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Aeroplan Reports 2006 Year-End and Fourth Quarter Results

MONTREAL, Feb. 8 /CNW Telbec/ - Aeroplan Income Fund (the "Fund") (TSX: AER.UN) today reported the 2006 year-end and fourth quarter results of Aeroplan Limited Partnership ("Aeroplan LP").

2006 Financial Highlights

- Gross billings of \$851.9 million, an annual increase of 12.9%
- Operating income \$140.5 million, or a 37.8% annual increase
- Adjusted EBITDA(*) \$216.4 million, an annual increase of 28.7%
- Distributable cash(*) \$199.4 million, or a 31.0% annual increase

Fourth Quarter 2006 Financial Highlights

- Gross billings of \$226.7 million, up 15.3% from the comparative period
- Operating income \$37.3 million, or a 23.5% increase
- Adjusted EBITDA(*) \$57.0 million, up 11.3% from the comparative period
- Distributable cash(*) \$53.0 million, or a 12.3% increase

"2006 was another year of solid growth and key achievements, with more partnerships, rewards and value delivered to our unitholders, members and partners," said Rupert Duchesne, President and CEO, Aeroplan. "The year saw continued growth of our business model, as demonstrated by the range and diversity of new partnerships formed and by the introduction of Aeroplan's ClassicPlus Flight Rewards, a sophisticated industry-first reward product."

Aeroplan Financial Performance

Gross billings from the sale of Aeroplan Miles grew 12.9% to \$851.9 million on a full-year basis, compared to \$754.8 million in 2005. Fourth quarter gross billings went from \$196.6 million in 2005 to \$226.7 million in 2006, a 15.3% quarter over quarter increase as a result of general growth in consumer spending and continued momentum in the travel industry.

For the full fiscal year, operating income amounted to \$140.5 million in 2006 compared to \$101.9 million in 2005 or a 37.8% increase. For the fourth quarter, operating income amounted to \$37.3 million, compared to \$30.2 million for the corresponding quarter of 2005, a 23.5% increase, mainly attributable to the higher proportion of Aeroplan Miles redeemed and higher reward redemption activity partly attributable to the introduction of ClassicPlus Flight Rewards.

At year end, Aeroplan had \$166.9 million of cash and cash equivalents and \$452.8 million of short-term investments, for a total of \$619.7 million compared to \$464.9 million at the end of 2005. The Aeroplan Miles redemption reserve of \$400.0 million is included in this amount.

On a full year basis, adjusted EBITDA and distributable cash amounted to \$216.4 million and \$199.4 million, respectively, compared to \$168.1 million and \$152.2 million in 2005, respectively. In the fourth quarter, adjusted EBITDA amounted to \$57.0 million compared to \$51.2 million in the fourth quarter of 2005 and distributable cash was \$53.0 million compared to \$47.2 million for the fourth quarter of 2005.

Fourth Quarter 2006 Key Operational Achievements

ClassicPlus Flight Rewards

On October 16, 2006, Aeroplan unveiled its breakthrough ClassicPlus Flight Rewards product. ClassicPlus Flight Rewards offers Aeroplan members unrestricted access to available seat inventory across the Air Canada and Air Canada Jazz networks in both Economy and Executive Class. While Aeroplan's new ClassicPlus Flight Rewards offer more choice and flexibility, it is important to note that Aeroplan's existing ClassicFlight Rewards have not changed. Aeroplan's fixed mileage grid and seat availability remain the core element of Aeroplan's value proposition to members (i.e. booking a ClassicFlight from Toronto to New York City remains 15,000 Aeroplan Miles; a ClassicFlight Reward from Montreal to Los Angeles remains 25,000 Aeroplan Miles). These rewards will continue to represent 8% of Air Canada and Air Canada Jazz seat capacity on every route, every month.

With ClassicPlus Flight Rewards, all capacity available over and above this 8% is offered to members at variable mileage levels. Aeroplan uses a new and innovative availability and booking tool to source seat inventory and to calculate mileage levels on a real-time basis. The number of miles required to redeem for ClassicPlus Flight Rewards is based on actual airline ticket prices - minus Aeroplan's negotiated rates as the airline's largest purchaser of seats - and therefore varies in a way similar to airline pricing, including factors such as origin, destination, seasonality, time and day of travel.

Members may choose how and when to redeem for reward travel that best suits their individual needs. Booking in advance tends to allow best access to Aeroplan's industry-leading ClassicFlight Rewards; however reward travel can be booked right up until two hours prior to a flight's departure should seats remain available.

The terms and conditions of Aeroplan's ClassicFlight Rewards and ClassicPlus Flight Rewards are similar to those normally associated with a

higher-priced airline ticket: changes, cancellations and refunds are easily made through Aeroplan's contact centres, making reward travel worry- and hassle-free.

