Management's Discussion & Analysis of Financial Condition and Results of Operations

For the three months ended

March 31st

2009 and 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Groupe Aeroplan Inc. (together with its direct and indirect subsidiaries, where the context requires, "Groupe Aeroplan" or the "Company") was incorporated on May 5, 2008 under the laws of Canada as a wholly-owned subsidiary of Aeroplan Income Fund (the "Fund"). The Company entered into an arrangement agreement dated May 8, 2008 with, among other parties, the Fund, pursuant to which the parties proposed to implement an arrangement under the Canada Business Corporations Act (the "Arrangement"). The Arrangement involved the exchange, on a one-for-one basis of units of the Fund for common shares of Groupe Aeroplan. As a result of the Arrangement, the holders of units of the Fund became the shareholders of Groupe Aeroplan which became the sole owner of all outstanding fund units. The effective date of the Arrangement was June 25, 2008. The arrangement has been accounted for as a continuity of interests of the Fund since Groupe Aeroplan continued to operate the business of the Fund and there were no ownership changes. On December 29 and 30, 2008, Groupe Aeroplan completed the reorganization of its corporate structure which began with the closing of the Arrangement on June 25, 2008. As a result of this reorganization, Aeroplan Limited Partnership (the "Partnership") was liquidated and dissolved and the Fund and Aeroplan Trust were wound-up.

Groupe Aeroplan earns income from its interest in Aeroplan Canada Inc. ("Aeroplan" or "Aeroplan Canada") the successor to the Partnership following the December 2008 reorganization) and from its other subsidiaries in Europe and the Middle East managed by Groupe Aeroplan Europe. The following management's discussion and analysis of financial condition and results of operations (the "MD&A") presents a discussion of the financial condition and results of operations for Groupe Aeroplan.

The MD&A is prepared as at May 11, 2009 and should be read in conjunction with the accompanying interim consolidated financial statements of Groupe Aeroplan for the three months ended March 31, 2009, and the notes thereto, the audited consolidated financial statements of Groupe Aeroplan and the related notes thereto for the years ended December 31, 2008 and 2007, the annual management discussion and analysis for Groupe Aeroplan (the "2008 MD&A"), and Groupe Aeroplan's Annual Information Form and Management Information Circular, respectively dated March 27 and April 15, 2009.

The earnings and cash flows of Groupe Aeroplan are affected by certain risks. For a description of those risks, please refer to the *"Risks and Uncertainties"* *section.*

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Forward-looking statements are included in this MD&A. 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, risks related to the business and the industry, dependency on top Accumulation Partners, Air Canada or travel industry disruptions, Air Canada liquidity issues, Airline industry changes and increased airline costs, reduction in activity, usage and accumulation of Aeroplan Miles, retail market/economic downturn, greater than expected redemptions for rewards, industry competition, supply and capacity costs, unfunded Future Redemption Costs, failure to safeguard databases and consumer privacy, consumer privacy legislation, changes to the Aeroplan and Nectar

Programs, seasonal nature of the business, other factors and prior performance, regulatory matters, VAT appeal, reliance on key personnel, labour relations and pension liability, technological disruptions and inability to use third party software, failure to protect intellectual property rights, currency fluctuations, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, dilution of Groupe Aeroplan shareholders, uncertainty of dividend payments, level of indebtedness – refinancing risk, managing growth as well as the other factors identified throughout this MD&A. The forward-looking statements contained in this discussion represent Groupe Aeroplan's expectations as of May 11, 2009, and are subject to change after such date. However, Groupe 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.

This MD&A contains the following sections:

GLOSSARY

"Aeroplan Miles" - the miles, points or other loyalty program reward units issued by Groupe Aeroplan's subsidiaries under the respective programs operated by each of the entities;

"Air Canada Miles" - the miles issued by Air Canada under the Aeroplan Program prior to January 1, 2002;

"Accumulation Partners" – means Commercial Partners that purchase loyalty marketing services, including Aeroplan Miles;

"Aeroplan Mile Revenue" – consists of Redemption of Aeroplan Miles and Breakage;

"Aeroplan Program" - the loyalty marketing program owned and operated by Aeroplan Canada;

"Average Cost of Rewards per Mile" – For any reporting period, equals the cost of rewards for the period divided by the number of Aeroplan Miles redeemed for rewards during the period;

"Breakage" – Estimated Aeroplan Miles sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgement. Management's current best estimate of the consolidated weighted average estimated breakage factor is 17% (2008 - 17%). Breakage is recognized as revenue over the estimated life of a mile, currently 30 months for the Aeroplan Program, which represents the average period elapsed between the sale of a mile and its redemption for rewards. The estimated life of a point issued under the Nectar Program is 15 months;

"Broken Miles" – Miles issued, but not expired and not expected to be redeemed;

"Change in Future Redemption Costs" – Change in the estimated Future Redemption Cost liability for any quarter (for interim periods) or fiscal year (for annual reporting purposes). For purposes of this calculation, the opening balance of the Future Redemption Cost liability is revalued by retroactively applying to all prior periods the latest available Average Cost of Rewards per Mile, experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes). It is calculated by multiplying the change in estimated unbroken Aeroplan Miles outstanding between periods by the Average Cost of Rewards per Mile for the period;

"Commercial Partners" – means Accumulation Partners and Redemption Partners;

"Expired Miles" – miles that have been removed from members' accounts and are no longer redeemable;

"Future Redemption Costs" – Total estimated liability of the future costs of rewards for Aeroplan Miles which have been sold and remain outstanding, net of Breakage and valued at the Average Cost of Rewards per Mile, experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes);

"GAAP"- Generally accepted accounting principles in Canada;

"Gross Billings" – Gross proceeds from the sale of Aeroplan Miles;

"Groupe Aeroplan Europe" means the division of Groupe Aeroplan that operates the businesses in the Europe and Middle East segment, including Nectar, LMG Insight & Communication and Air Miles Middle East;

"LMG" – means Loyalty Management Group Limited, a corporation incorporated under the laws of England and Wales;

"Maintenance Capital Expenditures" – represent expenditures incurred to sustain operations or Productive Capacity;

"miles" – the miles issued under the Aeroplan Program by either Aeroplan or Air Canada or the points or other loyalty program reward units issued by Groupe Aeroplan's subsidiaries under the respective programs operated by such entities;

"Mileage Expiry Policy" – means the rules and conditions under the Aeroplan Program pursuant to which: (i) starting January 1, 2007, miles that are unused after 7 years (84 months) in a member's account will expire, and will be deducted from the total balance in the member's account. All miles issued prior to January 1, 2007 are considered as having been accumulated on December 31, 2006 for the purpose of the 7 year period, resulting in an expiry date of December 31, 2013 and, (ii) from July 1, 2007, members must transact with the Aeroplan Program, through either one accumulation or one redemption, at least once in the prior consecutive 12-month period, failing which accumulated miles in the account will be expired. Expired miles may be reinstated for an administrative fee of $30 plus $0.01 per restored mile;

"Nectar" or the **"Nectar Program"** – the loyalty marketing program operated by Groupe Aeroplan Europe;

"Productive Capacity" – Encompasses Groupe Aeroplan's and its subsidiaries' leading market positions and brands; strong base of members; relationship with Commercial Partners; and technology and employees;

