GROUPE AEROPLAN

Interim Consolidated Financial Statements

For the three and nine months ended September 30th 2009 and 2008

UNAUDITED

Management's Report

The accompanying consolidated financial statements of Groupe Aeroplan Inc. are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgement.

In fulfilling its responsibilities, management of the corporation has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparation of the financial statements. The Board of Directors reviews and approves the corporation's consolidated financial statements.

November 12th, 2009

(signed) "Rupert Duchesne"

RUPERT DUCHESNE

President and Chief Executive Officer

(signed) "David L. Adams"

DAVID L. ADAMS

Executive Vice President and Chief Financial Officer

Consolidated Statements of Operations

(in thousands of dollars, except share and per share amounts)		Three months ended September 30 2009	Three months ended September 30 2008	Nine months ended September 30 2009	Nine months ended September 30 2008
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		$ 322,648	$ 334,954	$ 1,011,987	$ 1,027,897
Cost of rewards	Note 6	187,994	191,033	616,084	606,853
Gross margin		134,654	143,921	395,903	421,044
Operating expenses					
Selling, general and administrative		67,761	71,027	202,528	205,165
Depreciation and amortization		4,494	4,472	14,558	14,142
Amortization of accumulation partners' contracts and technology		20,079	22,636	60,279	68,002
		92,334	98,135	277,365	287,309
Operating income		42,320	45,786	118,538	133,735
Interest on long-term debt		(12,808)	(10,031)	(27,465)	(32,781)
Other interest expense		(2,118)	(3,539)	(4,384)	(7,892)
Interest income		5,894	7,267	11,314	20,337
Foreign exchange gain (loss)		(5,275)	660	(3,019)	444
Earnings before income taxes		28,013	40,143	94,984	113,843
Income tax (expense) recovery					
Current		(9,133)	(4,934)	(33,454)	(2,800)
Future		(124)	(253)	7,200	(2,501)
Net earnings for the period		**$ 18,756**	**$ 34,956**	**$ 68,730**	**$ 108,542**
Weighted average number of shares		**199,462,480**	**199,383,818**	**199,423,366**	**199,395,277**
Earnings per share					
Basic and fully diluted		**$ 0.09**	**$ 0.18**	**$ 0.34**	**$ 0.54**

The accompanying notes are an integral part of these interim financial statements.

Consolidated Balance Sheets

As at		September 30	December 31
(in thousands of dollars, except share and per share amounts)		2009	2008
		(unaudited)	
Assets			
Current assets			
Cash and cash equivalents	Note 7	$ 615,788	$ 188,016
Short-term investments	Note 7	23,879	477,341
Accounts receivable		161,442	215,821
Future income taxes		58,868	58,911
		859,977	940,089
Cash held in escrow, related to the acquisition of LMG	Note 3	46,485	48,485
Currency swap	Note 4	-	68,526
Loan receivable from Air Canada	Note 6	150,000	-
Note receivable	Note 5	59,157	59,007
Investment in RMMEL, at equity	Note 6	-	-
Accumulation partners' contracts		1,367,533	1,418,398
Property and equipment		1,468	2,122
Software and technology		92,753	100,946
Trade names		398,821	404,145
Goodwill		1,956,327	1,976,002
		$ 4,932,521	**$ 5,017,720**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 176,693	$ 235,408
Income taxes payable		14,348	33,774
Deferred revenue	Note 9	1,308,845	1,171,438
Current portion of long-term debt	Note 8	-	200,000
		1,499,886	1,640,620
Long-term debt	Note 8	688,254	496,969
Future income taxes		184,000	193,500
Deferred revenue	Note 9	633,753	738,034
		3,005,893	3,069,123
Shareholders' equity		1,926,628	1,948,597
		$ 4,932,521	**$ 5,017,720**
Contingencies and commitments	Notes 10, 11 & 12		

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

The accompanying notes are an integral part of these interim financial statements.

Consolidated Statements of Shareholders' Equity

Nine months ended September 30, 2009 and year ended December 31, 2008

(unaudited)

