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

For the three months ended
March 31st 2010 and 2009

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 "Corporation") was incorporated on May 5, 2008 under the laws of Canada as a wholly-owned subsidiary of Aeroplan Income Fund (the "Fund"). Groupe Aeroplan is the successor to Aeroplan Income Fund following the completion of the reorganization of Aeroplan Income Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

The following management's discussion and analysis of financial condition and results of operations (the "MD&A") presents a discussion of the financial condition and results of operations for Groupe Aeroplan.

The MD&A is prepared as at May 11, 2010 and should be read in conjunction with the accompanying interim consolidated financial statements of Groupe Aeroplan for the three months ended March 31, 2010, and the notes thereto, the audited consolidated financial statements of Groupe Aeroplan and the related notes thereto for the years ended December 31, 2009 and 2008, the annual management discussion and analysis for Groupe Aeroplan (the "2009 MD&A"), and Groupe Aeroplan's Annual Information Form and Management Information Circular, respectively dated March 22 and March 15, 2010.

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 accumulation partners and clients, conflicts of interest, Air Canada or travel industry disruptions, airlines industry changes and increased airline costs, retail market/economic downturn, greater than expected redemptions for rewards, industry competition, integration of Carlson Marketing, supply and capacity costs, unfunded future redemption costs, failure to safeguard databases and consumer privacy, consumer privacy legislation, changes to loyalty programs, seasonal nature of the business, other factors and prior performance, regulatory matters, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, dilution of shareholders, uncertainty of dividend payments, level of indebtedness-refinancing risk, managing growth, credit ratings, as well as the other factors identified throughout this MD&A. The forward-looking statements contained herein represent Groupe Aeroplan's expectations as of May 11, 2010, 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 3
OVERVIEW 5
STRATEGY 6
PERFORMANCE INDICATORS 6
CAPABILITY TO DELIVER RESULTS 8
ACQUISITION OF CARLSON MARKETING 8
OPERATING AND FINANCIAL RESULTS 10
QUARTER HIGHLIGHTS 10
SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW 11
SEGMENTED INFORMATION 12
OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS 14
QUARTER ENDED MARCH 31, 2010 COMPARED TO QUARTER ENDED MARCH 31, 2009 ... 14
SUMMARY OF QUARTERLY RESULTS 18
FINANCING STRATEGY 19
LIQUIDITY AND CAPITAL RESOURCES 19
GUARANTEES (OFF-BALANCE SHEET ARRANGEMENTS) AND CONTINGENT LIABILITIES. 23
TRANSACTIONS WITH AIR CANADA 25
SUMMARY OF CONTRACTUAL OBLIGATIONS 27
DIVIDENDS 27
CAPITAL STOCK 27
EARNINGS PER SHARE 28
SUBSEQUENT EVENTS 28
CRITICAL ACCOUNTING ESTIMATES 28
FUTURE ACCOUNTING CHANGES 28
CONTROLS AND PROCEDURES 33
OUTLOOK 33
RISKS AND UNCERTAINTIES 34
ADDITIONAL INFORMATION 34

GLOSSARY

"Aeroplan" or **"Aeroplan Canada"** – means Aeroplan Canada Inc.;

"Aeroplan Miles" – the miles issued by Aeroplan Canada under the Aeroplan Program;

"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 GA Loyalty Units;

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

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

"Breakage" – Estimated GA Loyalty Units 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 20% (2008 - 17%). Breakage is recognized as revenue over the estimated life of a GA Loyalty Unit, 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 currently 15 months;

"Broken GALUs" – means GA Loyalty Units issued, but not expired and not expected to be redeemed;

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

"Carlson Marketing" – means the division of Groupe Aeroplan that operates the Carlson Marketing business;

"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 GALU, 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 GA Loyalty Units outstanding between periods by the Average Cost of Rewards per GALU 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 GA Loyalty Units which have been sold and remain outstanding, net of Breakage and valued at the Average Cost of Rewards per GALU, experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes);

"GA" – means Groupe Aeroplan;

"GAAP" – Generally accepted accounting principles in Canada;

"GA Loyalty Units" or **"GALUs"** – means the miles, points or other loyalty program units issued by Groupe Aeroplan's subsidiaries under the respective programs owned and operated by each of the entities;

"Gross Billings" – means gross proceeds from the sale of GA Loyalty Units and services rendered or to be rendered;

"Gross Billings from the sale of GALUs" – means gross proceeds from the sale of GA Loyalty Units;

"Groupe Aeroplan Europe" – means the division of Groupe Aeroplan that operates the Nectar, Air Miles Middle East, I&C and Nectar Italia businesses;

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

"miles" – the miles issued under the Aeroplan Program by either Aeroplan or Air Canada;

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

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

"Nectar Points" – means the points accumulated by members under the Nectar Program;

"Nectar Italia Points" – means the points accumulated by members under the Nectar Italia Program;

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

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

"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.

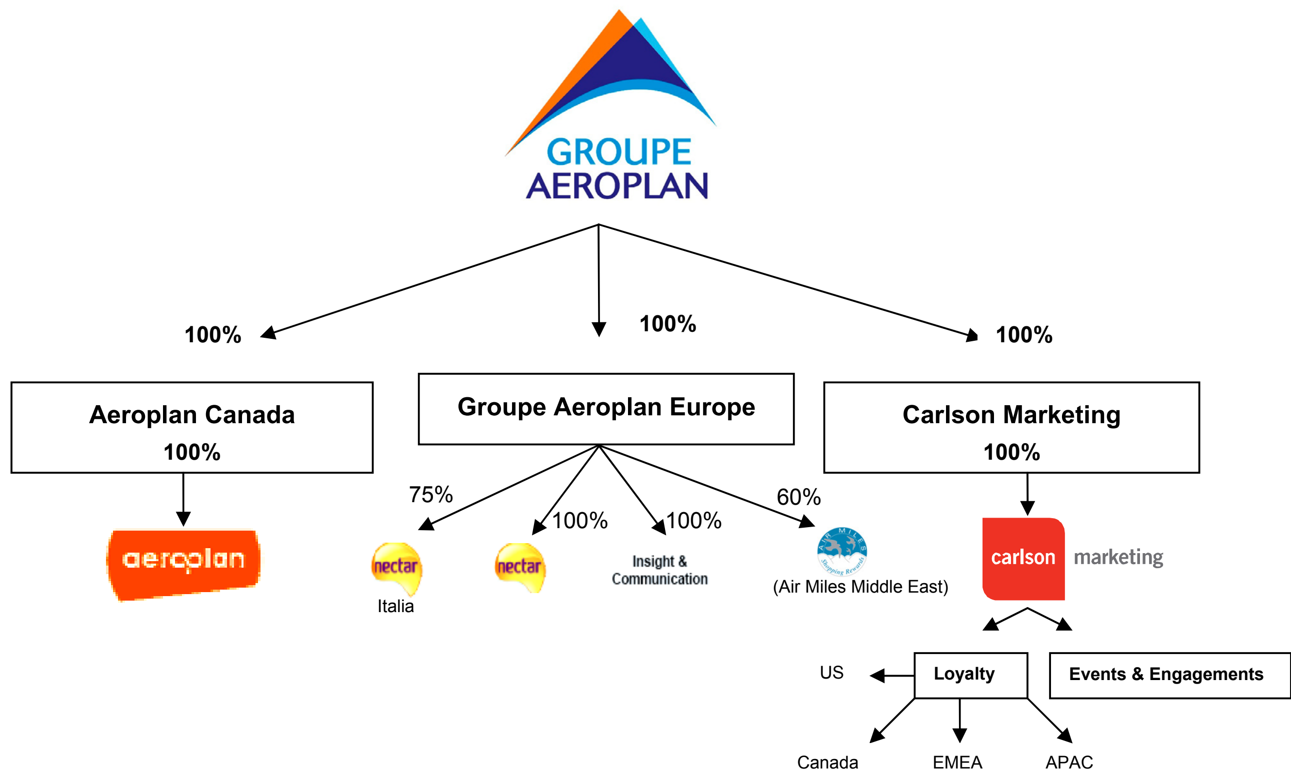
OVERVIEW

Groupe Aeroplan, a global leader in loyalty management, currently operates in three business segments: Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

Aeroplan Canada operates the Aeroplan Program, Canada's premier loyalty program. Groupe Aeroplan Europe operates Nectar, the United Kingdom's leading coalition loyalty program. In the Gulf Region, Groupe Aeroplan Europe operates Air Miles Middle East, through its 60% interest in Rewards Management Middle East ("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 and holds a 75% interest in Nectar Italia, a coalition loyalty program launched in Italy on March 1, 2010.