"Redemption of Aeroplan Miles" – means the triggering event used to recognize revenue on the redemption of Aeroplan Miles by members based on the cumulative average selling price of the accumulated Aeroplan Miles issued since January 1, 2002;

"Redemption Partners" – means Commercial Partners that offer air travel, shopping discounts or other rewards to members upon redemption of miles;

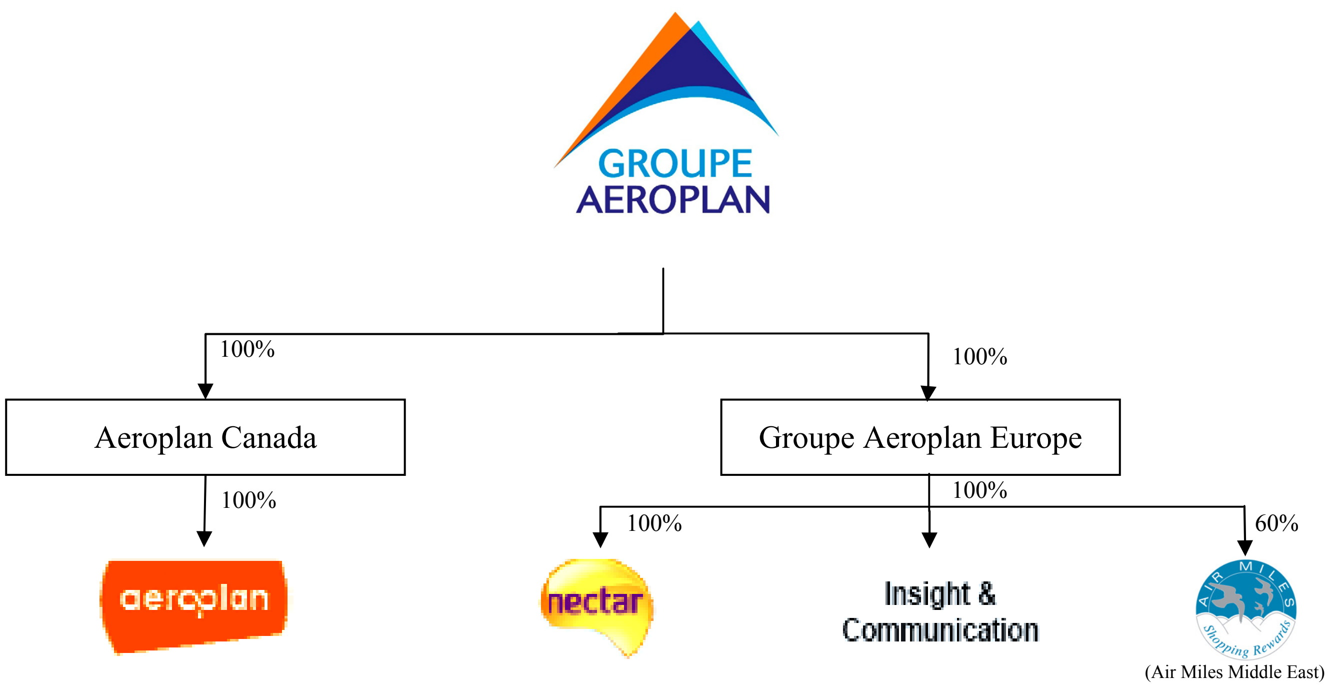
"**Total Miles**" – All redeemable miles (including Broken Miles but not Expired Miles), whether issued by Aeroplan or by Air Canada (prior to January 1, 2002) under the Aeroplan Program, or by Groupe Aeroplan's subsidiaries under the respective programs operated by such entities.

OVERVIEW

Groupe Aeroplan is a leading international loyalty management corporation. As at March 31, 2009, Groupe Aeroplan operates in two business segments: Canada which includes the operations of Aeroplan Canada, and Europe and Middle East which includes Groupe Aeroplan Europe's operations in Europe and the Middle East.

Aeroplan Canada operates the Aeroplan Program, Canada's premier loyalty program, while Groupe Aeroplan Europe operates Nectar, the United Kingdom's leading coalition loyalty program and, in the Gulf Region, Air Miles Middle East, through its 60% interest in Rewards Management Middle East Limited ("RMMEL"). Groupe Aeroplan Europe also operates LMG Insight & Communication ("I&C"), a customer-driven insight and data analytics business, offering international services to retailers and their suppliers.

The following chart illustrates the operational structure of Groupe Aeroplan as at March 31, 2009:



Note: The chart above does not reflect the actual corporate structure of Groupe Aeroplan but rather reflects Groupe Aeroplan's operational structure.

STRATEGY

Please refer to the corresponding section of Groupe Aeroplan's 2008 MD&A to review Groupe Aeroplan's strategy.

PERFORMANCE INDICATORS

OPERATING INCOME

Revenue

Groupe Aeroplan derives its Gross Billings primarily from the sale of Aeroplan Miles to Accumulation Partners. A key characteristic of the business is that the gross proceeds received for the sale of Aeroplan Miles to partners, known as "Gross Billings", are deferred and recognized as revenue for GAAP purposes upon the redemption of Aeroplan Miles by the members. Based upon past experience, management anticipates that a number of Aeroplan Miles sold will never be redeemed by members. This is known as "Breakage". For those Aeroplan Miles that Groupe Aeroplan does not expect will be redeemed by members, Groupe Aeroplan recognizes revenue on a straight-line basis over the average estimated life of an Aeroplan Mile, currently estimated at 30 months for the Aeroplan Program and 15 months for the Nectar Program.

In addition, Groupe Aeroplan derives service fees for managing Air Canada's tier membership program for its most frequent flyers. Other revenue, which consists of charges to members for various services, royalties earned with respect to the Air Miles trademark and loyalty industry related business know-how and expertise and analytical services to retailers and consumer packaged goods companies, is recognized when the services are performed or the royalties are earned.

Cost of Rewards and Operating Expenses

Cost of rewards consists of the cost to purchase airline seats or other products or services from Redemption Partners in order to deliver rewards chosen by members upon redemption of their Aeroplan Miles. At that time, the costs of the chosen rewards are incurred and recognized. The total cost of rewards varies with the number of Aeroplan Miles redeemed and the cost of the individual rewards purchased in connection with such redeemed Aeroplan Miles.

The Average Cost of Rewards per Mile redeemed is an important measurement metric since a small fluctuation may have a significant impact on overall costs due to the high volume of Aeroplan Miles redeemed.

Operating expenses incurred include contact centre operations, consisting primarily of salaries and wages, as well as advertising and promotion, information technology and systems and other general corporate expenses.

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (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 to measure compliance with debt covenants. Management believes Adjusted EBITDA assists investors in comparing Groupe Aeroplan'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.

Change in deferred revenue is calculated as the difference between Gross Billings less Aeroplan Miles revenue recognized as a result of reward redemption activity and recognition of Breakage.

Future Redemption Costs represent management's estimated future cost of rewards in respect of Aeroplan Miles sold which remain outstanding and unbroken at the end of any given period. Future

Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Aeroplan Mile redeemed for that period (cost of rewards / Aeroplan Miles redeemed) and applying it to the total unbroken Aeroplan Miles outstanding at the end of that period. As a result, Future Redemption Costs and the Change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Mile redeemed for the period in question.

