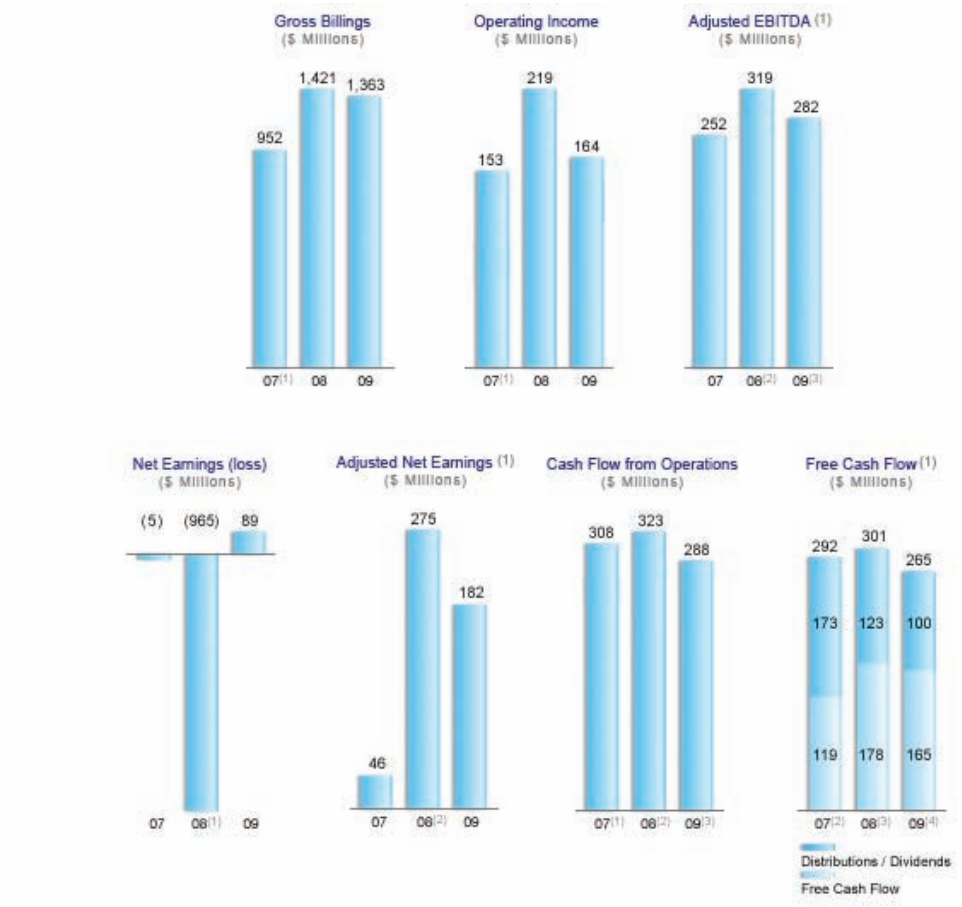
GROUPE AEROPLAN

Setting a New Measure in Global Loyalty

2009 Annual Report

Financial Highlights



Footnotes:

Gross Billings
(1) Results for 2007 presented for comparative purposes are those of the Partnership.

Operating Income
(1) Results for 2007 presented for comparative purposes are those of the Partnership.

Adjusted EBITDA
(1) Calculated in accordance with the definition included on page 9 of the Corporation's MD&A, and excluding the effect of the "Foreign Exchange" line of the Consolidated Statement of Operations, as it reflects the impact of the currency swap.
(2) 2008 includes conversion costs to a corporate structure of approximately $4 million.
(3) 2009 includes one-time costs of approximately $11 million relating to the write-off of certain technology, bad debt provisions in Aeroplan Canada and launch costs for Nectar Italia.

Net Earnings (loss)
(1) Includes impairment charge of $1.2 billion.

Adjusted Net Earnings
(1) Calculated in accordance with the definition of Adjusted Net Earnings included on pages 9 and 10 of the Corporation's MD&A.
(2) 2008 excludes impairment charge of $1.2 billion.

Cash Flow from Operations
(1) Results for 2007 presented for comparative purposes are those of the Partnership.
(2) 2008 includes temporary acceleration of $63 million in payments to Air Canada.
(3) 2009 includes reversal of temporary acceleration of $63 million in payments to Air Canada.

Free Cash Flow
(1) Calculated in accordance with the definition of Standardized Free Cash Flow included on page 10 of the Corporation's MD&A.
(2) Results for 2007 presented for comparative purposes are those of the Partnership.
(3) 2008 includes temporary acceleration of $63 million in payments to Air Canada.
(4) 2009 includes reversal of temporary acceleration of $63 million in payments to Air Canada.

Chairman's Letter

Groupe Aeroplan delivered solid performance in 2009. We continued to generate significant funds from operations, paid out dividends of $100 million to our shareholders and loaned Air Canada $150 million.

One of our key priorities is to manage our balance sheet conservatively to deal with any unforeseen eventualities. In keeping with this objective, the corporation completed several initiatives to improve its financial flexibility and strength during 2009. By moving the majority of our bank debt into the public markets and extending maturities, management has reduced refinancing risk. The greater part of our debt is now in publicly traded instruments with laddered maturities and fixed rates. This is a safe and prudent place to be and the board supports this strategy.

Groupe Aeroplan strives to use capital wisely and to invest in assets that will produce continuing profitability and deliver value to shareholders over the long-run. We believe that companies that are in a position to make sound investments during low points in the economic cycle will emerge even stronger as the economy recovers.

As part of our growth strategy, at the end of 2009, Groupe Aeroplan acquired Carlson Marketing, a recognized leader in its field of loyalty marketing services. In addition, the corporation started contributing capital to the launch of its new coalition loyalty program in Italy. Our investments are made with a 3 to 7 year time horizon and are benchmarked against the 3 and 5 year return of a share repurchase.

As the corporation grows its cash reserves, and looks at other ways of improving shareholder return, the Board and management may consider acquisitions, share buybacks and/or special dividends. We manage capital for one purpose and that is to deliver an above-average return for shareholders over the long-term.

To ensure that Groupe Aeroplan's objectives remain aligned with those of its owners, management is principally evaluated on the same metrics that the street uses to value Groupe Aeroplan: Adjusted EBITDA and Free Cash Flow per share growth. As the corporation continues to grow, the board is continuously reviewing its executive compensation program. Currently we are conducting a comprehensive review to ensure that our executive compensation structure is in line with evolving practices and takes into account our expanded geographic and operational footprint.

We also regularly review and update our corporate governance policies. Our focus is on transparency, accountability and communicating information clearly and concisely to shareholders.

Groupe Aeroplan is a world leader in loyalty management. During one of the toughest times in recent economic history, the corporation successfully diversified its revenue base, significantly expanded its global presence and is now setting a new measure in global loyalty. The board is proud of management's achievements to date. We believe the team is moving in the right strategic direction and has the interests of the shareholders in mind every step of the way.

On behalf of the board of directors,

Robert E. Brown

President & CEO's Letter

Since becoming a public company, we have been very open that our vision is to become the global leader in loyalty management. In 2009, during one of the toughest economic periods in recent history, we stayed focused on strategic and operational execution. As a result, each of our businesses had a solid year, underscoring the stability and resiliency of our business model as they navigated through the recession. As well, we made significant progress towards achieving our vision with our acquisition of Carlson Marketing.

The year had many highlights. Aeroplan Canada launched a partnership with Rexall and Rexall Plus stores across Western Canada. With the addition of Rexall and Rexall Plus pharmacies to our growing roster of partners in Canada, which already includes Uniprix, Quebec's second largest retail pharmacy chain, Aeroplan now offers members the opportunity to earn miles at pharmacies in almost every province across the country. This is an important relationship for Aeroplan as it further expands the mileage accumulation offering in everyday spend categories, making it easier for our members to earn miles faster.

On the travel side, Aeroplan Canada welcomed TAM Airlines, Brussels Airlines and Continental Airlines, the world's fifth largest airline, to the program. We now have 33 airline partners that fly to more than one thousand destinations. Travel remains a focal element of our Canadian program and the addition of these three airlines further enhances the superior value proposition for our members.

Aeroplan Canada successfully renewed contracts with Avis, Hertz and Imperial Oil, announced the signing of an exclusive agreement with Astral Media Radio and broadened the Sobeys relationship. In addition, MSC Cruises was added as both an accumulation and a redemption partner. Aeroplan members can now earn miles when they book eligible MSC Cruises throughout the Mediterranean, Northern Europe, Caribbean, New England and Canada, in addition to transatlantic and positioning cruises.

And finally, in June 2009 Aeroplan Canada successfully transitioned Air Canada's call centre agents to become Aeroplan Canada employees, and in October 2009 reached an agreement with the CAW for a three-year collective agreement. This was a huge accomplishment and a job well done.

In Europe, our operations are showing resiliency in the face of a very severe global recession and the management team continues to successfully execute against its stated strategy.

One of the biggest accomplishments for Nectar in 2009 was the signing of an agreement with Homebase, the UK's second largest home improvement retailer. Persuading Homebase to replace its proprietary program, which was the fourth largest loyalty program in the UK, with Nectar in the midst of a deep recession was a significant achievement and highlights the value of Nectar's strong offering. The home improvement category is a key sector that Nectar members have been requesting and Homebase is an excellent brand fit as both a full accumulation and redemption partner. Launched last May, the partnership has proven to be

very successful. During the first nine months since launch, one in four of all UK households earned Nectar points at Homebase and more than 900,000 new Nectar members have signed up through Homebase stores. This represents an 8% increase in our active member base in the UK.

But success did not stop with signing on new partners. Nectar also made great progress increasing engagement with Sainsbury's, one of the top three grocery retailers in the UK.

Designed to engender the loyalty of its 18.5 million weekly customers, last year Sainsbury's launched a "coupons at till" initiative, its largest investment in customer loyalty since the launch of Nectar in 2002. Combining its point-of-sale information with valuable Nectar data collected on more than 70% of Sainsbury's turnover, coupons are being generated at the till that are specifically targeted at what Nectar cardholders actually buy. At the core of this initiative are the Nectar data and the power that having this data provides. The scheme provides both a great marketing channel for Nectar and an additional revenue stream for our data analytics business, LMG Insight & Communication (I&C).

A second initiative by Sainsbury's further underscores our grocery partner's commitment to the Nectar program. As part of its strategy to grow its financial consumer products business, in 2009 Sainsbury's started offering double Nectar points on Sainsbury's shopping for two years to customers who sign up for a selected Sainsbury's financial product. The financial impact of this for Nectar will be modest at first, however, it is our expectation that this initiative will be successful and Sainsbury's will add more products to the offering.

Through initiatives such as "coupon at the till" and the launch of double Nectar points for several of Sainsbury's financial products, the power of the Nectar program and its data capabilities are being used to attract new customers, to create a better shopping experience for the grocer's customer base, to increase revenue and to change consumer behavior and thereby ultimately improve margins. According to Justin King, the Chief Executive of Sainsbury's, "The Nectar loyalty program has proved increasingly important in a competitive market."