OPERATIONAL STRUCTURE

The following chart illustrates the operational structure of Groupe Aeroplan as at March 31, 2010:



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 2009 MD&A to review Groupe Aeroplan's Strategy.

PERFORMANCE INDICATORS

OPERATING INCOME

Revenue

Groupe Aeroplan derives its cash inflows primarily from the sale of GA Loyalty Units to Accumulation Partners and from services rendered or to be rendered to customers. These inflows are referred to as "Gross Billings". A key characteristic of the business is that the gross proceeds received for the sale of GALUs to partners, known as "Gross Billings from the sale of GALUs", are deferred and recognized as revenue for GAAP purposes upon the redemption of GALUs by the members. Based upon past experience, management anticipates that a number of GALUs sold will never be redeemed by members. This is known as "Breakage". For those GALUs 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 a GALUs, currently estimated at 30 months for the Aeroplan Program and 15 months for the Nectar Program.

In addition, Groupe Aeroplan, through Carlson Marketing, derives loyalty marketing service fees related to direct marketing, sales promotion and design and the development and administration of loyalty programs. These loyalty marketing service fees are included in Gross Billings and recognized as revenue once the services are rendered. Other revenue, which consists of charges to members for various services, royalties earned with respect to the Air Miles trademark, loyalty industry related business know-how and expertise and analytical services to retailers and consumer packaged goods companies and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are performed or the royalties are earned.

Cost of Rewards, Direct Costs 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 GALUs. At that time, the costs of the chosen rewards are incurred and recognized. The total cost of rewards varies with the number of GALUs redeemed and the cost of the individual rewards purchased in connection with such redeemed GALUs.

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

Direct costs consist of those costs directly attributable to the delivery of loyalty marketing services and include labour, technology, reward fulfillment and commissions.

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, revenue recognized and recognition of Breakage.

Future Redemption Costs represent management's estimated future cost of rewards in respect of GALUs 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 GALU redeemed for that period (cost of rewards / GALUs redeemed) and applying it to the total unbroken GALUs 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 GALU 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, customer relationships 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 2009 MD&A.

ACQUISITION OF CARLSON MARKETING

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 ($6.8 million). The purchase price was subject to certain working capital adjustments, which were estimated on the closing date of December 7, 2009 at US$76.0 million ($80.0 million). These were later adjusted in January 2010 to reflect additional actual working capital amounts of US$11.7 million ($12.1 million), and were included in accounts payable and accrued liabilities at December 31, 2009 and were paid during the first quarter of 2010. The transaction was financed with cash on hand and borrowings from bank facilities.

Groupe Aeroplan accounted for the acquisition under the purchase method of accounting. As permitted by Canadian accounting standards, at the time of the acquisition transaction, a preliminary estimate of the purchase price allocation was performed. The final allocation was completed during the first quarter of 2010. There were no adjustments to the initial purchase price allocation as reported at December 31, 2009, other than the recognition of a $6.5 million future income tax asset, with the corresponding adjustment reducing goodwill.

Transition Services Agreement

Concurrently with the acquisition, Groupe Aeroplan entered into a one year transition services agreement to facilitate the effective migration of Carlson Marketing from Carlson Companies, Inc.'s administrative services platform, including accounting, human resources and payroll, information technology, consolidation, facilities and treasury, in consideration for certain fees. Each of the services under the agreement may be terminated upon 30 days notice. The maximum annual payment under this agreement could amount to US$31.8 million ($33.4 million).

Fees paid under this agreement amounted to US$7.5 million ($7.8 million) for the quarter.

Migration Costs

The estimated costs of migration from Carlson Marketing's former parent company's infrastructure to a standalone platform, previously estimated at US$15.0 million, are now expected to approximate US$26.0 million. Of this amount, approximately US$10.0 million are anticipated to represent capital expenditures and the balance of US$16.0 million, operational expenses. This revision is mostly the consequence of a fundamental change in technology migration approach, required as a result of increased security restrictions necessary during the migration of the network and customer applications, amounting to approximately US$7.0 million; and additional costs associated with the re-engineering relative to financial processes and the implementation of the financial system platform, explaining approximately US$4.0 million.

Management is currently in discussions with the vendor to identify mitigating solutions to the increased costs.

Migration costs incurred during the quarter amounted to US$5.5 million ($5.7 million), with US$3.0 million ($3.1 million) representing capital expenditures and US$2.5 million ($2.6 million) of operating expenses.

Non-Recurring Costs

In connection with the acquisition, and in order to retain knowledge and talent necessary to ensure a smooth ownership transition, certain identified employees will benefit from retention bonuses. These bonuses are expected to approximate US$3.0 million in 2010.

Given the significant efforts dedicated to the technology platform migration, it was considered opportune and more efficient to proceed with an upgrade of the U.S. rewards fulfillment platform to meet new business requirements. This upgrade, which had been previously scheduled for future years, is anticipated to amount to approximately US$3.0 million in 2010.

The table below details the final purchase price allocation:

	March 31, 2010
	$
Purchase price:	
Cash	280,071
Transaction costs	6,844
	286,915
Net identifiable assets acquired:	
Current assets and liabilities	
Cash and cash equivalents	90,399
Restricted cash	4,216
Accounts receivable	97,216
Inventories	16,346
Prepaid expenses	14,728
Accounts payable and accrued liabilities	(97,608)
Deferred revenue	(49,245)
Prepaid card deposits	(16,354)
Property and equipment	9,621
Intangible assets	
Finite life	
Customer relationships (8 to 14 years)	71,797
Software and technology (5 years)	23,953
Other intangibles (3 to 5 years) [(a)]	16,280
Indefinite life	
Goodwill [(b)]	103,066
Future income tax asset	2,500
	286,915

(a) Included in other intangibles are the rights to use the Carlson Marketing trade name over a period of 3 years and non-competition restrictions for 5 years agreed to by the vendor, pursuant to the acquisition agreement.

(b) Goodwill arising from the acquisition other than in Canada (where assets were purchased), and the U.S. is not tax deductible.

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Groupe Aeroplan has been derived from, and should be read in conjunction with, the interim consolidated financial statements for the three months ended March 31, 2010, and the related notes.

QUARTER HIGHLIGHTS

- Gross Billings of $517.9 million;
- Operating income of $24.0 million;
- Net earnings of $14.9 million;
- Earnings per share of $0.07;
- Cash flows used in operations of $29.7 million;
- Adjusted EBITDA of $56.0 million;
- Adjusted net earnings of $39.0 million;
- Free cash flow of ($66.0) million.