EBITDA and Free Cash Flow are non-GAAP measurements prescribed by the Canadian Institute of Chartered Accountants ("CICA") in accordance with the draft recommendations provided in their February 2008 publication, *Improved Communications with Non-GAAP Financial Measures – General Principles and Guidance for Reporting EBITDA and Free Cash Flow*.

Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to operating income or net income in measuring performance, and is not comparable to similar measures used by other issuers. For a reconciliation to GAAP, please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section. 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 repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

ADJUSTED NET EARNINGS

Net earnings in accordance with GAAP adjusted for Amortization of Accumulation Partners' contracts and technology; Change in deferred revenue, Change in Future Redemption Costs and the income tax effect thereon calculated at the effective income tax rate as reflected in the statement of operations, provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA.

Adjusted Net Earnings is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, and is not comparable to similar measures used by other issuers. For a reconciliation to GAAP, please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

STANDARDIZED FREE CASH FLOW ("FREE CASH FLOW")

Free Cash Flow is a non-GAAP measure recommended by the CICA in order to provide a consistent and comparable measurement of free cash flow across entities of cash generated from operations and is used as an indicator of financial strength and performance.

Free Cash Flow is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for:

(a) total capital expenditures as reported in accordance with GAAP; and
(b) dividends, when stipulated, unless deducted in arriving at cash flows from operating activities.

For a reconciliation to cash flows from operations please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the Operating and Financial Results section.

CAPABILITY TO DELIVER RESULTS

For a review of these factors, please refer to the 2008 MD&A.

CURRENCY SWAP

In connection with the December 2007 acquisition of LMG, Groupe Aeroplan entered into a currency swap arrangement to mitigate its exposure to currency rate fluctuations arising on the subsidiary's future profits. The currency swap is for a 5 year term to December 19, 2012, swapping floating interest on £240.0 million at the 3-month sterling LIBOR rate, for floating interest on $500.0 million at the 3-month CDOR rate. The currency swap does not meet the criteria for hedge accounting treatment, and accordingly, changes in the fair value of the currency swap are recognized in non-operating income as foreign exchange. At March 31, 2009, the swap had a fair value of $58.1 million (December 31, 2008 – $68.5 million).

QUARTER HIGHLIGHTS

- Gross Billings of $326.2 million;
- Operating income of $38.7 million;
- Net income of $23.2 million;
- Earnings per share of $0.12;
- Cash flows used in operating activities of $16.0 million;
- Adjusted EBITDA of $65.2 million;
- Adjusted net earnings of $44.6 million
- Free cash flow of $(49.0) million.

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Groupe Aeroplan has been derived from, and should be read in conjunction with, the interim consolidated financial statements for the three months ended March 31, 2009 and the related notes.

SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW

(in thousands, except share and per share information)	Three months ended March 31,		% Δ
	2009	2008	
Gross Billings from the sale of Aeroplan Miles	**326,248**	**342,650**	**(4.8)**
Aeroplan Miles revenue	335,744	337,286	(0.5)
Other revenue	20,080	18,929	6.1
Total revenue	355,824	356,215	(0.1)
Cost of rewards	(226,362)	(223,227)	1.4
Gross margin	129,462	132,988	(2.7)
Selling, general and administrative expenses	(66,141)	(64,511)	2.5
Depreciation and amortization	(4,937)	(4,672)	5.7
Operating income before amortization of Accumulation Partners' contracts and technology	**58,384**	**63,805**	**(8.5)**
Depreciation and amortization	4,937	4,672	5.7
EBITDA (2)	**63,321**	**68,477**	**(7.5)**
Adjustments:			
Change in deferred revenue			
Gross billings from the sale of Aeroplan Miles	326,248	342,650	
Aeroplan Miles revenue	(335,744)	(337,286)	
Change in Future Redemption Costs (1)	11,403	(574)	
(Change in Net Aeroplan Miles outstanding x Average Cost of Rewards per Mile for the period)			
Subtotal of Adjustments	1,907	4,790	
Adjusted EBITDA (2) (4)	**65,228**	**73,267**	**(11.0)**
Net earnings in accordance with GAAP	**23,228**	**42,132**	
Weighted average number of shares (units)	199,383,818	199,402,619	
Earnings per share (unit)	0.12	0.21	
Net earnings in accordance with GAAP	**23,228**	**42,132**	
Amortization of accumulation partners' contracts and technology	19,715	22,678	
Subtotal of Adjustments (from above)	1,907	4,790	
Effective tax rate (3)	15.69	(7.75)	
Tax on adjustments at the effective rate	(299)	371	
Adjusted net earnings (2)	**44,551**	**69,971**	
Adjusted net earnings per share (unit)	0.22	0.35	
Cash flow (used in) from operations	**(16,012)**	**24,403**	
Maintenance Capital Expenditures	(7,982)	(6,865)	
Dividends / distributions	(24,997)	(41,994)	
Free cash flow (2)	**(48,991)**	**(24,456)**	**(100.3)**
Total dividends / distributions declared	24,997	41,994	
Total dividends / distributions declared per share (uni)t	0.125	0.21	

(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) A non-GAAP measurement.
(3) Effective tax rate calculated as follows: income tax expense per statement of operations / earnings before income taxes for the period.
(4) A non-GAAP measurement, excluding the effect of the "Foreign Exchange" line of the Statement of Operations, as it reflects the impact of the currency SWAP.

SEGMENTED INFORMATION

At March 31, 2009, the Company has two business segments: Canada which includes the operations of Aeroplan, and Europe and Middle East which includes Groupe Aeroplan Europe's operations in Europe and the Middle East.

The table below summarizes the relevant financial information by segment:

Geographic segmentation	Canada	Europe and Middle East	Consolidated	Canada	Europe and Middle East	Consolidated
(in thousands, except miles information)	**Three months ended March 31, 2009**			**Three months ended March 31, 2008**		
Number of Aeroplan Miles issued (in billions)	**19.5**	-	-	**19.8**	-	-
Number of Total Miles redeemed (in billions)	**19.1**	-	-	**19.2**	-	-
Number of Aeroplan Miles redeemed (in billions)	**18.2**	-	-	**17.8**	-	-
	$	**$**	**$**	**$**	**$**	**$**
Gross billings	240,184	86,064	326,248	242,366	100,284	342,650
Aeroplan Miles revenue	263,295	72,449	335,744	251,818	85,468	337,286
Other revenue	14,542	5,538	20,080	15,139	3,790	18,929
Total revenue	277,837	77,987	355,824	266,957	89,258	356,215
Cost of rewards	173,046	53,316	226,362	163,584	59,643	223,227
Gross margin	104,791	24,671	129,462	103,373	29,615	132,988
Selling, general and administrative expenses	44,739	21,402	66,141	41,249	23,262	64,511
Depreciation and amortization	21,493	3,159	24,652	21,129	6,221	27,350
Adjusted EBITDA	57,993	7,235	65,228	64,861(1)	8,406	73,267
Earnings before income taxes	25,571	1,980	27,551	36,420	2,682	39,102
Additions to capital assets	6,607	1,375	7,982	5,041	1,824	6,865
Goodwill	1,676,108	297,990	1,974,098	2,517,237	492,065	3,009,302
Deferred revenue	1,618,515	292,195	1,910,710	1,560,529	285,829	1,846,358
Total assets	4,794,070	122,500	4,916,570	5,556,784	501,836	6,058,620

(1) A non-GAAP measurement, excluding the effect of the "Foreign Exchange" line of the Statement of Operations, as it reflects the impact of the currency SWAP.

