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Aeroplan to acquire Nectar Program Operator, LMG, to create the global leader in loyalty management

MONTREAL, CA and LONDON, UK, Dec. 3 /CNW Telbec/ Aeroplan Income Fund "Aeroplan" (TSX: AER.UN), Canada's premier loyalty marketing company, today announced that it has entered into a definitive agreement to acquire privately-held LMG for a purchase price of (pnds stlg)350 million (Cdn\$717.5 million) plus working capital adjustments of (pnds stlg)18 million (Cdn\$36.9 million) for total consideration of (pnds stlg)368 million (Cdn\$754.4 million). The purchase price is subject to a holdback in the amount of (pnds stlg)31.6 million (Cdn\$64.8 million), the future payment of which is subject to the outcome of the company's outstanding Value Added Tax (VAT) litigation. This transaction is expected to close by the end of the year. LMG is being acquired from Sir Keith Mills (Chairman of LMG), global private equity investor Warburg Pincus and the management team.

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 & Communications (I&C) and Loyalty International. Nectar is the UK's largest customer rewards program with 50% of UK households participating at 15 leading national retail brands. LMG I&C uses customer data to provide retailers and consumer packaged goods companies (CPGs) with insight into consumer shopping trends to enhance trading and marketing decisions. LMG's international arm actively seeks to launch and operate loyalty programs worldwide.

"This announcement marks an important milestone in our stated acquisition strategy," said Rupert Duchesne, President and CEO of Aeroplan, in the UK today. "The acquisition of LMG gives us unparalleled breadth of retail, financial services, travel, as well as data analytics skills and experience. Through this transaction, we will assume a dominant position in one of the most important and active loyalty markets in the world whilst acquiring expertise that will help accelerate our retail expansion in Canada. What's more, Aeroplan has found the right partner to pursue successfully international expansion opportunities. LMG's management team has significant experience in global markets, having launched and operated retail-based coalition loyalty programs in the UK, Canada, Spain, the Netherlands, the Middle East and New Zealand."

For LMG, the acquisition will bring increased financial strength as a result of being part of a larger publicly traded entity, as well as additional skills and expertise in complementary business sectors. Consequently, the transaction will act as a catalyst to accelerate the execution of LMG's large-scale plans.

"We look forward to working with a leader in loyalty management who brings substantial experience in the travel and financial sectors and a long-standing history of growth," said Alex Moorhead, CEO of LMG. "Over the last 18 months, we have been strengthening our position in the UK loyalty arena, deepening our customer insight and analytics expertise and progressing international opportunities. Our combined experience will ensure a worldwide leadership position in this growing market."

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

As previously disclosed, Aeroplan continues to consider its plans to convert to a corporate structure, although no final decision has been made at this time.

Transaction Highlights

- Transaction price of (pnds stlg)350 million (Cdn\$717.5 million) plus working capital adjustments of (pnds stlg)18 million (Cdn\$36.9 million) for total consideration of (pnds stlg)368 million (Cdn\$754.4 million). The purchase price is subject to a holdback in the amount of (pnds stlg)31.6 million (Cdn\$64.8 million), the future payment of which is subject to the outcome of the company's outstanding Value Added Tax (VAT) litigation.
- Substantially all of the transaction price will be payable in cash at closing with certain members of LMG's management exchanging a portion of their LMG shares for Aeroplan units.
- The acquisition is expected to be immediately, modestly accretive to Distributable Cash in 2008.
- Aeroplan will finance the acquisition through a combination of existing cash resources and debt.
- Closing is expected to take place prior to the end of the year.
- RBC Capital Markets acted as financial advisor to Aeroplan in this acquisition and has provided the debt financing necessary to complete the transaction.
- Rupert Duchesne will remain President and CEO of Aeroplan. Alex Moorhead and his executive team will continue the management of LMG.

Analyst Conference Call and Audio Webcast

Aeroplan and LMG will hold an analyst call at 8h30 a.m. Eastern Time (13h30 GMT) on Monday, December 3, 2007. Please allow 15 minutes to be

connected to the conference call. The call may be accessed by dialling:

International: 416-644-3430
North America: 866-250-4665
United Kingdom: 00 800 2288 3501

The call will be simultaneously audio webcast at
<http://w.on24.com/r.htm?e=98788&s=1&k=311CE8FE131DE41C4B738EC3363C3ACE>.

Replay will be available for 60 days by calling:

International: 416-640-1917
North America: 877-289-8525
Passcode: 21255320#

Media Conference call

Aeroplan and LMG will hold a media call at 10h30 a.m. Eastern Time (15h30 GMT) on Monday, December 3, 2007. Please allow 15 minutes to be connected to the conference call. The call may be accessed by dialling:

International: 416-644-3431
North America: 866-250-4877
United Kingdom: 00 800 2288 3501

Replay will be available for 60 days by calling:

International: 416-640-1917
North America: 877-289-8525
Passcode: 21255327#

Note to Editors:

The group's ownership is split between Sir Keith Mills, Chairman of LMG, global private equity firm Warburg Pincus and the management team.