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

(in thousands, except share and per share information)	Three months ended March 31,		% Δ
	2010	2009	
	$	$	
Gross Billings	**517,947**	**346,328**	**49.6**
Gross Billings from the sale of GALUs	**338,269**	**326,248**	**3.7**
Revenue	483,992	335,744	44.2
Other revenue	22,787	20,080	13.5
Total revenue	506,779	355,824	42.4
Cost of rewards and direct costs	(305,740)	(228,656)	33.7
Gross margin	201,039	127,168	58.1
Selling, general and administrative expenses	(146,435)	(63,847)	129.4
Depreciation and amortization	(7,627)	(4,937)	54.5
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**46,977**	**58,384**	**(19.5)**
Depreciation and amortization	7,627	4,937	54.5
EBITDA [(a)]	**54,604**	**63,321**	**(13.8)**
Adjustments:			
Change in deferred revenue			
Gross Billings	517,947	346,328	
Revenue	(506,779)	(355,824)	
Change in Future Redemption Costs [(b)]	(9,782)	11,403	
(Change in Net GALUs outstanding x Average Cost of Rewards per GALUs for the period)			
Subtotal of Adjustments	1,386	1,907	
Adjusted EBITDA [(a)]	**55,990**	**65,228**	**(14.2)**
Net earnings in accordance with GAAP	**14,872**	**23,228**	
Weighted average number of shares	199,506,259	199,383,818	
Earnings per share	0.07	0.12	
Net earnings in accordance with GAAP	**14,872**	**23,228**	
Amortization of Accumulation Partners' contracts, customer relationships and technology	22,968	19,715	
Subtotal of Adjustments (from above)	1,386	1,907	
Effective tax rate [(c)]	19.0%	15.7%	
Tax on adjustments at the effective rate	(263)	(299)	
Adjusted net earnings [(a)]	**38,963**	**44,551**	
Adjusted net earnings per share	0.20	0.22	
Net earnings	14,872	23,228	
Earnings per share	0.07	0.12	
Cash flow from operations	**(29,731)**	**(16,012)**	
Capital Expenditures	(9,159)	(7,982)	
Dividends	(27,149)	(24,997)	
Free cash flow [(a)]	**(66,039)**	**(48,991)**	**34.8**
Total assets	5,083,160	4,916,570	
Total long-term liabilities	1,453,416	1,528,593	
Total dividends	27,149	24,997	
Total dividends per preferred share	0.312	-	
Total dividends per common share	0.125	0.125	

(a) A non-GAAP measurement.

(b) 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.

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

SEGMENTED INFORMATION

At March 31, 2010, the Corporation has three operating segments: Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

The tables below summarize the relevant financial information by segment:

(in thousands, except miles information) **Three months ended March 31,**

	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Operating segments	**Aeroplan Canada**		**Groupe Aeroplan Europe**		**Carlson Marketing**		**Corporate** [(c)]		**Consolidated**	
Number of Aeroplan Miles issued (in billions)	**19.9**	**19.5**	-	-	-	-	-	-	-	-
Number of Total Miles redeemed (in billions)	**18.0**	**19.1**	-	-	-	-	-	-	-	-
Number of Aeroplan Miles redeemed (in billions)	**17.6**	**18.2**	-	-	-	-	-	-	-	-
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Gross Billings	260,553	254,726	100,503	91,602	156,891	-	-	-	517,947	346,328
Gross Billings from the sale of GALUs	246,491	240,184	91,778	86,064	-	-	-	-	338,269	326,248
Revenue	258,533	263,295	70,439	72,449	155,020	-	-	-	483,992	335,744
Other revenue	14,062	14,542	8,725	5,538	-	-	-	-	22,787	20,080
Total revenue	272,595	277,837	79,164	77,987	155,020	-	-	-	506,779	355,824
Cost of rewards and direct costs	168,501	173,046	54,283	55,610	82,956	-	-	-	305,740	228,656
Gross margin	104,094	104,791	24,881	22,377	72,064	-	-	-	201,039	127,168
Selling, general and administrative expenses	35,832	37,263	33,545	19,108	65,732	-	11,326	7,476	146,435	63,847
Depreciation and amortization[(a)]	21,950	21,493	2,941	3,159	5,704	-	-	-	30,595	24,652
Interest on long-term debt	-	-	-	-	-	-	14,868	5,532	14,868	5,532
Interest income	6,458	1,402	3,362	1,968	6	-	-	-	9,826	3,370
Foreign exchange loss	-	-	-	-	-	-	-	6,968	-	6,968
Adjusted EBITDA [(b)]	68,553	65,469	(9,440)	7,235	8,202	-	(11,325)	(7,476)	55,990	65,228
Earnings (loss) before income taxes	52,158	45,547	(8,243)	1,980	634	-	(26,194)	(19,976)	18,355	27,551
Additions to capital assets	4,125	6,607	1,182	1,375	3,852	-	N/A	N/A	9,159	7,982
Goodwill	1,675,842	1,676,108	257,692	297,990	100,274	-	N/A	N/A	2,033,808	1,974,098
Deferred revenue	1,655,646	1,618,515	257,457	292,195	11,974	-	N/A	N/A	1,925,077	1,910,710
Total assets	4,906,650	4,794,070	26,944	122,500	149,566	-	N/A	N/A	5,083,160	4,916,570

(a) Includes amortization of Accumulation Partners' contracts, customer relationships and technology.
(b) A non-GAAP measurement.
(c) Includes revenue and expenses that are not directly attributable to any operating segment.

(in thousands, except miles information)	Three months ended March 31,					
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Geographic segments	**Canada** [(a)]		**Rest of the World**		**Consolidated**	
Number of Aeroplan Miles issued (in billions)	**19.9**	**19.5**	-	-	-	-
Number of Total Miles redeemed (in billions)	**18.0**	**19.1**	-	-	-	-
Number of Aeroplan Miles redeemed (in billions)	**17.6**	**18.2**	-	-	-	-
	$	**$**	**$**	**$**	**$**	**$**
Gross Billings	297,482	254,726	220,465 [(c)]	91,602 [(c)]	517,947	346,328
Gross Billings from the sale of GALUs	246,491	240,184	91,778	86,064	338,269	326,248
Revenue	294,424	263,295	189,568	72,449	483,992	335,744
Other revenue	14,062	14,542	8,725	5,538	22,787	20,080
Total revenue	308,486	277,837	198,293	77,987	506,779	355,824
Cost of rewards and direct costs	186,745	173,046	118,995	55,610	305,740	228,656
Gross margin	121,741	104,791	79,298	22,377	201,039	127,168
Selling, general and administrative expenses	61,557	44,739	84,878	19,108	146,435	63,847
Depreciation and amortization [(b)]	24,948	21,493	5,647	3,159	30,595	24,652
Earnings (loss) before income taxes	25,451	25,571	(7,096)	1,980	18,355	27,551
Additions to capital assets	4,522	6,607	4,637	1,375	9,159	7,982
Goodwill	1,698,164	1,676,108	335,644	297,990	2,033,808	1,974,098
Deferred revenue	1,665,474	1,618,515	259,603	292,195	1,925,077	1,910,710
Total assets	5,027,285	4,794,070	55,875	122,500	5,083,160	4,916,570

(a) The corporate segment is included in the Canadian geographic segment.
(b) Includes amortization of accumulation partners' contracts, customer relationships and technology.
(c) Includes Gross Billings of $98.5 million in the UK and $74.0 million in the US for the three months ended March 31, 2010 compared to Gross Billings of $85.8 million in the UK for the three months ended March 31, 2009.

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

(as a % of total revenue)	Three months ended March 31,	
	2010	**2009**
	%	**%**
Total Revenue	**100.0**	**100.0**
Cost of rewards and direct costs	(60.3)	(64.3)
Gross margin	39.7	35.7
Selling, general and administrative expenses	(28.9)	(17.9)
Depreciation and amortization	(1.5)	(1.4)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	9.3	16.5

(as a % of Gross Billings)	Three months ended March 31,	
	2010	**2009**
	%	**%**
Gross Billings	**100.0**	**100.0**
Revenue	93.4	96.9
Cost of rewards and direct costs	(59.0)	(66.0)
Selling, general and administrative expenses	(28.3)	(18.4)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	9.1	16.9
Adjusted EBITDA	10.8	18.8
Adjusted Net Earnings	7.5	12.9
Free Cash Flow	(12.8)	(14.1)

QUARTER ENDED MARCH 31, 2010 COMPARED TO QUARTER ENDED MARCH 31, 2009

Gross Billings generated for the three months ended March 31, 2010 amounted to $517.9 million compared to $346.3 million for the three months ended March 31, 2009, representing an increase of $171.6 million or 49.6%, mainly as a result of the first-time inclusion of Carlson Marketing in the consolidated results accounting for $157.0 million. Gross Billings include loyalty marketing services generated from Carlson Marketing as well as other revenue amounting to $155.0 million and $22.8 million respectively for the period.

