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

For the three and nine months ended September 30th 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 November 12, 2009 and should be read in conjunction with the accompanying interim consolidated financial statements of Groupe Aeroplan for the three months and nine months ended September 30, 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, Air Canada liquidity issues, dependency on top four Accumulation Partners that purchase loyalty marketing services including Aeroplan Miles, Air Canada or travel industry disruptions, 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 November 12, 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 approximately 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;

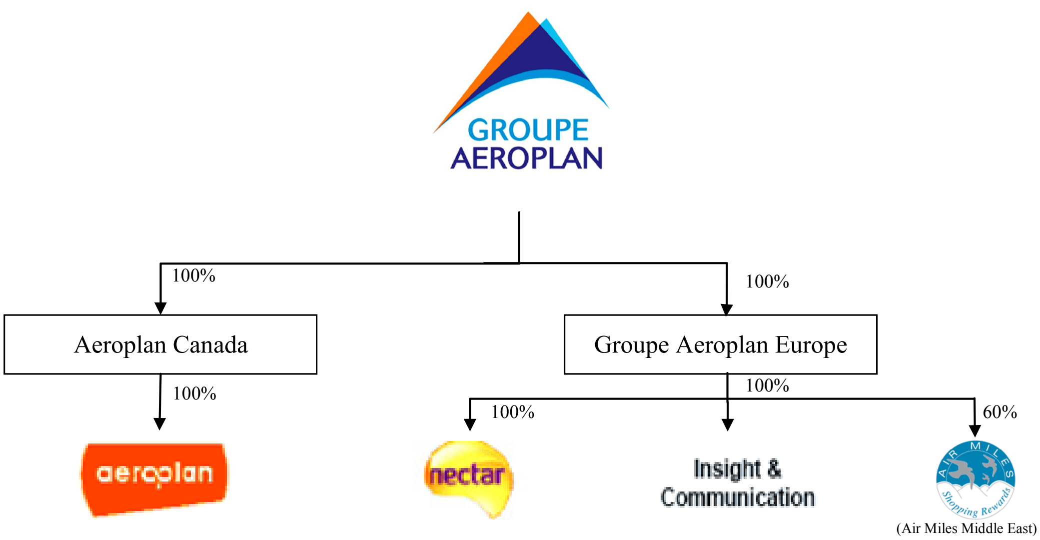
"Redemption Partners" – means Commercial Partners that offer air travel, shopping discounts or other rewards to members upon redemption of miles;

"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 September 30, 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. On June 30, 2009, Groupe Aeroplan Europe concluded an agreement to own a 75% participation in, and operate a coalition loyalty program in Italy. The program is expected to be launched during 2010. On November 3, 2009, Groupe Aeroplan entered into an agreement to acquire 100% of the Carlson Marketing business as described under *Subsequent Events*. The transaction, which is subject to certain regulatory approvals in the US and Canada, is anticipated to close before the end of 2009. The forward-looking information described throughout this MD&A does not address the impact of the pending acquisition. The following chart illustrates the operational structure of Groupe Aeroplan as at September 30, 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 recommended 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.