In addition to working with Sainsbury's, I&C was also busy expanding its network of CPG subscribers in 2009. Since launching its proprietary leading-edge Self Serve tool, I&C has built up extensive experience with customer driven assortment planning working with Sainsbury's and a number of leading brands and more than 100 well recognized consumer packaged goods companies in the UK, many of whom are subscribing to both our consumer insight and our communication services. This helped I&C reach breakeven in 2009. Building on its success with Sainsbury's, the I&C team is pursuing plans for its international expansion beyond the UK. They are hard at work and have submitted proposals to large retailers in many countries. We believe that Carlson Marketing's global footprint, including its significant presence in the U.S., will help to accelerate I&C's growth strategy. The collection, analysis and interpretation of valuable consumer data, which I&C specializes in, is the next major trend in loyalty and one that we expect will provide an important new revenue stream for Groupe Aeroplan in the future.

We are pleased with how each of our businesses withstood the challenging economy in 2009 and believe that we are well positioned for the future.

As a result of our strong operations, Groupe Aeroplan continued to generate surplus cash during last year's challenging economy and our well managed balance sheet allowed us to: (i) pay $100 million in dividends to holders of our common shares, (ii) complete two bond issues totaling $350 million, (iii) fund the initial start up launch costs of Nectar Italia, our newest coalition loyalty program, (iv) acquire Carlson Marketing, and (iv) maintain an investment grade rating. Subsequent to the end of 2009, we issued bonds for an additional $200 million. As well, we issued 6.9 million preferred shares for total net cash consideration of $167.3 million.

Our healthy balance sheet and strong liquidity position also enabled us to support Air Canada through a difficult period. As part of a much larger secured club loan we advanced $150 million to Air Canada. In consideration of our loan, which bears interest at a minimum annual rate of 12.75%, we received warrants to purchase equity, which will allow Aeroplan to benefit from any upside in the airline's recovery, and we were able to negotiate certain mutually beneficial changes to our commercial agreement with Air Canada. The airline is now focused on improving its ability to generate income in the current economic cycle and grow its business profitably on a sustainable basis.

Last year was also a very important year from a corporate social responsibility (CSR) perspective. In 2009, Groupe Aeroplan deepened its commitment to a CSR framework and I am very proud of what we achieved. The details of our commitment and progress are described in our CSR report which will be published in May 2010.

When I look back on last year, one of the things that I am most proud of is the fact that, even in the face of global economic challenges, the year ended with a fundamental strategic move: the acquisition of Carlson Marketing.

Carlson Marketing, one of the largest loyalty marketing companies, designs and runs loyalty programs for a broad range of clients around the world. Just as we do in our current core programs, Carlson Marketing provides a wide range of services to clients, spanning from strategy and planning, agency services such as award winning creative design, to reward fulfillment, customer service, analytics, and other value added services. Carlson Marketing also specializes in several niche areas of loyalty, including digital and interactive services. These are among the fastest growing areas in loyalty, and are important to the advancement of our core business.

We believe that Carlson Marketing is a pivotal acquisition for us and will provide an attractive return on invested capital. It broadens our loyalty capabilities and gives us access to a larger portion of the loyalty market. As well, the addition of Carlson Marketing substantially diversifies our revenue base and extends our geographical reach into many of the G20 countries that we were looking at prior to the acquisition, including the large U.S. market. Carlson Marketing truly rounds out and strengthens our loyalty offering bringing even more value to our respective clients through a vastly-expanded network of loyalty marketing capabilities, reward fulfillment and recognition services, more sector-specific loyalty marketing expertise, and decision science and data analytics. Since the acquisition, there has been no shortage of new business opportunities for our core businesses. We believe that the combined bench strength of Groupe Aeroplan and Carlson Marketing will improve our probability of success in the U.S. and other major markets around the world.

When we purchased Loyalty Management Group in 2007, we said that we wanted to leverage the experience of the management team in setting up coalition loyalty programs outside of the UK. Our greenfield coalition loyalty program in Italy, Nectar Italia, is the first such example of exporting that expertise and marks the next stage of our global expansion strategy. Nectar Italia was announced in 2009 and launched on March 1, 2010 with six key partners. Early signs of consumer engagement in the new program are promising.

Aeroplan has a majority 75% ownership in Nectar Italia with Oney Banque Accord owning the remaining 25%. Modeled after our successful Nectar coalition in the UK, Nectar Italia offers consumers the opportunity to earn points at approximately 5,000 retail outlets throughout Italy. Needless to say, we are in discussions with partners in other key sectors, including retail banking, telecom, home improvement and travel. We are really excited about the launch of Nectar Italia and look forward to announcing new partners over time. As

a G8 economy with nearly 60 million people, we believe Italy offers a significant untapped growth opportunity for Groupe Aeroplan. It supports our vision of being the global leader in loyalty management and is an important part of our long-term international growth strategy.

To accelerate our penetration of the European market, we have established a European Advisory Board, chaired by Richard Baker, the former Chief Executive of Alliance Boots. The advisory board assists and advises Groupe Aeroplan on how we can capitalize on growth opportunities for our loyalty programs across Europe and the international expansion of I&C. Our European Advisory Board also includes David Johnston, who assumed the position of President and Chief Executive Officer of Groupe Aeroplan Europe and Executive Vice President of Groupe Aeroplan at the beginning of 2010, and Ian Filby, a former Trading Director of Boots in the UK. Ian supported Groupe Aeroplan Europe as Interim Chief Executive Officer of Groupe Aeroplan Europe from July 2009 to the end of the year.

In 2010, we plan to invest in our core businesses, complete the strategic integration of Carlson Marketing and leverage our capabilities across our various businesses. At the same time, we will continue to look for ways to earn superior returns for our shareholders, possibly through greenfield projects similar to Nectar Italia, the expansion of I&C, small tuck-in acquisitions, minority investments in frequent flyer programs and share repurchases/special dividends.

I am excited about what I see for 2010 and the years beyond. Each one of our businesses is in a good strategic, competitive and financial position. We have a solid platform and strong management. And with the growing importance of consumer loyalty programs and the power of data in providing insight into consumer behaviour, I believe that as a leader in global loyalty management we are in a great position to benefit from this trend. The future looks bright for Groupe Aeroplan.

Sincerely,

Rupert Duchesne
President & CEO

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

Groupe Aeroplan earns income from its interest in Aeroplan Canada Inc. ("Aeroplan" or "Aeroplan Canada") the successor to the Partnership following the December 2008 reorganization and from its other subsidiaries in the U.S., Europe, the Middle East and the Asia Pacific region managed by its Carlson Marketing and Groupe Aeroplan Europe divisions. 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 March 3, 2010 and should be read in conjunction with the accompanying audited consolidated financial statements of Groupe Aeroplan for the year December 31, 2009 and 2008 and the notes therein.

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 March 3, 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

"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;

"Average Cost of Rewards per GALU" – means, for any reporting period, the cost of rewards for the period divided by the number of GA Loyalty Units 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;

"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;

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

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

"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.

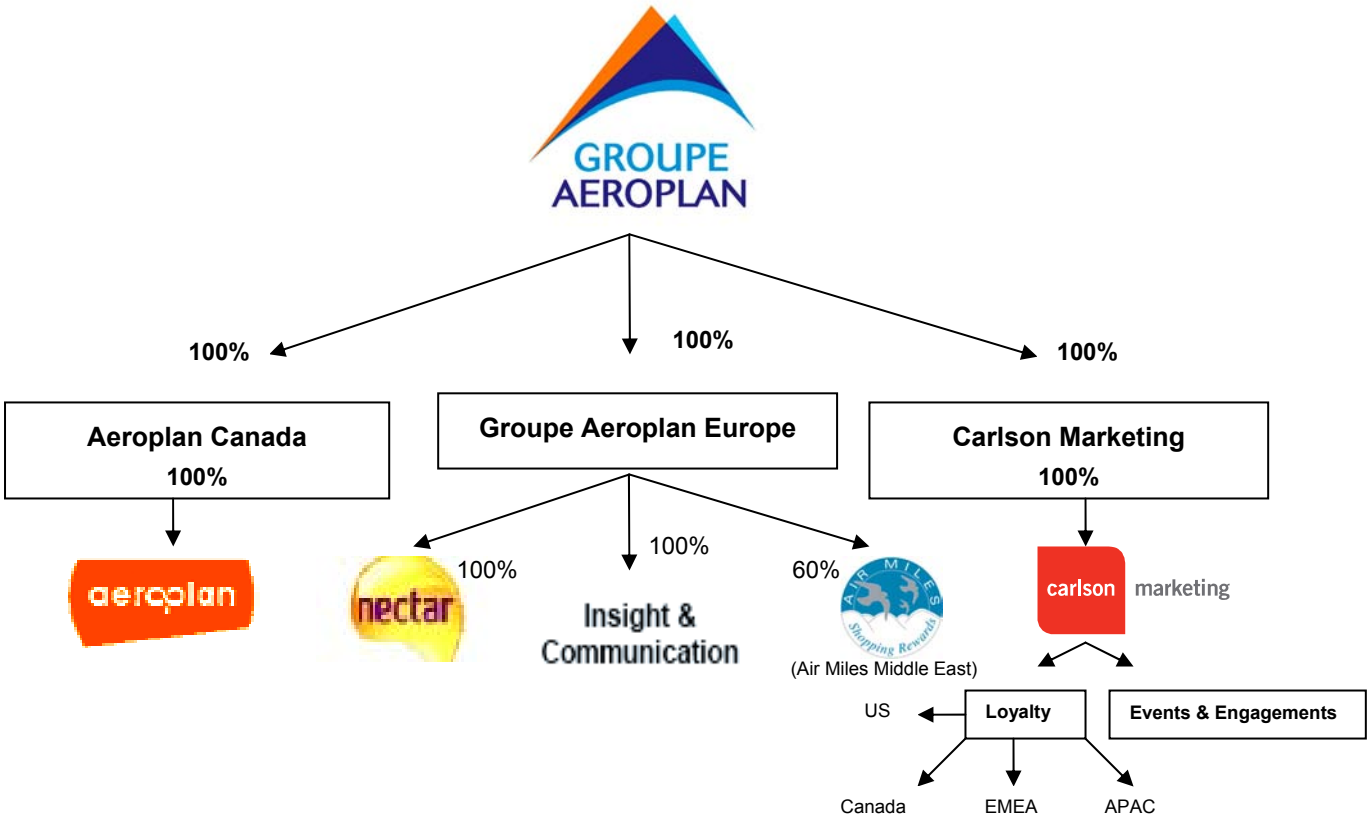
OVERVIEW

Groupe Aeroplan is a global leader in loyalty management and 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 December 31, 2009:



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

STRATEGY

Groupe Aeroplan's strategic vision and mission are:

To be the global leader in loyalty management; operating and servicing customer loyalty programs, providing exceptional insight into customer behaviour and delivering multi-channel communications to individual consumers.

Groupe Aeroplan intends to increase profitability by leveraging the Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe businesses, their strong market positions and strong base of members, partners and clients.