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

	Three months ended March 31,	
(as a % of total revenue)	**2009**	**2008**
Aeroplan Miles revenue	**94.4**	**94.7**
Other revenue	5.6	5.3
Total revenue	**100.0**	**100.0**
Cost of rewards	(63.6)	(62.7)
Gross margin	36.4	37.3
Selling, general and administrative expenses	(18.6)	(18.1)
Depreciation and amortization	(1.4)	(1.3)
Operating income before amortization of Accumulation Partners' contracts and technology	**16.4**	**17.9**

	Three months ended March 31,	
(as a % of Gross Billings)	**2009**	**2008**
Gross Billings from the sale of Aeroplan Miles	**100.0**	**100.0**
Aeroplan Miles revenue	102.9	98.4
Cost of rewards	69.4	65.1
Selling, general and administrative expenses	20.3	18.8
Operating income before amortization of Accumulation Partners' contracts and technology	17.9	18.6
Adjusted EBITDA	20.0	21.4
Adjusted Net Earnings	13.7	20.4
Free Cash Flow	(15.0)	(7.1)

QUARTER ENDED MARCH 31, 2009 COMPARED TO QUARTER ENDED MARCH 31, 2008

Gross Billings from the sale of Aeroplan Miles for the three months ended March 31, 2009 amounted to $326.2 million compared to $342.7 million for the three months ended March 31, 2008, representing a decrease of $16.5 million or 4.8%.

Groupe Aeroplan's ability to generate Gross Billings is affected by the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, which are in turn affected by general economic conditions. More specifically, the different Gross Billings categories in the current economic environment affected this quarter's results in the following manner:

- Gross billings from financial partners reflect a decline in average consumer spend per credit card, as consumers reduce discretionary spending.
- Gross billings from travel partners are also affected by changes in behaviour, resulting from general reductions in business and discretionary leisure travel, although this is mitigated by the increased propensity of these partners to use the currency in recessionary periods in order to stimulate demand.
- Gross billings from retail partners are positively affected in the grocery sector as consumers reduce their restaurant and external entertainment expenditures in favour of more at home entertaining, offset by reductions in fuel prices, a reduction in automobile usage and a decrease of discretionary spend.

Aeroplan Miles issued under the Aeroplan Program during the three month period decreased by 1.5% from the comparable period of the prior year. Aeroplan Canada experienced a marginal reduction of $2.2 million in Gross Billings, driven by a decline in average consumer spend per active credit card related to the Aerogold/Infinite products, a direct result of the current economic environment, with the travel segment remaining stable and a marginal increase in retail activity, mainly due to activity generated by a new Accumulation Partner.

Aeroplan Miles issued under the Nectar Program decreased by 6.1%, mainly as a result of the loss of two Accumulation Partners at the end of the first quarter of 2008. Groupe Aeroplan Europe experienced a reduction of $4.2 million in Gross billings, explained by the loss of such Accumulation Partners. The remaining $10.1 million reduction, results from the currency decline of the £ sterling between the first quarter of 2008 and the first quarter of 2009.

Gross Billings from the sale of Aeroplan Miles are accounted for as deferred revenue until such Aeroplan Miles are redeemed. Aeroplan Miles redeemed are recognized as revenue at the cumulative average selling price of the accumulated Aeroplan Miles under the respective programs, issued since January 1, 2002 in the case of the Aeroplan Program and since the inception date, in the case of the Nectar Program and the programs operated by RMMEL.

Redemption activity - Total Miles redeemed for the three months ended March 31, 2009 under the Aeroplan Program amounted to 19.1 billion compared to 19.2 billion for the three months ended March 31, 2008, representing a decrease of 0.1 billion or 0.5%. Of those 19.1 billion Total Miles (calculated on a first-in, first-out basis on a member account basis for air redemptions) redeemed during the three months ended March 31, 2009, under the Aeroplan Program, 95.3% or 18.2 billion represented Aeroplan Miles issued under the Aeroplan Program with the balance being Air Canada Miles.

Redemption activity for the Nectar Program was reduced by 5% compared to the first quarter of 2008, mainly due to the loss of a Redemption Partner, and the timing of the Easter holiday, which fell in the first quarter of 2008 and in the second quarter for 2009.

Given the large volume of miles issued and redeemed, slight fluctuations in the average unit redemption cost or selling price of a mile will have a significant impact on results.

Revenue includes the following components:

Revenue recognized from the redemption and sale of Aeroplan Miles, including Breakage, amounted to $335.7 million for the three months ended March 31, 2009 compared to $337.3 million for the three months ended March 31, 2008, representing a decrease of $1.6 million or 0.5%. This decrease is mainly attributable to:

- the effect of redemption activity on revenue recognition during the quarter of the following factors:
  - a higher proportion of Aeroplan Miles redeemed during the quarter under the Aeroplan Program, partially offset by a lower redemption volume and a marginal increase in the cumulative average selling price of an Aeroplan Mile for a total of $5.7 million;
  - a higher number of Aeroplan Miles redeemed during the quarter under the Nectar Program, marginally offset by an increase in the cumulative average selling price of an Aeroplan Mile, explaining a decrease of $0.7 million;
  - the negative impact of the fluctuation in the £ sterling of $7.0 million, related to the translation of foreign operations;
- revenue recognized from Breakage remained relatively constant over the periods under comparison, with offsetting variances between the Aeroplan and Nectar Programs (an increase under the Aeroplan Program and a decrease under the Nectar Program) including a $1.2 million negative currency fluctuation impact, attributable to the Nectar Program.

Other revenue consisting primarily of member based revenues (charges to members for services rendered including the mileage transfer program, booking, change and cancellation fees), marketing fees, and other miscellaneous categories, amounted to $20.1 million for the three months ended March 31, 2009 compared to $18.9 million for the three months ended March 31, 2008, representing an increase of $1.2 million or 6.1%.

Aeroplan Canada experienced a marginal decline in the tier management, contact centre management and marketing fees from Air Canada of $0.6 million, as a direct result of redemption activity through the contact centre for the quarter, while member based revenues remained constant.

The other revenue category in Groupe Aeroplan Europe's operations increased by $2.3 million, primarily driven by I&C activity and an increase in royalties earned with respect to the Air Miles trade name and loyalty industry related business know-how and expertise. This positive operational growth was partially offset by a $0.5 million currency exchange loss on the conversion of the foreign operations.

Cost of rewards amounted to $226.4 million for the three months ended March 31, 2009 compared to $223.2 million for the three months ended March 31, 2008, representing an increase of $3.2 million or 1.4%. This increase is mainly attributable to the following factors:

Aeroplan Canada experienced a $9.5 million increase in cost of rewards resulting from:

- the increase in the proportionate allocation of total air redemptions of Aeroplan Miles issued under the Aeroplan Program, offset by a reduction in redemption activity;
- a higher redemption cost per Aeroplan Mile redeemed under the Aeroplan Program in the total amount of $6.2 million, mainly attributable to the increase in cost of Star Alliance rewards, which are incurred in US$ and longer itineraries of air rewards redeemed; partially offset by the discount, granted by Air Canada, in connection with the temporary acceleration of payments by Aeroplan to Air Canada;

- a higher volume of non-air reward redemptions for the quarter, representing $3.5 million.