QUARTER HIGHLIGHTS

- Gross Billings of $335.9 million;
- Operating income of $42.3 million;
- Net income of $18.8 million;
- Earnings per share of $0.09;
- Cash flows from operations of $75.2 million;
- Adjusted EBITDA of $76.7 million;
- Adjusted net earnings of $45.4 million;
- Free cash flow of $44.0 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 and nine months ended September 30, 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 miles, share and per share information) (unaudited)	Three months ended September 30,		Nine months ended September 30,		%∆	
	2009	2008	2009	2008	Q3	YTD
	$	$	$	$		
Gross Billings from the sale of Aeroplan Miles	**335,882**	**355,603**	**999,962**	**1,056,111**	**(5.5)**	**(5.3)**
Aeroplan Miles revenue	303,181	313,319	951,325	968,184	(3.2)	(1.7)
Other revenue	19,467	21,635	60,662	59,713	(10.0)	1.6
Total revenue	322,648	334,954	1,011,987	1,027,897	(3.7)	(1.5)
Cost of rewards	(187,994)	(191,033)	(616,084)	(606,853)	(1.6)	1.5
Gross margin	134,654	143,921	395,903	421,044	(6.4)	(6.0)
Selling, general and administrative expenses	(67,761)	(71,027)	(202,528)	(205,165)	(4.6)	(1.3)
Depreciation and amortization	(4,494)	(4,472)	(14,558)	(14,142)	0.5	2.9
Operating income before amortization of Accumulation Partners' contracts and technology	**62,399**	**68,422**	**178,817**	**201,737**	**(8.8)**	**(11.4)**
Depreciation and amortization	4,494	4,472	14,558	14,142	0.5	2.9
EBITDA (1)	**66,893**	**72,894**	**193,375**	**215,879**	**(8.2)**	**(10.4)**
Adjustments:						
Change in deferred revenue						
Gross billings from the sale of Aeroplan Miles	335,882	355,603	999,962	1,056,111		
Aeroplan Miles revenue	(303,181)	(313,319)	(951,325)	(968,184)		
Change in Future Redemption Costs (2)	(22,888)	(35,812)	(30,784)	(67,744)		
(Change in Net Aeroplan Miles outstanding x Average Cost of Rewards per Mile for the period)						
Subtotal of Adjustments	9,813	6,472	17,853	20,183		
Adjusted EBITDA (1)	**76,706**	**79,366**	**211,228**	**236,062**	**(3.4)**	**(10.5)**
Net earnings in accordance with GAAP	**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	0.09	0.18	0.34	0.54		
Net earnings in accordance with GAAP	**18,756**	**34,956**	**68,730**	**108,542**	**(46.3)**	**(36.7)**
Amortization of Accumulation Partners' contracts and technology	20,079	22,636	60,279	68,002		
Subtotal of Adjustments (from above)	9,813	6,472	17,853	20,183		
Effective tax rate (3)	33.0%	12.9%	27.6%	4.7%		
Tax on adjustments at the effective rate	(3,243)	(835)	(4,935)	(949)		
Adjusted net earnings (4)	**45,405**	**63,229**	**141,927**	**195,778**	**(28.2)**	**(27.5)**
Adjusted net earnings per share	0.23	0.32	0.71	0.98		
Cash flow from operations	**75,193**	**141,078**	**181,024**	**257,669**	**(46.7)**	**(29.7)**
Maintenance Capital Expenditures	(6,182)	(11,212)	(20,169)	(24,635)		
Dividends	(24,997)	(13,998)	(74,991)	(97,986)		
Free cash flow (4)	**44,014**	**115,868**	**85,864**	**135,048**	**(62.0)**	**(36.4)**
Total dividends declared	24,997	-	74,991	83,988		
Total dividends declared / share	0.125	-	0.375	0.421		

(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.

(2) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.

(3) Effective tax rate calculated as follows: income tax expense per the statement of operations / earnings before income taxes for the period.

(4) A non-GAAP measurement.

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 tables below summarize 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**	
Number of Aeroplan Miles issued (in billions)	**20.0**	**21.5**	-	-	-	-
Number of Total Miles redeemed (in billions)	**16.1**	**16.5**	-	-	-	-
Number of Aeroplan Miles redeemed (in billions)	**15.5**	**15.5**	-	-	-	-
	$	**$**	**$**	**$**	**$**	**$**
Gross billings	244,991	261,068	90,891	94,535	335,882	355,603
Aeroplan Miles revenue	231,523	226,643	71,658	86,676	303,181	313,319
Other revenue	12,029	12,981	7,438	8,654	19,467	21,635
Total 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
Adjusted EBITDA (2)	66,696	64,706	10,010	14,660	76,706	79,366
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
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	155,567	471,873	4,932,521	6,063,408

(1) Includes amortization of accumulation partners' contracts and technology.
(2) 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.

(in thousands, except miles information)	Nine months ended September 30,					
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Geographic segmentation	**Canada**		**Europe and Middle East**		**Consolidated**	
Number of Aeroplan Miles issued (in billions)	**59.5**	**62.6**	**-**	**-**	**-**	**-**
Number of Total Miles redeemed (in billions)	**52.2**	**52.4**	**-**	**-**	**-**	**-**
Number of Aeroplan Miles redeemed (in billions)	**50.0**	**49.0**	**-**	**-**	**-**	**-**
	$	**$**	**$**	**$**	**$**	**$**
Gross billings	731,576	762,197	268,386	293,914	999,962	1,056,111
Aeroplan Miles revenue	735,903	704,854	215,422	263,330	951,325	968,184
Other revenue	40,633	42,063	20,029	17,650	60,662	59,713
Total 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
Adjusted EBITDA (2)	190,091	198,907	21,137	37,155	211,228	236,062
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
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.
(2) 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 September 30,		Nine months ended September 30,	
(as a % of total revenue)	2009	2008	2009	2008
	%	%	%	%
Aeroplan Miles revenue	**94.0**	**93.5**	**94.0**	**94.2**
Other revenue	6.0	6.5	6.0	5.8
Total revenue	**100.0**	**100.0**	**100.0**	**100.0**
Cost of rewards	(58.3)	(57.0)	(60.9)	(59.0)
Gross margin	41.7	43.0	39.1	41.0
Selling, general and administrative expenses	(21.0)	(21.2)	(20.0)	(20.0)
Depreciation and amortization	(1.4)	(1.3)	(1.4)	(1.4)
Operating income before amortization of Accumulation Partners' contracts and technology	19.3	20.5	17.7	19.6