(in thousands of dollars, except share and per share amounts)	Share capital	Retained Earnings (Deficit): Net earnings (loss) and other	Retained Earnings (Deficit): Distributions / Dividends	Accumulated Other Comprehensive Income (loss)	Contributed Surplus	Total
Balance, December 31, 2007	**$ 3,248,075**		**$ (206,592)**	**$ -**	**$ 9,582**	**$ 3,051,065**
Net earnings for the period		108,542				108,542
Monthly distributions			(83,988)			(83,988)
Redemption of 169 units tendered by unitholders	(2)					(2)
Shares held by stock-based compensation plans	(1,195)				(2,596)	(3,791)
Accretion related to initial long-term incentive plan					430	430
Accretion related to other stock-based compensation plans					2,737	2,737
Capital reduction pursuant to the Arrangement	(1,500,000)	216,994			1,283,006	-
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries				(20,054)		(20,054)
Subtotal	(1,501,197)	325,536	(83,988)	(20,054)	1,283,577	3,874
			34,956	(20,054)		
Retained earnings and Accumulated other comprehensive income (loss)				14,902		
Balance, September 30, 2008	**$ 1,746,878**		**$ 34,956**	**$ (20,054)**	**$ 1,293,159**	**$ 3,054,939**
Net loss for the period		(1,073,752)				(1,073,752)
Quarterly dividends			(24,997)			(24,997)
Accretion related to other stock-based compensation plans					293	293
Shares granted under various employment contracts					(2,951)	(2,951)
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries				(4,935)		(4,935)
Subtotal	-	(1,073,752)	(24,997)	(4,935)	(2,658)	(1,106,342)
			(1,063,793)	(24,989)		
Retained earnings and Accumulated other comprehensive income (loss)				(1,088,782)		
Balance, December 31, 2008	**$ 1,746,878**		**$ (1,063,793)**	**$ (24,989)**	**$ 1,290,501**	**$ 1,948,597**
Net earnings for the period		68,730				68,730
Quarterly dividends			(74,991)			(74,991)
EIC-173 adjustment to currency swap Note 2		(4,675)				(4,675)
Shares held by stock-based compensation plans	570				(320)	250
Accretion related to other stock-based compensation plans					2,978	2,978
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries				(14,261)		(14,261)
Subtotal	570	64,055	(74,991)	(14,261)	2,658	(21,969)
			(1,074,729)	(39,250)		
Retained earnings and Accumulated other comprehensive income (loss)				(1,113,979)		
Balance, September 30, 2009	**$ 1,747,448**			**$ (1,113,979)**	**$ 1,293,159**	**$ 1,926,628**

The accompanying notes are an integral part of these interim financial statements.

Consolidated Statements of Comprehensive Income

(in thousands of dollars, except share and per share amounts)	Three months ended September 30 2009	Three months ended September 30 2008	Nine months ended September 30 2009	Nine months ended September 30 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net earnings for the period	**$ 18,756**	**$ 34,956**	**$ 68,730**	**$ 108,542**
Other comprehensive income				
Cumulative translation adjustment on consolidation of self sustaining foreign subsidiaries	(16,133)	(22,511)	(14,261)	(20,054)
	(16,133)	(22,511)	(14,261)	(20,054)
Comprehensive income for the period	**$ 2,623**	**$ 12,445**	**$ 54,469**	**$ 88,488**

The accompanying notes are an integral part of these interim financial statements.

Consolidated Statements of Cash Flows

(in thousands of dollars, except share and per share amounts)		Three months ended September 30 2009 (unaudited)	Three months ended September 30 2008 (unaudited)	Nine months ended September 30 2009 (unaudited)	Nine months ended September 30 2008 (unaudited)
Cash flows from (used in)					
Operating activities					
Net earnings for the period		$ 18,756	$ 34,956	$ 68,730	$ 108,542
Items not affecting cash					
Depreciation and amortization		24,573	27,108	74,837	82,144
Stock-based compensation		1,040	1,081	2,978	3,167
Fair value of warrants related to the loan to Air Canada		(934)	-	(934)	-
Currency swap		(22,706)	(27,410)	7,221	(11,860)
Foreign exchange		27,981	26,750	(4,202)	11,416
Future income taxes		124	253	(7,200)	2,501
Accretion on note receivable		3,255	2,978	(2,707)	(782)
Changes in non-cash working capital items and deferred revenue					
Income taxes		(20)	(9,933)	(19,426)	(9,933)
Accounts receivable		15,932	18,314	53,113	49,364
Accounts payable and accrued liabilities		5,074	42,840	(51,966)	(51,911)
Deferred revenue		32,701	24,141	48,637	78,812
Other		(30,583)	-	12,606	-
Funding of stock-based compensation plans		-	-	(663)	(3,791)
		56,437	106,122	112,294	149,127
		75,193	141,078	181,024	257,669
Investing activities					
Acquisitions of LMG and RMMEL, net of cash acquired and transaction costs related to the LMG acquisition		-	(220)	-	(38,226)
Change in short-term investments		11,921	23	452,435	(332,473)
Proceeds from currency swap	Note 4	54,800	-	54,800	-
Loan to Air Canada	Note 6	(150,000)	-	(228,657)	-
Repayment of loan by Air Canada	Note 6	78,657	-	78,657	-
Additions to property, equipment, software and technology		(6,182)	(11,212)	(20,169)	(24,635)
		(10,804)	(11,409)	337,066	(395,334)
Financing activities					
Monthly distributions and quarterly dividends		(24,997)	(13,998)	(74,991)	(97,986)
Redemption of units		-	-	-	(2)
Refinancing costs	Note 8	-	-	(8,990)	-
Refinancing and borrowings of long-term debt	Note 8	150,000	-	850,000	-
Repayment of long-term debt	Note 8	(150,000)	(20,000)	(850,000)	(40,000)
Financing costs		(1,814)	-	(1,814)	-
		(26,811)	(33,998)	(85,795)	(137,988)
Net change in cash and cash equivalents		37,578	95,671	432,295	(275,653)
Translation adjustment related to cash		(11,764)	(8,730)	(4,523)	(6,257)
Cash and cash equivalents, beginning of period		589,974	87,153	188,016	456,004
Cash and cash equivalents, end of period		**$ 615,788**	**$ 174,094**	**$ 615,788**	**$ 174,094**
Interest paid		**$ 9,212**	**$ 16,334**	**$ 23,666**	**$ 55,096**

