QUARTER 1 2011

Management's Discussion and Analysis

May 10, 2011

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1. Preface

ACE Aviation Holdings Inc. ("ACE"), which was incorporated on June 29, 2004, is an investment holding company of aviation interests. ACE is listed on the Toronto Stock Exchange ("TSX") where its Class A variable voting shares and Class B voting shares are traded under the symbols ACE.A and ACE.B, respectively.

As at April 30, 2011, ACE's principal assets are cash and cash equivalents of approximately $362 million, an 11.11% equity interest in Air Canada and 2.5 million Air Canada warrants.

ACE prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part 1 ("CICA Handbook"). The CICA Handbook was revised to incorporate International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and requires publicly accountable enterprises to apply IFRS effective for years beginning on or after January 1, 2011 with retroactive restatement of comparative figures for 2010. Accordingly, ACE has commenced reporting on this basis in the financial statements. In this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS and the term "GAAP" refers to generally accepted accounting principles in Canada after the adoption of IFRS. Previously published Canadian GAAP financial statements for the year ended December 31, 2010 and quarter ended March 31, 2010 have been transitioned to IFRS.

ACE's financial statements have been prepared on a going concern basis of presentation. The going concern basis of presentation assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

ACE's investment in Air Canada was accounted for using the equity method of accounting up to December 23, 2010. After that date, ACE ceased to have the ability to exercise significant influence over Air Canada and the retained investment was classified as an available-for-sale ("AFS") financial instrument. Financial instruments classified as AFS are carried at fair value and any unrealized gains or losses are recognized directly to other comprehensive income.

This MD&A should be read in conjunction with ACE's interim unaudited condensed consolidated financial statements and notes for Quarter 1 2011. Reference to "Corporation" in this MD&A refers to ACE and its aviation interests collectively. Except as otherwise noted, all monetary amounts are stated in Canadian dollars. Except as otherwise noted, this MD&A is current as of May 10, 2011.

Forward-looking statements are included in this MD&A. See "Caution Regarding Forward-Looking Information" in section 2 of this MD&A for a discussion of risks, uncertainties and assumptions relating to these statements. For a description of the risks relating to ACE, see section 14 "Risk Factors" of ACE's Amended 2010 MD&A dated May 4, 2011 which can be found on SEDAR at www.sedar.com.

The ACE Audit, Finance & Risk Committee has reviewed this MD&A and the Quarter 1 interim unaudited condensed consolidated financial statements and notes and ACE's Board of Directors approved these documents prior to their release. For further information on ACE's public disclosure file, including ACE's Annual Information Form, please consult SEDAR at www.sedar.com, or ACE's website at www.aceaviation.com.

2. Caution Regarding Forward-Looking Information

ACE's public communications may include written or oral forward-looking statements within the meaning of applicable securities laws. Such statements are included in this MD&A and may be included in other filings with regulatory authorities and securities regulators. Forward-looking statements may relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. 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.

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. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, market, regulatory developments or proceedings, and actions by third parties as well as the factors identified throughout this MD&A and, in particular, those identified in section 14 “Risk Factors” of ACE’s Amended 2010 MD&A dated May 4, 2011. The forward-looking statements contained in this MD&A represent ACE's expectations as of the date of this MD&A, 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.

3. ACE's Assets, Obligations and Net Assets at Fair Value

The following table presents the net assets of ACE, on a per share basis, at fair value as at April 30, 2011 and March 31, 2011. This presentation is not intended to reflect ACE's net asset value on a liquidation basis and does not purport to represent the fair value of ACE as a whole or per share.

(Canadian dollars in millions)	April 30 2011	March 31 2011
Cash and cash equivalents	$ 362	$ 362
Air Canada shares (1)	71	76
Air Canada warrants(1)	2	3
Commodity taxes receivable(2)	-	1
	435	442
Current obligations (2)	(5)	(5)
Contingencies (2) (3)	-	-
	(5)	(5)
Net assets at fair value	**$ 430**	**$ 437**
Net assets at fair value per share – Basic	**$ 13.24**	**$ 13.46**

Net assets at fair value per share is non-GAAP information and is not prepared in accordance with standards prescribed by GAAP and may not be comparable to other similar information provided by other companies.