The strategy is executed through the following initiatives:

- enhancing the value proposition to our partners and clients;
- increasing member engagement in the loyalty programs we own and operate by providing new accumulation opportunities and offering a wider range of redemption opportunities;
- recruiting and activating new members for our programs by increasing brand and partnership awareness and continuously expanding and diversifying offered rewards and benefits;
- adding new travel-related and innovative value-added products, services and rewards to our membership;
- assisting our clients in evolving, growing and managing their proprietary loyalty programs to maximize the impact on their businesses; and
- developing and marketing new, innovative and value-adding loyalty marketing services to a wide range of clients worldwide.

We are also well positioned to capitalize on our strong proprietary brands and combined service offerings and to pursue expansion opportunities by:

- developing start-up customer loyalty programs in new geographic markets;
- seeking to acquire interests in existing frequent flyer programs and customer loyalty programs in new geographic markets;
- extending the range of services to loyalty program clients to enable them to fully leverage the data and customer insights generated through these programs and other loyalty related marketing activities; and
- pursuing investments in small strategic acquisitions.

PERFORMANCE INDICATORS

OPERATING INCOME

Revenue

Groupe Aeroplan derives its cash inflows primarily from the sale of GA Loyalty Units to Accumulation Partners. A key characteristic of the business is that the gross proceeds received for the sale of GALUs to partners, known as "Gross Billings", 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 derives service fees for managing Air Canada's tier membership program for its most frequent flyers. Other revenue, which consists of charges to members for various services, royalties earned with respect to the Air Miles trademark and loyalty industry related business know-how and expertise and analytical services to retailers and consumer packaged goods companies, is recognized when the services are performed or the royalties are earned.

Cost of Rewards and Operating Expenses

Cost of rewards consists of the cost to purchase airline seats or other products or services from Redemption Partners in order to deliver rewards chosen by members upon redemption of their 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.

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

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs ("Adjusted EBITDA"), is used by management to evaluate performance and to measure compliance with debt covenants. Management believes Adjusted EBITDA assists investors in comparing Groupe Aeroplan's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost.

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

Future Redemption Costs represent management's estimated future cost of rewards in respect of 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 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

Groupe Aeroplan operates in a relatively new industry with a limited number of industry players. As a result, there is limited availability of industry comparables and Productive Capacity benchmarks.

Capital Resources

Groupe Aeroplan generates sufficient cash flow internally to fund cash distributions, capital expenditures and to service its debt obligations. Management believes that Groupe Aeroplan's internally generated cash flows, combined with its ability to access 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.

Non-capital Resources

Groupe Aeroplan's critical non-capital resources are its brands, its strong member bases and related data, its relationships with Commercial Partners and clients, its technology and its employees.

Leading Market Position and Brands

Groupe Aeroplan's leading market position and strong brands make it highly attractive to existing and potential Commercial Partners and clients. Management believes that its brands are associated with an attractive base of consumers in terms of household income and spending habits.

Strong Bases of Members

Groupe Aeroplan benefits from growing bases of over 4 million and over 11 million active members in Canada and the U.K. respectively, with attractive demographics who have demonstrated a strong willingness to collect GA Loyalty Units over other loyalty program points.

Relationship with Commercial Partners

Groupe Aeroplan has relationships with numerous Commercial Partners, including leading financial services, travel services, retailers and consumer products and services companies. The terms of these contractual arrangements typically range from 2 to 5 years and are longer with Air Canada and certain financial services partners. Management believes that Commercial Partners benefit from members' sustained purchasing behaviour, which translates into a recurring flow of Gross Billings.

Long-Term Strategic Relationship with Air Canada

Aeroplan benefits from its unique strategic relationship with Air Canada and its affiliation with the strong Air Canada brand. Aeroplan benefits from a long-term commercial agreement for the purchase of seat capacity from Air Canada and Jazz Air Limited Partnership ("Jazz"), at attractive rates based on its status as Air Canada's largest customer. This is of great importance as travel continues to be one of the most sought after rewards under the Aeroplan Program. In addition, not only does Aeroplan have access to Air Canada's passengers for the purpose of acquiring new Aeroplan members, it also has access to Air Canada's most affluent customers through the management of its frequent flyer tier membership program. As an exclusive benefit, Aeroplan also has the ability to offer qualified members access to Air Canada's global network of Maple Leaf airport lounges.

In addition, Air Canada is one of Aeroplan's leading Commercial Partners purchasing a high volume of Aeroplan Miles yearly for the purpose of awarding Aeroplan Miles to its customers. Aeroplan is Air Canada's exclusive loyalty marketing provider based in Canada.

Large Base of Loyalty Marketing Clients Worldwide

Through the acquisition of Carlson Marketing, Groupe Aeroplan's international footprint now spans four continents and adds new presence and clients in the U.S., Canada, Europe, the Middle East and the Asia Pacific region, and in sectors as diverse as packaged goods, automotive, banking, transportation, telecommunications and retail. During the last three years, Carlson Marketing has delivered loyalty marketing solutions to more than 200 corporations, including some of the world's largest marketers.

Technology

Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe rely on a number of sophisticated systems in order to operate the contact centres, manage and analyze the member data bases and redeem rewards (directly and through the websites). Through the use of technology, Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe are able to increase operational efficiency, facilitate reward redemption for their members and offer value-added services to Commercial Partners and clients. In addition, analytical services to retailers and their suppliers can also be provided.

Employees

Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe benefit from a strong and experienced employee base, which is focused on driving growth and enhancing the franchises through value-added service offerings to members, Commercial Partners and clients.

ACQUISITION OF CARLSON MARKETING

On December 7, 2009, Groupe Aeroplan completed the acquisition of Carlson Marketing Inc., a privately-owned international marketing services, engagement and events provider headquartered in the United States, for a net purchase price of US$175.3 million ($188 million) including transaction costs of US$6.5 million ($6.8 million) and subject to certain working capital adjustments, which were estimated on the closing date of December 7, 2009 and later adjusted in January 2010 to reflect actual working capital amounts and amounted to US$76.0 million ($80.0 million), with US$11.7 million ($12.1 million), included in accounts payable and accrued liabilities remaining to be paid at December 31, 2009.

The acquisition of Carlson Marketing was financed with cash on hand and borrowings from Groupe Aeroplan's term and revolving credit facilities pursuant to the credit agreement entered into on June 12, 2009, as amended (the "Credit Agreement").

Concurrently with the acquisition, Groupe Aeroplan entered into a 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. Maximum annual payments under this agreement amount to US$31.8 million ($33.4 million).

Groupe Aeroplan's existing businesses and Carlson Marketing will continue to operate separately and independently. Carlson Marketing's businesses consist of its Loyalty Marketing Services division and its Engagement and Events division.

Loyalty Marketing Services

Carlson Marketing's Loyalty Marketing Services division designs, implements, operates and measures loyalty programs and complex brand initiatives. Its solutions and expertise enable marketers to retain and grow their most profitable customers. For many loyalty programs, Carlson Marketing develops and hosts branded websites and microsites. These sites are utilized for content delivery and as a platform for participants to access program information, rewards and merchandise catalogues. Carlson Marketing is distinguished by its end-to-end service offering, spanning strategy and planning, and by its services such as creative design, customer service, predictive modeling of customer behaviour and results measurement. By handling every aspect of clients' loyalty initiatives in-house, Carlson Marketing reduces the execution risk, coordination and cost to its clients.

Carlson Marketing has internal capability to segment consumers and develop tailored communications. In order to create a one-to-one connection between the brand and its consumers, Carlson Marketing employs statisticians and mathematicians to map distinct communication plans for specific consumer groups. Furthermore, Carlson Marketing utilizes purchase behaviour data, customer feedback and research surveys to help clients make better decisions about product mix, retail locations and customer service.

Carlson Marketing designs loyalty programs and brand initiatives for some of the world's best known brands in sectors including financial services, airline, automotive, high tech, consumer packaged goods and pharmaceutical.

Carlson Marketing is generally not responsible for underwriting its clients' loyalty programs and therefore does not have responsibility for such programs and accordingly does not record any liability for points issued and in terms of funding any required reserve. For those programs where Carlson Marketing holds funds for its clients in order to fund pre-paid cards when those cards are used, it is responsible for the redemption liability and consequently manages Breakage for that portion of its business.

The Loyalty Marketing Services division's footprint spans four continents and includes regional headquarters in Minneapolis, Toronto, London and Sydney, as well as presence in South America. It has 1,928 employees, located in 17 offices and is headquartered in Plymouth, Minnesota.

Engagement and Events

Carlson Marketing's Engagement and Events Business is a full-service meetings and events management operation which provides employee and channel incentive programs, and large scale event planning and fulfillment services, primarily to U.S. corporations both domestically and abroad. It creates events and corporate meetings that help clients recognize achievement, deliver information and educational content. The range of services provided by Carlson Marketing includes strategy and design, procurement, creative execution and services, as well as on-site registration, program management, awards fulfillment and customer service. The Engagement and Events Business has 246 employees and is headquartered in Plymouth, Minnesota.

As part of the acquisition agreement, Carlson Marketing has an optional three year license to the "Carlson Marketing" trademark. During the term of the license, the Carlson Marketing team will work with Groupe Aeroplan to re-brand the company with a mark that will emphasize the heritage, experience and innovation that Carlson Marketing brings to the Groupe Aeroplan family of companies.

Given the timing of the acquisition, a preliminary estimate of the purchase price allocation has been performed and, as permitted by Canadian accounting standards, the final valuation will be completed

during 2010. Due to the fact that the purchase price allocation has not been finalized, the fair value of assets acquired and liabilities assumed could differ from the amounts presented in the consolidated financial statements.

The table below details the preliminary purchase price allocation:

	December 7, 2009
	$
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)]	109,566
Future income taxes	(4,000)
	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 US 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 audited consolidated financial statements for year ended December 31, 2009, 2008 and 2007, and the related notes.

2009 HIGHLIGHTS

- Gross Billings of $1,363.0 million;
- Operating income of $163.8 million;
- Net income of $89.3 million;
- Earnings per share of $0.45;
- Cash flows from operations of $288.5 million;
- Adjusted EBITDA of $281.6 million;
- Adjusted net earnings of $181.8 million;
- Free cash flow of $165.0 million.