Gross Billings from the Sale of GALUs

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 and loyalty marketing customers, which are in turn affected by general economic conditions. More specifically, for the three months ended March 31, 2010, 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 an increase in average consumer spend per credit card and number of active cards;
- Gross Billings generated from retail partners continued to be positively affected by the grocery sector and showed signs of a recovery in general consumer confidence.

Aeroplan Miles issued during the three month period remained relatively constant in comparison to the prior year, tracking to general economic indicators. Aeroplan Canada experienced an increase of $6.3 million in Gross Billings from the sale of Aeroplan Miles, as a consequence of an increase in average consumer spend per active credit card, increased Air Canada activity, and increased retail activity as consumer confidence showed signs of increased strength.

Nectar Points increased by 17.9%, mainly driven by a new Accumulation Partner, increased activity in the grocery sector and promotional activity. Groupe Aeroplan Europe experienced an increase of $14.0 million in Gross Billings from GALUs, offset by a currency related reduction of $8.3 million resulting from the decline of the £ sterling relative to the Canadian $ during the first quarter of 2010, compared to the first quarter of 2009. Nectar Italia commenced operations during the quarter and its Gross Billings from GALUs were positively affected by certain one-time effects consistent with a program launch.

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

Redemption activity - Total Miles redeemed for the three months ended March 31, 2010 under the Aeroplan Program amounted to 18.0 billion compared to 19.1 billion for the three months ended March 31, 2009, representing a decrease of 1.1 billion or 5.8%. Of those 18.0 billion Total Miles (calculated on a first-in, first-out basis on a member account basis for air redemptions) redeemed during the three months ended March 31, 2010, under the Aeroplan Program, 97.8% or 17.6 billion, represented Aeroplan Miles issued under the Aeroplan Program with the balance being Air Canada Miles.

Redemption activity for the Nectar Program increased by 8.8% compared to the first quarter of 2009, mainly driven by the high concentration of redemptions in the grocery sector.

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

Revenue includes the following components:

Revenue recognized from the redemption and sale of GALUs, including Breakage, amounted to $329.0 million for the three months ended March 31, 2010 compared to $335.7 million for the three months ended March 31, 2009, representing a decrease of $6.7 million or 2.0%. This decrease is mainly attributable to:

- the effect of redemption activity on revenue recognition during the quarter of the following factors:
    - a decrease in total redemption volume, including a higher proportion of Aeroplan Miles redeemed during the quarter under the Aeroplan Program, accounting for $7.3 million offset by an increase in the cumulative average selling price of an Aeroplan Mile accounting for $1.1 million, for a total unfavourable variance of $6.2 million;
    - a higher number of Aeroplan Miles redeemed during the quarter under the programs operated by Groupe Aeroplan Europe, generating an additional $4.1 million; and
    - the negative impact of the fluctuation in the £ sterling of $5.9 million, related to the translation of foreign operations.
- revenue recognized from Breakage, remained relatively constant, increasing by $1.3 million.

Loyalty marketing service revenue generated from Carlson Marketing amounted to $155.0 million for the three months ended March 31, 2010, net of a $2.7 million acquisition accounting fair value adjustment, relating to deferred revenue, which will be fully amortized by the end of the year.

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 related to the Aeroplan program, and other miscellaneous categories, amounted to $22.8 million for the three months ended March 31, 2010 compared to $20.1 million for the three months ended March 31, 2009, representing an increase of $2.7 million or 13.5%, mainly driven by increased activity in I&C.

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, consists 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.

Cost of rewards and direct costs amounted to $305.7 million for the three months ended March 31, 2010 compared to $228.7 million for the three months ended March 31, 2009, representing an increase of $77.0 million or 33.7%. This change is mainly attributable to the following factors:

Aeroplan Canada experienced a $4.5 million decrease in cost of rewards resulting from:

- a decrease in air redemption activity offset in part by an increase in the proportionate allocation of total air redemptions of Aeroplan Miles issued under the Aeroplan Program, representing a total of $5.2 million;
- a higher redemption cost per Aeroplan Mile redeemed in the total amount of $1.4 million relating mostly to air; and
- a higher volume of non-air reward redemptions for the quarter, representing $0.7 million.

Groupe Aeroplan Europe experienced a $1.3 million decrease in costs explained primarily by:

- the positive impact of the currency fluctuation relative to the pound sterling of $5.3 million, offset by
- increased redemption activity accounting for the majority of the remaining $4.0 million, resulting from promotional activities undertaken by the major Redemption Partner.

Carlson Marketing's first-time inclusion in Groupe Aeroplan's consolidated results for the quarter ended March 31, 2010 accounted for $83.0 million of direct costs.

Gross margin increased by 4.0%, a direct result of the factors described above, and represented 39.7% of total revenue at the end of the first quarter of 2010, and is detailed as follows:

- Aeroplan Canada's gross margin represented 38.2% of total revenue compared to 37.7%; resulting from a marginal increase in the cumulative average selling price per Aeroplan Mile;
- Groupe Aeroplan Europe's gross margin was 31.4% compared to 28.7%, due to the contribution of other revenue;
- Carlson Marketing's gross margin for the period was 46.5%.

Selling, general and administrative amounted to $146.4 million for the three months ended March 31, 2010 compared to $63.8 million in 2009, representing an increase of $82.6 million or 129.4%. This variance is mostly attributable to the first-time inclusion of Carlson Marketing in the consolidated results, accounting for $65.7 million. Groupe Aeroplan Europe expenses increased by $16.2 million, which include $11.1 million of marketing costs associated to the launch of Nectar Italia, offset in part by the favourable impact of $1.8 million of currency fluctuation recognized on the translation of foreign operations. The corporate segment contributed to an increase in expenses of $3.9 million mostly related to consulting fees and compensation costs. Aeroplan Canada experienced a reduction of $1.4 million in expenses for the period relating mostly to lower compensation costs due to lower personnel, partly offset by increased marketing costs incurred in connection with the advertising campaign launched during the quarter.

Fees paid under the transition services agreement by Carlson Marketing amounted to $7.8 million for the quarter. Migration costs charged to operations during the quarter amounted to $2.6 million.

Depreciation and amortization amounted to $7.6 million and $4.9 million for the three months ended March 31, 2010 and 2009 respectively. The increase is due to the inclusion of Carlson Marketing.

Amortization of Accumulation Partners' contracts, customer relationships and technology amounted to $23.0 million for the three months ended March 31, 2010 compared to $19.7 million for the comparable period of 2009. The increase is a result of the inclusion of Carlson Marketing and the amortization of the finite life intangibles recognized as a result of the acquisition.

Operating income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $46.8 million for the three months ended March 31, 2010 compared to $58.4 million for the three months ended March 31, 2009, representing a decrease of $11.6 million or 19.5%.

Net interest expense for the three months ended March 31, 2010, consists of interest revenue of $9.8 million earned on cash and cash equivalents and short-term investments on deposit; offset by interest on long-term debt of $14.9 million on the borrowings described under *Credit Facilities and Long Term Debt,* and other interest expense of $0.6 million.

Foreign exchange in 2009 reflected the currency fluctuation associated with the financing structure adopted for the LMG investment. Since the currency swap was disposed of in the third quarter of 2009, these currency fluctuations are no longer incurred.

Net earnings include the effect of $10.4 million of current income taxes. The increase in the effective tax rate for the quarter is explained by the fact that included in earnings for the first quarter of 2009, were certain financing costs related to the currency swap.

Adjusted EBITDA for the three months ended March 31, 2010 amounted to $56.0 million or 10.8% (as a % of Gross Billings) while ***Adjusted Net Earnings*** amounted to $39.0 million or 7.5% (as a % of Gross Billings); compared to $65.2 million or 18.8% (as a % of Gross Billings) and $44.6 million or 12.9% (as a % of Gross Billings), respectively for the three months ended March 31, 2010 and 2009.