(1) *As at April 30, 2011, ACE held an 11.11% ownership interest in Air Canada consisting of 31,000,000 Class B voting shares. Under the Air Canada Credit Facility (the "Credit Facility"), ACE received 1,250,000 warrants on July 30, 2009, for the purchase of Air Canada Class B voting shares with an exercise price of $1.51 per share, exercisable at any time, and expiring four years after the date of issuance. An additional 1,250,000 warrants for the purchase of Air Canada Class B voting shares were issued to ACE under the terms of the Credit Facility on October 19, 2009 with an exercise price of $1.44 per share, exercisable at any time, and expiring four years after the date of issuance. The fair value of ACE's holdings of Air Canada shares of $71 million as at April 30, 2011 and $76 million as at March 31, 2011 is based on the closing prices of $2.30 per Air Canada Class B share as at April 30, 2011 and $2.45 per Air Canada Class B share as at March 31, 2011, as quoted on the TSX.*

(2) *ACE has applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Québec.*

ACE is continuing to assist the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2009. In addition to the audits of income tax returns, audits in respect of other taxes, including GST and QST, are ongoing.

In late 2010, ACE received notices of reassessment from Revenu Québec in the amount of $37.7 million. The reassessments primarily relate to audits of GST and QST in respect of ACTS LP, and its predecessor ACTS Limited Partnership, for periods prior to ACE's monetization of ACTS LP in October 2007. Of the amount of such reassessments, $5.7 million remained payable at December 31, 2010. This amount was paid in January 2011. $35.4 million of the reassessments are recoverable from Air Canada and other parties. $29.2 million was recovered by December 31, 2010 leaving $6.2 million to be recovered at December 31, 2010. $5.3 million of this amount was recovered in January 2011 and a further $0.6 million in April, 2011. The total recoverable of $35.4 million includes $33.4 million recoverable from Air Canada and $1.1 million from Aveos following their filings of related Input Tax Credits from the Canada Revenue Agency. ACE has agreed to indemnify and hold harmless Air Canada and Aveos from loss should the additional ITC claims be reassessed in the future.

Operating expenses for Quarter 1, 2011 include net additional provisions for other taxes of $1.4 million. At March 31, 2011, Accounts payable and accrued liabilities include provisions for taxes of $4 million.

It is possible that the ongoing audits of income tax returns and other taxes may lead to reassessments in the future.

(3) *Should ACE proceed to liquidation in the future, additional costs and other liabilities may arise.*

4. ACE's Assets

As at April 30, 2011, ACE's principal assets are:

- cash and cash equivalents of $362 million.
- a 11.11% (31,000,000 Class B Voting Shares) ownership interest in Air Canada; and
- 2.5 million warrants for the purchase of Air Canada Class B voting shares at exercise prices of $1.44 (1.25 million warrants) and $1.51 (1.25 million warrants) per share.

Air Canada is Canada's largest domestic and international airline and the largest provider of scheduled passenger services in the Canadian market, the Canada-US transborder market as well as the international markets to and from Canada.

Investment in Air Canada (Class B voting shares)

The following table details the carrying value and fair value of ACE's investment in Air Canada until April 30, 2011:

Carrying value of ACE's investment in Air Canada as at December 31, 2009	**$**	**80**
Proportionate share of earnings from January 1 to December 23, 2010		(14)
Proportionate share of other comprehensive income from January 1 to December 23, 2010		156
Carrying value of ACE's investment in Air Canada as at December 23, 2010		222
Sale of Air Canada shares on December 23, 2010 (44 million Class B shares)		(130)
Unrealized gain on ACE's AFS investment in Air Canada (31 million Class B shares)		19
Fair value of ACE's investment in Air Canada as at December 23, 2010		111
Unrealized loss on ACE's AFS investment in Air Canada		(4)
Fair value of ACE's investment in Air Canada as at December 31, 2010 (1)	**$**	**107**
Unrealized loss on ACE's AFS investment in Air Canada		(31)
Fair value of ACE's investment in Air Canada as at March 31, 2011 (1)	**$**	**76**
Fair value of ACE's investment in Air Canada as at April 30, 2011 (1)	**$**	**71**