Partnerships and Promotions

On November 21, 2006, Aeroplan's partner, CIBC, announced Mileage Multiplier: a new product feature that offers significant enhancements to CIBC's Aerogold Visa card to enable cardholders to automatically earn 50 per cent more Aeroplan Miles on everyday credit card purchases at grocery stores, gas stations or drug stores in Canada and abroad. Through the new CIBC Mileage Multiplier feature, cardholders earn 1.5 Aeroplan Miles for every dollar spent on everyday purchases, up from 1 mile per dollar spent.

This feature enhancement complements Aeroplan's retail strategy and delivers significant value to Aeroplan's members and CIBC's cardholders.

During the fourth quarter of 2006, three partnership agreements and one national promotional program were announced.

Home Hardware

Aeroplan and Home Hardware Stores Limited announced a national, exclusive multi-year partnership. Starting later this winter, Aeroplan members can earn 1 Aeroplan Mile for every \$2 spent at the more than 1,000 Home Hardware, Home Building Centre, Home Hardware Building Centre and Home Furniture stores across Canada.

Pepsi-QTG

Aeroplan and Pepsi-QTG Canada announced that the companies formed a multi-year partnership designed to offer Aeroplan Miles on select Quaker and Tropicana breakfast products. This marks the first entry ever of a consumer packaged goods company as a partner in the Aeroplan program.

Marketing promotions using Aeroplan Miles as an incentive will be created to drive higher consumer product consumption, increased purchase frequency and drive consumer traffic to retail locations that distribute selected Quaker and Tropicana breakfast products.

This on-going breakfast loyalty program will offer consumers the ability to earn 10 Aeroplan Miles on each product purchased; the partnership debuted on a number of specially marked Quaker and Tropicana breakfast products. Other promotional elements may include contests, bonus Aeroplan Mile offers and tactical promotional offers.

Accor Hotels

Aeroplan and Accor announced that two of Accor's hotel brands, Sofitel and Novotel, now offer Aeroplan members the opportunity to earn Aeroplan Miles for stays at any of their 590 worldwide properties. Aeroplan members can earn 500 Aeroplan Miles per stay at a Sofitel property and 250 Aeroplan Miles per stay at a Novotel property. As part of a special launch promotion, until March 30, 2007, Aeroplan members may earn double Aeroplan Miles for each stay in Canada and the USA.

DaimlerChrysler Canada Inc.

Aeroplan and DaimlerChrysler Canada Inc., manufacturer of Chrysler, Jeep and Dodge brand passenger cars, SUVs, sports tourers, minivans and pickups, announced a promotion whereby Aeroplan members can earn and redeem Aeroplan Miles on the purchase or lease of new, eligible Chrysler, Jeep and Dodge brand vehicle by visiting any of the company's 460 participating dealerships across Canada. This promotion ran from November 1, 2006 to January 2, 2007.

New Non-Flight Rewards

Aeroplan introduced three brand new prepaid, stored value cards in the categories of Fashion, Home and Sommelier. These new ultra-flexible non-flight rewards join the successful collection of Dining, Spa, Sports, Entertainment and Getaways cards already in market. Using their Aeroplan Miles, members can order cards in two shopping value increments: 14,000 Aeroplan Miles for a card worth \$100 and 33,500 Aeroplan Miles for a card worth \$250. Using the card at locations within the designated categories is as simple as asking if American Express is accepted when presenting it in person, by phone, online or by mail.

Distributions

On October 16, 2006, it was announced that the trustees of the Fund had approved a 12% increase in monthly cash distributions to unitholders from \$0.0625 per Fund unit, equivalent to \$0.75 on an annualized basis, to \$0.0700 per Fund unit, equivalent to \$0.84 on an annualized basis, commencing with the distribution payable on January 15, 2007 to the unitholders of record on December 29, 2006.

ACE Distribution and Exchange

On December 28, 2006, it was announced that, in connection with a distribution by ACE Aviation Holdings Inc. (ACE) of units of the Fund to its shareholders pursuant to a statutory plan of arrangement approved in October 2006, ACE exchanged 50,000,000 units of Aeroplan Limited Partnership for an equivalent number of Fund units.

The exchange was made in accordance with the terms of the investor liquidity agreement entered into at the time of the initial public offering of Aeroplan Income Fund. The units of the Fund acquired by ACE as a result of the exchange were distributed on January 10, 2007 to ACE shareholders.

On January 10, 2007, ACE exchanged 60,000,000 units of Aeroplan Limited Partnership for an equivalent number of Fund units in accordance with the

terms of the investor liquidity agreement. The Fund now has 159,454,165 units issued and outstanding and holds a 79.7% interest in Aeroplan LP. Following the exchange, ACE continues to hold a 50.3% aggregate interest in Aeroplan LP, comprised of a 20.3% direct interest in Aeroplan LP and a 37.6% direct interest in the Fund.