The accompanying notes are an integral part of these interim financial statements.

1. STRUCTURE OF THE CORPORATION

Groupe Aeroplan Inc. (together with its direct and indirect wholly-owned 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. 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.

The principal and head office of Groupe Aeroplan is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2. 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), a Canadian customer loyalty marketing company, and from its other subsidiaries in Europe and the Middle East managed by Groupe Aeroplan Europe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These unaudited consolidated interim financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants (CICA) handbook section 1751, *Interim Financial Statements*. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") have been omitted or condensed. These interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2008.

In the opinion of management, these interim financial statements include all adjustments considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. Except as otherwise indicated hereunder, these interim financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2008.

PRINCIPLES OF CONSOLIDATION

These unaudited interim consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. All inter-company balances and transactions have been eliminated.

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.

Emerging Issues Committee Abstract 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC – 173")

On January 1, 2009, Groupe Aeroplan adopted EIC–173, which requires the Company to consider its own credit risk and the credit risk of the counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC–173, which has been applied on a retrospective basis without restatement of prior periods on the adoption date and has affected the fair value determination of the currency swap (*Note 4*), has resulted in a $4.7 million charge to retained earnings, net of a $1.8 million tax effect.

Contact Centre Employee Future Benefits

The cost of pension benefits earned by contact centre employees under the defined benefit pension plan is actuarially determined using the projected benefit method prorated on service, market interest rates, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement *(Note 10).*

The cost of the other future employee benefits consisting of post-employment, life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, is actuarially determined using the projected benefit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation.

The expected return on plan assets is based on the long-term expected rate of return on plan assets and the fair value of the plan assets. It is reasonably possible that management's estimate of the long-term rate of return may change as management continues to assess future investments and strategies and as a result of changes in financial markets.

Past service costs arising from the initiation of the plan and plan amendments of the defined benefit pension plan, as well as those arising from other employee future benefits, are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

Cumulative unrecognized net actuarial gains and losses of the defined benefit pension plan and other employee future benefits in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets at the beginning of the year are amortized over the average remaining service periods of active members expected to receive benefits under the plan.

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 IFRS 3 – *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, combined, 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.

Financial Instruments

Financial instruments disclosures prescribed by Sections 3855, *Financial Instruments – Recognition and Measurement* and 3862, *Financial Instruments – Disclosures* have been recently amended to change the classification of certain debt instruments; the impairment model for held-to-maturity financial assets to the incurred credit loss model described in Section 3025, *Impaired Loans*; to require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances; to include additional disclosure requirements about fair value measurements of financial instruments; and to enhance liquidity risk disclosure requirements.

The presentation amendments apply to reclassifications made on or after July 1, 2009, while disclosure amendments apply to annual financial statements for years ending after September 30, 2009.

Groupe Aeroplan has adopted the presentation amendments with no effect to the financial statements and is currently evaluating the impact of the requirements of the new disclosure standards.

3. CASH HELD IN ESCROW

Cash held in escrow, in the amount of $46.5 million (£27.1 million), represents contingent consideration related to the December 2007 acquisition of Loyalty Management Group Limited ("LMG"). In the event that the VAT litigation is decided in favour of Groupe Aeroplan, this contingent consideration will be distributed to the former shareholders of LMG, with a corresponding amount to be recorded as an increase to goodwill *(Note 11)*.

4. CURRENCY SWAP

In connection with the December 2007 acquisition of LMG, a subsidiary of 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 was 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 did not meet the criteria for hedge accounting treatment, and accordingly, changes in the fair value of the currency swap were recognized in non-operating income as foreign exchange.