	Three months ended September 30,		Nine months ended September 30,	
(as a % of gross billings)	2009	2008	2009	2008
	%	%	%	%
Gross Billings from the sale of Aeroplan Miles	**100.0**	**100.0**	**100.0**	**100.0**
Aeroplan Miles revenue	90.3	88.1	95.1	91.7
Cost of rewards	(56.0)	(53.7)	(61.6)	(57.5)
Selling, general and administrative expenses	(20.2)	(20.0)	(20.3)	(19.4)
Operating income before amortization of Accumulation Partners' contracts and technology	18.6	19.2	17.9	19.1
Adjusted EBITDA	22.8	22.3	21.1	22.4
Adjusted net Earnings	13.5	17.8	14.2	18.5
Free Cash Flow	13.1	32.6	8.6	12.8

QUARTER ENDED SEPTEMBER 30, 2009 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2008

Gross Billings generated from the sale of Aeroplan Miles for the three months ended September 30, 2009 amounted to $335.9 million compared to $355.6 million for the three months ended September 30, 2008, representing a decrease of $19.7 million or 5.5%.

Groupe Aeroplan's ability to generate Gross Billings is a function of 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, in this quarter, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

- Gross billings generated from financial partners continue to reflect a decline in average consumer spend per credit card partially offset by a slight increase in the number of active cards;
- Gross billings generated from retail partners were positively affected in the grocery sector as consumers continue to cut back on their restaurant and external entertainment expenditures in favour of more at home entertaining; offset by lower fuel prices and a decrease of discretionary spend.

Aeroplan Miles issued under the Aeroplan Program during the three month period decreased by 7.0% in comparison to the prior year. Aeroplan Canada experienced a reduction of $16.1 million in Gross Billings, driven by a decline in average consumer spend per active credit card partly offset by increased Air Canada activity and by a slight increase in the number of active cards.

Aeroplan Miles issued under the Nectar Program increased by 7.4%, mainly driven by a new Accumulation Partner and increased activity in the grocery sector. Groupe Aeroplan Europe experienced an increase of $4.8 million in Gross Billings, offset by an $8.4 million reduction resulting from the currency decline of the £ sterling between the third quarter of 2008 and the third quarter of 2009.

Gross Billings generated 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 quarter ended September 30, 2009 under the Aeroplan Program amounted to 16.1 billion compared to 16.5 billion for the quarter ended September 30, 2008, representing a decrease of 0.4 billion or 2.4%. Of those 16.1 billion Total Miles (calculated on a first-in, first-out basis on a member account basis for air redemptions) redeemed during the quarter ended September 30, 2009, under the Aeroplan Program, 96.3% or 15.5 billion represented Aeroplan Miles issued under the Aeroplan Program with the balance being Air Canada Miles.

Redemption activity for the Nectar Program increased by 7.3% compared to the third quarter of 2008, mainly driven by the high concentration of redemptions in the grocery sector.

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 $303.2 million for the quarter ended September 30, 2009 compared to $313.3 million for the quarter ended September 30, 2008, representing a decrease of $10.1 million or 3.2%. This decrease is mainly attributable to:

- the effect of redemption activity on revenue recognition during the quarter of the following factors:
  - a lower total redemption volume offset in part by a higher proportion of Aeroplan Miles redeemed during the quarter under the Aeroplan Program, accounting for $0.4 million and an increase in the cumulative average selling price of an Aeroplan Mile accounting for $1.0 million, for a total favourable variance of $0.6 million;
  - a higher number of Aeroplan Miles redeemed during the quarter under the programs operated by Groupe Aeroplan Europe, generating an additional $5.2 million; and
  - the negative impact of the fluctuation in the £ sterling of $5.6 million, related to the translation of foreign operations;
- revenue recognized from Breakage remained relatively constant over the periods under comparison, after excluding the fair value adjustment related to the acquisition of Groupe Aeroplan Europe recorded in the third quarter of 2008, with offsetting variances between the Aeroplan and Nectar Programs (an increase under the Aeroplan Program and a decrease under the Nectar Program), netting to a favourable variance of $1.8 million, including a $0.9 million negative currency fluctuation impact, attributable to the Nectar Program.

Other revenue, amounted to $19.5 million for the quarter ended September 30, 2009 compared to $21.6 million for the quarter ended September 30, 2008, representing a decrease of $2.1 million or 10.0%.

Aeroplan Canada's other revenue category, consisting of the tier management, contact centre management, marketing fees from Air Canada and member based revenue remained relatively constant for the quarter.

The other revenue category in Groupe Aeroplan Europe, consisting primarily of I&C activity and royalties earned with respect to the Air Miles trade name and loyalty industry related business know-how and expertise, decreased by $1.2 million in comparison to the quarter ended September 30, 2008, mainly due to a currency exchange loss on conversion of the foreign operations and to the inclusion of a one-time payment received from Air Miles Canada of £1.6 million ($3.2 million) in the third quarter of 2008.