Program Changes

On October 16, 2006, Aeroplan announced changes to the program's terms and conditions affecting mileage expiry.

Starting January 1, 2007, miles that are unused after 7 years in an account will expire, and will be deducted from the total balance in the account. This means that Aeroplan Miles issued on January 1, 2007 or after, can be redeemed for 7 years (84-months) from the month the mile is accumulated. All Aeroplan Miles issued before January 1, 2007 will be considered as accumulated on December 31, 2006, regardless of the actual activity date. This will result in an end date of December 31, 2013 for miles earned at any time prior to January 1, 2007.

Starting July 1, 2007, Aeroplan will change the terms of its mileage expiry policy. Members will have had to make at least one transaction - either by accumulating miles or redeeming miles - at least once in the previous 12 months. Therefore, on July 1, 2007, if a member has not earned or redeemed one mile in the time span of July 1, 2006 to June 30, 2007, the miles in their account will expire. Members may have their account and miles reinstated, either fully or partially. The cost is a \$30 processing fee, plus 1 cent for every reinstated mile, plus taxes.

As always, Aeroplan's expiry policy does not apply to minors.

Non-GAAP Measures

In order to provide a better understanding of the results, Aeroplan uses the following terms:

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

EBITDA adjusted for certain factors particular to Aeroplan's 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 a reconciliation with GAAP, please refer to the Summary of Operating results 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 attached schedule 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.

Aeroplan 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 Aeroplan's 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 Aeroplan's investor relations website at aeroplan.com.

Quarterly Investor Conference Call / Audio Webcast

Aeroplan will hold an analyst call at 11:00 a.m. (Eastern Standard Time) on Thursday, February 8, 2007 to discuss its fourth quarter and year-end results. The call may be accessed by dialling 416-695-5259 within the Toronto area, or 1-877-888-3490 (toll free) outside of Toronto. The call will be simultaneously audio webcast at <http://events.startcast.com/events/20/B0040>.

The conference call webcast and a presentation to investors and analysts will be archived on Aeroplan's investor relations website at www.aeroplan.com. A playback of the call can also be accessed until March 8, 2007 by dialling 416-695-5275, pass code 639028#, from within the Toronto area, or 1-888-509-0081, pass code 639028#, outside of Toronto.

About Aeroplan Income Fund

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Ontario, created to indirectly acquire and hold an interest in the outstanding limited partnership units of Aeroplan. The Fund indirectly holds 79.7% of Aeroplan; ACE holds the remaining interest in Aeroplan.

About Aeroplan

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 60 world-class partners, representing more than 100 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.

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

Caution Concerning Forward-Looking Statements

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.

Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated 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.

The forward-looking statements contained in this discussion represent Aeroplan's expectations as of February 7, 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.

(*) See section entitled Non-GAAP Measures

SUMMARY OF OPERATING RESULTS AND RECONCILIATION OF ADJUSTED EBITDA & DISTRIBUTABLE CASH

The following selected financial information, with the exception of Adjusted EBITDA, Change in future redemption costs, Distributable cash and Distributable cash per unit, has been derived from and should be read in conjunction with the historical audited financial statements of Aeroplan for the years ended December 31, 2006, 2005 and 2004, and the notes thereto included in Aeroplan's annual filings at www.sedar.com and www.aeroplan.com under investor relations.

(in thousands, except miles, unit and per unit information)	Years ended December 31		
	2006	2005	2004
Number of Aeroplan Miles issued (in billions)	69.7	62.6	58.2
Number of Total Miles redeemed (in billions)	57.8	52.2	45.7
Number of Aeroplan Miles redeemed (in billions)	49.3	40.4	29.3
Gross Billings from the sale of Aeroplan Miles	\$851,851	\$754,786	\$692,275
Aeroplan Miles revenue	709,269	582,883	423,949
Tier management, contact centre management and marketing fees from			
Air Canada	10,121	12,666	54,261
Other revenue	49,997	44,352	39,756
Total revenue	769,387	639,901	517,966
Cost of rewards	(465,254)	(397,042)	(273,631)
Gross margin	304,133	242,859	244,335
Operating expenses, excluding			

depreciation and amortization	(149,406)	(132,459)	(139,386)
Depreciation and amortization	(14,260)	(8,491)	(4,425)

Operating income	\$140,467	\$101,909	\$100,524
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Depreciation and amortization	14,260	8,491	
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Change in deferred revenue

Gross Billings from the sale of Aeroplan Miles	851,851	754,786	
Aeroplan Miles revenue	(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)

	(80,915)	(114,165)	
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Adjusted EBITDA	\$216,394	\$168,138	
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Net Interest Income (Expense)	4,941	(666)	
Maintenance Capital Expenditures	(21,923)	(15,284)	