Free Cash Flow for the three months ended March 31, 2010, amounted to ($66.0) million compared to ($49.0) million for the three months ended March 31, 2009, mainly as a result of:

- a $13.7 million increase in cash used in operating activities quarter over quarter, primarily attributable to the launch of the Nectar Italia program;
- Dividends paid on the preferred shares of $2.2 million;
- a higher amount of capital expenditures of approximately $1.2 million for the first quarter of 2010, compared to the first quarter of 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 March 31, 2010.

(in thousands, except per share amounts)	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
Gross Billings	**517,947**	**386,698**	**355,349**	**358,947**	**346,328**	**385,217**	**377,238**	**377,007**
Gross Billings from the sale of GALUs	**338,269**	**363,048**	**335,882**	**337,832**	**326,248**	**364,437**	**355,603**	**357,858**
Revenue	**506,779**	**424,852**	**322,648**	**333,515**	**355,824**	**430,332**	**334,954**	**336,728**
Cost of rewards and direct costs	(305,740)	(277,331)	(187,994)	(201,728)	(226,362)	(252,229)	(191,033)	(192,593)
Gross margin	201,039	147,521	134,654	131,787	129,462	178,103	143,921	144,135
Selling, general and administrative expenses	(146,435)	(77,606)	(67,761)	(68,626)	(66,141)	(66,426)	(71,027)	(69,627)
Depreciation and amortization	(7,627)	(4,722)	(4,494)	(5,127)	(4,937)	(6,494)	(4,472)	(4,998)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	46,977	65,193	62,399	58,034	58,384	105,183	68,422	69,510
Amortization of Accumulation Partners' contracts, customer relationships and technology	(22,968)	(19,967)	(20,079)	(20,485)	(19,715)	(19,836)	(22,636)	(22,688)
Operating income	24,009	45,226	42,320	37,549	38,669	85,347	45,786	46,822
Net earnings (loss)	**14,872**	**20,545**	**18,756**	**26,746**	**23,228**	**(1,073,752)** [(b)]	**34,956**	**31,454**
Adjusted EBITDA [(a)]	55,990	69,553	76,706	70,564 [(d)]	65,228 [(d)]	80,559 [(d)]	79,366 [(d)]	81,856 [(d)]
Adjusted net earnings [(a)]	38,963	40,319	45,405	52,254	44,551	84,661 [(c)]	63,229	60,822
Net earnings	**14,872**	**20,545**	**18,756**	**26,746**	**23,228**	**86,948** [(c)]	**34,956**	**31,454**
Earnings per share	0.07	0.10	0.09	0.13	0.12	0.44 [(c)]	0.18	0.16
Free cash flow [(a)]	(66,039)	79,168	44,014	90,841	(48,991)	42,492	115,868	43,636
Earnings per share (loss), in accordance with GAAP – Groupe Aeroplan	0.07	0.10	0.09	0.13	0.12	(5.39)	0.18	0.16

(a) A non-GAAP measurement.

(b) Includes impairment charge.

(c) Excludes impairment charge.

(d) 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 March 31, 2010, Groupe Aeroplan had $551.6 million of cash and cash equivalents, $6.8 million of restricted cash and $11.1 million of short-term investments, for a total of $569.5 million. Of this total amount approximately $419.8 million is invested in Bankers' Acceptances and term deposits maturing on various dates through to May 2011. The Aeroplan Canada Miles redemption reserve described under *Aeroplan Canada Miles Redemption Reserve* of $400.0 million is included in this amount. Groupe Aeroplan's cash and cash equivalents and short-term investments are not invested in any asset-backed commercial paper.

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

(in thousands)	**Three months ended March 31,**	
	2010	**2009**
	$	**$**
Cash used in operating activities	(29,731)	(16,012)
Cash from (used in) investing activities	(20,514)	433,259
Cash used in financing activities	(1,434)	(24,997)
Translation adjustment related to cash	(6,581)	610
Cash and cash equivalents, end of period	**551,588**	**580,876**

OPERATING ACTIVITIES

Cash from operations is generated primarily from the collection of Gross Billings and is reduced by the cash required to deliver the rewards when GA Loyalty Units are redeemed and loyalty marketing services are rendered and by operating and interest expenses.

Cash flows from operating activities used cash of $29.7 million and $16.0 million for the three months ended March 31, 2010 and 2009, respectively. Quarter over quarter, fluctuations are primarily attributable to the launch of the Nectar Italia program. First quarter cash flows from operations are typically impacted by the settlement of accounts payable, related to the seasonally high redemption activity of the last quarter of the year, characteristic of the Nectar program.

Aeroplan Canada's operations are characterized by higher redemption activity in the first half of the year and higher accumulation activity in the second half of the year.

INVESTING ACTIVITIES

Groupe Aeroplan's investing activities for the quarter reflect the payment of the working capital adjustment and remaining transaction costs on the acquisition of Carlson Marketing, which was funded from cash on hand in the amount of $14.7 million.

Capital expenditures for the three months ended March 31, 2010, amounted to $9.2 million. Anticipated capital expenditures, which are primarily related to capital expenditures associated with

software development initiatives for fiscal 2010, are expected to approximate $40.0 million for the year.

FINANCING ACTIVITIES

For the three months ended March 31, 2010, financing activities used cash of $1.4 million.

During the quarter, Groupe Aeroplan issued Senior Secured Notes Series 3 in the aggregate amount of $200.0 million. In addition, the issuance of the Series 1 Preferred Shares generated $167.3 million, net of issue costs. A portion of the proceeds from these issuances were used to repay $340.0 million of borrowings under its credit facilities, as described in the *Credit Facilities and Long Term Debt* section.

Cash used in financing activities was primarily related to the payment of common and preferred dividends in the amount of $27.1 million, as well as the payment of financing costs in the amount of $1.7 million.

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. The preferred shares bear a 6.5% annual cumulative dividend or $0.40625 per preferred share per quarter.

LIQUIDITY

On January 20, 2010 and January 26, 2010, pursuant to a prospectus supplement dated January 13, 2010, Groupe Aeroplan issued 6,900,000 Preferred Shares, Series 1 for total cash proceeds of $172.5 million. The proceeds from the shares issued were used to repay borrowings under the revolving facility in the amount of $140.0 million, with the balance being used for general corporate purposes.

In addition, on January 26, 2010, Groupe Aeroplan issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. The proceeds from the notes issued have been used to repay $200.0 million of the term facility.

Groupe Aeroplan anticipates that total capital requirements for the 2010 fiscal year of $150.5 million, including $110.5 million in respect of anticipated cash dividends to its common and preferred shareholders, and approximately $40.0 million of 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.

AEROPLAN CANADA MILES REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Canada Miles redemption reserve (the "Reserve"), which, subject to compliance with the provisions of the June 12, 2009 credit facilities, 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. As at March 31, 2010, the Reserve amounted to $400.0 million and was included in cash and cash equivalents.

The amount held in the Reserve, as well as the types of securities in which it may be invested (high quality commercial paper), are based on policies established by management, which are reviewed periodically. At March 31, 2010, 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, Aeroplan has not had to use the funds held in the Reserve.

At March 31, 2010, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 42.1% of the consolidated Future Redemption Cost liability.

The deferred revenue presented in the balance sheet represents accumulated unredeemed GA Loyalty Units valued at their weighted average selling price and unamortized Breakage. The estimated Future Redemption Cost liability of those GALUs, calculated at the current Average Cost of Rewards per GALU redeemed, is approximately $1,261 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 March 31, 2010, after the application of the proceeds of the issuance of the Preferred Shares, Series 1 and the Senior Secured Notes Series 3, $100.0 million had been drawn and $300.0 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, 2 and 3:

	Authorized	Drawn at March 31, 2010	Drawn at December 31, 2009
	$	$	$
Revolving facility [(a)]	300,000	-	140,000
Term facility [(a) (d)]	100,000	100,000	300,000
Senior Secured Notes Series 1 [(b)]	N/A	200,000	200,000
Senior Secured Notes Series 2 [(c)]	N/A	150,000	150,000
Senior Secured Notes Series 3 [(d)]	N/A	200,000	-
Prepaid interest [(e)]	-	(858)	(709)
Unamortized refinancing costs [(e)]	-	(7,978)	(9,183)
		641,164	780,108
Less: current portion		-	-
Total		641,164	780,108

(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 Corporation'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 March 31, 2010, amounts borrowed under the term facility, were in the form of Bankers' Acceptances with a 90 day term and an effective interest rate of 4.05%.