On July 22, 2009, the currency swap was disposed for net proceeds of $52.7 million, with the resulting gain being recognized as foreign exchange in the statement of operations. At December 31, 2008, the currency swap had a fair value of $68.5 million.

5. NOTE RECEIVABLE

This unsecured, non-interest bearing loan, in the principal amount of £40.0 million, which has been discounted using an effective interest rate of 6%, is due from a major Accumulation Partner and is repayable on July 1, 2012.

(Tables in thousands of dollars, except share and per share amounts)

6. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Air Canada and three other major Accumulation Partners account for a significant percentage of Gross Billings. Since Groupe Aeroplan's revenues are recognized based on redemptions by members as opposed to the issuance of Aeroplan Miles to members by the Accumulation Partners, the information on major customers is based on the Gross Billings of Aeroplan Miles issued through each Accumulation Partner to members. Gross Billings for each Accumulation Partner represent the contracted amounts received or receivable from Accumulation Partners during each period. Air Canada and the other Accumulation Partners accounted for significant issuance of Aeroplan Miles as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	%	%	%	%
Air Canada	18	16	19	18
Accumulation Partner A	38	41	37	38
Accumulation Partner B	9	9	10	10
Accumulation Partner C	16	16	17	17

CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

Air Canada is Groupe Aeroplan's largest Redemption Partner. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total rewards is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	%	%	%	%
Air Canada (and other Star Alliance Partners)	61	64	64	64

Air Canada acts as a clearing house for substantially all Gross Billings and reward purchase transactions between Aeroplan and airlines other than Air Canada (Star Alliance Partners). Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada. The following is a summary of the relevant financial terms of the most significant agreement.

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles under the Aeroplan Program by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2008, Aeroplan is required to purchase reward travel seats with an exchange amount of approximately $391.9 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

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. On June 29, 2009, Aeroplan and Air Canada terminated the acceleration of payment terms agreement and Air Canada remitted to Aeroplan approximately $40.0 million to reverse amounts remaining on that date, related to accelerated payments previously disbursed.

Concurrent with the repayment by Air Canada of all remaining amounts previously accelerated, on June 29, 2009, Aeroplan entered into a revolving loan and security agreement with Air Canada under which Aeroplan agreed to make available to Air Canada, on a secured basis, a revolving loan in an amount equal to the aggregate of the previous 60 days of accumulated purchases by Aeroplan of reward seats from Air Canada (the "Borrowing Entitlement"), up to a maximum of $100.0 million. Subject to compliance with applicable covenants, the loan was available for monthly draw-downs through to June 2010, beared interest at 12% per annum, and was secured by Air Canada's interest in Air Canada Vacations. As long as any amount was outstanding under this loan, the Air Canada Vacation shares also secured all of Air Canada's obligations to Aeroplan under the CPSA. If the amount outstanding on a draw-down date exceeded the Borrowing Entitlement, Aeroplan would set off such amount against any obligations owing by Aeroplan to Air Canada. The initial draw-down made by Air Canada under the loan was $78.7 million which was paid in full on July 30, 2009, and the agreement was terminated on that date.

LOAN RECEIVABLE FROM AIR CANADA

On July 29, 2009, Aeroplan, with a syndicate of other lenders, entered into an agreement to provide financing to Air Canada ("Air Canada Club Loan"), pursuant to which Aeroplan committed to advance $150.0 million to the airline upon satisfaction of certain conditions, including the repayment in full and termination of the revolving loan and security agreement entered into by Aeroplan and Air Canada on June 29, 2009.

GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc. are also part of the syndicate of lenders. An aggregate of $600.0 million was made available to Air Canada on July 30, 2009. The credit facility may be increased by $100.0 million at Air Canada's request subject to certain conditions. Aeroplan's maximum commitment is, however, limited to $150.0 million, which was advanced to Air Canada on July 30, 2009. Aeroplan's portion of the Air Canada Club Loan is repayable in 16 consecutive quarterly instalments of $7.5 million commencing in August 2010 with the balance of $30.0 million due in July 2014. The Air Canada Club Loan bears interest at the greater of the bankers' acceptance rate plus 9.75% or 12.75%.

The Air Canada Club Loan is secured by a security interest and hypothec over substantially all of the present and after-acquired property of Air Canada and its subsidiaries, subject to certain exclusions and permitted liens. The Air Canada Club Loan is subject to customary commercial terms and conditions, including certain financial covenants requiring Air Canada to maintain minimum liquidity, earnings before interest, income taxes, depreciation, amortization, aircraft rents, certain other items and a fixed charge coverage test.