(1) *The fair value of ACE's holdings of Air Canada shares of $107 million as at December 31, 2010, $76 million as at March 31, 2011 and $71 million as at April 30, 2011 are based on the closing prices of $3.45 per Air Canada Class B Voting Share as at December 31, 2010, $2.45 per Air Canada Class B Voting Share as at March 31, 2011 and $2.30 per Air Canada Class B Voting share as at April 30 2011, as quoted on the TSX.*

Significant events

$163 million Bought Deal Secondary Offering of Class B Voting Shares of Air Canada

On December 23, 2010, ACE completed a secondary offering on a bought deal basis of 44,000,000 Class B Voting Shares of Air Canada at an offering price of $3.70 per Class B Voting Share for aggregate gross proceeds of $163 million (net proceeds of approximately $156 million). The carrying value of the Air Canada shares sold was $130 million and a gain on disposal of such 16% interest of $26 million was recognized in Gain on ACE's investment in Air Canada.

Following the offering, ACE beneficially owns 31,000,000 Class B Voting Shares of Air Canada representing 11.11% of the Class A Variable Voting Shares and Class B Voting Shares of Air Canada issued and outstanding on a combined basis.

As a result of the reduction of ACE's ownership interest in Air Canada from 27% to 11.11% on December 23, 2010, ACE ceased to have the ability to exercise significant influence over Air Canada. The retained investment in Air Canada was classified as AFS and was remeasured to fair value of $111 million (based on Air Canada's closing market price as at December 23, 2010 as quoted on the TSX) resulting in an unrealized gain on AFS investment in Air Canada of $19 million being recognized in Unrealized gain on AFS investment in Air Canada.

Financial instruments classified as AFS are carried at fair value and any subsequent unrealized gains or losses are recognized directly in other comprehensive income. For the period from December 23, 2010 to December 31, 2010, the fair value of ACE's AFS investment in Air Canada was reduced to $107 million at December 31, 2010 resulting in an other comprehensive loss of $4 million which was recognized in Unrealized gain (loss) on AFS investment in Air Canada. For the three months ended March 31, 2011, the fair value of ACE's AFS investment in Air Canada was reduced to $76 million at March 31, 2011 resulting in an other comprehensive loss of $31 million which was recognized in Unrealized gain (loss) on AFS investment in Air Canada.

Repayment of loan receivable from Air Canada

On July 15, 2010, ACE reached an agreement with Air Canada with respect to the prepayment terms associated with Air Canada's secured Credit Facility whereby, under certain conditions, the applicable percentage payable in respect of a prepayment was reduced from 3.0% to 1.0%. Air Canada entered into similar agreements with the other lenders who participated in the $600 million Credit Facility in July 2009.

On August 3, 2010, Air Canada repaid to ACE its share of the outstanding debt under the Credit Facility in the amount of $150 million together with interest and prepayment fees for total proceeds to ACE of $156 million.

2.5 million warrants

Under the Credit Facility, ACE received 1,250,000 warrants on July 30, 2009 for the purchase of Air Canada Class B Voting Shares with an exercise price of $1.51 per share, exercisable at any time, and expiring four years after the date of issuance. On October 19, 2009, ACE received an additional 1,250,000 warrants for the purchase of Air Canada Class B Voting Shares with an exercise price of $1.44 per share, exercisable at any time, and expiring four years after the date of issuance.

The warrants are presented as Air Canada warrants and any changes in fair value are recorded within Gain on financial instruments recorded at fair value in the consolidated statement of operations. The fair value of the 2,500,000 warrants amounted to $3 million as at March 31, 2011 ($5 million as at December 31, 2010) using the Black-Scholes option valuation model.

ACTS Aero

On January 22, 2010, ACE entered into a Restructuring and Lockup Agreement with Aveos, Aero Technical Support & Services Holdings sarl ("ACTS Aero"), lenders and other shareholders. The restructuring was completed on March 12, 2010. Under the terms of the restructuring, ACE transferred its shares in ACTS Aero to a newly formed company, in which ACE had no interest, for nil consideration. Under the terms of a Release Agreement entered into on March 12, 2010, ACE and ACTS LP were released from substantially any claims that may arise under the Asset Purchase Agreement relating to the monetization of ACTS on October 16, 2007, in return for a payment of $1.25 million which is recorded as a Loss on investment in ACTS Aero in 2010.

