AIR CANADA

Aeroplan Income Fund Reports 2007 Year-End and Fourth Quarter Results

MONTREAL, March 4 /CNW Telbec/ - Aeroplan Income Fund (Fund) (TSX: AER.UN) today reported its 2007 consolidated year-end and fourth quarter results.

2007 Financial Highlights (Aeroplan Limited Partnership)

- Gross billings of $952.2 million, a year over year increase of 11.8%
- Operating income $189.7 million, or a 35.1% annual increase
- Adjusted EBITDA(*) $252.1 million, an annual increase of 16.5%
- Distributable cash(*) $245.7 million, or a 23.2% annual increase

Fourth Quarter 2007 Financial Highlights (Aeroplan Limited Partnership)

- Gross billings of $248.4 million, up 9.6 % from the comparative period
- Operating income $46.3 million, or a 24.1 % increase
- Adjusted EBITDA(*) $64.1 million, up 12.5 % from the comparative period
- Distributable cash(*) $59.4 million, or a 12.1 % increase

(*) See section entitled Non-GAAP Measures

"2007 was the third consecutive year of solid double-digit financial growth," said Rupert Duchesne, President and Chief Executive Officer. "We launched new partners in different sectors and various promotions with significant retailers. The year culminated with our strategic acquisition of Loyalty Management Group paving the way to attaining a worldwide leadership position in loyalty management."

Financial Performance (Aeroplan Limited Partnership)

Gross billings from the sale of Aeroplan Miles grew 11.8 % to $952.2 million, compared to $851.9 million in 2006. Fourth quarter gross billings went from $226.7 million in 2006 to $248.4 million in 2007, a 9.6 % quarter over quarter increase as a result of general growth in consumer spending experienced through credit and charge cards issued by Aeroplan's accumulation partners and continued momentum in the travel industry.

For the full fiscal year, operating income amounted to $189.7 million in 2007 compared to $140.5 million in 2006 or a 35.1 % increase. For the fourth quarter, operating income amounted to $46.3 million, compared to $37.3 million for the corresponding quarter of 2006, a 24.1 % increase, mainly attributable to higher reward redemption activity, a higher proportion of Aeroplan Miles redeemed, offset in part by the slight increase in redemption costs.

At year end, the Fund had $456.0 million of cash and cash equivalents and $123.4 million of short-term investments, for a total of $579.4 million compared to $619.7 million held by the Aeroplan Limited Partnership at the end of 2006. The Aeroplan Miles redemption reserve of $400.0 million is included in this amount.

On a year over year basis, adjusted EBITDA and distributable cash amounted to $252.1 million and $245.7 million, respectively, compared to $216.4 million and $199.4 million in 2006, respectively. In the fourth quarter, adjusted EBITDA amounted to $64.1 million compared to $57.0 million in the fourth quarter of 2006 and distributable cash was $59.4 million compared to $53.0 million for the fourth quarter of 2006.

Fourth Quarter 2007 Key Operational Achievements

Acquisitions

Loyalty Management Group

On December 20, 2007, the Fund acquired privately-held Loyalty Management Group Limited (LMG) for a purchase price of (pnds stlg)355.1 million ($715.4 million). LMG is the leading loyalty marketing and customer-driven insight and analysis company that owns and operates the Nectar loyalty program in the United Kingdom.

LMG operates in three main areas: Nectar, Insight & Communication (I&C) and Rewards Management Middle East (RMMEL). LMG also owns the worldwide rights, trademarks and other intellectual property of the Air Miles brand and receives royalty income from these assets. The Nectar Program is the United Kingdom's largest loyalty program and only significant coalition loyalty program. It was launched in September 2002 and enables its over 10 million active members to earn points for making everyday household purchases at leading retailers and service providers. The I&C business was established in 2007 to provide analytical services to retailers and their suppliers. RMMEL manages loyalty programs under the Air Miles Trademark in Middle Eastern markets, principally the United Arab Emirates, Bahrain and Qatar.

The acquisition of LMG provides the Fund with an unparalleled breadth of retail, financial services, travel, as well as data analytics skills and experience as well as a leading position in one of the most important and active loyalty markets in the world.

The two loyalty programs, Nectar and Aeroplan, continue to be operated separately. Members' participation in their respective program is unaffected.