Under the financing arrangement, Air Canada issued the lenders warrants to purchase Air Canada Class A or Class B variable voting shares. Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each, exercisable at any time and expiring in four years. At September 30, 2009, the fair value of the warrants was $0.9 million. The warrants are presented with accounts receivable and any changes in fair value are recorded with interest income in the statement of operations. In addition, Aeroplan was entitled to receive its *pro rata* share of additional warrants, representing up to an aggregate five percent of the total issued common stock of Air Canada at the time of issuance, in the event that Air Canada did not grant additional security over certain assets within 90 days of closing. The security was not granted within the 90 day period and on October 19, 2009, Aeroplan received 1,250,000 additional warrants in connection with the Air Canada Club Loan *(Note 14).*

In consideration of the foregoing, Aeroplan and Air Canada agreed to certain mutually beneficial commercial arrangements, none of which relate to the pricing of Aeroplan Miles or the cost of reward travel seats.

OTHER

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.

7. AEROPLAN CANADA MILES REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Canada Miles redemption reserve (the “Reserve”), which subject to compliance with the provisions of the June 12, 2009 credit facilities (*Note 8*), 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. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. As at September 30, 2009 and December 31, 2008, the Reserve amounted to $400.0 million and is included in cash and cash equivalents and short-term investments.

The amount of the Reserve, as well as the types of securities it may be invested in, are based on policies established by management which may be reviewed periodically.

Any deposits of funds in non-Canadian dollar denominated investments are required to be hedged. At September 30, 2009, all the investments held as part of the Reserve were denominated in Canadian dollars.

8. LONG-TERM DEBT

On June 12, 2009, Groupe Aeroplan concluded a refinancing of its $650.0 million credit facilities with its lending syndicate, resulting in the settlement of the old credit facilities and new borrowings under the new credit facilities. At September 30, 2009, after the application of the proceeds of the issuance of the Senior Secured Notes Series 2, $350.0 million had been drawn and $175.0 million remained committed and available.

(Tables in thousands of dollars, except share and per share amounts)

The following is a summary of Groupe Aeroplan's authorized and outstanding credit facilities and Senior Secured Notes Series 1 and 2:

	Authorized	**Drawn at September 30, 2009**	**Drawn at December 31, 2008**
	$	**$**	**$**
Revolving facility [(a)]	250,000	75,000	-
Term facility [(a)]	275,000	275,000	300,000
Bridge facility [(b) (c) (d)]	N/A	N/A	300,000
Acquisition facility	N/A	N/A	100,000
Senior Secured Notes Series 1 [(c)]	N/A	200,000	N/A
Senior Secured Notes Series 2 [(d)]	N/A	150,000	N/A
Prepaid interest [(e)]	-	(2,884)	(1,479)
Unamortized refinancing costs [(e)]	-	(8,862)	(1,552)
	525,000	688,254	696,969
Less: current portion	-	-	200,000
Total	525,000	688,254	496,969

(a) The revolving and term facilities mature on April 23, 2012, or earlier at the option of Groupe Aeroplan, without penalty, and depending on the Company's credit ratings, bear interest at rates ranging between Canadian prime rate plus 1.75% to 4.00% and the Bankers' Acceptance and LIBOR rates plus 2.75% to 5.00%.

At September 30, 2009, amounts borrowed under the term and revolving facilities, were in the form of Bankers' Acceptances with a 30 day term and an effective interest rate of 4.00%.

Letters of credit: Groupe Aeroplan has issued irrevocable letters of credit in the aggregate amount of $0.8 million. This amount reduces the available credit under the revolving facility.

(b) The bridge facility was repaid in full on September 2, 2009 with proceeds from the issue of the Senior Secured Notes Series 2.

(c) On April 23, 2009 and April 30, 2009, Groupe Aeroplan issued Senior Secured Notes Series 1 in the principal amount of $175.0 million and $25.0 million, respectively. These notes bear interest at 9% per annum, payable semi-annually in arrears on April 23 and October 23 of each year, commencing October 23, 2009, and mature on April 23, 2012. The proceeds from the notes issued were used to repay $200.0 million of the bridge facility.

(d) On September 2, 2009, Groupe Aeroplan issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. These notes bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014. The proceeds from the notes issued were used to repay $100.0 million of the bridge facility, $25.0 million of the term facility, with the remaining $25.0 million being used for general corporate purposes.

Each of the Senior Secured Notes Series 1 and 2 are secured by certain present and future undertakings, property and assets of the Company and certain of its subsidiaries and rank equally and pari passu, including with respect to security interest, with all other present and future unsubordinated debt of the Company, and are subject to compliance with certain affirmative and negative covenants.

(e) Long-term debt is presented net of prepaid interest and unamortized refinancing costs.

Borrowings under the credit facilities and the Senior Secured Notes Series 1 and 2 are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries.