SELECTED ANNUAL INFORMATION AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW

(in thousands, except share/unit and per share/per unit information)				Year over year % Δ	
	2009	2008	2007 [g]	2009 over 2008	2008 over 2007
	$	$	$		
Gross Billings from the sale of GALUs	**1,363,010**	**1,420,548**	**952,165**	**(4.1)**	**49.2**
GALUs revenue	1,352,527	1,377,736	848,665	(1.8)	62.3
Other revenue	84,312	80,493	57,750	4.7	39.4
Total revenue	1,436,839	1,458,229	906,415	(1.5)	60.9
Cost of rewards	(893,415)	(859,082)	(540,061)	4.0	59.1
Gross margin	543,424	599,147	366,354	(9.3)	63.5
Selling, general and administrative expenses	(280,134)	(271,591)	(164,841)	3.1	64.8
Depreciation and amortization	(19,280)	(20,636)	(11,804)	(6.6)	74.8
Operating income before amortization of Accumulation Partners' contracts and technology	**244,010**	**306,920**	**189,709**	**(20.5)**	**61.8**
Depreciation and amortization	19,280	20,636	11,804	(6.6)	74.8
EBITDA [a]	**263,290**	**327,556**	**201,513**	**(19.6)**	**62.5**
Adjustments:					
Change in deferred revenue					
Gross Billings from the sale of GALUs	1,363,010	1,420,548	952,165		
GALUs revenue	(1,352,527)	(1,377,736)	(848,665)		
Change in Future Redemption Costs [b] (Change in Net GALUs outstanding x Average Cost of Rewards per GALUs for the period)	7,861	(51,202)	(52,916)		
Subtotal of Adjustments	18,344	(8,390)	50,584		
Adjusted EBITDA [a]	**281,634**	**319,166**	**251,737**	**(11.8)**	**26.8**
Net earnings (loss) in accordance with GAAP	**89,275**	**(965,210)**	**(4,819)**		
Weighted average number of shares (units)	199,443,084	199,392,420	190,023,236 [e]		
Earnings (loss) per share (unit)	0.45	(4.84)	(0.03)		
Net earnings (loss) in accordance with GAAP	**89,275**	**(965,210)**	**(4,819)**		
Amortization of Accumulation Partners' contracts and technology	80,246	87,838	-		
Subtotal of Adjustments (from above)	18,344	(8,390)	50,584		
Effective tax rate [c]	-33.1%	-0.38%	-		
Tax on adjustments at the effective rate	(6,077)	32	-		
Adjusted net earnings [d]	**181,788**	**274,970** [h]	**45,765**		
Adjusted net earnings per share (unit)	0.91	1.38 [h]	0.24		
Net earnings (loss)	89,275	195,490 [h]	(4,819)		
Earnings (loss) per share (unit)	0.45	0.98 [h]	(0.03)		
Cash flow from operations	**288,489**	**323,079**	**308,245**		
Maintenance Capital Expenditures	(23,469)	(22,558)	(16,325)		
Dividends / distributions	(99,988)	(122,981)	(173,000) [f]		
Free cash flow [d]	**165,032**	**177,540**	**118,920**	**(7.0)**	**49.3**
Total assets	5,217,992	5,017,720	6,118,340		
Total long-term liabilities	1,618,201	1,428,503	1,579,297		
Total dividends / distributions declared	99,988	108,983	168,000 [f]		
Total dividends per share / distributions declared per unit	0.50	0.55	0.84		

(a) 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.

(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.

(d) A non-GAAP measurement.

(e) Represents the weighted average number of units of the Fund.

(f) Distributions paid and declared in 2007 are those of the Partnership.

(g) Has been derived by adding the results of the Partnership prior to March 14, 2007 to the results of the Fund for the year.

(h) Excluding impairment charge.

SEGMENTED INFORMATION

At December 31, 2009, 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 and GALU information)	Year ended December 31,							
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Operating segments	**Aeroplan Canada**		**Groupe Aeroplan Europe**		**Carlson Marketing** *(c)*		**Consolidated**	
Number of Aeroplan Miles issued (in billions)	**81.0**	**84.1**	-	-			-	-
Number of Total Miles redeemed (in billions)	**68.2**	**67.0**	-	-			-	-
Number of Aeroplan Miles redeemed (in billions)	**65.4**	**62.8**	-	-			-	-
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Gross billings	993,295	1,025,184	369,715	395,364	-	-	1,363,010	1,420,548
GALU revenue	967,590	953,537	384,937	424,199	-	-	1,352,527	1,377,736
Other revenue	53,276	55,450	31,036	25,043	-	-	84,312	80,493
Total revenue	1,020,866	1,008,987	415,973	449,242	-	-	1,436,839	1,458,229
Cost of rewards	601,716	567,599	291,699	291,483	-	-	893,415	859,082
Gross margin	419,150	441,388	124,274	157,759	-	-	543,424	599,147
Selling, general and administrative expenses	182,563	175,383	97,571	96,208	-	-	280,134	271.591
Depreciation and amortization *(a)*	85,743	85,877	13,783	22,597	-	-	99,526	108,474
Impairment of long lived intangibles and goodwill	-	841,395	-	319,305	-	-	-	1,160,700
Adjusted EBITDA *(b)*	252,340	281,068	29,294	38,098			281,634	319,166
Earnings (loss) before income taxes	115,271	(699,004)	18,232	(269,845)	-	-	133,503	(968,849)
Additions to capital assets	16,052	14,464	7,417	8,094	-	-	23,469	22,558
Goodwill	1,675,842	1,676,108	282,689	299,894	109,566	-	2,068,097	1,976,002
Deferred revenue	1,667,957	1,641,626	238,076	267,846	65,599	-	1,971,632	1,909,472
Total assets	4,906,975	4,785,482	143,758	232,238	167,259	-	5,217,992	5,017,720

(a) Includes amortization of Accumulation Partners' contracts and technology.
(b) 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.
(c) Results of operations from the date of acquisition, December 7, 2009 to December 31, 2009 were not material.

(in thousands, except miles and GALU information)	Year ended December 31,					
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Geographic segments	**Canada**		**Rest of the World**		**Consolidated**	
Number of Aeroplan Miles issued (in billions)	**81.0**	**84.1**	-	-	-	-
Number of Total Miles redeemed (in billions)	**68.2**	**67.0**	-	-	-	-
Number of Aeroplan Miles redeemed (in billions)	**65.4**	**62.8**	-	-	-	-
	$	**$**	**$**	**$**	**$**	**$**
Gross billings	993,295	1,025,184	369,715	395,364	1,363,010	1,420,548
GALU revenue	967,590	953,537	384,937	424,199	1,352,527	1,377,736
Other revenue	53,276	55,450	31,036	25,043	84,312	80,493
Total revenue	1,020,866	1,008,987	415,973	449,242	1,436,839	1,458,229
Cost of rewards	601,716	567,599	291,699	291,483	893,415	859,082
Gross margin	419,150	441,388	124,274	157,759	543,424	599,147
Selling, general and administrative expenses	182,563	175,383	97,571	96,208	280,134	271.591
Depreciation and amortization [(a)]	85,743	85,877	13,783	22,597	99,526	108,474
Impairment of long lived intangibles and goodwill	-	841,395	-	319,305	-	1,160,700
Adjusted EBITDA [(b)]	252,340	281,068	29,294	38,098	281,634	319,166
Earnings (loss) before income taxes	115,271	(699,004)	18,232	(269,845)	133,503	(968,849)
Additions to capital assets	16,052	14,464	7,417	8,094	23,469	22,558
Goodwill	1,699,062	1,676,108	369,035	299,894	2,068,097	1,976,002
Deferred revenue	1,698,700	1,641,626	272,932	267,846	1,971,632	1,909,472
Total assets	4,833,446	4,785,482	384,546	232,238	5,217,992	5,017,720

(a) Includes amortization of accumulation partners' contracts and technology.
(b) A non-GAAP measurement, excluding the effect of the "Foreign Exchange" line of the Statement of Operations, as it reflects the impact of the currency swap.

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

(as a % of total revenue)	Year ended December 31, 2009 %	Year ended December 31, 2008 %
GALUs revenue	**94.1**	**94.5**
Other revenue	5.9	5.5
Total revenue	**100.0**	**100.0**
Cost of rewards	(62.2)	(58.9)
Gross margin	37.8	41.1
Selling, general and administrative expenses	(19.5)	(18.6)
Depreciation and amortization	(1.3)	(1.4)
Operating income before amortization of Accumulation Partners' contracts and technology	17.0	21.1

(as a % of gross billings)	Year ended December 31, 2009 %	Year ended December 31, 2008 %
Gross Billings from the sale of GALUs	**100.0**	**100.0**
GALUs revenue	99.2	97.0
Cost of rewards	(65.5)	(60.5)
Selling, general and administrative expenses	(20.6)	(19.1)
Operating income before amortization of Accumulation Partners' contracts and technology	17.9	21.6
Adjusted EBITDA	20.7	22.5
Adjusted Net Earnings	13.3	19.4
Free Cash Flow	12.1	12.5

YEAR ENDED DECEMBER 31, 2009 COMPARED TO YEAR ENDED DECEMBER 31, 2008

Gross Billings generated from the sale of GA Loyalty Units for the year ended December 31, 2009 amounted to $1,363.0 million compared to $1,420.5 million for the year ended December 31, 2008, representing a decrease of $57.5 million or 4.1%.

Groupe Aeroplan's ability to generate Gross Billings is a function of the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, which are in turn affected by general economic conditions. More specifically, for the year ended December 31, 2009, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

- Gross Billings generated from financial partners reflect a decline in average consumer spend per credit card, partly influenced by reduced business travel, but slightly offset by an increase in the number of active cards for the period;
- Gross Billings generated from retail partners were positively affected by the addition of a new Accumulation Partner in the UK and a full year of activity from a new grocery partner in Canada. Performance from the grocery sector continues to improve as consumers tend to cut back on their restaurant and external entertainment expenditures in favour of more at home entertaining, and offset by lower fuel prices and a decrease of discretionary spend.

Aeroplan Miles issued under the Aeroplan Program for the year ended December 31, 2009 decreased by 3.7% from the comparable period of the prior year. Aeroplan Canada experienced a reduction of $31.9 million in Gross Billings, driven by a decline in average consumer spend per active credit card offset by a slight increase in the number of active cards and by a marginal increase in retail activity.

Nectar Points issued under the Nectar Program for the year ended December 31, 2009, increased by 5.4% compared to the prior year.

Groupe Aeroplan Europe experienced a reduction of $25.6 million in Gross Billings primarily due to the decline of the £ sterling between the years ended December 31, 2008 and December 31, 2009, offset in part by an increase in the issuance of Nectar Points.

Gross Billings generated 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 year ended December 31, 2009 under the Aeroplan Program amounted to 68.2 billion compared to 67.0 billion for the year ended December 31, 2008, representing an increase of 1.2 billion or 1.8%. Of those 68.2 billion Total Miles (calculated on a first-in, first-out basis on a member account basis for air redemptions) redeemed for the year ended December 31, 2009, under the Aeroplan Program, 95.9% or 65.4 billion represented Aeroplan Miles with the balance being Air Canada Miles.

Redemption activity for the Nectar Program increased by 7.5% compared to the same period of 2008.

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 GALU, including Breakage, amounted to $1,352.5 million for the year ended December 31, 2009 compared to $1,377.7 million for the year ended December 31, 2008, representing a decrease of $25.2 million or 1.8%. This decrease is mainly attributable to:

- the effect of redemption activity on revenue recognition during the period of the following factors:
  - a higher proportion of Aeroplan Miles redeemed during the period, higher total redemption volume and a marginal increase in the cumulative average selling price of an Aeroplan Mile for a total of $35.9 million;
  - a greater number of Nectar and RMMEL Points redeemed during the period under the programs operated by Groupe Aeroplan Europe, together with an increase in the cumulative average selling price of Nectar and RMMEL Points, explaining an increase of $30.4 million; offset by
  - the negative impact of the fluctuation in the £ sterling of $34.4 million, related to the translation of foreign operations;

- revenue recognized from Breakage, after excluding the fair value adjustment related to the acquisition of Groupe Aeroplan Europe recorded during 2008, with offsetting variances between the Aeroplan and Nectar Programs (an increase under the Aeroplan Program and a decrease under the Nectar Program), netted to a negative variance of $23.2 million.