5. Accounting Policies

This MD&A should be read in conjunction with ACE's interim unaudited condensed consolidated financial statements and notes for Quarter 1 2011. ACE prepares its financial statements, on a going concern basis of presentation, in accordance with GAAP.

The preparation of ACE's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. ACE evaluates these estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual amounts could differ materially from those estimates and assumptions. Refer to section 10 of this MD&A and to section 13 of ACE's Amended 2010 MD&A dated May 4, 2011 for a discussion of ACE's critical accounting estimates.

5.1 Future Accounting Standards

The following is an overview of an accounting standard change that the Corporation will be required to adopt in future years:

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Corporation continues to evaluate the impact of IFRS 9 on its consolidated statement of income (loss) and financial position.

5.2 Transition to IFRS

Effective January 1, 2011 and as futher described in ACE's interim unaudited condensed consolidated financial statements and notes for Quarter 1 2011, ACE began preparing its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), with retroactive restatement of comparative figures for 2010.

Exemptions and exceptions applied on transition to IFRS

ACE's interim unaudited condensed consolidated financial statements and notes for Quarter 1 2011 contain the accounting policies adopted under IFRS as well as reconciliations of the impacts to the consolidated financial statements on transition. IFRS 1 allows first-time adopters certain exemptions from the general requirements contained in IFRS. ACE has elected to apply the following optional exemptions from full retrospective application:

Business combinations

ACE has elected not to apply IFRS 3 (as amended in 2008) retrospectively to business combinations that occurred before October 27, 2009. On October 27, 2009 the Corporation's ownership interest in Air Canada was reduced from approximately 75% to 27%. Applying the IFRS 1 exemption on that date required the Corporation to also adopt IAS 27 "Consolidated and Separate Financial Statements", on such date, and accordingly the Company recorded its remaining 27% investment in Air Canada at fair value on October 27, 2009.

Compound financial instruments

IFRS requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 "Financial Instruments: Presentation" involves separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the original equity component. However, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS. The Corporation has elected to apply the exemption and accordingly has not restrospectively reclassified any components included in equity related to compound financial instruments.

Adjustments to the consolidated statement of financial position on adoption of IFRS

The following table provides the Canadian GAAP consolidated statement of financial position as at January 1, 2010 and the IFRS transitional adjustments to arrive at the opening position under IFRS.

	Canadian GAAP January 1 2010	Adjustment	IFRS January 1 2010
ASSETS			
Cash and cash equivalents	$ 71	-	$ 71
Investment in Air Canada	99	(19)	80
Air Canada warrants	-	-	-
Loan receivable from Air Canada	150	-	150
Interest receivable	3	-	3
	$ 323	**(19)**	**$ 304**
LIABILITIES			
Accounts payable and accrued liabilities	3	-	3
	3	**-**	**3**
SHAREHOLDERS' EQUITY			
Share capital	104	-	104
Contributed surplus	358	-	358
Deficit	(92)	(69)	(161)
Accumulated other comprehensive income (loss)	(50)	50	-
	320	**(19)**	**301**
	$ 323	**(19)**	**$ 304**

The main impacts on the consolidated statement of financial position are summarized as follows:

- No change to cash and cash equivalents, receivables or liabilities;

- A decrease to ACE's investment in Air Canada of $19 million mainly reflecting the adjustment to fair value of $94 million upon loss of control on October 27, 2009 adjusted for ACE's proportionate share of Air Canada's comprehensive income in accordance with IFRS up to January 1, 2010.

- On October 27, 2009, the cumulative losses of $50 million, relating to Air Canada's fuel hedges, which had been deferred in AOCI, were reclassified to the deficit.

- As a result of the adjustments, the opening deficit position under IFRS is $161 million and the opening accumulated other comprehensive income balance is nil.

