225)	(156)	(628)
Proceeds from sale of assets	93	-	93	27
Proceeds from sale lease-back transactions	-	297	172	708
Other	(33)	9	(27)	34
	79	674	169	1,032
Increase (decrease) in cash and cash equivalents	(126)	227	(456)	(819)
Cash and cash equivalents, beginning of period	977	1,254	1,307	2,300
Cash and cash equivalents, end of period	\$ 851	\$ 1,481	\$ 851	\$ 1,481
Cash payments of interest	\$ 87	\$ 81	\$ 181	\$ 154
Cash payments (recoveries) of income taxes	\$ -	\$ 1	\$ (2)	\$ 3

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