Other revenue, consisting primarily of member based revenues (charges to members for services rendered including the mileage transfer program, booking, change and cancellation fees), marketing fees, and other miscellaneous categories, amounted to $84.3 million for the year ended

December 31, 2009 compared to $80.5 million for year ended December 31, 2008, representing an increase of $3.8 million or 4.7%, mainly driven by increased activity in I&C.

Cost of rewards amounted to $893.4 million for the year ended December 31, 2009 compared to $859.1 million for the year ended December 31, 2008, representing an increase of $34.3 million or 4.0%. This increase is mainly attributable to the following factors:

Aeroplan Canada experienced a $34.1 million increase in cost of rewards resulting from:

- the increase in the proportionate allocation of total air redemptions of Aeroplan Miles, offset in part by a reduction in air redemption activity;
- a higher redemption cost per Aeroplan Mile redeemed totalling $11.7 million, mainly attributable to currency impacts affecting Star Alliance rewards, and longer itineraries of air rewards redeemed; partially offset by the discount, granted by Air Canada, in connection with the temporary acceleration of payments by Aeroplan to Air Canada, and a change in the product redemption mix; and
- a higher volume of non-air reward redemptions for the year ended December 31, 2009, representing $16.6 million.

Groupe Aeroplan Europe experienced a net marginal increase of $0.2 million in costs explained by:

- a favourable impact of the currency fluctuation relative to the £ sterling of $29.6 million offset partially by
- increased redemption activity, due to the high concentration of redemptions in the grocery sector, accounting for $29.8 million.

Gross margin was compressed by 3.3%, a direct result of the factors described above, and represented 37.8% of total revenue at the end of the year ended December 31, 2009.

Selling, general and administrative amounted to $280.1 million for the year ended December 31, 2009 compared to $271.6 million in 2008, representing an increase of $8.5 million or 3.1%. This is primarily attributable to a $7.2 million increase experienced by Aeroplan Canada due to the write down of certain technology developed jointly with Air Canada and no longer supported by Air Canada and provisions for doubtful accounts recorded during the fourth quarter, reflecting the difficult economic environment; corporate costs, and a $11.3 million increase by Groupe Aeroplan Europe related to the growth in marketing and I&C related headcount costs due to the launch of a new partnership in the important home renovation category and the set-up costs associated with Nectar Italia launched on March 1, 2010; offset by a $9.9 million currency related favourable variance recognized on the translation of the foreign operations.

Depreciation and amortization remained relatively stable at $19.3 million for the year ended December 31, 2009 compared to $20.6 million in the same period in 2008.

Amortization of Accumulation Partners' contracts and technology amounted to $80.2 million for the year ended December 31, 2009 compared to $87.8 million for the comparable period of 2008. Of the total decrease, approximately $4.9 million resulted from the reduced carrying amounts of Groupe Aeroplan Europe's finite life intangible assets, following the impairment charge recorded during the fourth quarter of 2008. The remaining balance is mostly explained by the currency related favourable variance, recognized on the translation of the foreign operations.

Operating income, excluding the amortization of Accumulation Partners' contracts and technology, referred to above, amounted to $244.0 million for the year ended December 31, 2009 compared to $306.9 million for the year ended December 31, 2008, representing a decrease of $62.9 million or 20.5%.

Net interest expense for the year ended December 31, 2009, consists of interest revenue of $17.9 million earned on cash and cash equivalents and short-term investments on deposit; offset by interest on long-term debt of $40.9 million on the borrowings described under *Credit Facilities and*

Long Term Debt, which includes $1.6 million of deferred financing costs written off as a result of the refinancing of the long-term debt, and other interest expense of $4.3 million, including net interest incurred on the currency swap of $4.1 million described under *Currency Swap*.

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

Net earnings include the effect of $42.2 million of current income taxes for Aeroplan Canada, which became a taxable corporation, following the conversion from an income fund on June 25, 2008. The increase in the effective tax rate on a year-over-year basis is explained by the fact that included in earnings for 2008, were certain non-taxable acquisition related adjustments in connection with the 2007 acquisition of LMG, combined with the fact that earnings accumulated until the date of conversion were not taxable in the Fund.

Adjusted EBITDA for the year ended December 31, 2009 amounted to $281.6 million or 20.7% (as a % of Gross Billings) while ***Adjusted Net Earnings*** amounted to $181.8 million or 13.3% (as a % of Gross Billings), compared to $319.2 million before the impairment charge, or 22.5% (as a % of Gross Billings) and $275.0 million or 19.4% (as a % of Gross Billings), respectively for the year ended December 31, 2008.

Free Cash Flow for the year ended December 31, 2009 amounted to $165.0 million compared to $177.5 million for the year ended December 31, 2008, mainly due to:

- a $34.6 million decrease in cash from operating activities period over period, consisting of a $0.1 million decline in net earnings, which were reduced in 2008 by the non-cash impairment charge, and an increase of $71.6 million in non-cash adjustments to earnings and working capital, compared to the year ended December 31, 2008, mainly attributable to the disbursement in 2008 and subsequent receipt during 2009 of $63.0 million from Air Canada, relating to the temporary acceleration of payment terms and its subsequent termination; an increase in accounts payable and accrued liabilities, reflecting the redemption seasonality and increased promotional activity by the major redemption partner in Groupe Aeroplan Europe ; and outstanding amounts payable related to the Carlson Marketing acquisition; and
- a $23.0 million reduction of dividends paid for the year ended December 31, 2009, compared to the same period of 2008, resulting from the conversion to a corporation on June 25, 2008.

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

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

Gross Billings generated from the sale of GA Loyalty Units for the three months ended December 31, 2009 amounted to $363.0 million compared to $364.4 million for the three months ended December 31, 2008, representing a decrease of $1.4 million or 0.4%.

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

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

Aeroplan Miles issued during the three month period remained relatively constant in comparison to the prior year. Aeroplan Canada experienced a reduction of $1.4 million in Gross Billings, driven by a decline in average consumer spend per active credit card partly offset by increased Air Canada activity, promotional activities by financial accumulation partners and by a slight increase in the number of active cards.

Nectar Points increased by 14.0%, mainly driven by a new Accumulation Partner and increased activity in the grocery sector. Groupe Aeroplan Europe experienced an increase of $9.7 million in Gross Billings, offset by a $9.8 million reduction resulting from the currency decline of the £ sterling between the fourth quarter of 2008 and the fourth quarter of 2009.

Gross Billings generated 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 quarter ended December 31, 2009 under the Aeroplan Program amounted to 15.9 billion compared to 14.5 billion for the quarter ended December 31, 2008, representing an increase of 1.4 billion or 9.7%. Of those 15.9 billion Total Miles (calculated on a first-in, first-out basis on a member account basis for air redemptions) redeemed during the quarter ended December 31, 2009, under the Aeroplan Program, 96.9% or 15.4 billion represented Aeroplan Miles issued under the Aeroplan Program with the balance being Air Canada Miles.

Redemption activity for the Nectar Program increased by 15.1% compared to the fourth quarter of 2008, 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 $401.2 million for the quarter ended December 31, 2009 compared to $409.6 million for the quarter ended December 31, 2008, representing a decrease of $8.4 million or 2.1%. This decrease is mainly attributable to:

- the effect of redemption activity on revenue recognition during the quarter of the following factors:
  - an increase in total redemption volume including a higher proportion of Aeroplan Miles redeemed during the quarter under the Aeroplan Program, accounting for $19.5 million and an increase in the cumulative average selling price of an Aeroplan Mile accounting for $1.1 million, for a total favourable variance of $20.6 million;
  - a higher number of Aeroplan Miles redeemed during the quarter under the programs operated by Groupe Aeroplan Europe, generating an additional $20.9 million; and
  - the negative impact of the fluctuation in the £ sterling of $16.1 million, related to the translation of foreign operations.
- revenue recognized from Breakage, after excluding the fair value adjustment related to the acquisition of Groupe Aeroplan Europe recorded during 2008, with offsetting variances between the Aeroplan and Nectar Programs (an increase under the Aeroplan Program and a decrease under the Nectar Program), netted to a negative variance of $29.4 million.

Other revenue amounted to $23.7 million for the quarter ended December 31, 2009 compared to $20.8 million for the quarter ended December 31, 2008, representing an increase of $2.9 million or 13.9%, 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 amounted to $277.3 million for the quarter ended December 31, 2009 compared to $252.2 million for the quarter ended December 31, 2008, representing an increase of $25.1 million or 10.0%. This change is mainly attributable to the following factors:

Aeroplan Canada experienced a $18.6 million increase in cost of rewards resulting from:

- an increase in air redemption activity including the proportionate allocation of total air redemptions of Aeroplan Miles issued under the Aeroplan Program, representing a total of $10.2 million;
- a higher redemption cost per Aeroplan Mile redeemed in the total amount of $4.3 million relating mostly to air; and
- a higher volume of non-air reward redemptions for the quarter, representing $4.1 million.

Groupe Aeroplan Europe experienced a $6.5 million increase in costs explained by:

- the positive impact of the currency fluctuation relative to the pound sterling of $13.1 million, offset by
- increased redemption activity accounting for the majority of the remaining $19.6 million, consistent with seasonality patterns and promotional activities undertaken by the major Redemption Partner.

Gross margin was compressed by 6.7%, a direct result of the factors described above, and represented 34.7% of total revenue at the end of the fourth quarter of 2009.

Selling, general and administrative amounted to $77.6 million for the quarter ended December 31, 2009 compared to $66.4 million in 2008, representing an increase of $11.2 million or 16.9%. This variance is mostly attributable to increased expenses of $7.7 million experienced by Aeroplan Canada due to the write down of certain technology developed jointly with Air Canada and no longer supported by Air Canada and provisions for doubtful accounts recorded during the fourth quarter, reflecting the difficult economic environment. Groupe Aeroplan Europe experienced an increase of $3.5 million, mostly attributable to increased costs associated to the set up of Nectar Italia,

offset by the favourable impact of currency fluctuations, recognized on the translation of foreign operations.

Depreciation and amortization amounted to $4.7 million and $6.5 million for the three months ended December 31, 2009 and 2008 respectively.

Amortization of Accumulation Partners' contracts and technology amounted to $20.0 million for the quarter ended December 31, 2009 compared to $19.8 million for the comparable period of 2008.

Operating income, excluding the amortization of Accumulation Partners' contracts and technology, referred to above, amounted to $65.2 million for the quarter ended December 31, 2009 compared to $105.2 million for the quarter ended December 31, 2008, representing a decrease of $40.0 million or 38.0%.

Net interest expense for the quarter ended December 31, 2009, consists of interest revenue of $6.6 million earned on cash and cash equivalents and short-term investments on deposit; offset by interest on long-term debt of $13.5 million on the borrowings described under *Credit Facilities and Long Term Debt,* and other interest expense of $0.1 million.

Foreign exchange in the comparative 2008 quarter represents currency fluctuations associated with the financing structure for the LMG investment, and are primarily attributable to gains or losses on internal debt financing offset by fluctuations in the value of the currency swap. In 2009, since the disposition of the currency swap, these currency fluctuations are no longer incurred.