The table below provides the 2010 quarterly and full year consolidated statement of income (loss) for ACE under IFRS:

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010
Operating expenses	$ (2)	$ (3)	$ (1)	$ (4)	$ (10)
Interest income	5	5	3	1	14
Gain on ACE's investment in Air Canada	-	-	-	26	26
Unrealized gain on AFS investment in Air Canada	-	-	-	19	19
Proportionate share of Air Canada's income (loss)	(32)	(65)	62	21	(14)
Gain (loss) on financial instruments recorded at fair value	2	(1)	2	2	5
Loss on investment in ACTS Aero	(1)	-	-	-	(1)
Income (loss) before the following items	**(28)**	**(64)**	**66**	**65**	**39**
Recovery of (provision for) income taxes					
Current	-	-	-	-	-
Deferred	-	-	-	-	-
Income (loss) for the period	**$ (28)**	**$ (64)**	**$ 66**	**$ 65**	**$ 39**
Income (loss) per share					
Basic and Diluted	$ (0.87)	$ (1.99)	$ 2.03	$ 1.99	$ 1.15

6. Consolidated Statement of Income (Loss) – Quarter 1 2011

	Quarter 1	
	2011	2010
Operating expenses	(3)	(2)
Interest income	1	5
Proportionate share of Air Canada's loss	-	(32)
Gain (loss) on financial instruments recorded at fair value	(2)	2
Loss on investment in ACTS Aero	-	(1)
	(4)	(28)
Recovery of (provision for) income taxes	-	-
Loss for the period	**$ (4)**	**$ (28)**

ACE's investment in Air Canada was accounted for using the equity method of accounting up to December 23, 2010. After that date, Air Canada was classified as an available-for-sale financial instrument.

ACE recorded operating expenses of $3 million in Quarter 1 2011. In the same period in 2010, ACE recorded operating expenses of $2 million. Operating expenses for Quarter 1, 2011 include net additional provisions for other taxes of $1.4 million.

In Quarter 1 2010, ACE's proportionate share of Air Canada's loss on an equity accounting basis was $32 million. During Quarter 1, 2011, ACE held an 11.11% interest in Air Canada and accordingly accounted for its investment as an AFS financial asset. The loss on financial instruments recorded at fair value in Quarter 1 2011, amounted to $2 million versus a gain of $2 million in Quarter 1, 2010. The loss and gain relate to changes in the fair value of the Air Canada warrants.

The loss in Quarter 1 2011, amounted to $4 million or $(0.13) per diluted share. In Quarter 1 2010, ACE recorded a loss of $28 million or $(0.87) per diluted share.

7. Financial and Capital Management

The following table summarizes ACE's consolidated statement of financial position as at March 31, 2011 and as at December 31, 2010.

	March 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents	$ 362	$ 363
Investment in Air Canada	76	107
Air Canada warrants	3	5
Commodity taxes receivable	1	6
	$ 442	**$ 481**
Liabilities		
Commodity taxes payable	$ -	$ 6
Accounts payable and accrued liabilities	5	3
	5	**9**
Shareholders' equity	**437**	**472**
	$ 442	**$ 481**

7.1 Analysis of Financial Position

The following discussion is based upon ACE's consolidated statement of financial position as at March 31, 2011, versus December 31, 2010.

Cash and cash equivalents

As at March 31, 2011, ACE's cash and cash equivalents amounted to $362 million. As at December 31, 2010, ACE's cash and cash equivalents was $363 million. The reduction of $1 million was the result of cash used for operating activities.

Investment in Air Canada

The net decrease in fair value of ACE's investment in Air Canada during Quarter 1 was due to an unrealized loss on AFS investment in Air Canada of $31 million.

Air Canada warrants

The fair value of the 2,500,000 warrants amounted to $3 million as at March 31, 2011 ($5 as at December 31, 2010) using the Black-Scholes option valuation model.

Commodity taxes receivable and Commodity taxes payable

ACE has applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Québec.

ACE is continuing to assist the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2009. In addition to the audits of income tax returns, audits in respect of other taxes, including GST and QST, are ongoing.

In late 2010, ACE received notices of reassessment from Revenu Québec in the amount of $37.7 million. The reassessments primarily relate to audits of GST and QST in respect of ACTS LP, and its predecessor ACTS Limited Partnership, for periods prior to ACE's monetization of ACTS LP in October 2007. Of the amount of such reassessments, $5.7 million remained payable at December 31, 2010. This amount was paid in January 2011. $35.4 million of the reassessments are recoverable from Air Canada and other parties. $29.2 million was recovered by December 31, 2010 leaving $6.2 million to be recovered at December 31, 2010. $5.3 million of this amount was recovered in January 2011 and a further $0.6 million in April, 2011. The total recoverable of $35.4 million includes $33.4 million recoverable from Air Canada and $1.1 million from Aveos following their filings of related Input Tax Credits from the Canada Revenue Agency. ACE has agreed to indemnify and hold harmless Air Canada and Aveos from loss should the additional ITC claims be reassessed in the future.