Groupe Aeroplan Europe experienced a $6.3 million reduction in costs explained by:

- the impact of the currency fluctuation relative to the pound sterling of $6.0 million, and
- reduced redemption activity accounting for $0.3 million.

Gross margin was compressed by 0.9%, a direct result of the factors described above, and represented 36.4% of total revenue at the end of the first quarter of 2009.

Selling, general and administrative amounted to $66.1 million for the three months ended March 31, 2009 compared to $64.5 million in 2008, representing an increase of $1.6 million or 2.5%. This increase is primarily attributable to a $4.0 million increase experienced in Aeroplan Canada related to headcount, corporate, marketing and information technology costs; $0.5 million growth in marketing costs at Groupe Aeroplan Europe; offset by a $2.3 million currency related favourable variance recognized on the translation of the foreign operations.

Depreciation and amortization remained relatively stable at $4.9 million for the three months ended March 31, 2009 compared to $4.7 million in the same period in 2008.

Amortization of Accumulation Partners' contracts and technology amounted to $19.7 million for the three months ended March 31, 2009 compared to $22.7 million for the comparable period of 2008. Of the total decrease, approximately $2.7 million resulted from the reduced carrying amounts of Groupe Aeroplan Europe's finite life intangibles, following the impairment charge recorded during the fourth quarter of 2008. The balance of $0.3 million is explained by the currency related favourable variance, recognized on the translation of the foreign operations.

Operating income, excluding the amortization of Accumulation Partners' contracts and technology, referred to above, amounted to $58.4 million for the three months ended March 31, 2009 compared to $63.8 million for the three month period ended March 31, 2008, representing a decrease of $5.4 million or 8.5%.

Net interest expense for the three months ended March 31, 2009, consisting of interest revenue of $3.4 million earned on cash and cash equivalents and short-term investments on deposit; offset by interest on long-term debt of $5.5 million on the borrowings described under *Credit Facilities* and other interest expense of $2.0 million including net interest incurred on the currency swap of $1.1 million described under *Currency Swap.*

Foreign exchange represents currency fluctuations associated with the financing structure for the LMG investment, and are primarily attributable to gains or losses on internal debt financing offset by fluctuations in the value of the currency swap. The increase in the quarter is explained by the depreciation of the £ sterling compared to the Canadian dollar, the passage of time and the decline in net interest rates.

Net earnings include the effect of $10.1 million of current income taxes for Aeroplan Canada, as a result of the conversion to a corporation, which took place in the second quarter of 2008.

Adjusted EBITDA for the three months ended March 31, 2009 amounted to $65.2 million or 20.0% (as a % of Gross Billings) while ***Adjusted Net Earnings*** amounted to $44.6 million or 13.7% (as a % of Gross Billings), compared to $73.3 million or 21.4% (as a % of Gross Billings) and $70.0 million or 20.4% (as a % of Gross Billings), respectively for the three month period ended March 31, 2008.

Free Cash Flow used during the three months ended March 31, 2009, amounted to $(49.0) million, compared to $(24.5) million for the three months ended March 31, 2008, mainly as:

- a result of the effect of the temporary acceleration of payment terms, related to Air Canada, which is expected to reverse commencing in June of 2009,

- the settlement of accounts payable, related to the seasonally high redemption activity of the last quarter of 2008, typical of the Nectar program.

Adjusted EBITDA, Adjusted Net Earnings, and Free Cash Flow are non-GAAP measures, for additional information on these measures, please refer to the *Performance Indicators* section.

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended March 31, 2009.

(in thousands, except per share amounts)	2009	2008				2007		
(unaudited)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2 (1)
	$	$	$	$	$	$	$	$
Gross Billings	**326,248**	**364,437**	**355,603**	**357,858**	**342,650**	**248,380**	**236,877**	**238,931**
Aeroplan Miles revenue	335,744	409,552	313,319	317,579	337,286	207,944	205,074	207,086
Other revenue	20,080	20,780	21,635	19,149	18,929	13,634	14,165	13,198
Total revenue	**355,824**	**430,332**	**334,954**	**336,728**	**356,215**	**221,578**	**219,239**	**220,284**
Cost of rewards	226,362	252,229	191,033	192,593	223,227	129,181	127,205	128,541
Gross margin	129,462	178,103	143,921	144,135	132,988	92,397	92,034	91,743
Selling, general and administrative expenses	66,141	66,426	71,027	69,627	64,511	43,017	40,713	41,707
Depreciation and amortization	4,937	6,494	4,472	4,998	4,672	3,059	3,230	2,811
Operating income before amortization of Accumulation Partners' contracts and technology	58,384	105,183	68,422	69,510	63,805	46,321	48,091	47,225
Amortization of Accumulation Partners' contracts and technology	19,715	19,836	22,636	22,688	22,678	18,112	18,112	-
Operating income	38,669	85,347	45,786	46,822	41,127	28,209	29,979	47,225
Net earnings (loss)	**23,228**	**(1,073,752) (3)**	**34,956**	**31,454**	**42,132**	**51,697**	**32,259**	**49,450**
Adjusted EBITDA (2)	65,228 (5)	77,814 (5)	80,026 (5)	77,327 (5)	73,267 (5)	64,131	64,519	65,171
Adjusted net earnings (2)	44,551	84,661 (4)	63,229	60,822	69,971	84,561	63,569	64,585
Net earnings	**23,228**	**86,948 (4)**	**34,956**	**31,454**	**42,132**	**51,697**	**32,259**	**49,450**
Earnings per share / unit	0.12	0.44 (4)	0.18	0.16	0.21	0.27	0.17	0.26
Free cash flow (2)	(48,991)	42,492	115,868	43,636	(24,456)	21,271	47,667	26,163
Earnings per share (unit), in accordance with GAAP – Groupe Aeroplan / Fund	0.12	(5.39)	0.18	0.16	0.21	0.26	0.16	(0.68)
Earnings per share (unit), in accordance with GAAP – Partnership	n/a	n/a	n/a	n/a	n/a	0.24	0.26	0.25

(1) Results presented for comparative purposes are those of the Partnership.
(2) A non-GAAP measurement.
(3) Includes impairment charge.
(4) Excludes impairment charge.
(5) A non-GAAP measurement, excluding the effect of the "Foreign Exchange" line of the Statement of Operations, as it reflects the impact of the currency SWAP.

FINANCING STRATEGY

Groupe Aeroplan generates sufficient cash flow internally to fund cash dividends, capital expenditures and to service its debt obligations. Management believes that Groupe Aeroplan's internally generated cash flows, combined with its ability to access undrawn credit facilities, provide sufficient resources to finance its cash requirements in the foreseeable future and to maintain available liquidity, as discussed in the *Liquidity and Capital Resources* section. Dividends are expected to continue to be funded from internally generated cash flows.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2009, Groupe Aeroplan had $580.9 million of cash and cash equivalents and $36.1 million of short-term investments, for a total of $617.0 million. Of this total amount approximately $574.6 million is invested in Bankers' Acceptances and term deposits maturing on various dates through to July 2009. The Aeroplan Canada Miles redemption reserve described under *Aeroplan Canada Miles Redemption Reserve* of $400.0 million is included in this amount. Groupe Aeroplan's cash and cash equivalents and short-term investments are not invested in any asset-backed commercial paper.