Net earnings include the effect of $8.8 million of current income taxes for Aeroplan Canada, which became a taxable corporation, following the conversion from an income fund on June 25, 2008. The increase in the effective tax rate for the quarter is explained by the fact that included in earnings for the fourth quarter of 2008, were certain non-taxable acquisition related adjustments in connection with the 2007 acquisition of LMG and the impairment charge.

Adjusted EBITDA for the quarter ended December 31, 2009 amounted to $69.6 million or 19.2% (as a % of Gross Billings) while ***Adjusted Net Earnings*** amounted to $40.3 million or 11.1% (as a % of Gross Billings); compared to $80.6 million or 22.1% before the impairment charge (as a % of Gross Billings) and $84.7 million or 23.2% (as a % of Gross Billings), respectively for the quarter ended December 31, 2008.

Free Cash Flow for the quarter ended December 31, 2009, amounted to $79.2 million compared to $42.5 million for the quarter ended December 31, 2008, mainly as a result of:

- a $42.1 million increase in cash from operating activities quarter over quarter, mainly attributable to an increase in accounts payable and accrued liabilities, reflecting the fourth quarter's redemption seasonality and increased promotional activity by the major redemption partner in Groupe Aeroplan Europe; and outstanding amounts payable related to the Carlson Marketing acquisition; and
- a higher amount of capital expenditures of approximately $5.4 million for the fourth quarter of 2009, compared to the third quarter of 2008.

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

SUMMARY OF QUARTERLY RESULTS

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

(in thousands, except per share amounts)	2009				2008			
	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $
Gross Billings	**363,048**	**335,882**	**337,832**	**326,248**	**364,437**	**355,603**	**357,858**	**342,650**
GALUs revenue	401,202	303,181	312,400	335,744	409,552	313,319	317,579	337,286
Other revenue	23,650	19,467	21,115	20,080	20,780	21,635	19,149	18,929
Total revenue	**424,852**	**322,648**	**333,515**	**355,824**	**430,332**	**334,954**	**336,728**	**356,215**
Cost of rewards	(277,331)	(187,994)	(201,728)	(226,362)	(252,229)	(191,033)	(192,593)	(223,227)
Gross margin	147,521	134,654	131,787	129,462	178,103	143,921	144,135	132,988
Selling, general and administrative expenses	(77,606)	(67,761)	(68,626)	(66,141)	(66,426)	(71,027)	(69,627)	(64,511)
Depreciation and amortization	(4,722)	(4,494)	(5,127)	(4,937)	(6,494)	(4,472)	(4,998)	(4,672)
Operating income before amortization of Accumulation Partners' contracts and technology	65,193	62,399	58,034	58,384	105,183	68,422	69,510	63,805
Amortization of Accumulation Partners' contracts and technology	(19,967)	(20,079)	(20,485)	(19,715)	(19,836)	(22,636)	(22,688)	(22,678)
Operating income	45,226	42,320	37,549	38,669	85,347	45,786	46,822	41,127
Net earnings (loss)	**20,545**	**18,756**	**26,746**	**23,228**	**(1,073,752)** [(b)]	**34,956**	**31,454**	**42,132**
Adjusted EBITDA [(a)]	69,553	76,706	70,564	65,228 [(d)]	80,559 [(d)]	79,366 [(d)]	81,856 [(d)]	73,267 [(d)]
Adjusted net earnings [(a)]	40,319	45,405	52,254	44,551	84,661 [(c)]	63,229	60,822	69,971
Net earnings	**20,545**	**18,756**	**26,746**	**23,228**	**86,948** [(c)]	**34,956**	**31,454**	**42,132**
Earnings per share / unit	0.10	0.09	0.13	0.12	0.44 [(c)]	0.18	0.16	0.21
Free cash flow [(a)]	79,168	44,014	90,841	(48,991)	42,492	115,868	43,636	(24,456)
Earnings per share (unit), in accordance with GAAP – Groupe Aeroplan / Fund	0.10	0.09	0.13	0.12	(5.39)	0.18	0.16	0.21

(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 December 31, 2009, Groupe Aeroplan had $609.8 million of cash and cash equivalents, $4.2 million of restricted cash and $14.4 million of short-term investments, for a total of $628.4 million. Of this total amount approximately $427.4 million is invested in Bankers' Acceptances and term deposits maturing on various dates through to July 2010. 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)	**Year ended December 31,**	
	2009	**2008**
	$	**$**
Cash from operating activities	288,489	323,079
Cash from (used in) investing activities	161,265	(416,091)
Cash used in financing activities	(21,928)	(162,983)
Translation adjustment related to cash	(5,994)	(11,993)
Cash and cash equivalents, end of period	**609,848**	**188,016**

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 by operating and interest expenses.

Cash flows from operating activities generated cash of $288.5 million and $323.1 million for 2009 and 2008, respectively. Year over year fluctuations are primarily attributable to reduced income levels, excluding the impact of the 2008 impairment charge; a decline in Gross Billings; and increased income taxes incurred by the Canadian operations, as a result of the conversion to corporate status on June 25, 2008; offset, in part by a decrease in accounts receivable and an increase in accounts payable and accrued liabilities.

INVESTING ACTIVITIES

Groupe Aeroplan's investing activities for the year reflect the acquisition of Carlson Marketing, which was funded from cash on hand and borrowings under the credit facilities and Aeroplan's participation in the Air Canada Club Loan, as described under *Transactions with Air Canada*.

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

Capital expenditures for the year ended December 31, 2009, amounted to $23.5 million. Anticipated capital expenditures, which are primarily related to Maintenance Capital Expenditures associated with software development initiatives for fiscal 2010, are expected to approximate $40.0 million for the next twelve months.

FINANCING ACTIVITIES

For the year ended December 31, 2009, financing activities used cash of $21.9 million.

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

- On April 23, 2009 and April 30, 2009, Groupe Aeroplan issued Senior Secured Notes Series 1 in the principal amount of $175.0 million and $25.0 million, respectively. The proceeds from the notes issued were used to repay $200.0 million of the bridge facility.
- On June 12, 2009, Groupe Aeroplan concluded a refinancing of its credit facilities with its lending syndicate resulting in the settlement of the old credit facilities and new borrowings under the new credit facilities.
- On September 2, 2009, Groupe Aeroplan issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. The proceeds from the notes issued were used to repay $100.0 million of the bridge facility, $25.0 million of the term facility, with the remaining $25.0 million being used for general corporate purposes.
- On December 7, 2009, the revolving facility and term facility were amended to increase the maximum authorized borrowings under these facilities from $250.0 million and $275.0 million, respectively to $300.0 million for each of the facilities.

Cash used in financing activities was primarily related to the payment of dividends in the amount of $100.0 million, as well as the payment of financing and refinancing costs in the amount of $11.9 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.

LIQUIDITY

Subsequent to the year end, 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 next twelve months 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 Maintenance Capital Expenditures, will be funded from operations, available cash on deposit and, to the extent required, from the *Aeroplan Canada Miles Redemption Reserve*, where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

AEROPLAN CANADA MILES REDEMPTION RESERVE

In conjunction with the credit facilities concluded on June 29, 2005, and December 19, 2007, as refinanced on June 12, 2009, Aeroplan established the Aeroplan Canada Miles redemption reserve (the "Reserve") in connection with the Aeroplan Program. As at December 31, 2009, the Reserve amounted to $400.0 million and was included in cash and cash equivalents.

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

Subject to compliance with the provisions of the June 12, 2009 credit agreement, the Reserve may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations.

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

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

At December 31, 2009, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 43.2% 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 $1,226 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 December 31, 2009, after the application of the proceeds of the issuance of the Senior Secured Notes Series 2, $440.0 million had been drawn and $160.0 million remained committed and available.

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

	Authorized	Drawn at December 31, 2009	Drawn at December 31, 2008
	$	$	$
Revolving facility [(a)]	300,000	140,000	-
Term facility [(a)]	300,000	300,000	300,000
Bridge facility [(b) (c) (d)]	N/A	N/A	300,000
Acquisition facility	N/A	N/A	100,000
Senior Secured Notes Series 1 [(c)]	N/A	200,000	N/A
Senior Secured Notes Series 2 [(d)]	N/A	150,000	N/A
Prepaid interest [(e)]	-	(709)	(1,479)
Unamortized refinancing costs [(e)]	-	(9,183)	(1,552)
	600,000	780,108	696,969
Less: current portion	-	-	200,000
Total	600,000	780,108	496,969

(a) The revolving and term facilities mature on April 23, 2012, or earlier at the option of Groupe Aeroplan, without penalty, and depending on the 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%.

On December 7, 2009, the revolving facility and term facility were amended to increase the maximum authorized borrowings under these facilities from $250.0 million and $275.0 million respectively, to $300.0 million and $300.0 million respectively.

At December 31, 2009, amounts borrowed under the term and revolving facilities, were in the form of Bankers' Acceptances with a 30 day term and an effective interest rate of 3.9%.

Letters of credit: Groupe Aeroplan has issued irrevocable letters of credit in the aggregate amount of $12.7 million. This amount reduces the available credit under the revolving facility.

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

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

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

Each of the Senior Secured Notes Series 1 and 2 are secured by certain present and future undertakings, property and assets of the 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 and 2 are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries.

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

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

Ratio	Result	Test
Leverage	2.84	≤ 3.00 [(b)]
Debt service [(a)]	0.61	≤ 2.00 [(b)]
Interest coverage	10.18	≥ 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.

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

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

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.

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, and are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries. The proceeds from the notes issued were used to repay a portion of the term facility.

INCOME TAXES

Prior to June 25, 2008, immediately prior to converting to a corporation, the Fund, as a publicly traded income trust, qualified for special income tax treatment that permitted a tax deduction for distributions paid to unitholders. For taxation purposes, the Fund was considered a specified investment flow-through ("SIFT") entity and was to become subject to tax commencing January 1, 2011. For accounting purposes, the Fund computed future income tax based on temporary differences that were expected to reverse after 2010, at the tax rate expected to apply for those periods. The Fund was not subject to and did not recognize any current income taxes or future income tax assets or liabilities on temporary differences expected to reverse prior to 2011.

Effective June 25, 2008, upon conversion to a corporate structure, Groupe Aeroplan became subject to tax on taxable income earned from that date. Current income taxes recorded prior to June 25, 2008 relate to foreign operations of the subsidiary companies.