The continued availability of the credit facilities is subject to Groupe Aeroplan's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

At September 30, 2009, Groupe Aeroplan was in compliance with its financial covenants, as follows:

(Tables in thousands of dollars, except share and per share amounts)

Ratio	Result	Test
Leverage	2.26	≤ 2.75
Debt service [(a)]	0.26	≤ 2.00
Interest coverage	12.33	≥ 3.00

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

9. DEFERRED REVENUE

A reconciliation of deferred revenue, including deferred breakage, is as follows:

	September 30, 2009	December 31, 2008
	$	$
Opening balance	**1,909,472**	**1,820,280**
Aeroplan Miles issued – Gross billings	999,962	1,420,548
Deferred revenue assumed on acquisition of RMMEL	-	78,649
Revenue recognized for Aeroplan Miles redeemed and Breakage	(951,325)	(1,377,736)
Other foreign currency adjustments	(15,511)	(32,269)
Ending balance	**1,942,598**	**1,909,472**
Represented by:		
Current portion [(a)]	**1,308,845**	**1,171,438**
Long-term	**633,753**	**738,034**

(a) The current portion is management's best estimate of the amount to be realized in the next twelve months, based on historical trends.

10. EMPLOYEE BENEFITS

On May 22, 2009 Groupe Aeroplan announced that following the outcome of a mediation at the Canada Industrial Relations Board, Aeroplan, Air Canada and the CAW Local 2002 reached an agreement on the transition of contact centre agents to Aeroplan. This included confirmation of Aeroplan as the employer of its contact centre agents as of June 1, 2009 and CAW Local 2002 as their bargaining agent. The transfer of the 805 contact centre employees was fully effected on June 14, 2009.

As a result of the termination of the General Services Agreement dated May 13, 2005, effective January 1, 2005 between Air Canada and Aeroplan (the "GSA"), all obligations under the GSA, including the special payments in respect of pension plans in which the assigned employees under the GSA participated, as described in the December 31, 2008 financial statements, have ceased.

In addition to the employee benefits described in the December 31, 2008 annual financial statements, as a result of the termination of the GSA and the transfer of the contact centre agents, the following table summarizes the information related to the defined benefit pension plan, which provides benefits upon retirement, termination or death based on the member's years of service and final average earnings for a specified period, and other employee benefits consisting of post-employment life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, established for the contact centre employees.

(Tables in thousands of dollars, except share and per share amounts)

As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. This past service cost obligation and the past service cost obligation related to the other employee future benefits have been estimated at $13.4 million and $8.0 million, respectively based on an actuarial valuation dated August 7, 2009, and are amortized over the expected average remaining service of active employees covered by the pension plan of 16.2 years.

	Pension Benefits	**Other Employee Future Benefits**
	2009 [(a)]	**2009**
	$	**$**
Change in benefit obligation		
Accrued benefit obligation resulting from plan initiation and amendment – June 14, 2009	(13,413)	(8,048)
Current service cost	(449)	(172)
Interest cost	(312)	(150)
Plan participants' contributions	(417)	-
Benefits paid	-	-
Actuarial (gain) loss	-	-
Benefit obligation, end of period	(14,591)	(8,370)
Change in plan assets		
Fair market value of plan assets, June 14, 2009	-	-
Actual return on plan assets	-	-
Employer contribution	206	-
Plan participants' contributions	417	-
Benefits paid	-	-
Fair market value of plan assets, end of period	**623**	-
Funded status, end of period	**(13,968)**	**(8,370)**
Employer contributions after measurement date	-	-
Unamortized past service costs	13,171	7,856
Accrued benefit asset (liability)	**(797)**	**(514)**

(a) Based on a measurement date of June 14, 2009.

The accrued benefit liability is included in accounts payable and accrued liabilities.

(Tables in thousands of dollars, except share and per share amounts)

The weighted average assumptions used to determine the accrued benefit liability are as follows:

	Pension Benefits	Other Employee Future Benefits
	2009	**2009**
	%	**%**
Discount rate to determine accrued benefit obligations	7	3.75 - 7
Discount rate to determine the pension and benefit cost	7	3.75 – 7
Rate of compensation increase	1.75 until 2011; 2.5 thereafter	-
Expected return on plan assets	6	N/A
Health care inflation – Selected to determine accrued benefit obligation [(a)]	N/A	4.5 & 8.5
Health care inflation – Selected to determine pension and benefit cost [(a)]	N/A	4.5 & 8.5

(a) The health care inflation assumption was graded down, in and after 2010, to 5% per annum.