Rewards Management Middle East Limited (RMMEL)

On January 17, 2008, the Fund purchased an additional participation of 40% in RMMEL for a purchase price of AED40 million ($11.2 million). As a result of this transaction, the Fund now holds 60% of RMMEL.

The Fund will continue to pursue international expansion opportunities.

Carbon Offset Program

Aeroplan Limited Partnership (Aeroplan) launched its Carbon Offset Program - another loyalty industry first during December 2007. Under this program, Aeroplan members can use their miles to offset emissions generated by their flights and everyday activities. Aeroplan matches all miles redeemed for carbon offset credits by 20 per cent and transfers the total sum to the Carbon Reduction Fund (www.carbonreductionfund.org), an independent, non-profit organization with the mission of funding only the highest-quality offset projects.

Aeroplan launched the Carbon Offset Program by contributing more than 2.5 million Aeroplan Miles to the Carbon Reduction Fund. Aeroplan's partners American Express and CIBC have also generously contributed to the program's launch, each donating 2 million Aeroplan Miles.

Partnerships

Air China and Shanghai Airlines

Aeroplan welcomed Air China and Shanghai Airlines as travel partners, bringing Aeroplan's roster of airline partners to 29.

Bell Canada

Aeroplan and Bell Canada announced the end of their agreement to offer Aeroplan Miles to Bell Canada customers as of January 2008. In the same month, Aeroplan and Primus, the largest alternative communications carrier in Canada, announced a multi-year national partnership which allows Aeroplan Members to accumulate Aeroplan Miles across Primus' entire range of consumer products and services. Members may earn three Aeroplan Miles for every dollar spent on Primus' suite of products and services, including home phone, long distance, wireless, and internet services, as well as Primus' bundled offerings.
Aeroplan Members can also earn valuable bonus Aeroplan Miles when they sign up for Primus services.

New Non-Flight Rewards

Aeroplan announced that Starwood Hotels will offer Aeroplan members a totally web-based means to search for, book and confirm hotel stays using Aeroplan Miles. The new seamless process eliminates the need for vouchers and coupons and, because the process is immediate, there is no longer a need to book days in advance or call the hotel chain to make a reservation. Aeroplan is the only loyalty program in Canada to offer this level of self-service options for booking travel, including flight, car and hotel rewards.

ACE Secondary Offering

On October 22, 2007, ACE Aviation Holdings Inc. (ACE) sold an aggregate of 22.0 million Fund units at a price of $21.90 per unit, for gross proceeds of $481.8 million. The Fund did not receive any of the proceeds from this secondary offering by ACE. ACE retains 40,292,088 Fund units, representing 20.1% of the 199,968,791 units issued and outstanding.

Corporate Structure

To ensure that the Fund's capital structure is efficient and that unitholder value is being maximized, the Board of Trustees and the Board of Directors have requested that management retain independent financial advisors to conduct an in-depth analysis to consider a potential reorganization of the Fund's income trust structure to a corporate structure. Although no final decision has been made at this time, the review may lead to a recommendation in the near future that unitholders approve a conversion to a corporation.

Non-GAAP Measures

In order to provide a better understanding of the results, the following terms are used:

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")

EBITDA adjusted for certain factors particular to the business, such as changes in deferred revenue and future redemption costs ("Adjusted EBITDA") is used by management to evaluate performance, and is used in measuring compliance with debt covenants and in making decisions relating to distributions to unitholders. Management believes Adjusted EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost.

Adjusted EBITDA is a non-GAAP measurement and may not be comparable with similar measures reported by other entities, and is not considered an alternative to operating income or net income in measuring performance. For reconciliation with GAAP, please refer to the selected Annual Information and reconciliation of Adjusted EBITDA and Distributable Cash. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayment and other sources and uses of cash, which are disclosed in the statements of cash flows.

Refer to the Selected Annual Information and Reconciliation of Adjusted EBITDA and Distributable Cash for a summary of operating results and reconciliation of Adjusted EBITDA and Distributable Cash.

Distributable Cash

Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of financial performance, and it should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash may differ from similar calculations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

The Fund intends to make equal monthly distributions to its partners of record on the last business day of each month. Management and the board of directors will periodically review cash distributions in order to take into account current and prospective performance.

Refer to the attached schedule for a reconciliation of Distributable Cash to cash flows from operations.