Distributable Cash	\$199,412	\$152,188	
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Weighted average number

of units(2)

Distributable Cash per unit

Net earnings, in accordance with GAAP	\$143,529	\$100,304	\$100,803
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Earnings per unit, in

accordance with GAAP

	\$ 0.7187	\$ 0.5343	\$ 0.5760
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Total assets	\$824,383	\$674,221	\$344,631
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Total long-term liabilities	\$967,921	\$944,183	\$529,762
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Total monthly distributions

declared, post offering

Total monthly distributions

declared per unit,

post offering

Distributions declared,

pre-offering

	-	\$311,000	\$601,453
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(in thousands, except miles, unit and per unit information)

Year over year
% change

2006 over 2005	2005 over 2004
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Number of Aeroplan Miles issued (in billions)	11.3	7.6
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Number of Total Miles redeemed (in billions)	10.7	14.2
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Number of Aeroplan Miles redeemed (in billions)	22.0	37.9
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Gross Billings from the sale of Aeroplan Miles	12.9	9.0
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Aeroplan Miles revenue	21.7	37.5
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Tier management, contact

centre management and

marketing fees from

Air Canada

Other revenue

	(20.1)	(76.7)
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	12.7	11.6
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Total revenue	20.2	23.5
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Cost of rewards	17.2	45.1
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Gross margin	25.2	(0.6)
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Operating expenses, excluding

depreciation and amortization

Depreciation and amortization

	12.8	(5.0)
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	67.9	91.9
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Operating income	37.8	1.4
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Depreciation and amortization

Change in deferred revenue

Gross Billings from the

sale of Aeroplan Miles

Aeroplan Miles revenue

Change in future

redemption costs(1)

(change in Net Aeroplan Miles

outstanding x Average cost

of rewards per Mile for

the period)

(29.1)

Adjusted EBITDA	28.7	
Net Interest Income (Expense)	841.9	
Maintenance Capital Expenditures	43.4	
Distributable Cash	31.0	
Weighted average number of units(2)		
Distributable Cash per unit	23.2	
Net earnings, in accordance with GAAP	43.1	
Earnings per unit, in accordance with GAAP	34.5	
Total assets	22.3	95.6
Total long-term liabilities	2.5	78.2
Total monthly distributions declared, post offering	107.0	
Total monthly distributions declared per unit, post offering	94.4	
Distributions declared, pre-offering	(48.3)	

- (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) The weighted average number of units, used in the distributable cash and earnings per unit calculation, has been established by restating Aeroplan's outstanding units to 175,000,000 for the periods presented up to June 28, 2005.

RECONCILIATION OF DISTRIBUTABLE CASH TO CASH FLOWS FROM OPERATIONS

(in thousands)	Years ended December 31,	
	2006	2005
Cash flows from operations	\$320,977	\$320,364
Changes in non-cash working capital items	(17,579)	(38,727)
Stock Based compensation	(3,621)	-
Funding of stock-based compensation plans	2,473	-
Change in future redemption costs	(80,915)	(114,165)
Maintenance Capital Expenditures	(21,923)	(15,284)
Distributable cash	\$199,412	\$152,188

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended December 31, 2006.

(in thousands, except per unit amounts) UNAUDITED	2006			
	Q4	Q3	Q2	Q1
	\$	\$	\$	\$
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
Operating expenses, excluding depreciation and amortization	47,451	34,464	34,948	32,438
Depreciation and amortization	3,479	3,155	3,884	3,742
Operating income	37,314	33,031	31,232	38,995
Net earnings	38,469	34,320	31,755	38,985
Adjusted EBITDA	56,975	53,359	51,470	54,390
Distributable Cash	52,996	50,664	44,348	51,099
Distributable Cash per unit	0.2655	0.2533	0.2217	0.2555
Earnings per unit,				

in accordance with GAAP 0.1927 0.1716 0.1588 0.1949

(in thousands, except
per unit amounts)

UNAUDITED	2005			
	Q4	Q3	Q2	Q1
	\$	\$	\$	\$
Gross Billings	196,568	195,533	185,824	176,861
Total revenue	154,022	156,266	157,065	172,548
Cost of rewards	83,474	101,739	100,226	111,603
Gross margin	70,548	54,527	56,839	60,945
Operating expenses, excluding depreciation and amortization	37,012	32,254	29,788	33,405
Depreciation and amortization	3,367	1,759	1,706	1,659
Operating income	30,169	20,514	25,345	25,881
Net earnings	29,729	19,431	25,362	25,782
Adjusted EBITDA	51,239	40,252	40,799	37,571
Distributable Cash	47,231	35,889	37,066	33,722
Distributable Cash per unit	0.2362	0.1794	0.2111	0.1927
Earnings per unit, in accordance with GAAP	0.1486	0.0972	0.1445	0.1473

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