The revolving facility was repaid during the quarter with proceeds generated from the issuance of the Preferred Shares Series 1.

Letters of credit: Groupe Aeroplan has issued irrevocable letters of credit in the aggregate amount of $24.4 million. This amount reduces the available credit under the revolving facility.

(b) *The Senior Secured Notes Series 1 notes bear interest at 9% per annum, payable semi-annually in arrears on April 23rd and October 23rd of each year, commencing October 23, 2009, and mature on April 23, 2012.*

(c) *The Senior Secured Notes Series 2 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.*

(d) *On January 26, 2010, Groupe Aeroplan issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. These notes bear interest at 6.95%, payable semi-annually in arrears, mature on January 26, 2017. The proceeds from the notes issued were used to repay a portion of the term facility.*

Each of the Senior Secured Notes Series 1, 2 and 3 are secured by certain present and future undertakings, property and assets of the Corporation 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 Corporation, 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, 2 and 3 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.

The following table illustrates the financial ratios calculated on a trailing twelve-month basis:

Ratio	Result	Test
Leverage	2.28	≤ 3.00 [(b)]
Debt service [(a)]	0.32	≤ 2.25 [(c)]
Interest coverage	9.89	≥ 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.
(b) The threshold increases for the twelve months following an acquisition from 2.75 to 3.00.
(c) The threshold increases for the twelve months following an acquisition from 2.00 to 2.25.

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 and January 2010, both agencies reconfirmed 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 March 31, 2010, the full 112.4 billion of Air Canada Miles had been redeemed.

As a result, Aeroplan is required to honour any obligation resulting from the redemption of Air Canada Miles.

The maximum potential redemption cost of meeting this obligation, if all 9.6 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $92.2 million at March 31, 2010, which would be charged to costs of rewards when they are incurred, as the Air Canada Miles are redeemed over time.

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

GA LOYALTY UNITS ISSUED AFTER JANUARY 1, 2002

In addition, Groupe Aeroplan may be required to provide rewards to members for unexpired GA Loyalty Units accounted for as Breakage on the GA Loyalty Units 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 GA Loyalty Units is estimated to be $949.4 million at March 31, 2010. The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

On a consolidated basis, management estimates that a 1% change in Breakage would have a total impact on revenue and earnings before income taxes of $78.1 million for the period in which the change occurred, with $72.7 million relating to prior years and $5.4 million relating to the current year.

VAT APPEAL

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

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

HMRC appealed the Court of Appeal's decision to the House of Lords which granted leave to appeal in order to facilitate a reference to the European Court of Justice. The case was heard on January 21, 2010 and a judgment is expected to be rendered between two and 12 months following the date of the hearing. Until the outcome is known and a decision is rendered, it is unclear whether LMG will have to repay amounts awarded under the October 5, 2007 judgement, as well as any VAT recovered as a deduction in calculating input tax credits, together with interest thereon. At March 31, 2010, LMG has recorded in its accounts the net benefit of VAT input tax credits in the aggregate amount of £34.5 million ($53.2 million), which is accounted for as a reduction of goodwill or cost of rewards and operating expenses, as appropriate.

At this time, the outcome of this contingency is not determinable and no provision for a liability has been included in these financial statements.

OTHER

On October 22, 2009, Aeroplan received written notice from Air Canada claiming that Air Canada had been incorrectly billing Aeroplan for redemption bookings since January 1, 2005. This claim was based on alleged errors by Air Canada in the methodology used to calculate such billings under the CPSA and certain inherent limitations in the system used to price redemption bookings in foreign jurisdictions and currencies. Air Canada has requested a payment of approximately $49.0 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 $49.0 million currently requested.

Groupe Aeroplan has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors and officers are sued as a result of their services. The directors and officers are covered by directors' and officers' liability insurance.

In limited circumstances, Groupe Aeroplan may provide guarantees to third parties to support the performance obligations of certain of its subsidiaries under commercial contracts. At March 31, 2010, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to $109.2 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

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

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

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

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.

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 22, 2010.

Air Canada is one of Groupe Aeroplan's largest Accumulation Partners, representing 13% and 20% of Gross Billings respectively for quarters ended March 31, 2010 and 2009, respectively. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $210.5 million for 2010. Air Canada, including other Star Alliance partners, is Groupe Aeroplan's largest Redemption Partner. For the quarter ended March 31, 2010, 47% of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 67% for the three months ended March 31, 2009.

CONTACT CENTRE EMPLOYEES

As part of the transfer of the contact centre on June 1, 2009, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. This past service cost obligation and other employee future benefits have been estimated at $13.9 million and $8.9 million, respectively, based on an actuarial valuation dated December 31, 2009, and are 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.

LOAN TO AIR CANADA

On July 29, 2009, Aeroplan, with a syndicate of other lenders, including GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc., 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.

An aggregate of $600.0 million was made available and advanced to Air Canada on July 30, 2009. Aeroplan's maximum commitment is limited to $150.0 million, which was advanced to Air Canada on July 30, 2009. In February 2010, Air Canada requested consent from its lenders to increase the facility by $100.0 million. This financing by a group of additional lenders was advanced to Air Canada on February 12, 2010 and Aeroplan did not participate in the additional financing. Aeroplan's portion of the Air Canada Club Loan is repayable in 16 consecutive quarterly instalments of $7.5 million commencing in August 2010 with the balance of $30.0 million due in July 2014. The Air Canada Club Loan bears interest at the greater of the bankers' acceptance rate plus 9.75%, or 12.75%.

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

Under the financing arrangement, Air Canada issued warrants to the lenders 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. In addition, Aeroplan was entitled to receive its *pro rata* share of additional warrants, representing up to an aggregate five percent of the total issued common stock of Air Canada at the time of issuance, in the event that Air Canada did not grant additional security over certain assets within 90 days of closing. The security was not granted within the 90 day period and on October 19, 2009, Aeroplan received 1,250,000 additional warrants in connection with the Air Canada Club Loan. 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.

The warrants are presented with accounts receivable and any changes in fair value are recorded with interest income in the statement of operations.

The total fair value of the 2,500,000 warrants amounted to $2.6 million at March 31, 2010 and $1.1 million at December 31, 2009.

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 March 31, 2010, estimated future minimum payments under Groupe Aeroplan's contractual obligations are as follows:

(in millions)	Total	2010	2011	2012	2013	2014	Thereafter
	$	$	$	$	$	$	$
Operating leases	51.0	9.3	10.5	8.4	7.2	4.8	10.8
Technology infrastructure and other	57.8	23.3	19.9	8.3	5.3	0.9	0.1
Marketing support and other	85.9	14.1	31.7	14.5	11.6	11.6	2.4
Long-term debt [(a)]	862.0	47.8	47.8	336.0	25.8	175.8	228.8
Purchase obligation under the CPSA	4,231.1	272.4	416.7	416.7	416.7	416.7	2,291.9
Total	**5,287.8**	**366.9**	**526.6**	**783.9**	**466.6**	**609.8**	**2,534.0**

(a) Includes interest on the Senior Secured Notes Series 1, 2 and 3 described in the Credit Facilities and Long-Term Debt section.

Marketing support amounts represent maximum obligations in connection with the Corporation'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 March 31, 2010, Groupe Aeroplan complied with all such covenants.

DIVIDENDS

During the first quarter of 2010, Groupe Aeroplan declared and paid quarterly cash dividends in the amount of $24,996,078 or $0.125 per common share and $2,150,316 or $0.31164 per preferred 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

On January 20, 2010 and January 26, 2010, pursuant to a prospectus supplement dated January 13, 2010, Groupe Aeroplan issued a total of 6,900,000 Preferred Shares, Series 1 with a 6.5% annual cumulative, quarterly dividend subject to a rate reset on March 31, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 3.75%, for total cash consideration of $167.3 million, net of issue costs of $5.2 million. The Preferred Shares, Series 1 will be redeemable by Groupe Aeroplan on March 31, 2015, and every five years thereafter in accordance with their terms.