The components of Aeroplan's net defined benefit pension plan and other future employee benefits expense are itemized as follows:

	Pension Benefits	Other Employee Future Benefits
	2009	**2009**
	$	**$**
Components of expense		
Current service cost (including provision for plan expenses)	449	172
Interest cost	312	150
Actual return on plan assets	-	-
Past service costs	242	192
Actuarial (gain) loss	-	-
Pension costs for the period	1,003	514
Differences between costs arising in the period and costs recognized in the period in respect of:		
Return on plan assets	-	-
Actuarial (gain) loss	-	-
Net periodic pension and benefit expense recognized	1,003	514

Aeroplan has determined, supported by independent legal counsel, that it does not have to assume Air Canada's existing pension liability to the transferred employees, and that it remains for the account of Air Canada. Air Canada has notified Aeroplan that it disagrees with Aeroplan's position. The outcome of the resolution of this disagreement is unknown at this time and no amount has been quantified. Accordingly, no provision for a liability has been included in these financial statements.

11. CONTINGENT LIABILITIES

AIR CANADA MILES ISSUED PRIOR TO JANUARY 1, 2002

In accordance with 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 September 30, 2009, 111.5 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, 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 the various types of rewards that members have selected, based on past experience, such obligation would amount to approximately $8.3 million at September 30, 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. The maximum potential redemption cost of meeting this obligation, if all 10.8 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $99.6 million at September 30, 2009. While Aeroplan anticipates that a portion of the broken but unexpired Air Canada Miles will be redeemed, the actual number which will be redeemed is not determinable.

As a result, the total maximum potential redemption cost of meeting this obligation, which would be charged to costs of rewards when they are incurred, as the Air Canada Miles are redeemed over time, for the total outstanding and unbroken Air Canada Miles issued prior to January 1, 2002 is estimated to be $107.9 million at September 30, 2009.

In accordance with Aeroplan's mileage expiry policy, any unredeemed Air Canada Miles will automatically expire on December 31, 2013.

AEROPLAN MILES ISSUED AFTER JANUARY 1, 2002

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 $961.5 million at September 30, 2009. The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, 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 would have a total impact on revenue and earnings before income taxes of $72.0 million for the period in which the change occurred, with $62.2 million relating to prior years and $9.8 million relating to the current nine month period.

VAT APPEAL (*NOTE 3*)

LMG has been in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the 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. The case will be heard on January 21, 2010. 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 September 30, 2009, LMG has recorded in its accounts the net benefit of VAT input tax credits in the aggregate amount of £32.6 million ($55.9 million), which is 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 in these financial statements.

OTHER

On October 22, 2009, Aeroplan received written notice from Air Canada claiming that Air Canada had been incorrectly billing Aeroplan for redemption bookings since January 1, 2005. This claim was based on alleged errors by Air Canada in the methodology used to calculate such billings under the CPSA and certain inherent limitations in the system used to price redemption bookings in foreign jurisdictions and currencies. Air Canada has requested a payment of approximately $49 million from Aeroplan as a retroactive settlement for these alleged errors.

Aeroplan believes that the methodology used by Air Canada since 2005 for the billing of redemption bookings was implemented as agreed by the parties and has been calculated in accordance with the terms of the CPSA. Aeroplan believes that Air Canada's claim is without merit and no amounts have been provided for in Groupe Aeroplan's financial statements. Aeroplan intends to continue settling Air Canada billings for reward tickets, using its own estimate of billings in accordance with the agreed to methodology in place since 2005.

In the event Air Canada's claim cannot be resolved amicably, the CPSA provides for arbitration procedures. While Aeroplan believes the claim is without merit and will vigorously defend its position, there can be no assurance that Aeroplan will be successful and any amount ultimately payable, as a result of arbitration, may be greater than the $49 million currently requested.

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 proceeding 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.

In limited circumstances, Groupe Aeroplan may provide guarantees to third parties to support the performance obligations of certain of its subsidiaries under commercial contracts. At September 30, 2009, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to £50.0 million ($85.8 million).

(Tables in thousands of dollars, except share and per share amounts)

No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

On July 2, 2009 Groupe Aeroplan was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. No class action has yet been filed. This motion is the first procedural step before any such action can be instituted. Petitioners seek court permission to sue Aeroplan on behalf of program members in Canada to obtain reinstatement of expired miles, reimbursement of any amounts already expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member, all in relation to changes made to the Aeroplan program concerning accumulation and expiry of Aeroplan Miles as announced October 16, 2006.

Groupe Aeroplan is of the view that there are good grounds for opposing the motion for authorization and will vigorously defend any class action, should one be authorized by the court.

At this time, given that the petitioners have not yet obtained the court's permission to file the class action suit, and that the outcome of such class action suit, if permission to file were to be granted by the court, is not determinable, no provision for a liability has been included in these financial statements.