Cost of rewards amounted to $188.0 million for the quarter ended September 30, 2009 compared to $191.0 million for the quarter ended September 30, 2008, representing a decrease of $3.0 million or 1.6%. This change is mainly attributable to the following factors:

Aeroplan Canada experienced a $4.6 million decrease in cost of rewards resulting from:

- a reduction in air redemption activity partially offset by the increase in the proportionate allocation of total air redemptions of Aeroplan Miles issued under the Aeroplan Program, representing a total of $4.0 million;
- a lower air redemption cost per Aeroplan Mile redeemed under the Aeroplan Program, in the total amount of $4.0 million offset in part by
- a higher volume of non-air reward redemptions for the quarter, representing $3.4 million.

Groupe Aeroplan Europe experienced a $1.6 million increase in costs explained by:

- the positive impact of the currency fluctuation relative to the pound sterling of $4.7 million, offset by
- increased redemption activity accounting for the majority of the remaining $6.3 million.

Gross margin was compressed by 1.3%, a direct result of the factors described above, and represented 41.7% of total revenue at the end of the third quarter of 2009.

Selling, general and administrative amounted to $67.8 million for the quarter ended September 30, 2009 compared to $71.0 million in 2008, representing a reduction of $3.2 million or 4.6%. This variance is attributable to lower expenses of $1.0 million experienced by Aeroplan Canada, mainly explained by decreased advertising, headcount related and other costs as well as the inclusion in 2008 of higher corporate costs. Groupe Aeroplan Europe experienced reductions of $2.3 million mostly attributable to a favourable currency variance recognized on the translation of the foreign operations.

Depreciation and amortization remained relatively stable at $4.5 million for the quarters ended September 30, 2009 and 2008.

Amortization of Accumulation Partners' contracts and technology amounted to $20.1 million for the quarter ended September 30, 2009 compared to $22.6 million for the comparable period of 2008. Of the total decrease, approximately $2.1 million resulted from the reduced carrying amounts of Groupe Aeroplan Europe's finite life intangible assets, following the impairment charge recorded during the fourth quarter of 2008, the balance is mostly 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 $62.4 million for the quarter ended September 30, 2009 compared to $68.4 million for the quarter ended September 30, 2008, representing a decrease of $6.0 million or 8.8%.

Net interest expense for the quarter ended September 30, 2009, consists of interest revenue of $5.9 million earned on cash and cash equivalents and short-term investments on deposit; offset by interest on long-term debt of $12.8 million on the borrowings described under *Credit Facilities and Long Term Debt,* which includes $1.6 million of deferred financing costs written off as a result of the refinancing of the long-term debt, and other interest expense of $2.1 million.

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 variance 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 $11.5 million of current income taxes for Aeroplan Canada, which became a taxable corporation, following the conversion from an income fund on June 25, 2008. The increase in the effective tax rate for the quarter is explained by the fact that included in earnings for the third quarter of 2008, were certain non-taxable acquisition related adjustments in connection with the 2007 acquisition of LMG.

Adjusted EBITDA for the quarter ended September 30, 2009 amounted to $76.7 million or 22.8% (as a % of Gross Billings) while ***Adjusted Net Earnings*** amounted to $45.4 million or 13.5% (as a % of Gross Billings); compared to $79.4 million or 22.3% (as a % of Gross Billings) and $63.2 million or 17.8% (as a % of Gross Billings), respectively for the quarter ended September 30, 2008.

Free Cash Flow for the quarter ended September 30, 2009, amounted to $44.0 million compared to $115.9 million for the quarter ended September 30, 2008, mainly as a result of:

- a $65.9 million decrease in cash from operating activities quarter over quarter, consisting of a $16.2 million decline in net earnings and a reduction of $49.7 million in non-cash adjustments to earnings and working capital, compared to the third quarter of 2008, mainly attributable to the payment of income tax instalments and the decline in Gross Billings during the quarter;
- dividends of $25.0 million paid during the third quarter of 2009 compared to distributions of $14.0 million during the comparative quarter of 2008, representing the last distribution paid by the Fund; and
- a lower level of capital expenditures of approximately $5.0 million for the third quarter of 2009, compared to the third quarter of 2008.

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

NINE MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2008

Gross Billings generated from the sale of Aeroplan Miles for the nine months ended September 30, 2009 amounted to $1,000.0 million compared to $1,056.1 million for the nine months ended September 30, 2008, representing a decrease of $56.1 million or 5.3%.

Groupe Aeroplan's ability to generate Gross Billings is a function of 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, for the nine months ended September 30, 2009, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

- Gross billings generated from financial partners reflect a decline in average consumer spend per credit card, partly influenced by reduced business travel but slightly offset by an increase in the number of active cards for the period;
- Gross billings generated from retail partners were positively affected by the addition of a new Accumulation Partner in the UK and a full nine months of activity from a new grocery partner in Canada. Performance from the grocery sector continues to improve as consumers tend to

cut back on their restaurant and external entertainment expenditures in favour of more at home entertaining, and offset by lower fuel prices and a decrease of discretionary spend.