The following table provides an overview of Groupe Aeroplan's cash flows for the periods indicated:

(in thousands)	**Three months ended March 31,**	
	2009	**2008**
	$	**$**
Cash from (used in) operating activities	(16,012)	24,403
Cash from (used in) investing activities	433,259	(270,429)
Cash from (used in) financing activities	(24,997)	(51,994)
Translation adjustment related to cash	610	1,924
Cash and cash equivalents, end of period	**580,876**	**159,908**

Operating Activities

Cash from operations is generated primarily from the collection of Gross Billings of Aeroplan Miles and is reduced by the cash required to deliver the rewards when Aeroplan Miles are redeemed and by operating and interest expenses.

Cash used in operating activities amounted to $16.0 million for the quarter ended March 31, 2009 compared to cash generated from operating activities of $24.4 million for the quarter ended March 31, 2008.

During the quarter, the operating cash flow was mainly affected by:

- the effect of the temporary acceleration of payment terms, related to Air Canada, which is expected to reverse commencing in June of 2009,
- the settlement of accounts payable, related to the seasonally high redemption activity of the last quarter of 2008, typical of the Nectar program.

Investing Activities

Groupe Aeroplan's capital expenditures amounted to $8.0 million of the quarter ended March 31, 2009. Anticipated capital expenditures, which are primarily related to Maintenance Capital Expenditures associated with software development initiatives for fiscal 2009, are expected to approximate $30.0 million.

Financing Activities

Cash flows used in financing activities related to the payment of dividends.

Groupe Aeroplan's dividend policy has been established at $0.125 per common share per quarter. The dividend policy is subject to the discretion of the board of directors of Groupe Aeroplan and may vary depending on, among other things, Groupe Aeroplan's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

Liquidity

Groupe Aeroplan anticipates that total capital requirements for the next twelve months of $130.0 million, including $100.0 million in respect of anticipated cash dividends, and approximately $30.0 million of Maintenance Capital Expenditures, will be funded from operations, available cash on deposit and, to the extent required, from the *Aeroplan Canada Miles Redemption Reserve,* where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

On April 23, 2009 and April 30, 2009, Groupe Aeroplan issued Senior Secured Notes Series 1 in the principal amounts of $175 million and $25 million, respectively. These notes bear interest at 9% payable semi-annually in arrears, mature on April 23, 2012, and are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries. The proceeds from the notes issued have been used to repay a portion of the bridge facility entered into at the time of the acquisition of Loyalty Management Group.

In addition, Groupe Aeroplan is currently in the process of renegotiating its existing credit facilities with its bankers in advance of the 2010 maturity date to extend the maturity date.

Aeroplan Canada Miles Redemption Reserve

In conjunction with the credit facilities concluded on June 29, 2005, and December 19, 2007, Aeroplan established the Aeroplan Canada Miles redemption reserve (the "Reserve") in connection with the Aeroplan Program. As at March 31, 2009, the Reserve amounted to $400.0 million and was included in cash and cash equivalents.

The amount held in the Reserve, as well as the types of securities in which it may be invested (high quality commercial paper), are based on policies established by management, which are reviewed periodically. At March 31, 2009, the Reserve was invested in Bankers' Acceptances.

The Reserve may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program.

Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of business. Management reviews the adequacy of the Reserve periodically and may adjust the level of the Reserve depending upon the outcome of this review.

To date, Groupe Aeroplan has not had to use the funds held in the Reserve.

At March 31, 2009, the Reserve as well as other assets held to comply with a contractual covenant with a major Accumulation Partner represented 43.7% of the consolidated Future Redemption Cost liability.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Aeroplan Miles valued at their weighted average selling price and unamortized Breakage. The estimated Future Redemption Cost liability of those Aeroplan Miles, calculated at the current Average Cost of Rewards per Mile redeemed, is approximately $1,284 million.

Credit Facilities

The following is a summary of Groupe Aeroplan's authorized and outstanding credit facilities:

(in thousands)	**Authorized**	**Drawn at March 31, 2009**
	$	**$**
Revolving term facility	150,000	-
Term facility	300,000	300,000
Acquisition facility	100,000	100,000
Bridge Facility	300,000	300,000
Less: Unamortized portion of discount	-	(1,240)
Less: Unamortized transaction costs	-	(723)
Total	**850,000**	**698,037**

As at March 31, 2009, Groupe Aeroplan had authorized credit facilities of $850.0 million and borrowings of $698.0 million. Borrowings are recorded net of prepaid interest in the amount of $1.2 million and unamortized transaction costs in the amount of $0.7 million.

The revolving term, term, and acquisition facilities mature on December 19, 2010, or earlier at the option of Groupe Aeroplan, without penalty, and bear interest at rates ranging from Canadian prime rate and U.S. base rate plus 0.25% to Canadian prime rate and U.S. base rate plus 1.25% and the Bankers' Acceptance rate and LIBOR plus 1.25% to 2.25%.

The bridge facility, which was entered into on December 19, 2007, matures on June 19, 2009, or earlier at the option of Groupe Aeroplan, without penalty, and bears interest at rates ranging from Canadian prime rate plus 0.25% to Canadian prime rate plus 1.25% and the Bankers' Acceptance rate plus 1.25% to 2.25%. The total amount borrowed under this facility may, under certain conditions, at the option of Groupe Aeroplan, be extended to December 19, 2009 and an amount of $100 million may be further extended to June 19, 2010. On May 6, 2009, Groupe Aeroplan exercised its option in connection with the first available extension.

At March 31, 2009, borrowings under the term and acquisition facilities were in the form of Bankers' Acceptances with a 30 day term and an effective interest rate of 2.95%, while borrowings under the bridge facility were in the form of Bankers' Acceptances with a 30 day term and effective interest rate of 2.94%.

The outstanding credit facilities are secured by substantially all the present and future assets of Groupe

Aeroplan and certain of its subsidiaries.

The credit facilities are subject to Groupe Aeroplan's ability to maintain financial covenants related to leverage and debt service ratios of ≤ 2.75 and interest coverage of ≥ 3.0, as well as other affirmative and negative covenants, including the limitation of distribution payments in any given fiscal year to 50% of adjusted free cash flow, as defined in the credit agreements.

At March 31, 2009, Groupe Aeroplan was in compliance with its financial covenants, as follows:

Ratio	Result	Test
Leverage	**1.96**	≤ 2.75
Debt service [(a)]	**0.29**	≤ 2.75
Interest coverage	**15.7**	≥ 3.0

(a) This ratio takes into account Groupe Aeroplan's net debt, calculated as long-term debt less cash and short-term investments on hand. The result reflects Groupe Aeroplan's high liquidity position.

In view of Groupe Aeroplan's cash generation capacity and overall financial position, while there can be no assurance in this regard, management believes that Groupe Aeroplan will be able to pay or refinance the debt when it comes due.

In order to facilitate the refinancing of these credit facilities, in October 2008, Groupe Aeroplan obtained ratings from two rating agencies, DBRS and Standard & Poors ("S&P") of BBB stable and BBB- with a positive outlook, respectively. In April 2009, both agencies confirmed their respective ratings however, S&P revised their outlook from positive to stable.

On April 23, 2009 and April 30, 2009, Groupe Aeroplan issued Senior Secured Notes Series 1 in the principal amounts of $175 million and $25 million, respectively. These notes bear interest at 9% payable semi-annually in arrears, mature on April 23, 2012, and are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries. The proceeds from the notes issued were used to repay a portion of the bridge facility.