Holders of Preferred Shares, Series 1 will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 2 (the "Preferred Shares, Series 2"), subject to certain conditions, on March 31, 2015 and on March 31 every five years thereafter. Holders of the Preferred Shares, Series 2 will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.75%. The net proceeds of the issue

were used by Groupe Aeroplan to repay amounts owed under the revolving facility in the amount of $140.0 million, with the balance used for general corporate purposes.

At March 31, 2010, Groupe Aeroplan had 199,989,346 common shares and 6,900,000 preferred shares issued and outstanding for an aggregate amount of $1,916.2 million. In addition, there were 3,255,350 stock options issued and outstanding under the Groupe Aeroplan Long-Term Incentive Plan.

EARNINGS PER SHARE

Groupe Aeroplan's earnings per share amounted to $0.07 and $0.12 for the three months ended March 31, 2010 and March 31, 2009, respectively.

SUBSEQUENT EVENTS

On April 26, 2010, Groupe Aeroplan entered into an agreement to acquire a minority interest in Aerovías de México, S.A. de C.V.'s frequent flyer program, *Club Premier*. The initial investment will amount to US$22.0 million, and will be accounted for under the cost method, with an additional US$12.0 million to be invested if certain performance milestones are achieved within 18 months of closing. Upon conclusion of the second tranche, Groupe Aeroplan will account for its investment under the equity method. The transaction, which is subject to the completion of due diligence, the negotiation of definitive documentation and customary conditions, is expected to close in the third quarter of 2010.

On May 11, 2010, the board of directors approved a Normal Course Issuer Bid authorizing the corporation to purchase up to 2.5 per cent or up to 5 million of its issued and outstanding common shares during the period from May 14, 2010 to no later than May 13, 2011.

CRITICAL ACCOUNTING ESTIMATES

Please refer to note 2 to the December 31, 2009 audited consolidated financial statements of the Groupe Aeroplan and the corresponding section of Groupe Aeroplan's 2009 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.

FUTURE ACCOUNTING CHANGES

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

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

Section 1582 replaced section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period, beginning on or after January 1, 2011.

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

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 Corporation has developed a plan to convert its financial statements to IFRS consisting of four phases:

- Phase 1 - Preliminary Diagnosis, Planning and Definition of Scope – developing an IFRS transition plan based on the results of a high-level preliminary assessment of the major differences between IFRS and the Corporation's current accounting policies;
- Phase 2 - Detailed Evaluation - assessing the differences between GAAP and IFRS and focusing on the areas that will have the most significant impacts on the Corporation;
- Phase 3 - Definition of the Solution - resulting in the design and development of detailed solutions to address the differences identified during the Detailed Evaluation Phase. This phase of the project involves the analysis and determination of accounting policies based on available IFRS standards and identification of related changes to accounting and reporting processes, IT systems, internal controls and other business processes.; and
- Phase 4 - Implementation - implementing all of the required changes necessary for IFRS compliance.

Groupe Aeroplan has assembled a team of internal and external resources, to execute the plan. The project team is led by senior finance executives that provide overall project governance, management and support. The project team reports quarterly to the Corporation's Audit, Finance and Risk Committee. The preliminary diagnosis phase having been completed, the Corporation is currently completing the Detailed Evaluation Phase of its changeover process, and has made some progress in related areas of the Definition of the Solution Phase. These phases will continue to move in tandem in the first half of 2010, at which time the Corporation will move into the Implementation Phase.

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, several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB"). Amendments to existing standards are expected to continue until the changeover date of January 1, 2011. The Corporation monitors the IASB's activities on an ongoing basis, giving consideration to any proposed changes, where applicable, in its assessment of differences between IFRS and Canadian GAAP. Of particular significance to Groupe Aeroplan's financial reporting are the applicable revenue recognition standards under IFRS, which are not expected to be finalized until 2011. 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. Since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, any conclusions drawn at this point in time must be considered preliminary.

The Corporation's progress-to-date has resulted in the following conclusions/assessments:

First-time adoption of IFRS (IFRS 1)

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion from Canadian GAAP to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards. While this list has been subject to some change, currently there are fifteen elective exemptions and four mandatory exceptions that need to be considered.

Groupe Aeroplan currently expects to apply the following elective exemptions:

- it will not retrospectively restate the accounting of past business combinations;
- it will not retrospectively restate the cumulative translation adjustments recorded in Accumulated Other Comprehensive Loss. The cumulative translation loss balance of approximately $47.0 million at December 31, 2009 under Canadian GAAP will be deemed to be nil at the transition date and the corresponding adjustment will be recorded in retained earnings;
- it will apply the requirements of IAS 23 Borrowing Costs prospectively from January 1, 2010; and
- it will not retrospectively restate the unamortized actuarial loss on post-employment benefit plans. The unamortized actuarial loss balance of $658,000 at December 31, 2009 under Canadian GAAP will be deemed to be nil at the transition date and the corresponding adjustment will be recorded in retained earnings.

Prima facie, the remaining elective exemptions have limited or no applicability to Groupe Aeroplan.

Set out below are selected key areas of accounting differences where changes in accounting policies in conversion to IFRS may impact the Corporation's consolidated financial statements. The list and comments should not be construed as a comprehensive list of changes that will result from transition to IFRS, but rather highlights those areas of accounting differences Groupe Aeroplan currently believes to be most significant. Notwithstanding, analysis of changes is still in progress and certain decisions remain to be made where choices relating to accounting policies are available. At this stage, the Corporation is not able to reliably quantify the full impact of these and other differences on Groupe Aeroplan's consolidated financial statements. The Corporation expects to complete the quantification of these selected key areas in the second quarter of 2010.

Business Combinations (IFRS 3)

Although the Corporation will apply the IFRS 1 elective exemption not to restate prior business acquisitions, IFRS 3 Business Combinations would have an impact on the Corporation's financial statements under currently effective IFRS standards, as the unresolved contingent consideration related to the 2007 LMG acquisition would be recognized at its fair value at the transition date, with a corresponding debit to retained earnings. Under IFRS, unlike Canadian GAAP, contingent considerations are not recognized as an increase to goodwill on resolution of the contingency but are recorded at fair value in the purchase price allocation. Under IFRS, subsequent remeasurement of the fair value at each balance sheet date until resolution of the contingency are recognized in the statement of operations.

The Corporation has not yet proceeded to quantify the impact of this difference and has delayed the resolution of this matter to the second quarter of 2010 at which time the IASB's annual exposure draft ("ED") of Improvements to IFRS 2009 is expected to be finalized. The IASB proposes, under the annual improvements ED, to amend the scope of the financial instruments standards such that a contingent consideration that arose from a business combination whose acquisition date preceded the application date of IFRS 3 (2008) would be excluded. Rather, under the ED, the contingent consideration in respect of these business combinations would continue to be accounted for in accordance with IFRS 3 (2004), i.e.: similarly to the treatment under current Canadian GAAP, as an

adjustment to the consideration received when the payment becomes probable and the contingent consideration is reliably measureable, with a corresponding increase in goodwill. It is unclear at this time how this proposal will impact Groupe Aeroplan as the proposed amendments to the financial instrument standards transition rules would be relevant to an existing user of IFRSs but not to a first-time adopter such as Groupe Aeroplan without any transition relief in IFRS 1 adopted as a consequential amendment.