The annual financial statements and the Investor Presentation, as well as unaudited supplementary financial information will be accessible on the investor relations website at aeroplan.com.

Quarterly Investor Conference Call / Audio Webcast

The Fund will hold an analyst call at 14:30 a.m. (Eastern Standard Time) on Tuesday March 4, 2008 to discuss its fourth quarter and year-end results. The call may be accessed by dialling 416-340-2217 within the Toronto area, or 1-866-696-5910 (toll free) outside of Toronto. The call will be simultaneously audio webcast at http://events.startcast.com/events/20/B0058.

The conference call webcast and a presentation to investors and analysts will be archived on the investor relations website at www.aeroplan.com. A playback of the call can also be accessed until April 4, 2008 by dialling 416-695-5800, pass code 3238698#, from within the Toronto area, or 1-800-408-3053, pass code 3238698#, outside of Toronto.

About Aeroplan Income Fund

Aeroplan Income Fund is an unincorporated, open-ended trust established under the laws of the Province of Ontario. Aeroplan Income Fund is the owner of Aeroplan Limited Partnership, Canada's premier loyalty marketing company and operator of the Aeroplan loyalty program and Loyalty Management Group Limited, operator of Nectar, the United Kingdom's largest customer reward program.

For more information about the Fund, please visit www.aeroplan.com

About Aeroplan

Aeroplan, Canada's premier loyalty marketing company and operator of the Aeroplan loyalty program, is dedicated to developing and executing programs designed to engage the loyalty of its prestigious membership. Aeroplan's millions of members earn Aeroplan Miles with its network of more than 70 world-class partners, representing more than 150 brands in the financial, retail, and travel sectors. Miles earned may be redeemed for Aeroplan's industry-leading ClassicFlight Rewards, innovative ClassicPlus Flight Rewards, and global Star Alliance Flight Rewards, offering travel to more than 850 destinations worldwide. In 2007 alone, more than 1.5 million round-trip flight rewards were issued. Aeroplan's roster of non-flight rewards includes more than 400 exciting specialty, merchandise, and experiential rewards, as well as hotel and car rental rewards. Members are encouraged to stay engaged with Aeroplan and avoid mileage expiration due to inactivity by earning or redeeming Aeroplan Miles at least once in any consecutive twelve-month period.

For more information about Aeroplan, please visit www.aeroplan.com.

About LMG

LMG is based in the United Kingdom and develops, owns and manages large retail-based customer reward programs and provides customer data driven marketing services to retailers, CPGs and service providers worldwide. The group owns and operates the Nectar brand, the United Kingdom's largest customer reward program. It also majority owns the Air Miles programme in the Middle East as well as owning the Air Miles trademark around the world. It employs approximately 250 staff at its HQ in London and has operations in Newcastle, England and Mumbai, India.

For more information about LMG, please visit www.loyalty.co.uk.

Caution Concerning Forward-Looking Statements

This news release should be read in conjunction with Fund's 2007 year-end and fourth quarter MD&A dated March 3, 2008 filed with Canadian securities regulatory authorities (available at www.sedar.com). 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 and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on top accumulation partners, Air Canada or travel industry disruptions, reduction in activity, usage and accumulation of Aeroplan Miles, greater than expected redemptions for rewards, industry competition, supply and capacity costs, unfunded future redemption costs, changes to the Aeroplan and Nectar Programs, seasonal nature of the business, regulatory matters, VAT appeal, control of the Fund, restrictions on certain unitholders and liquidity of units, future sales or distributions of units by ACE Aviation Holdings Inc., income tax matters, conversion to corporate structure, as well as the other factors identified throughout the MD&A. The forward-looking statements contained in this discussion represent the Fund's expectations as of March 3, 2008, and are subject to change after such date. However, the Fund 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.