GUARANTEES (OFF-BALANCE SHEET ARRANGEMENTS) AND CONTINGENT LIABILITIES

Air Canada Miles

In accordance with the Commercial Participation and Services Agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended, (the "CPSA"), Air Canada is responsible for the cost of the redemption for air rewards of up to a maximum of 112.4 billion Air Canada Miles accumulated by members prior to January 1, 2002. As of March 31, 2009, 110.1 billion of those Air Canada Miles had been redeemed.

In the event that Air Canada is unable to meet its obligation, Aeroplan may be required to honour Air Canada's redemption obligation. Based on Aeroplan's current Average Redemption Cost per Mile redeemed, as calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of various types of rewards that members have selected, based on past experience, such obligation would amount to approximately $21.7 million at March 31, 2009.

Also under the CPSA, Aeroplan is responsible for any redemption for air rewards of Air Canada Miles issued prior to January 1, 2002, in excess of the 112.4 billion Air Canada Miles. While on the basis of current estimates, Aeroplan does not expect such redemptions to exceed 112.4 billion Air Canada Miles, the maximum potential redemption cost of meeting this obligation if all 12.0 billion estimated Broken but unexpired Air Canada Miles were to be redeemed, amounts to $114.0 million at March 31, 2009.

As a result, the total maximum potential redemption cost of meeting this obligation, which would be charged to cost of rewards as the Air Canada Miles are redeemed, for the total outstanding and unbroken Air Canada Miles issued prior to January 1, 2002 is estimated to be $135.7 million at March 31, 2009.

In accordance with Aeroplan's Mileage Expiry Policy, any unredeemed Air Canada Miles will automatically expire on December 31, 2013.

Aeroplan has also agreed to indemnify Air Canada, its affiliates and representatives from any claims arising out of any changes made at any time by Aeroplan to the Aeroplan Program to the extent such changes are implemented to address fluctuations in Breakage related to the liability attached to miles issued prior to January 1, 2002.

Aeroplan Miles

In addition, Groupe Aeroplan may be required to provide rewards to members for unexpired Aeroplan Miles accounted for as Breakage on the Aeroplan Miles issued after December 31, 2001 for which the Breakage revenue has been recognized or deferred and for which no liability has been recorded. The maximum potential redemption cost for such Aeroplan Miles is estimated to be $912.9 million at March 31, 2009. The potential redemption costs noted above have been calculated on the basis of the current Average Redemption Cost per Mile redeemed, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

On a consolidated basis, management estimates that a 1% change in Breakage related to the Aeroplan Miles issued after January 1, 2002, would have a total impact on revenue and net earnings before income taxes of $65.6 million for the period in which the change occurred, with $62.3 million relating to prior years and $3.3 million relating to the current three month period.

VAT Appeal

LMG has been in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the Value Added Tax ("VAT") treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed, and has paid an assessed amount of £13.8 million ($27.1 million).

LMG appealed to the VAT and Duties Tribunal and won. HMRC then appealed to the High Court which found in favour of HMRC. LMG, in turn, appealed to the Court of Appeal, who issued a judgement in favour of LMG on October 5, 2007 requiring the refund of the assessed amount and confirming LMG's eligibility to deduct input tax credits in the future. As a result of this event, an amount receivable of £13.8 million ($27.1 million) was recorded in the accounts at December 31, 2007 and subsequently collected in January 2008.

HMRC appealed the Court of Appeal's decision to the House of Lords which granted leave to appeal in order to facilitate a reference to the European Court of Justice on April 3, 2008. The case will be heard at a future date to be set. Until the outcome is known and a decision is rendered, it is unclear whether LMG will have to repay amounts awarded under the October 5, 2007 judgement, as well as any VAT recovered as a deduction in calculating input tax credits, together with interest thereon. At March 31, 2009, LMG has recorded in its accounts the net benefit of VAT input tax credits in the aggregate amount of £29.6 million ($53.3 million) which have been accounted for as a reduction of goodwill or cost of rewards and operating expenses, as appropriate.

At this time, the outcome of this contingency is not determinable and no provision for a liability has been included Groupe Aeroplan's financial statements. In the event that the VAT litigation is decided against LMG, the cash held in escrow as contingent consideration related to the 2007 acquisition of LMG, in the amount of $48.8 million (£27.1 million), plus accrued interest thereon, will be refunded to Groupe Aeroplan.

Other

From time to time, Groupe Aeroplan becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Groupe Aeroplan's financial position and results of operations.

Groupe Aeroplan has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceedings in which said directors and officers are sued as a result of their services. The directors and officers are covered by directors' and officers' liability insurance. No amount has been recorded in Groupe Aeroplan's financial statements with respect to the indemnification agreements.

TRANSACTIONS WITH AIR CANADA

Aeroplan has entered into various agreements with Air Canada, governing the commercial relationship between Aeroplan and Air Canada, which are described in Groupe Aeroplan's Annual Information Form dated March 27, 2009.

Air Canada is one of Groupe Aeroplan's largest Accumulation Partners, representing 20% and 19% of Gross Billings for the quarters ended March 31, 2009 and 2008, respectively. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated at $240.3 million for 2009. Air Canada, including other Star Alliance partners, is Groupe Aeroplan's largest Redemption Partner. For the quarter ended March 31, 2009, 67% of total reported cost of rewards was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners), compared to 65% for the quarter ended March 31, 2008.

On November 27, 2008, Aeroplan entered into an agreement with Air Canada to temporarily accelerate the contractual payment terms under the CPSA for air travel rewards purchased from Air Canada for the period from October 2008 to May 2009. The effect of this temporary arrangement is expected to reverse by the end of the third quarter of 2009, upon expiry of this agreement. The payments by Air Canada to Aeroplan for the purchase of Aeroplan Miles are based on the original terms of settlement. At March 31, 2009, approximately $43.4 million or 22.4% (December 31, 2008 – $45.7 million or 21.2%) of accounts receivable are due by Air Canada, and accordingly, Groupe Aeroplan is directly affected by the financial strength of Air Canada.

In accordance with the termination provisions of the General Services Agreement with Air Canada (the "GSA"), Aeroplan notified Air Canada of its plans to terminate the GSA, effective June 1, 2009. On November 27, 2008 Aeroplan delivered to Air Canada its formal six-month notice of termination of the GSA and subsequently offered all agents continued employment as of June 1, 2009, in the same positions, unless, if eligible, they elect to return to Air Canada. On January 14, 2009 Aeroplan announced that it had come to a tentative three-year agreement with the CAW and Air Canada with respect to the transition of the contact centre employees from Air Canada to Aeroplan employment. The agreement included a detailed transition plan for affected employees in addition to a new labour contract. On January 28, 2009 Aeroplan announced that the tentative labour agreement had not been ratified and that all agents working in Aeroplan's contact centres in Vancouver and Montreal are being offered continued employment effective June 1, 2009 as per the original offer. On March 4, 2009, the CAW filed an application before the Canada Industrial Relations Board related to the transition of contact centre agents from Air Canada to Aeroplan to clarify certain issues relating to the transition. Given that the outcome of future negotiations with the CAW and Air Canada, related to the collective agreement with contact centre agents and the potential transfer of the pension liability, respectively, is unclear at this time, it is difficult to determine, with any degree of certainty, the impact, if any, of their result on selling, general and administrative expenses.