Aeroplan Miles issued under the Aeroplan Program during the nine months ended September 30, 2009 decreased by 5.0% from the comparable period of the prior year. Aeroplan Canada experienced a reduction of $30.6 million in Gross Billings, driven by a decline in average consumer spend per active credit card offset by a slight increase in the number of active cards and by a marginal increase in retail activity, mainly driven by a new Accumulation Partner.

Aeroplan Miles issued under the Nectar Program during the nine months ended September 30, 2009, increased by 2.2% from the comparable period of the prior year.

Groupe Aeroplan Europe experienced a reduction of $25.5 million in Gross billings explained in majority by currency decline of the £ sterling between the nine month periods ended September 30, 2008 and September 30, 2009.

Gross Billings generated 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 nine months ended September 30, 2009 under the Aeroplan Program amounted to 52.2 billion compared to 52.4 billion for the nine months ended September 30, 2008, representing a decrease of 0.2 billion or 0.4%. Of those 52.2 billion Total Miles (calculated on a first-in, first-out basis on a member account basis for air redemptions) redeemed during the nine months ended September 30, 2009, under the Aeroplan Program, 95.8% or 50.0 billion represented Aeroplan Miles issued under the Aeroplan Program with the balance being Air Canada Miles.

Redemption activity for the Nectar Program increased by 1.5% compared to the same period of 2008.

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 $951.3 million for the nine months ended September 30, 2009 compared to $968.2 million for the nine months ended September 30, 2008, representing a decrease of $16.9 million or 1.7%. This decrease is mainly attributable to:

- the effect of redemption activity on revenue recognition during the period of the following factors:
  - a higher proportion of Aeroplan Miles redeemed during the period under the Aeroplan Program, partially offset by a lower total redemption volume and a marginal increase in the cumulative average selling price of an Aeroplan Mile for a total of $15.2 million;
  - a greater number of Aeroplan Miles redeemed during the period under the programs operated by Groupe Aeroplan Europe, together with an increase in the cumulative average selling price of an Aeroplan Mile, explaining an increase of $6.6 million;
  - the negative impact of the fluctuation in the £ sterling of $18.6 million, related to the translation of foreign operations;

- revenue recognized from Breakage, after excluding the fair value adjustment related to the acquisition of Groupe Aeroplan Europe recorded in the second quarter of 2008, with offsetting variances between the Aeroplan and Nectar Programs (an increase under the Aeroplan Program and a decrease under the Nectar Program), netted to a favourable variance of

$1.6 million, including a $3.0 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 $60.7 million for the nine months ended September 30, 2009 compared to $59.7 million for nine months ended September 30, 2008, representing an increase of $1.0 million or 1.6%.

Cost of rewards amounted to $616.1 million for the nine months ended September 30, 2009 compared to $606.9 million for the nine months ended September 30, 2008, representing an increase of $9.2 million or 1.5%. This increase is mainly attributable to the following factors:

Aeroplan Canada experienced a $15.6 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 air redemption activity;
- a higher redemption cost per Aeroplan Mile redeemed under the Aeroplan Program in the total amount of $7.5 million, mainly attributable to the increase in cost of Star Alliance rewards, which due to the fact that they are incurred in US$, are affected by fluctuation between the US and Canadian dollar, 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; and
- a higher volume of non-air reward redemptions for the nine months ended September 30, 2009, representing $12.6 million.

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

- the favourable impact of the currency fluctuation relative to the pound sterling of $16.0 million offset partially by
- the combination of increased redemption activity, due to the high concentration of redemptions in the grocery sector, and increased unit cost, which account for $9.7 million.

Gross margin was compressed by 1.9%, a direct result of the factors described above, and represented 39.1% of total revenue at the end of the nine months ended September 30, 2009.

Selling, general and administrative amounted to $202.5 million for the nine months ended September 30, 2009 compared to $205.2 million in 2008, representing a decrease of $2.7 million or 1.3%. This is primarily attributable to a $0.5 million decrease experienced by Aeroplan Canada, a $5.0 million growth in marketing and headcount costs at Groupe Aeroplan Europe, mainly related to the launch of the new partnership in the important home renovation category and the set-up costs associated with the Italian loyalty program, expected to be launched in 2010; offset by a $7.2 million currency related favourable variance recognized on the translation of the foreign operations.

Depreciation and amortization remained relatively stable at $14.6 million for the nine months ended September 30, 2009 compared to $14.1 million in the same period in 2008.

Amortization of Accumulation Partners' contracts and technology amounted to $60.3 million for the nine months ended September 30, 2009 compared to $68.0 million for the comparable period of 2008. Of the total decrease, approximately $4.9 million resulted from the reduced carrying amounts of Groupe Aeroplan Europe's finite life intangible assets, following the impairment charge recorded during the fourth quarter of 2008. The remaining balance is mostly 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 $178.8 million for the nine months ended September 30, 2009 compared to $201.7 million for the nine months ended September 30, 2008, representing a decrease of $22.9 million or 11.4%.