SELECTED ANNUAL INFORMATION AND RECONCILIATION OF ADJUSTED EBITDA AND DISTRIBUTABLE CASH

(in thousands, except miles, unit and per unit information)	December 31, 2007(3)	2006(4)	2005(4)	Year over year % change 2007 over 2006	2006 over 2005
Number of Aeroplan Miles issued (in billions)	78.1	69.7	62.6	12.1	11.3
Number of Total Miles redeemed (in billions)	66.0	57.8	52.2	14.2	10.7
Number of Aeroplan Miles redeemed (in billions)	59.1	49.3	40.4	19.9	22.0
Gross Billings from the sale of Aeroplan Miles	$952,165	$851,851	$754,786	11.8	12.9
Aeroplan Miles revenue	848,665	709,269	582,883	19.7	21.7
Tier management, contact centre management and marketing fees from Air Canada	9,371	10,121	12,666	(7.4)	(20.1)
Other revenue	48,379	49,997	44,352	(3.2)	12.7
Total revenue	906,415	769,387	639,901	17.8	20.2
Cost of rewards	(540,061)	(465,254)	(397,042)	16.1	17.2
Gross margin	366,354	304,133	242,859	20.5	25.2
Selling, general and administrative	(164,841)	(149,406)	(132,459)	10.3	12.8
Depreciation and amortization	(11,804)	(14,260)	(8,491)	(17.2)	67.9
Operating income before amortization of accumulation partners' contracts and technology	$189,709	$140,467	$101,909	35.1	37.8
Depreciation and amortization	11,804	14,260	8,491		
Change in deferred revenue					
Gross Billings from the sale of Aeroplan Miles	952,165	851,851	754,786		
Aeroplan Miles revenue	(848,665)	(709,269)	(582,883)		
Change in Future Redemption Costs(1) (Change in Net					

Aeroplan Miles outstanding x Average cost of rewards per Mile for the period)	(52,916)	(80,915)	(114,165)	(34.6)	(29.1)
Adjusted EBITDA	$252,097	$216,394	$168,138	16.5	28.7
Net Interest Income (Expense)	9,889	4,941	(666)	100.1	841.9
Maintenance Capital Expenditures	(16,325)	(21,923)	(15,284)	(25.5)	43.4
Distributable Cash	$245,661	$199,412	$152,188	23.2	31.0
Standardized Distributable Cash (6)	$291,920	$299,054	$305,084	(2.4)	(2.0)
Weighted average number of units (Fund)	190,023,236	199,707,713(2)	187,739,727(2)		
Distributable Cash per unit	$1.29	$1.00	$0.81	29.0	23.4
Standardized Distributable Cash per unit	$1.54	$1.50	$1.63	2.7	(8.0)
Adjusted net earnings(5) = Net earnings, in accordance with GAAP + amortization of accumulation partners' contracts and technology + income taxes	185,435	$143,529	$100,304	29.2	43.1
Earnings per unit, in accordance with GAAP, adjusted for amortization of accumulation partners' contracts and technology and income taxes	$0.98	$0.72	$0.53	36.1	35.8
Total assets (Fund)	$6,118,340	$824,383	$674,221		
Total long-term liabilities (Fund)	$1,579,297	$967,921	$944,183		
Total monthly distributions declared, post offering (Partnership)	168,000	$146,460	$70,740	14.7	107.0
Total monthly distributions declared per unit, post offering	$0.84	$0.73	$0.38	15.1	92.1
Distributions declared, pre-offering	-	-	$311,000		

(1) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the liability on the basis of the latest available average unit cost;
(2) Represents weighted average number of units outstanding for the Partnership, as the YTD weighted average number of units for the Fund is not comparative;
(3) Has been derived by adding the results of the Partnership prior to March 14, 2007 to the results of the Fund for the year;
(4) 2006 and 2005 results presented for comparative purposes are those of the Partnership;
(5) Adjusted net earnings is a non-GAAP measurement;
(6) Has been derived by adding the results of the Partnership prior to March 14, 2007 to the results of the Fund for the year excluding the effect of LMG.

RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO STANDARDIZED

DISTRIBUTABLE CASH AND DISTRIBUTABLE CASH

(in thousands)	Years ended December 31, 2007(3)	2006(4)
Cash flows from operations	$ 308,245	$ 320,977
Maintenance Capital Expenditures	(16,325)	(21,923)
Standardized Distributable Cash	291,920	299,054
Changes in non-cash working capital items(1)	5,226	(17,579)
Stock Based compensation(1)	(3,632)	(3,621)
Funding of stock-based compensation plans(1)	5,063	(2,473)
Change in future redemption costs(2)	(52,916)	(80,915)
Distributable Cash	$ 245,661	$ 199,412
Distributions declared	$ 168,000	$ 146,460
Payout ratio - Distributions declared / Standardized Distributable Cash	58%	49%
Payout ratio - Distributions declared / Distributable Cash	68%	73%
Standardized Cumulative Distributable Cash since IPO (June 29, 2005)	768,578	476,658
Cumulative distributions declared since IPO	385,200	217,200
Cumulative payout ratio since inception	50%	46%