SUMMARY OF CONTRACTUAL OBLIGATIONS

As at March 31, 2009, estimated future minimum payments under Groupe Aeroplan's contractual obligations are as follows:

(in millions)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Operating leases	20.6	3.4	4.2	4.1	2.3	2.3	4.3
Technology infrastructure and other	66.7	18.7	22.3	14.0	6.5	4.7	0.5
Marketing support	56.5	10.5	15.5	15.5	11.0	2.0	2.0
Special payments under GSA	9.0	1.4	1.9	1.9	1.9	1.9	-
Long term debt	700.0	-	500.0	-	200.0	-	-
Purchase obligation under the CPSA	4,355.3	240.3	391.9	391.9	391.9	391.9	2,547.4
Total	**5,208.1**	**274.3**	**935.8**	**427.4**	**613.6**	**402.8**	**2,554.2**

Marketing support amounts represent maximum obligations in connection with the Company's undertakings to promote the loyalty programs it operates.

Under the terms of certain contractual obligations with a major Accumulation Partner, Groupe Aeroplan is required to maintain certain minimum working capital amounts in accordance with pre-established formulas. As at March 31, 2009, Groupe Aeroplan complied with all such covenants.

DIVIDENDS

During the first quarter of 2009, Groupe Aeroplan declared and paid a cash dividend in the amount of $24,996,078 or $0.125 per common share. Dividends payable by Groupe Aeroplan to its shareholders are recorded when declared.

The dividend policy is subject to the discretion of the board of directors of Groupe Aeroplan and may vary depending on, among other things, Groupe Aeroplan's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

CAPITAL STOCK

As at March 31, 2009, Groupe Aeroplan had 199,968,622 common shares issued and outstanding for an aggregate amount of $1,746.9 million. In addition, there were 1,036,899 stock options issued and outstanding under the Groupe Aeroplan Long-Term Incentive Plan.

EARNINGS PER SHARE

Groupe Aeroplan's earnings per share or unit (as applicable) amounted to $0.12 and $0.21 for the three months ended March 31, 2009 and March 31, 2008, respectively.

CRITICAL ACCOUNTING ESTIMATES

Please refer to note 2 to the December 31, 2008 audited consolidated financial statements of the Groupe Aeroplan and the corresponding section of Groupe Aeroplan's 2008 MD&A to review Groupe Aeroplan's critical accounting estimates.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Significant estimates made in the preparation of the consolidated financial statements include those used in accounting for breakage, income taxes, the determination of amortization period for long-lived assets, the impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital, the carrying value of financial instruments recorded at fair value and contingencies.

CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

On January 1, 2009, Groupe Aeroplan adopted CICA accounting handbook section 3064, *Goodwill and Intangible Assets* which provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The standard is effective for fiscal years beginning on or after October 1, 2008, and requires retroactive application to prior period financial statements. The adoption of this new section did not have an impact on Groupe Aeroplan's financial statements.

FUTURE ACCOUNTING CHANGES

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards: section 1582, *Business Combinations,* section 1601, *Consolidated Financial Statements,* and section 1602, *Non-controlling Interests.* These new standards will be effective for fiscal years beginning on or after January 1, 2011. Groupe Aeroplan is in the process of evaluating the requirements of the new standards.

Section 1582 replaced section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS3 – *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600 – *Consolidated Financial Statements.* Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provision of International Financial Reporting Standard IAS 27 – *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

Groupe Aeroplan will be required to convert to IFRS financial statements for periods beginning on or after January 1, 2011. Comparative figures will also have to be restated to comply with IFRS. As a result, the Company is developing a plan to convert its financial statements to IFRS consisting of four phases:

- Phase 1 - Preliminary Diagnosis, Planning and Definition of Scope,
- Phase 2 - Detailed Evaluation,
- Phase 3 - Definition of the Solution and
- Phase 4 - Implementation

Groupe Aeroplan has assembled a team of internal and external resources, to execute the plan. A preliminary diagnosis indicates that similar standards to those used by Groupe Aeroplan in the preparation of its consolidated financial statements will apply. However applicable revenue recognition standards under IFRS are not expected to be finalized until 2013. While there appears to be a general consensus that similar revenue recognition standards to those used by Groupe Aeroplan will apply, this will only be confirmed at a later date. As a result of the transition, changes in accounting policies may have a material impact on the consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

At March 31, 2009, the CEO and CFO, with management's assistance, have designed disclosure controls and procedures in order to provide reasonable assurance that they are made aware of material information and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. During the interim period ended on March 31, 2009, there were no changes in the Company's internal controls over financial reporting that have significantly affected, or are reasonably likely to significantly affect, Groupe Aeroplan's internal controls over financial reporting.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit, Finance and Risk Committee reviewed this MD&A, and the consolidated financial statements, and the board of directors of Groupe Aeroplan approved these documents prior to their release.

OUTLOOK

Current market conditions, with reduced consumer expenditures, make it difficult to predict 2009 performance. Assuming no further deterioration of economic conditions, and anticipating a mild recovery in the latter part of the year, Groupe Aeroplan would expect to see modest consolidated growth in gross billings for the full year 2009 as compared to 2008. In addition, for 2009, the Corporation expects the Average Cost of Rewards per Mile Redeemed, under the Aeroplan Program, to remain in the low nineties for the remainder of the year and not to exceed 0.95 cents on an annual basis throughout 2010 with gross margin in the Canadian segment remaining relatively stable.

The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and should be read in conjunction with the "Caution Concerning Forward-Looking Information" section.

RISKS AND UNCERTAINTIES

Other than as described below, Groupe Aeroplan's risks and uncertainties have not changed since the release of the 2008 MD&A. For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding sections in the 2008 MD&A and Groupe Aeroplan's Annual Information Form dated March 27, 2009.

Air Canada Liquidity Issues

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its most recent public filings Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results and liquidity. Such risks include slowing passenger and cargo revenues resulting from weakening demand for air travel as a result of the current economic environment, volatile fuel prices, pension funding deficits, labour conflicts or disruptions and the ability to secure additional financial arrangements to manage liquidity. While Air Canada management believes it has developed action plans to mitigate such risks, there can be no assurance that Air Canada will be successful in executing on its strategy and that it will conclude arrangements providing sufficient liquidity to meet its financial liabilities and other contractual obligations.

The bankruptcy or insolvency of Air Canada could lead to a termination or renegotiation of the Amended and Restated Commercial Participation and Services Agreement dated June 9, 2004, as amended (the "CPSA"). Upon such a renegotiation, Aeroplan Canada may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aeroplan Canada would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan Canada would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers.

The bankruptcy or insolvency of Air Canada could also lead certain of Groupe Aeroplan's accumulation partners to attempt to renegotiate certain terms of their commercial relationships with Groupe Aeroplan. Should such renegotiations occur between Groupe Aeroplan and any of its significant Accumulation Partners, depending on the results thereof, Groupe Aeroplan's gross proceeds from the sale of Aeroplan Miles could be negatively affected.

ADDITIONAL INFORMATION

Additional information relating to Groupe Aeroplan and its operating businesses, including Groupe Aeroplan's Annual Information Form and Management Information Circular, respectively dated March 27 and April 15, 2009, is available on SEDAR at www.sedar.com or on Groupe Aeroplan's website at www.groupeaeroplan.com under *Investors*.