

**ACE Aviation Holdings Inc.**
**Consolidated Statement of Operations and Retained Earnings (Deficit)**

(In millions except per share figures - Canadian dollars)  
(unaudited)

	Successor Company - ACE (note 1)	Predecessor Company - Air Canada (note 1)
	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
<b>Operating revenues</b>		
Passenger	\$ 1,739	\$ 1,661
Cargo	135	126
Other	303	334
	<u>2,177</u>	<u>2,121</u>
<b>Operating expenses</b>		
Salaries, wages and benefits	613	687
Aircraft fuel	415	338
Aircraft rent (note 1)	90	194
Airport and navigation fees	213	203
Aircraft maintenance, materials and supplies	94	103
Communications and information technology	77	88
Food, beverages and supplies	78	79
Depreciation, amortization and obsolescence (note 2)	120	95
Commissions	65	80
Other	422	399
	<u>2,187</u>	<u>2,266</u>
<b>Operating loss before reorganization and restructuring items</b>	(10)	(145)
Reorganization and restructuring items (note 9)	-	(132)
<b>Non-operating income (expense)</b>		
Interest income	12	4
Interest expense	(75)	(47)
Interest capitalized	3	-
Loss on sale of and provisions on assets	-	(3)
Non-controlling interest	(3)	-
Other	(3)	3
	<u>(66)</u>	<u>(43)</u>
<b>Loss before foreign exchange on non-compromised long-term monetary items and income taxes</b>	(76)	(320)
<b>Foreign exchange gain (loss) on long-term monetary items</b>	(15)	17
<b>Loss before income taxes</b>	(91)	(303)
<b>Recovery of (provision for) income taxes</b>	14	(1)
<b>Loss for the period</b>	<b>\$ (77)</b>	<b>\$ (304)</b>
<b>Retained earnings (deficit), beginning of period as originally reported</b>	15	(5,147)
<b>Adjustment related to a change in accounting policy (note 1)</b>	142	-
<b>Retained earnings (deficit), beginning of period as restated</b>	157	(5,147)
<b>Retained earnings (deficit), end of period</b>	<b>\$ 80</b>	<b>\$ (5,451)</b>
<b>Loss per share</b>		
- Basic and diluted	\$ (0.87)	\$ (2.53)

The accompanying notes are an integral part of the consolidated financial statements.