Net interest expense for the nine months ended September 30, 2009, consists of interest revenue of $11.3 million earned on cash and cash equivalents and short-term investments on deposit; offset by interest on long-term debt of $27.5 million on the borrowings described under *Credit Facilities and Long Term Debt*, which includes $1.6 million of deferred financing costs written off as a result of the refinancing of the long-term debt, and other interest expense of $4.4 million, including net interest incurred on the currency swap of $4.1 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 variance for the period 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 $37.5 million of current income taxes for Aeroplan Canada, which became a taxable corporation, following the conversion from an income fund on June 25, 2008. The increase in the effective tax rate on a year-over-year basis is explained by the fact that included in earnings for 2008, were certain non-taxable acquisition related adjustments in connection with the 2007 acquisition of LMG, combined with the fact that earnings accumulated until the date of conversion were not taxable in the Fund.

Adjusted EBITDA for the nine months ended September 30, 2009 amounted to $211.2 million or 21.1% (as a % of Gross Billings) while ***Adjusted Net Earnings*** amounted to $141.9 million or 14.2% (as a % of Gross Billings), compared to $236.1 million or 22.4% (as a % of Gross Billings) and $195.8 million or 18.5% (as a % of Gross Billings), respectively for the nine months ended September 30, 2008.

Free Cash Flow for the nine months ended September 30, 2009 amounted to $85.9 million compared to $135.0 million for the nine months ended September 30, 2008, mainly due to:

- a $76.6 million decrease in cash from operating activities period over period, consisting of a $39.8 million decline in net earnings and a reduction of $36.8 million in non-cash adjustments to earnings and working capital, compared to the nine months ended September 30, 2008, mainly attributable to the payment of 2008 income taxes owed and 2009 income tax instalments made as well as the decline in Gross Billings during the nine month period. Operating activities for the nine month period ended September 30, 2009 also included the disbursement and subsequent receipt of $40.0 million from Air Canada, relating to the temporary acceleration of payment terms and its subsequent termination;
- a $23.0 million reduction of dividends paid during the nine months ended September 30, 2009, compared to the same period of 2008, resulting from the conversion to a corporation on June 25, 2008; and
- a $4.5 million reduction of capital expenditures incurred during the nine months ended September 30, 2009.

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended September 30, 2009.

(in thousands, except per share amounts)	2009			2008				2007
(unaudited)	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $
Gross Billings	**335,882**	**337,832**	**326,248**	**364,437**	**355,603**	**357,858**	**342,650**	**248,380**
Aeroplan Miles revenue	303,181	312,400	335,744	409,552	313,319	317,579	337,286	207,944
Other revenue	19,467	21,115	20,080	20,780	21,635	19,149	18,929	13,634
Total revenue	**322,648**	**333,515**	**355,824**	**430,332**	**334,954**	**336,728**	**356,215**	**221,578**
Cost of rewards	(187,994)	(201,728)	(226,362)	(252,229)	(191,033)	(192,593)	(223,227)	(129,181)
Gross margin	134,654	131,787	129,462	178,103	143,921	144,135	132,988	92,397
Selling, general and administrative expenses	(67,761)	(68,626)	(66,141)	(66,426)	(71,027)	(69,627)	(64,511)	(43,017)
Depreciation and amortization	(4,494)	(5,127)	(4,937)	(6,494)	(4,472)	(4,998)	(4,672)	(3,059)
Operating income before amortization of Accumulation Partners' contracts and technology	62,399	58,034	58,384	105,183	68,422	69,510	63,805	46,321
Amortization of Accumulation Partners' contracts and technology	(20,079)	(20,485)	(19,715)	(19,836)	(22,636)	(22,688)	(22,678)	(18,112)
Operating income	42,320	37,549	38,669	85,347	45,786	46,822	41,127	28,209
Net earnings (loss)	**18,756**	**26,746**	**23,228**	**(1,073,752)** (2)	**34,956**	**31,454**	**42,132**	**51,697**
Adjusted EBITDA (1)	76,706	70,564	65,228 (4)	80,559 (4)	79,366 (4)	81,856 (4)	73,267 (4)	64,131
Adjusted net earnings (1)	45,405	52,254	44,551	84,661 (3)	63,229	60,822	69,971	84,561
Net earnings	**18,756**	**26,746**	**23,228**	**86,948** (3)	**34,956**	**31,454**	**42,132**	**51,697**
Earnings per share / unit	0.09	0.13	0.12	0.44 (3)	0.18	0.16	0.21	0.27
Free cash flow (1)	44,014	90,841	(48,991)	42,492	115,868	43,636	(24,456)	21,271
Earnings per share (unit), in accordance with GAAP – Groupe Aeroplan / Fund	0.09	0.13	0.12	(5.39)	0.18	0.16	0.21	0.26
Earnings per share (unit), in accordance with GAAP – Partnership	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.24

(1) A non-GAAP measurement.

(2) Includes impairment charge.

(3) Excludes impairment charge.

(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.