Operating expenses for Quarter 1, 2011 include net additional provisions for other taxes of $1.4 million. At March 31, 2011, Accounts payable and accrued liabilities include provisions for taxes of $4 million.

It is possible that the ongoing audits of income tax returns and other taxes may lead to reassessments in the future.

Shareholders' equity

As at March 31, 2011, ACE's shareholders' equity amounted to $437 million, a decrease of $35 million from December 31, 2010. This was due to the loss for the quarter of $4 million and other comprehensive loss of $31 million.

7.2 Cash Flows

The following table summarizes ACE's cash flows for the indicated periods.

	Quarter 1	
	2011	2010
Cash from (used for) operating activities	$ (1)	$ 3
Cash used for financing activities	-	(20)
Cash used for investing activities	-	(1)
Net change in cash and cash equivalents during the period	**(1)**	**(18)**
Cash and cash equivalents - Beginning of period	**363**	**71**
Cash and cash equivalents - End of period	**$ 362**	**$ 53**

In January 2010, the Corporation completed a substantial issuer bid to purchase for cancellation 1.4 million of its Class A variable voting shares and 1.8 million of its Class B voting shares at $6.20 per share. On January 6, 2010, the Corporation paid an aggregate purchase price of $20 million for the shares tendered.

7.3 Share Information

At April 30, 2011, the issued and outstanding common shares of ACE, along with common shares potentially issuable, were as follows:

Number of shares (000)	**April 30, 2011**	**December 31, 2010**
Issued and outstanding common shares		
Class A variable voting shares	25,014	26,049
Class B voting shares	7,459	6,424
Total issued and outstanding common shares	**32,473**	**32,473**
Common shares potentially issuable		
Stock options (1)	38	38
Total outstanding and potentially issuable common shares	**32,511**	**32,511**

(1) The Corporation's stock option plan is described in Note 5 to the 2010 annual audited consolidated financial statements. At April 30, 2011, a total of 37,500 stock options with a weighted exercise price of $15.36 were outstanding.

8. Quarterly Financial Information

($ millions, except per share amounts)	Q2[(2)] 2009	Q3[(2)] 2009	Q4[(1) (2)] 2009	Q1[(2)] 2010	Q2[(2)] 2010	Q3[(2)] 2010	Q4[(2)] 2010	Q1[(2)] 2011
Operating revenues	$ 2,330	$ 2,670	$ 815	$ -	$ -	$ -	$ -	$ -
Operating expenses	(2,445)	(2,602)	(820)	(2)	(3)	(1)	(4)	(3)
Operating income (loss)	**(115)**	**68**	**(5)**	**(2)**	**(3)**	**(1)**	**(4)**	**(3)**
Total non-operating income (expense), non-controlling interest, foreign exchange gain (loss) and income tax[(3)]	225	130	(651)	(26)	(61)	67	69	(1)
Net income (loss)	**$ 110**	**$ 198**	**$ (656)**	**$ (28)**	**$ (64)**	**$ 66**	**$ 65**	**$ (4)**
Earnings (loss)[(4)]								
Per share – basic	**$ 3.16**	**$5.57**	**$(18.38)**	**$(0.87)**	**$(1.99)**	**$2.03**	**$1.99**	**$(0.13)**
Per share – diluted	**$ 2.68**	**$5.15**	**$(18.38)**	**$(0.87)**	**$(1.99)**	**$2.03**	**$1.99**	**$(0.13)**

(1) *The results, financial position and cash flows of Air Canada are not consolidated with ACE effective October 27, 2009.*

(2) *ACE transitioned to IFRS as of January 1, 2011 with a retroactive restatement of the comparative figures in 2010. Refer to section 5.1 for further information on the ACE's transition to IFRS and its impact on ACE's reported statement of income (loss) and financial position. 2009 continues to be presented on a Canadian GAAP basis.*

