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# ACE Aviation Holdings Ltd. (TSX: ACE.B)

Reports 2006 Full Year and Fourth Quarter 2006 Results

### Lower Fuel Costs & Solid Results from ACE Units

Like most other carriers ACE Aviation benefited in 4Q-2006 from lower aircraft fuel costs. ACE also did a good job in 4Q in reigning in or reducing most other costs, most notably the big-ticket labour line item which actually fell by -2.0% in the quarter.

Improvements at ACE's ACTS unit helped 4Q with a bottom line improvement of $20-million, as did healthy EBITDA increases from the company's Aeroplan and Jazz units.

### Lower Fuel Costs & Solid Results from ACE Units

On the revenue line, strong passenger traffic growth and Yields drove increases of 7.7% and 7.4% respectively to Operating Revenues in 4Q-06 and for the full year.

In addition to the robust travel market in North America, ACE benefited from product differentiation and online strategies that continued to drive improvements to Yield, a measure of the "quality" of passenger revenue created.

Yield, as measured by Passenger Revenue per Revenue Passenger Mile (RPM) increased almost 1% in the Quarter to 17.8 cents, while Yield for full year 2006 rose 3.4% to 17.3 cents.

Growth in traffic exceeded increases to capacity, resulting in increased passenger load factors of 77.8% in the Quarter, up 1.2%, and 79.4% for the full year, up 5.8%.

The withdrawal by CanJet Airlines from scheduled service in September 2006 benefited ACE's Air Canada and Jazz Airline units in 4Q-06. For the Quarter just ended, RPMs rose 9.2% versus a much smaller 4.4% increase in capacity as measured by Available Seat Miles (ASMs).

## True Measure of Operating Performance

For the full year 2006 versus 2005, Operating Income fell -$60 million to $395 million, a drop of -13.2%. This drop was largely due to higher fuel costs through the first three quarters of 2006.

A litmus test to determine the real health of ACE's ongoing operations is to measure 2006 Operating Income while holding fuel expense constant at the previous year's average fuel unit cost. Using this approach, AirTrav Inc. estimates that ACE Aviation would have recorded Operating Income in 2006 of $658 million, an increase of $203 million, or 44.5%, over 2005.

## Ongoing Monetization Strategy Paying Off

ACE Aviation's ongoing monetization strategy has continued to pay-off on the bottom line. For the full year 2006, Income before non-controlling interest, foreign exchange and income taxes rose by $207 million to $577 million, an increase of 56% over fiscal year 2005.

Excluding one-time gains, however, Income before non-controlling interest, foreign exchange and income taxes would have dropped slightly for the full year to $178 million.

The monetization process has continued to drive bottom line benefit and should continue to do so through 2007 with the pending privatization of ACTS. Beyond ACTS and the possibility of selling additional stakes in Aeroplan, Air Canada and Jazz, ACE will face less financial flexibility beyond 2007 in terms of the holdings that will be available for monetization.

## Continued Vigilance Moving Forward

Going forward through 2007, ACE Aviation must continue to be vigilant on the cost line in anticipation of collective agreements and strike-prohibition restrictions that expire in 2009. In particular, ongoing and new fuel saving initiatives should be pursued and costs that rose through 2006, including Aircraft Maintenance, Materials and Supply, should be managed downwards.

In addition, volatilities remain high in energy markets, with many forecasts still calling for full-year W.T.I. and Brent crude oil to end the year at the low-$60/barrel USD level. However, should energy rises rise marginally or substantially beyond their current position, the significant fuel hedging protection that ACE has locked in should benefit the company this year.

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