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 and external capital, 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 September 30, 2009, Groupe Aeroplan had $615.8 million of cash and cash equivalents and $23.9 million of short-term investments, for a total of $639.7 million. Of this total amount approximately $514.0 million is invested in Bankers' Acceptances and term deposits maturing on various dates through to December 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 September 30,		Nine months ended September 30,	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash from (used in) operating activities	75,193	141,078	181,024	257,669
Cash from (used in) investing activities	(10,804)	(11,409)	337,066	(395,334)
Cash from (used in) financing activities	(26,811)	(33,998)	(85,795)	(137,988)
Translation adjustment related to cash	(11,764)	(8,730)	(4,523)	(6,257)
Cash and cash equivalents, end of period	**615,788**	**174,094**	**615,788**	**174,094**

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.

Operating activities generated cash of $75.2 million and $181.0 million during the third quarter and nine months ended September 30, 2009, compared to $141.1 million and $257.7 million for the third quarter and nine months ended September 30, 2008.

During the third quarter and nine months ended September 30, 2009, operating cash flows were affected by lower net earnings, primarily as a result of reduced Aeroplan Miles revenue, the negative impact of foreign exchange fluctuation, and increased current income taxes incurred by the Canadian operations as a result of the conversion to a corporation on June 25, 2008. These movements were partially offset by reduced operating expenses.

Operating cash flows for the three and nine months ended September 30, 2009 also declined as a result of non-cash adjustments to earnings and working capital items of $49.7 million and $36.8 million, respectively. These movements in non-cash working capital items and deferred revenue were mainly affected by the payment of income tax instalments for 2009 and 2008 income taxes owed, paid during 2009 and the reduction in Gross Billings experienced for the quarter and nine months ended September 30, 2009.

Operating activities for the nine month period ended September 30, 2009 also included the disbursement and subsequent receipt of $40.0 million from Air Canada, relating to the temporary acceleration of payment terms and its subsequent termination.

INVESTING ACTIVITIES

Investing activities used cash of $10.8 million during the third quarter of 2009 and generated cash of $337.1 million during the nine months ended September 30, 2009, compared to $11.4 million and $395.3 million used in investing activities during the third quarter and nine months ended September 30, 2008, respectively.

During the quarter and nine months ended September 30, 2009, investing activities were primarily driven by Aeroplan's *Transactions with Air Canada*, in particular the $150.0 million participation in the Air Canada Club Loan.

In addition, gross cash proceeds in the amount of $54.8 million were generated from unwinding the currency swap as described under *Currency Swap*.

Capital expenditures for the quarter and nine months ended September 30, 2009, amounted to $6.2 million and $20.2 million, respectively.

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 for the next twelve months.

FINANCING ACTIVITIES

During the third quarter of 2009, cash of $26.8 million was used in financing activities, primarily as a result of the payment of dividends in the amount of $25.0 million.

For the nine months ended September 30, 2009, financing activities used cash of $85.8 million, primarily related to the payment of dividends in the amount of $75.0 million, as well as the payment of financing and refinancing costs in the amount of $10.8 million.

During the nine months ended September 30, 2009, Groupe Aeroplan refinanced its long-term debt, as described in the *Credit Facilities and Long-Term Debt* section, and issued Senior Secured Notes Series 1 and 2 in the aggregate amount of $350.0 million, as follows:

- 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.
- On June 12, 2009, Groupe Aeroplan concluded a refinancing of its credit facilities with its lending syndicate resulting in the settlement of the old credit facilities and new borrowings under the new credit facilities.
- 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 2 and September 2 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.

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.

In connection with the acquisition described in the *Subsequent Events* section, availability under the credit facilities will be amended to reflect amounts illustrated in *Credit Facilities and Long-Term Debt* section, which will be put in place concurrently with the transaction.

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 September 30, 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 September 30, 2009, the Reserve was invested in Bankers' Acceptances.

Subject to compliance with the provisions of the June 12, 2009 credit agreement, 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. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations.

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 September 30, 2009, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 45.9% 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 $1,265.0 million.

CREDIT FACILITIES AND LONG-TERM DEBT

On June 12, 2009, Groupe Aeroplan concluded a refinancing of its 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 from the issuance of the Senior Secured Notes Series 2, $350.0 million had been drawn and $175.0 million remained committed and available.

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

	Authorized [(1)]	Authorized at September 30, 2009	Drawn at September 30, 2009	Drawn at December 31, 2008
	$	$	$	$
Revolving facility [(a)]	300,000	250,000	75,000	-
Term facility [(a)]	300,000	275,000	275,000	300,000
Bridge facility [(b)(c)(d)]	N/A	N/A	N/A	300,000
Acquisition facility	N/A	N/A	N/A	100,000
Senior Secured Notes Series 1 [(c)]	N/A	N/A	200,000	N/A
Senior Secured Notes Series 2 [(d)]	N/A	N/A	150,000	N/A
Prepaid interest [(e)]	-	-	(2,884)	(1,479)
Unamortized refinancing costs [(e)]	-	-	(8,862)	(1,552)
	600,000	525,000	688,254	696,969
Less: current portion	-	-	-	200,000
Total	600,000	525,000	688,254	496,969

(1) In connection with the acquisition described in the Subsequent Events section, availability under the credit facilities will be amended to reflect amounts illustrated.