(3) *Quarter 3 2009 includes a loss on repurchase of the preferred shares of $10 million relating to the acquisition for cancellation of the remaining preferred shares in September 2009. Quarter 4 2009 includes a dilution loss of $411 million as a result of the shares issued by Air Canada reducing ACE's ownership interest from 75% to 27% and includes a provision for loss on ACE's Air Canada investment of $219 million as a result of adjusting the carrying value of ACE's investment in Air Canada to $99 million based on Air Canada's market price as at December 31, 2009. Quarter 4 2010 includes a gain of $26 million on ACE's sale of 44,000,000 Class B voting shares of Air Canada.*

(4) *Earnings (loss) per share includes the impact of a substantial issuer bid completed by ACE on January 6, 2010 whereby ACE accepted for purchase and cancellation a total of 1,401,094 Class A variable voting shares and 1,824,711 Class B voting shares.*

9. Off-Balance Sheet Arrangements

Guarantees

On May 7, 2009, ACE intervened into the employment agreement between Air Canada and Mr. Calin Rovinescu, its President and Chief Executive Officer, to guarantee the payments required of Air Canada under the agreement. In addition, ACE agreed to cause to be issued an irrevocable bank letter of credit to a maximum of $5 million.

On March 11, 2010, the subject agreement was amended such that the guarantee shall automatically terminate upon the earlier of (i) April 1, 2014 and (ii) the date on which the shareholders of ACE approve the winding-up and liquidation of ACE, in the event that such approval is requested by ACE of its shareholders. Notwithstanding the foregoing, in the event of such approval by ACE's shareholders and that a liquidator is not appointed within 180 days of the shareholders' vote approving the winding-up and liquidation of ACE, the guarantee shall automatically resume and continue in full force and effect, and shall thereafter automatically terminate upon the earlier of (i) April 1, 2014 and (ii) the date on which such a liquidator shall have been appointed for the winding-up and liquidation of ACE. This agreement was also further amended such that ACE is not required to issue the bank letter of credit.

Indemnification agreements

Refer to Section 7.1 of this MD&A for a description of indemnification agreements between ACE, Air Canada and Aveos related to certain commodity tax reassessments.

10. Critical Accounting Estimates

Critical accounting estimates are those that are most important to the portrayal of ACE's financial condition and results of operations. Information on ACE's critical accounting estimates is disclosed in section 13 of ACE's Amended 2010 MD&A dated May 4, 2011. The following updates are provided for those areas that contain critical accounting estimates utilized in the preparation of ACE's consolidated financial statements.

Taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization and in determining tax provisions. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and tax liabilities.

Impairment considerations on investments

An impairment test is performed by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions relating to future operating plans and results, discount rates and future growth rates.

11. Risk Factors

For a detailed description of the risk factors associated with the Corporation, refer to Section 14 "Risk Factors" of ACE's Amended 2010 MD&A dated May 4, 2011. There have been no material changes to the Corporation's risk factors from what was disclosed at that time.

12. Controls and Procedures

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all relevant information is identified to its Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Corporation's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with GAAP.

The Corporation filed certifications, signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), with the Canadian Securities Administrators ("CSA") upon filing the Corporation's 2011 Annual Information Form. In those filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. The Corporation's CEO and CFO also certify the appropriateness of the financial disclosures in the Corporation's interim filings with securities regulators. In those interim filings, the Corporation's CEO and CFO certify the design of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting.

Management's Report on Disclosure Controls and Procedures

Management, with the participation of the Corporation's CEO and CFO, concluded, as at March 31, 2011, that such disclosure controls and procedures were designed to provide reasonable assurance that:

(i) material information relating to the Corporation was made known to its Disclosure Policy Committee by others; and

(ii) information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by the Corporation under securities legislation was recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management's Report on Internal Controls over Financial Reporting

Management, with the participation of the Corporation's CEO and CFO, concluded, as at March 31, 2011, that the Corporation's internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and its preparation of financial statements for external purposes in accordance with GAAP.

Management and the CEO and CFO use the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework to design the Corporation's control framework.

Changes in Internal Controls over Financial Reporting

There have been no changes in internal controls over financial reporting during Quarter 1 2011 that have materially affected or are reasonably likely to materially affect its internal controls over financial reporting.