Groupe Aeroplan's provision for income taxes is made up as follows:

	December 31, 2009		December 31, 2008	
	%	$	%	$
Reconciliation of statutory tax rate:				
Income taxes expense (recovery) at Canadian statutory tax rate:	30.60	40,852	30.80	(298,405)
Adjusted for the effect of:				
Fund's earnings – distributed to unitholders and therefore not subject to tax	-	-	2.16	(20,879)
Permanent differences – goodwill impairment	-	-	(33.18)	321,509
Permanent differences – other	2.75	3,671	1.40	(13,748)
Foreign operations – subject to lower tax rates	(0.22)	(295)	(0.80)	7,884
Income tax expense (recovery), as reported in the consolidated statements of operations and effective tax rate	33.1	44,228	0.38	(3,639)

The future income tax assets and liabilities result from differences between the tax value and book value of the following items:

	December 31,	
	2009	2008
	$	$
Assets		
Eligible capital expenditures	172,541	190,613
Deferred revenues	20,887	36,004
Losses available for carry forward	30,466	23,107
Note receivable	2,381	3,522
Deferred transaction costs	1,404	2,513
Liabilities		
Accumulation Partners' contracts, customer relationships and trade names	(347,095)	(366,614)
Software and technology	(13,465)	(19,162)
Other	(10,358)	(4,572)
Net future income tax liabilities	**(143,239)**	**(134,589)**

The amounts recognized in the consolidated balance sheet consists of:

	December 31,	
	2009	2008
	$	$
Future income tax assets – Current	17,161	58,911
Future income tax liabilities – Non-Current	(160,400)	(193,500)
	(143,239)	(134,589)

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 December 31, 2009, 112.0 billion of those Air Canada Miles had been redeemed.

In the event that Air Canada is unable to meet its obligation, Aeroplan may be required to honour Air Canada's redemption obligation. Based on Aeroplan's current average redemption cost per mile, as calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience, such obligation would amount to approximately $3.6 million at December 31, 2009.

Also under the CPSA, Aeroplan is responsible for any redemption for air rewards of Air Canada Miles issued prior to January 1, 2002, in excess of the 112.4 billion Air Canada Miles. The maximum potential redemption cost of meeting this obligation, if all 10.3 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $94.9 million at December 31, 2009. While Aeroplan anticipates that a portion of the broken but unexpired Air Canada Miles will be redeemed, the actual number which will be redeemed is not determinable.

As a result, the total maximum potential redemption cost of meeting this obligation, which would be charged to costs of rewards when they are incurred, as the Air Canada Miles are redeemed over time, for the total outstanding and unbroken Air Canada Miles issued prior to January 1, 2002 is estimated to be $98.5 million at December 31, 2009.

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

AEROPLAN MILES ISSUED AFTER JANUARY 1, 2002

In addition, Groupe Aeroplan may be required to provide rewards to members for unexpired 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 $937.1 million at December 31, 2009. The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

On a consolidated basis, management estimates that a 1% change in Breakage would have a total impact on revenue and earnings before income taxes of $74.8 million for the period in which the

change occurred, with $61.8 million relating to prior years and $13.0 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 December 31, 2009, LMG has recorded in its accounts the net benefit of VAT input tax credits in the aggregate amount of £33.4 million ($56.5 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 December 31,

2009, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to $113.2 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, $50.0 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 27, 2009.

Air Canada is one of Groupe Aeroplan's largest Accumulation Partners, representing 18% and 17% of Gross Billings respectively for the years ended December 31, 2009 and 2008, respectively. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $210.5 million for 2009. Air Canada, including other Star Alliance partners, is Groupe Aeroplan's largest Redemption Partner. For the year ended December 31, 2009, 57% of total reported cost of rewards was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 57% for the year ended December 31, 2008.

On November 27, 2008, Aeroplan entered into an agreement with Air Canada to temporarily accelerate the contractual payment terms under the CPSA for air travel rewards purchased from Air Canada for the period from October 2008 to May 2009. On June 29, 2009, Aeroplan and Air Canada terminated the acceleration of payment terms agreement and Air Canada remitted to Aeroplan approximately $40.0 million to reverse amounts remaining on that date, related to accelerated payments previously disbursed.

CONTACT CENTRE EMPLOYEES

In accordance with the termination provisions of the General Services Agreement with Air Canada (the "GSA"), Aeroplan notified Air Canada of its plans to terminate the GSA, effective June 1, 2009. On November 27, 2008, Aeroplan delivered to Air Canada its formal six-month notice of termination of the

GSA and subsequently offered all agents continued employment as of June 1, 2009, in the same positions, unless, if eligible, they elect to return to Air Canada. On January 14, 2009 Aeroplan announced that it had come to a tentative three-year agreement with the CAW and Air Canada with respect to the transition of the contact centre employees from Air Canada to Aeroplan employment. The agreement included a detailed transition plan for affected employees in addition to a new labour contract. On January 28, 2009, Aeroplan announced that the tentative labour agreement had not been ratified and that all agents working in Aeroplan's contact centres in Vancouver and Montreal are being offered continued employment effective June 1, 2009 as per the original offer. On March 4, 2009, the CAW filed an application before the Canada Industrial Relations Board related to the transition of contact centre agents from Air Canada to Aeroplan to clarify certain issues relating to the transition.

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

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

As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. This past service cost obligation and 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

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

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

GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc. are also part of the syndicate of lenders. An aggregate of $600.0 million was made available 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. Aeroplan's portion of the Air Canada Club Loan is repayable in 16 consecutive quarterly instalments of $7.5 million commencing in August 2010 with the balance of $30.0 million due in July 2014. The Air Canada Club Loan bears interest at the greater of the bankers' acceptance rate plus 9.75%, or 12.75%.

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

Under the financing arrangement, Air Canada issued the lenders warrants to purchase Air Canada Class A or Class B variable voting shares. Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each, exercisable at any time and expiring in four years. At December 31, 2009, the warrants had a fair value of $0.5 million. In addition, Aeroplan was entitled to its *pro rata* share of additional warrants, representing up to an aggregate 5% of the total issued common stock of Air Canada at the time of issuance, in the event that Air Canada did not grant additional security over certain assets within 90 days of closing. 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.

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

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

SUMMARY OF CONTRACTUAL OBLIGATIONS

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

(in millions)	Total	2010	2011	2012	2013	2014	Thereafter
	$	$	$	$	$	$	$
Operating leases	61.7	14.7	12.5	10.1	8.4	4.9	11.1
Technology infrastructure and other	59.1	28.1	18.9	6.9	4.7	0.5	-
Marketing support and other	110.9	31.8	34.9	15.9	12.8	12.8	2.7
Long-term debt [(a)]	922.2	41.9	41.9	664.6	11.9	161.9	-
Purchase obligation under the CPSA	4,375.4	416.7	416.7	416.7	416.7	416.7	2,291.9
Total	**5,529.3**	**533.2**	**524.9**	**1,114.2**	**454.5**	**596.8**	**2,305.7**

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

Marketing support amounts represent maximum obligations in connection with the 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 December 31, 2009, Groupe Aeroplan complied with all such covenants.

CURRENCY SWAP

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

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

DIVIDENDS

During each of the four quarters of 2009, Groupe Aeroplan declared and paid quarterly cash dividends in the amount of $24,996,078 or $0.125 per common share. Dividends payable by Groupe Aeroplan to its shareholders are recorded when declared.

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

Quarterly dividends declared to shareholders of Groupe Aeroplan in 2009 were as follows:

Record date	2009	
	Amount	Amount per common share
	$	$
March	24,997	0.125
June	24,997	0.125
September	24,997	0.125
December	24,997	0.125
	99,988	**0.500**

Monthly distributions declared to unitholders of the Fund in 2008 for the period up to the date of conversion were as follows:

Record date	2008	
	Amount	Amount per Aeroplan Unit
	$	$
January	13,998	0.070
February	13,998	0.070
March	13,998	0.070
April	13,998	0.070
May	13,998	0.070
June	13,998	0.070
	83,988	**0.420**

In addition, during the fourth quarter of 2008, Groupe Aeroplan declared and paid a cash dividend of $24,996,078 or $0.125 per common share.

CAPITAL STOCK

At December 31, 2009, Groupe Aeroplan had 199,462,480 common shares issued and outstanding for an aggregate amount of $1,747.4 million. In addition, there were 1,791,525 stock options issued and outstanding under the Groupe Aeroplan Long-Term Incentive Plan.

EARNINGS (LOSS) PER SHARE

Groupe Aeroplan's earnings (loss) per share amounted to $0.45 and ($4.84) for the years ended December 31, 2009 and December 31, 2008, respectively.

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*). Management has identified the areas, discussed below, which it believes are the most subject to judgments, often requiring the need to

make estimates about the effects of matters that are inherently uncertain and may change significantly in subsequent periods.

The significant accounting policies are described in *Note 2* to the December 31, 2009 audited consolidated financial statements. The policies which Groupe Aeroplan believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

REVENUE RECOGNITION AND COST OF REWARDS

Groupe Aeroplan derives its cash inflows primarily from the sale of ”GA Loyalty Units” or “GALUs”, which are defined as the miles, points or other loyalty program reward units issued by Groupe Aeroplan’s subsidiaries under the respective programs operated by each of the entities, to its Accumulation Partners, which are referred to as Gross Billings. GA Loyalty Units issued for promotional purposes, at a discount or no value, are also included in Gross Billings at their issue price. These Gross Billings are deferred and recognized as revenue either upon the redemption of GA Loyalty Units by members or in accordance with the accounting policy for Breakage. Revenue recognized per GA Loyalty Unit redeemed is calculated, on a weighted average basis, separately for each program. Breakage represents the estimated GA Loyalty Units that are not expected to be redeemed by members. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. During 2008, management assisted by an independent expert finalized an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Groupe Aeroplan to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan will use an independent expert every two years to validate the robustness of the newly implemented Breakage tool. Changes in Breakage are accounted for at the reporting unit level as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Based on the results of the application of the model in 2009, incorporating the adjustments to the Breakage rates applicable to the respective programs, operated by each of the subsidiary entities, the consolidated weighted average estimated Breakage is 20% (2008: 17%). The increased rate is explained by the first-time application of the Breakage model to the programs operated by Groupe Aeroplan Europe in the Middle East, resulting in a change in the underlying Breakage rate of those programs, with no material financial impact. Breakage is recognized ratably over the estimated average life of a mile or point issued being 30 and 15 months for the Aeroplan and Nectar programs, respectively, which has been determined in a rational and systematic manner.

In limited circumstances, Groupe Aeroplan may sell GA Loyalty Units directly to members. Revenue from these sales to members is recognized at the time the member redeems GA Loyalty Units for rewards.

Cost of rewards representing the amount paid by Groupe Aeroplan to Redemption Partners is accrued when the member redeems the GA Loyalty Units.

Fees charged to Air Canada for the management of the frequent flyer tier membership program, for the management of the contact centre servicing the Aeroplan program and for marketing services are recognized when the services are rendered.

Other revenue consists of charges to members for services rendered to members including booking, change and cancellation fees, other miscellaneous amounts, marketing and Insight and Communication fees and royalties earned from the use of the Air Miles trademark and loyalty industry related business know how and expertise. Revenue from these sources is recognized when the service is performed.

ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, SOFTWARE AND TECHNOLOGY AND OTHER INTANGIBLES

Accumulation Partners' contracts, customer relationships, software and technology and other intangibles are considered long-lived assets with finite lives. Accumulation Partners' contracts and customer relationships are recorded at cost and are amortized using the straight-line method over their estimated lives, typically 5 - 25 years.

Other intangibles, which include the rights to use the Carlson Marketing trade name and non-competition restrictions agreed to by the vendor, pursuant to the acquisition agreement, are recorded at cost and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

Software and technology are recorded at cost and amortized using the straight-line method over 3 to 7 years. Software under development includes costs paid to third parties such as consultants' fees and other direct costs of development. Amortization will commence upon completion of development once the software is available for use.