Chairman of LMG, Sir Keith Mills, said, "This announcement marks an exciting milestone in the development of LMG. The company has grown rapidly in recent years and the Nectar program has become the largest customer reward program in the UK. Warburg Pincus, as a major shareholder, has continually supported the company's strategy and contributed to this success. All shareholders strongly believe Aeroplan is the right partner to take the business forward and successfully realise its next stage of growth. Together with Aeroplan and the expertise of the current management team, LMG will be able to pursue international expansion and capitalise on the significant opportunities in loyalty and data management."

Joseph Schull, a Warburg Pincus Managing Director and LMG director commented, "Nectar is a good illustration of our investment approach. By backing and engaging as an active partner to a talented entrepreneurial management team, we helped to build the UK's leading loyalty marketing business that today serves half of the UK's households and many of the country's leading retailers. LMG now has an excellent foundation for future expansion in both the UK and international markets. We wish LMG and its management, led by Alex Moorhead, continued success with Aeroplan."

About LMG

LMG is a privately-held company based in the United Kingdom which 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, and also owns the Air Miles trademark around the world and has a 20% stake in the Rewards Management Middle East Limited (RMMEL) which owns and operates Air Miles program in the Middle East. LMG has appeared in the Sunday Times Top Track 250 companies for the last three years. It employs approximately 200 staff at its HQ in London, England and has operations in Newcastle, England and Mumbai, India. For more information about LMG, please visit www.loyalty.co.uk.

About Aeroplan

Aeroplan is an unincorporated, open-ended trust established under the laws of the Province of Ontario.

Aeroplan is Canada's premier loyalty marketing company, 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 2006 alone, more than 1.4 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 Warburg Pincus

Warburg Pincus has been a leading private equity investor since 1971. The firm currently has approximately \$23 billion of assets under management in a range of sectors including technology, media and telecommunications, consumer

and retail, industrial, healthcare, financial services, energy and real estate.

Warburg Pincus has raised 12 private equity investment funds which have invested more than \$27 billion in approximately 575 companies in 30 countries. Technology, media and telecommunications are among the firm's core areas for investment. The firm has invested more than \$10 billion in the sector globally, of which approximately \$2.8 billion has been invested in Europe. Significant technology, media and telecommunications investments around the world include Bharti Tele-ventures (BSE: BHARTI.IN), NeuStar (NYSE: NSR) , MLM Information Services LLC, and Integra Telecom and Camp Systems International. Our European portfolio includes Loyalty Management Group, MACH, Multikabel-Casema-Kabelcom , WNS Global Services (NYSE: WNS), Fibernet Communications and easycash. An experienced partner to entrepreneurs seeking to create and build durable companies with sustainable value, the firm has offices in Beijing, Frankfurt, Hong Kong, London, Mumbai, New York, San Francisco, Shanghai and Tokyo. For more information, please visit www.warburgpincus.com.

Caution Concerning Forward-Looking Statements

This news release contains forward-looking statements relating but not limited to Aeroplan's and LMG's operations, anticipated financial performance and business prospects. 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 or implied in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, loss of a major partner, travel industry disruptions, significant change in activity usage, accumulation of Aeroplan Miles and expected reward redemptions, industry competition, general industry, market and economic conditions, supply and capacity costs, airline industry changes and increased airline costs, unfunded future redemption costs, seasonality, employee relations, reliance on key personnel, technological disruptions, adverse regulatory developments or proceedings, pending litigation and actions by third parties, restrictions on certain unitholders and liquidity of the Fund units, as well as the other factors identified in the "Risks and Uncertainties Affecting the Business" section of the 2006 MD&A and of the 2007 third quarter MD&A dated November 7, 2007 (available at www.sedar.com). The forward-looking statements contained in this press release represent Aeroplan's expectations as of December 3, 2007, and are subject to change after such date. However, Aeroplan 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.

/NOTE TO PHOTO EDITORS: A photo accompanying this release is available on the CNW Photo Network and archived at <http://photos.newswire.ca>. Additional archived images are also available on the CNW Photo Archive website at <http://photos.newswire.ca>. Images are free to accredited members of the media/

For further information: Media: Aeroplan - Canada: Gillian Hewitt, (416) 352 3706, gillian.hewitt@aeroplan.com; Aeroplan - UK: Chris Newman, +44 (0) 77 2504 3100, chris.newman@fleishmaneuropa.com; LMG: Megan Ratcliffe, +44 020 7152 4881, m.ratcliffe@loyalty.co.uk; Neil Hedges, +44 020 7544, 3014, neil.hedges@fishburn-hedges.co.uk; Analysts: Aeroplan / LMG: Trish Moran, (416) 352 3728, trish.moran@aeroplan.com

A STAR ALLIANCE MEMBER