12. COMMITMENTS

The minimum lease payments under various operating leases and payments under contracts for technology infrastructure and other and marketing support and other, are as follows:

Year ending December 31,	Operating leases	Technology infrastructure and other	Marketing support and other [(a)]	Total
	$	$	$	$
2009	1,385	7,658	3,717	12,760
2010	4,956	27,495	34,180	66,631
2011	4,903	19,036	35,391	59,330
2012	5,259	7,040	21,559	33,858
2013	4,884	4,737	12,980	22,601
Thereafter	17,906	544	15,725	34,175
Total	**39,293**	**66,510**	**123,552**	**229,355**

(a) 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 formulae. At September 30, 2009, Groupe Aeroplan complied with all such covenants.

Pursuant to the terms of various employment contracts with certain management employees, Groupe Aeroplan has committed to annual grants, under certain conditions, of common shares under the "Stock-based Compensation Plans" as follows:

Year ending December 31,	Shares
2009	12,500
2010	80,000
2011	80,000
2012	30,000
2013	30,000
Thereafter	40,000
Total shares to be granted	**272,500**

13. SEGMENTED INFORMATION

At September 30, 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:

(in thousands, except miles information)	**Three months ended September 30,**					
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Geographic segmentation	**Canada**		**Europe and Middle East**		**Consolidated**	
	$	**$**	**$**	**$**	**$**	**$**
Gross billings	244,991	261,068	90,891	94,535	335,882	355,603
Revenue	243,552	239,624	79,096	95,330	322,648	334,954
Cost of rewards	137,108	141,690	50,886	49,343	187,994	191,033
Gross margin	106,444	97,934	28,210	45,987	134,654	143,921
Selling, general and administrative expenses	45,398	46,365	22,363	24,662	67,761	71,027
Depreciation and amortization *(1)*	21,442	21,207	3,131	5,901	24,573	27,108
Earnings before income taxes	24,727	21,596	3,286	18,547	28,013	40,143
Additions to capital assets	4,011	7,566	2,171	3,646	6,182	11,212
Additions to goodwill	-	-	-	-	-	-
Goodwill	1,675,842	2,517,237	280,485	471,278	1,956,327	2,988,515
Deferred revenue	1,637,299	1,627,321	305,299	289,729	1,942,598	1,917,050
Total assets	4,776,864	5,591,535	155,657	471,873	4,932,521	6,063,408

(1) Includes amortization of accumulation partners' contracts and technology.

(in thousands, except miles information)	Nine months ended September 30,					
	2009	2008	2009	2008	2009	2008
Geographic segmentation	**Canada**		**Europe and Middle East**		**Consolidated**	
	$	$	$	$	$	$
Gross billings	731,576	762,197	268,386	293,914	999,962	1,056,111
Revenue	776,536	746,917	235,451	280,980	1,011,987	1,027,897
Cost of rewards	460,070	444,502	156,014	162,351	616,084	606,853
Gross margin	316,466	302,415	79,437	118,629	395,903	421,044
Selling, general and administrative expenses	132,422	132,888	70,106	72,277	202,528	205,165
Depreciation and amortization(1)	64,466	63,505	10,371	18,639	74,837	82,144
Earnings before income taxes	92,026	77,695	2,958	36,148	94,984	113,843
Additions to capital assets	15,603	18,831	4,566	5,534	20,169	24,365
Additions to goodwill	-	-	-	12,409	-	12,409
Goodwill	1,675,842	2,517,237	280,485	471,278	1,956,327	2,988,515
Deferred revenue	1,637,299	1,627,321	305,299	289,729	1,942,598	1,917,050
Total assets	4,776,864	5,591,535	155,657	471,873	4,932,521	6,063,408

(1) Includes amortization of accumulation partners' contracts and technology.

14. SUBSEQUENT EVENTS

On October 19, 2009, Aeroplan received 1,250,000 additional warrants in connection with the Air Canada Club Loan. The additional warrants received have an exercise price of $1.44 each, are exercisable at any time and expire four years from the date of grant, consistent with the warrants granted by Air Canada upon closing of the Air Canada Club Loan.

On October 30, 2009, Groupe Aeroplan announced that Aeroplan had reached a three-year agreement with CAW Local 2002 that represents Aeroplan contact centre employees, effective November 15, 2009. The collective agreement was ratified by 67% of voters after union meetings held in Montreal on October 28, 2009 and in Vancouver on October 29, 2009.

On November 3, 2009, Groupe Aeroplan entered into an agreement to acquire 100% of the Carlson Marketing business, an international provider of loyalty marketing services for a net purchase price of US$175.3 million ($188.0 million), including transaction costs of US$6.5 million ($7.0 million) and subject to certain working capital adjustments. The transaction will be financed with cash on hand and borrowings from bank facilities. Groupe Aeroplan has received commitments from its lending syndicate to increase availability under the credit facilities in order to accommodate funding. The transaction, which is subject to certain regulatory approvals in the US and Canada, is anticipated to close before the end of 2009.