(1) The impact of the respective items is considered in the calculation of Standardized Distributable Cash but they are not part of the Distributable Cash definition in accordance with the Limited Partnership Agreement. This eliminates the potential impact of timing distortions relating to the respective items;
(2) Changes in future redemption costs are included to reflect the expected change in the future redemption liability on the basis of the most recently experienced redemption costs;
(3) Represents cash flows from operations generated by the Partnership;
(4) 2006 results presented for comparative purposes are those of the Partnership.

SUMMARY OF QUARTERLY RESULTS

This schedule includes sequential quarterly data for the eight quarters ended December 31, 2007.

(in thousands, except per unit amounts) (unaudited)	2007 Q4 $	Q3 $	Q2(2) $	Q1(2) $
Gross Billings	248,380	236,877	238,931	227,977
Total revenue	221,578	219,239	220,284	245,314
Cost of rewards	129,181	127,205	128,541	155,134
Gross margin	92,397	92,034	91,743	90,180
Selling, general and administrative expenses	43,017	40,713	41,707	39,403
Depreciation and amortization	3,059	3,230	2,811	2,704
Operating income before amortization of accumulation partners' contracts and technology	46,321	48,091	47,225	48,073
Amortization of accumulation partners' contracts and technology	18,112	18,112		
Operating income	28,209	29,979	47,225	48,073
Adjusted net earnings(3) = Net earnings, in accordance with GAAP + amortization of accumulation partners' contracts and technology + income taxes	44,809	51,371	49,450	50,116
Net earnings	51,697	32,259	49,450	50,116
Adjusted EBITDA	64,131	64,519	65,171	59,980
Standardized Distributable				

Cash	47,894	89,667	68,163	70,856
Standardized Distributable Cash per unit	0.24	0.45	0.34	0.36
Distributable Cash	59,380	63,015	64,886	60,120
Distributable Cash per unit	0.30	0.32	0.33	0.30
Earnings per unit, in accordance with GAAP - Fund	0.26	0.16	(0.68)	0.16
Earnings per unit, in accordance with GAAP - Partnership	0.24	0.26	0.25	0.25

(in thousands, except per unit amounts) (unaudited)	2006 Q4(2)	Q3(2)	Q2(2)	Q1(2)
	$	$	$	$
Gross Billings	226,728	211,245	212,376	201,502
Total revenue	208,404	178,391	182,534	200,058
Cost of rewards	120,160	107,741	112,470	124,883
Gross margin	88,244	70,650	70,064	75,175
Selling, general and administrative expenses	47,451	34,464	34,948	32,438
Depreciation and amortization	3,479	3,155	3,884	3,742
Operating income before amortization of accumulation partners' contracts and technology	37,314	33,031	31,232	38,995
Amortization of accumulation partners' contracts and technology				
Operating income	37,314	33,031	31,232	38,995
Adjusted net earnings(3) = Net earnings, in accordance with GAAP + amortization of accumulation partners' contracts and technology + income taxes	38,469	34,320	31,755	38,985
Net earnings	38,469	34,320	31,755	38,985
Adjusted EBITDA	56,975	53,359	51,470	54,390
Standardized Distributable Cash	94,769	100,969	63,441(1)	39,875(1)
Standardized Distributable Cash per unit	0.47	0.50	0.32	0.20
Distributable Cash	52,996	50,664	47,073(1)	48,374(1)
Distributable Cash per unit	0.27	0.25	0.24	0.24
Earnings per unit, in accordance with GAAP - Fund	0.13	0.07	0.11	0.16
Earnings per unit, in accordance with GAAP - Partnership	0.19	0.17	0.16	0.19

(1) Maintenance capital expenditures included in Distributable Cash for Q1 and Q2 2006 have been restated to reflect the actual amount of maintenance capital expenditures incurred in each period. The amounts previously reported were based upon a pro-ration of the estimated yearly spend.
(2) Results presented for comparative purposes are those of the Partnership.
(3) Adjusted net earnings is a non-GAAP measurement.

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