(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:

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.

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 maintained their respective ratings, however, S&P revised their outlook from positive to stable. In September 2009, both agencies confirmed their respective ratings.

GUARANTEES (OFF-BALANCE SHEET ARRANGEMENTS) AND 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 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 $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 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 $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

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 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 subsequent 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 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 in 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 $46.5 million (£27.1 million), plus accrued interest thereon, will be refunded to Groupe Aeroplan.

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 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.

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 be £50.0 million ($85.8 million). No amount has been recorded in Groupe Aeroplan's financial statements with respect to the 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 Groupe 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 the financial statements.

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 18% and 19% of Gross Billings respectively for the quarter and nine months ended September 30, 2009, compared to 16% and 18% respectively for the quarter and nine-month period ended September 30, 2008. 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 to be $207.9 million for 2009. Air Canada, including other

Star Alliance partners, is Groupe Aeroplan's largest Redemption Partner. For the quarter and nine months ended September 30, 2009, 61% and 64%, compared to 64% for each of the quarter and nine months ended September 30, 2008, 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).

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.

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.

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 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 has been estimated at $13.4 million and is amortized over the expected average remaining service of active employees covered by the pension plan of 16.2 years.

As a result of the termination of the GSA, all obligations under the agreement, 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.

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 the responsibility 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 recorded in the financial statements.

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.

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 credit agreement 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 warrants had a fair value of $0.9 million. In addition, Aeroplan was entitled to its *pro rata* share of additional warrants, representing up to an aggregate 5% 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.

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.

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.

SUMMARY OF CONTRACTUAL OBLIGATIONS

As at September 30, 2009, estimated future minimum payments under Groupe Aeroplan's contractual obligations are as follows:

(in millions)	**Total**	**Remainder of 2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Operating leases	39.4	1.4	5.0	4.9	5.3	4.9	17.9
Technology infrastructure and other	66.4	7.7	27.5	19.0	7.0	4.7	0.5
Marketing support and other	123.6	3.7	34.2	35.4	21.6	13.0	15.7
Long-term debt [(1)]	804.7	7.5	29.9	29.9	567.5	11.9	158.0
Purchase obligation under the CPSA	4,115.1	0.1	391.9	391.9	391.9	391.9	2,547.4
Total	**5,149.2**	**20.4**	**488.5**	**481.1**	**993.3**	**426.4**	**2,739.5**

(1) Includes interest on the Senior Secured Notes Series 1 and 2 described in the Credit Facilities and Long-Term Debt section.

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. At September 30, 2009, Groupe Aeroplan complied with all such covenants.

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.

DIVIDENDS

During each of the first three quarters of 2009, Groupe Aeroplan declared and paid quarterly cash dividends 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

At September 30, 2009, Groupe Aeroplan had 199,968,622 common shares issued and outstanding for an aggregate amount of $1,747.4 million. In addition, there were 1,111,899 stock options issued and outstanding under the Groupe Aeroplan Long-Term Incentive Plan.

EARNINGS PER SHARE

Groupe Aeroplan's earnings per share amounted to $0.09 and $0.18 for the three months ended September 30, 2009 and September 30, 2008, respectively, and $0.34 and $0.54 for the nine months ended September 30, 2009 and September 30, 2008, respectively.

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, as described under *Credit Facilities and Long-Term Debt*. The transaction, which is subject to certain regulatory approvals in the US and Canada, is anticipated to close before the end of 2009.

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.

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, 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 Aeroplan Canada's 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 and retirement ages of employees. 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.

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 plan amendments of the defined benefit pension plan 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 the supplemental executive retirement plan 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 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.

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.

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. The preliminary diagnosis phase having been completed, the detailed evaluation is expected to be completed by the end of the year. The analysis to date 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 September 30, 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 September 30, 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

Assuming current economic conditions prevail and absent out of the ordinary events, Groupe Aeroplan would expect to see a decline of approximately 4% in consolidated gross billings, for the full year 2009, as compared to 2008. In addition, for 2009, the Company 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. To address such risks, Air Canada has announced an extensive series of measures and financial initiatives.

There can be no assurance that these measures or that this additional liquidity will be sufficient to allow Air Canada to achieve sustainable profitability in the future or to meet its financial liabilities and other contractual obligations as they become due. If Air Canada is unable to meet its financial liabilities and other contractual obligations as they become due, or to conclude arrangements to secure additional liquidity should it be unable to do so, it may be required to commence proceedings under applicable creditor protection legislation.

The bankruptcy or insolvency of Air Canada could lead to a loss by Aeroplan of all or a portion of the $150.0 million advanced to Air Canada under the Air Canada Club Loan. It could also lead to a termination or renegotiation of 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.