Impairment of assets (IAS 36)

Canadian GAAP impairment testing involves two steps, the first of which compares the long-lived asset carrying values with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying values are written down to estimated fair value. IAS 36 Impairment of Assets, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in more frequent write-downs where carrying values of assets were previously accepted under GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Under Canadian GAAP, an indefinite-life intangible asset is always tested for impairment as an individual asset. Under IFRS, indefinite-life intangibles, which do not generate independent cash inflows such as Groupe Aeroplan's trade names, are tested for impairment as part of a cash generating unit ("CGU"). Under Canadian GAAP, goodwill is tested for impairment by comparing the carrying amount of the reporting unit(s) to which it is allocated, i.e., including the allocated goodwill, to the fair value of the reporting unit(s). If the fair value is less than the carrying amount of the reporting unit(s), then an impairment loss is calculated. The impairment loss is measured as the difference between the implied fair value of the goodwill and its carrying amount. The implied fair value of the goodwill is determined based on the value that would be ascribed to goodwill if the reporting unit(s) were acquired in a current business combination. Under IFRS, goodwill is allocated to the Corporation's CGUs and is always tested for impairment at the level of a CGU or groups of CGUs. An impairment loss is recognized if a CGU's carrying amount exceeds its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows. The impairment loss equals the amount of this excess.

The Corporation has completed the analysis of its operations and has determined its cash generating units to be used for the purpose of impairment testing and groups of CGUs for goodwill testing purposes. Models are being developed, which will be used for the impairment testing as required at the date of transition to IFRS. Although the Corporation intends to complete the estimates of the recoverable amount of its CGUs and groups of CGUs during the second and third quarter of 2010, the conclusion of the impairment testing will be pending the resolution of other IFRS differences that will impact the carrying values of each CGU and group of CGU under IFRS, in the latter half of 2010.

Employee benefits (IAS 19)

Under IFRS, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately in the statement of operations. The vested past service costs under Aeroplan's contact centre agents defined benefit plans and other post-employment benefit plans are recognized over the expected average remaining service period under Canadian GAAP. As a result of this difference, the unamortized past service cost of approximately $22.0 million as at December 31, 2009 will be charged to equity on transition to IFRS. The Corporation is currently analyzing other differences related to this standard including its choice of accounting policy for the recognition of actuarial gains and losses in the statement of operations, related to those employee benefit plans. The Corporation will continue to review the evolution of the IASB's ongoing employee benefits project in its deliberations concerning its choice in accounting policy.

Financial instruments: recognition and measurement (IAS 39)

Under IFRS, when a financial liability is derecognized, related transaction costs are recognized in the statement of operation as part of the gain or loss on extinguishment. In the third quarter of 2009, Groupe Aeroplan refinanced its long term debts. The refinancing costs were deferred and recorded as

an adjustment to the carrying value of the new debts under Canadian GAAP. As the costs would have been recorded in the statement of operations under IFRS, the unamortized balance of approximately $4.0 million as at December 31, 2009 will be reclassified to retained earnings on transition to IFRS.

Presentation of financial statements (IAS 1)

A number of financial statement presentation differences exist between IFRS and Canadian GAAP, including but not limited to, the classification of the statement of operations by function or nature and the presentation of non-controlling interest as a component of equity. The Corporation will address these presentation differences as it prepares its draft IFRS financial statements throughout 2010.

Other

A number of other areas of IFRS will impact Groupe Aeroplan as well, albeit to a lesser extent. Other differences between the Corporation's current accounting policies and IFRS and IFRS accounting policy choices have been identified and continue to be analyzed in the second quarter of 2010, but these are currently not expected to have a significant impact on Groupe Aeroplan's financial statements.

Impact on information systems and technology

The areas where information systems will be impacted the most are firstly, the need to create the ability for information systems to track IFRS adjustments for the 2010 comparative year, and secondly the need for the creation of several new or modified reports to assist in preparing the increased note disclosures and different presentation required by IFRS. These report requirements may also require modifications to existing general ledger account structures. At this time, the transition is expected to have minimal impact on other information systems used by the organization.

Impact on reporting and internal controls

The Corporation's transaction-level controls will not be affected by the transition to IFRS in any material respect. As noted, the transition to IFRS for the Corporation mainly affects the presentation and disclosure of its financial statements as well as presentation of transitional adjustments. This may lead to significant presentation and process changes to report more detailed information in the notes to the financial statements, but it is not currently expected to lead to many measurement or fundamental differences in the accounting treatments used by the Corporation.

Financial reporting controls will change due to the transition to IFRS, but the impact is expected to be minimal. The majority of change surrounds new processes, or modified processes, due to the fact that IFRS requires more judgment with respect to various accounting treatments. Processes and controls will be put in place to ensure the company is making the appropriate judgments and following the IFRS accounting policies selected.

Impact on financial reporting expertise

Training and education to this point has been limited to those directly involved with the transition to IFRS. IFRS training for relevant financial staff is ongoing, while targeted programs for operational staff will need to be developed once the transition to IFRS is underway. This training will focus mainly around the process changes required and an overview of the reasons behind the changes from a standards perspective. Investor relations will be updated once the impacts of the transition to IFRS are better understood, which will most likely be in the second half of 2010.

Impact on business activities

Covenants contained in the existing agreements with the Corporation's lenders are determined in accordance with GAAP. The Corporation does not anticipate that the transition to IFRS will have a significant impact on its covenants.

The Corporation's incentive compensation is largely based upon attaining and exceeding targeted *Adjusted EBITDA and Free Cash Flow*. These targets are determined on an annual basis and may need to be re-evaluated commencing in 2011, when the impacts of changes brought about by the transition to IFRS are fully known.

General

Based upon the work completed to date, and since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, Groupe Aeroplan cannot reasonably determine the full impact that adopting IFRS may have on its financial position and future results. As a result of the transition, changes in accounting policies could have a material impact on the consolidated financial statements.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At March 31, 2010, the CEO and CFO, with management's assistance, have designed disclosure controls and procedures in order to provide reasonable assurance that they are made aware of material information and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. During the interim period ended on March 31, 2010, 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

For 2010, Groupe Aeroplan anticipates Gross Billings growth ranging between 2 and 4 per cent in its legacy businesses.

Groupe Aeroplan expects to realize growth in consolidated Adjusted EBITDA in 2010.

Groupe Aeroplan expects to realize growth in Adjusted EBITDA in its legacy businesses, after adjusting for operating costs, which are not expected to recur in the future, related to:

- the launch of the Nectar Italia program; and
- the effect of brand investment promotional campaigns scheduled for 2010, in the Aeroplan and Nectar programs.

During 2010, Free Cash Flow levels are expected to be reduced, as a result of investments required to support future growth.

In Aeroplan Canada, the Average Cost of Rewards per Aeroplan Mile Redeemed is not expected to exceed 0.95 cents on an annual basis throughout 2010, with gross margin remaining relatively stable.

Gross Billings from Carlson Marketing are expected to approximate US$600.0 million in 2010, with Adjusted EBITDA in the 6% to 8% range, before one time migration costs, which are estimated at US$26.0 million. The successful migration of the technology solutions in the US, out of the vendor's

platforms, represents both, the biggest opportunity and risk associated to Carlson Marketing's 2010 performance. While there is an expectation that the migration will be fully completed in 2010, should the network and customer applications and the financial systems implementation extend into 2011, the associated incremental costs of migration and any additional payments that may be required under an extension to the transition services agreement, may represent up to a total of US$4.0 million per month.

Groupe Aeroplan's portion of the funding requirements for the launch of the Nectar Italia program, which will affect consolidated Adjusted EBITDA, is expected to be in the range of €15 million over 2010. Nectar Italia is expected to generate annual Gross Billings in the range of €60 million to €80 million within three years. Nectar Italia is expected to generate annual Gross Billings in the range of €30 million to €40 million in 2010.

The current income tax rate is anticipated to approximate 30% in Canada, and there is an expectation that no significant cash income taxes will be incurred in the rest of the Corporation's foreign operations.

The above guidance excludes the effect of any currency fluctuations on Groupe Aeroplan's operating results.

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

The results of operations and financial condition of Groupe Aeroplan are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of Management.

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 2009 MD&A and Groupe Aeroplan's Annual Information Form dated March 22, 2010.

The risks described therein may not be the only risks faced by Groupe Aeroplan. Other risks which currently do not exist or which are deemed immaterial may surface and have a material adverse impact on Groupe Aeroplan's results of operations and financial condition.

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 22 and March 15, 2010, is available on SEDAR at www.sedar.com or on Groupe Aeroplan's website at www.groupeaeroplan.com under Investors.