Accumulation Partners' contracts, customer relationships, software and technology and other intangibles are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When such a situation arises, the future cash flows associated with the particular asset's use and disposition are compared to its carrying amount to determine if the carrying amount is recoverable. Any impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value.

TRADE NAMES AND GOODWILL

Trade names, which are considered intangible assets with indefinite lives, are recorded at cost, and are not amortized but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the trade names may be impaired. The impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount exceeds the fair value, the trade name is written down to its fair value.

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized. On an annual basis, a goodwill impairment test is performed. This test is carried out more frequently if events or changes in circumstances indicate that goodwill might be impaired. A ***"Step I"*** goodwill impairment test determines whether the fair value of a reporting unit exceeds the net carrying amount of that reporting unit as of the assessment date in order to assess if goodwill is impaired. If the fair value is greater than the net carrying amount, no impairment is necessary. In the event that the net carrying amount exceeds the fair value, a ***"Step II"*** goodwill impairment test must be performed in order to determine the amount of the impairment charge. Fair value of goodwill is estimated in the same way as goodwill is determined at the date of the acquisition in a business combination. That is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. To accomplish this step II test, the fair value of the reporting unit's goodwill must be estimated and compared to its carrying value. The excess of the carrying value over the fair value is taken as an impairment charge in the period.

For purposes of impairment testing, goodwill must be assigned and tested at the reporting unit level. From December 20, 2007 to December 7, 2009, Groupe Aeroplan had two reporting units, Aeroplan Canada and the European and Middle East unit consisting of Groupe Aeroplan Europe's operations, including Nectar, LMG Insight & Communication and Air Miles Middle East. On December 7, 2009 through the acquisition of Carlson Marketing, a third reporting segment, "Carlson Marketing" consisting of Carlson Marketing's loyalty operations in the U.S., Canada, the Middle East and the Asia Pacific region, and the Events and Engagements Business, was added.

INCOME TAXES

Groupe Aeroplan provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable

temporary differences between the financial statement values and the tax values of assets and liabilities, using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

CHANGES IN ACCOUNTING POLICIES

GOODWILL AND INTANGIBLE ASSETS

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

FINANCIAL INSTRUMENTS

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

The presentation amendments apply to reclassifications made on or after July 1, 2009, while disclosure amendments apply to annual financial statements for years ending after December 31, 2009.

Groupe Aeroplan has adopted the presentation amendments with no effect to the financial statements.

EMERGING ISSUES COMMITTEE ABSTRACT 173 "CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES" ("EIC – 173")

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

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 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 early part 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 restate the accounting of past business combinations;
- it will apply the requirements of IAS 23 *Borrowing Costs* prospectively from January 1, 2010;

Final decision on the application of the following elective exemptions is expected to be made in the first quarter of 2010:

- resetting the foreign currency translation account to nil; and
- resetting the unamortized actuarial gain or loss on post-employment benefit plans to nil.

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 first quarter of 2010.

Business Combinations (IFRS 3)

Although the Corporation expects to apply the IFRS 1 elective exemption not to restate prior business acquisitions, IFRS 3 *Business Combinations* will have an impact on the Corporation's financial statements as the unresolved contingent consideration related to the 2007 LMG acquisition will 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 will be recognized in the Corporation's statement of operations.

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 recognised 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 is currently analyzing its operations in order to determine the cash generating units to be used for the purpose of impairment testing. Models are being developed, which will be used for the impairment testing as required at the date of transition to IFRS.

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 recognised over the expected average remaining service period under Canadian GAAP. As a result of this difference, the unamortized past service cost of approximately $22 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.

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 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 will be analyzed in the first and 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.

CAPITAL DISCLOSURES

Groupe Aeroplan's capital consists of cash and cash equivalents, short-term investments, long-term debt and shareholders' equity (excluding accumulated other comprehensive income).

Groupe Aeroplan's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a return on investment to shareholders.

In managing its capital structure, Groupe Aeroplan monitors performance throughout the year to ensure anticipated cash dividends, working capital requirements and maintenance capital expenditures are funded from operations, available cash on deposit and, where applicable, bank borrowings. Groupe Aeroplan manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, Groupe Aeroplan may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

The total capital as at December 31, 2009 and December 31, 2008 is calculated as follows:

	December 31,	
	2009	2008
	$	$
Cash and cash equivalents	(609,848)	(188,016)
Short-term investments	(14,433)	(477,341)
Long-term debt (including current portion)	780,108	696,969
Shareholders' Capital	1,747,448	1,746,878
Contributed surplus	1,294,113	1,290,501
Deficit	(1,126,143)	(1,088,782)
Total capital	**2,071,245**	**1,980,209**

Groupe Aeroplan monitors capital using a number of financial metrics, including but not limited to:

- the leverage ratio, defined as debt to adjusted earnings before interest, taxes, depreciation and amortization, adjusted for changes in deferred revenue and future redemption costs (adjusted EBITDA);
- the debt service ratio, defined as debt to operating cash flows; and
- the interest coverage ratio, defined as adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

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

Ratio	Result	Test
Leverage	2.84	≤ 3.00 [(b)]
Debt service [(a)]	0.61	≤ 2.00 [(b)]
Interest coverage	10.18	≥ 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.

Groupe Aeroplan uses adjusted earnings before interest taxes depreciation and amortization ("EBITDA") and adjusted net earnings as a measurement to monitor operating performance. Free cash flow is used as an indicator of financial performance. These measures, as presented, are not recognized for financial statement presentation purposes under Canadian GAAP, and do not have a standardized meaning. Therefore, they are not likely to be comparable to similar measures presented by other public entities.

Groupe Aeroplan is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, under the terms of certain contractual obligations with a major Accumulation Partner, Groupe Aeroplan is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Groupe Aeroplan is in compliance with all such covenants.

In conjunction with the credit facilities concluded on June 29, 2005, and December 19, 2007, as refinanced on June 12, 2009, Groupe Aeroplan established the Reserve in connection with the Aeroplan Program, which at December 31, 2009 amounted to $400.0 million and is included in cash and cash equivalents and short-term investments. 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 upon

policies established by management. This internally imposed reserve, which was established as a matter of prudence, which subject to compliance with the provisions of the 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. To date, Groupe Aeroplan has not had to use the funds held in the Reserve. 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 operations.

For the next fiscal year, Groupe Aeroplan expects to invest approximately $40.0 million in Maintenance Capital Expenditures. Like past investments, these investments in Productive Capacity provide for the stability of Groupe Aeroplan's operations and the realization of cost efficiencies through new technology or process improvements. Investments to be made during 2010 are expected to build on Groupe Aeroplan's existing leadership advantage and appropriately position Groupe Aeroplan's future growth.

FINANCIAL INSTRUMENTS

Groupe Aeroplan's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, loan to Air Canada, note receivable, accounts payable and accrued liabilities, and long-term debt.

Groupe Aeroplan, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Groupe Aeroplan is exposed to fluctuations in interest rates with respect to cash and cash equivalents, restricted cash, short-term investments, and borrowings under the terms of the outstanding credit facilities, all of which bear interest at variable rates and are held or borrowed in the form of short-term deposits or Bankers' Acceptances.

Groupe Aeroplan invests the Reserve and excess cash on hand in instruments with similar terms to maturity as the underlying Bankers' Acceptances related to the credit facilities with an objective to mitigate the interest rate exposure.

At December 31, 2009, the interest rate risk profile of Groupe Aeroplan's interest bearing financial instruments was as follows:

	December 31,	
	2009	2008
	$	$
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	628,497	665,357
Credit facilities	(440,000)	(700,000)
Currency swap	-	68,526

For the year ended December 31, 2009, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments and credit facilities would not have a significant impact on earnings before income taxes.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2009, Groupe Aeroplan's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, loan receivable from Air Canada and note receivable.

In accordance with its investment policy, Groupe Aeroplan invests the Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper or corporate bonds with a minimum rating of R-1 (high) or AA (low), and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments and cash and cash equivalents is limited because the counterparties are banks with high credit-ratings, assigned by international credit-ratings agencies. At December 31, 2009, the Reserve and excess cash is invested in bankers' acceptances and overnight and term deposits.

With respect to accounts receivable, the loan to Air Canada and the note receivable, Groupe Aeroplan is exposed to a concentration of credit risk on the Accumulation Partners. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. Accordingly, Groupe Aeroplan is directly affected by the financial and operational strength of Air Canada. In order to manage its exposure to credit risk and assess credit quality, Groupe Aeroplan reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Groupe Aeroplan have been negligible.

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its recent public filings, Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results including risks related to the current economic environment, market volatility in the price of fuel, foreign exchange and interest rates and increased competitive pressures, as well as risks relating to restrictive terms under its financing, credit card processing and other arrangements. In an effort to mitigate its liquidity risks, Air Canada implemented during 2009 an extensive series of measures and financial initiatives, including the Air Canada Club Loan.

Given that Air Canada is in compliance with the covenants under the Club Loan, the loan is secured and Air Canada is not in default, the risk profile relative to this financial instrument remains unchanged since the time it was advanced.

LIQUIDITY RISK

Groupe Aeroplan's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on credit facilities. Groupe Aeroplan manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2009, Groupe Aeroplan had authorized credit facilities of $600.0 million and drawings of $440.0 million, maturing on April 23, 2012, against the facilities. Groupe Aeroplan also had authorized Senior Secured Notes in the amount of $350.0 million maturing at various dates through September 2, 2014. The credit facilities are provided by a syndicate that consists of fifteen institutional lenders. While it is Groupe Aeroplan's intention to renew or replace credit facilities as they come due, given the current credit market conditions, it is anticipated that such renewal or replacement may occur at terms that are less favorable than current terms. Groupe Aeroplan also had letters of credit totaling approximately $12.7 million at December 31, 2009 issued as security in the normal course of business.

At December 31, 2009, maturities of the financial liabilities are as follows:

(in millions)	Total	2010	2011	2012	2013	2014	Thereafter
	$	$	$	$	$	$	$
Long-term debt including interest	922,200	41,900	41,900	664,600	11,900	161,900	-
Accounts payable and accrued liabilities	373,821	373,821	-	-	-	-	-
Total	**1,296,021**	**415,721**	**41,900**	**664,600**	**11,900**	**161,900**	**-**

CURRENCY RISK

Groupe Aeroplan is exposed to currency risk on its foreign operations which are denominated in a currency other than the Canadian dollar, mainly the pound sterling, and as such, is subject to fluctuations as a result of foreign exchange rate variations.

At December 31, 2009, Groupe Aeroplan held net financial assets denominated in £ sterling of approximately £72.7 million. A 1% variance in the £ sterling foreign exchange rate would result in an approximate variance of $2.1 million in the net assets of Groupe Aeroplan.

FINANCIAL INSTRUMENTS – CARRYING AMOUNTS AND FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

	December 31,			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$		$	$
Financial assets				
Held for trading:				
Cash and cash equivalents, restricted cash and short-term investments	628,497	628,497	665,357	665,357
Loans and receivables:				
Accounts receivable	256,254	256,254	208,283	208,283
Loan receivable from Air Canada	150,000	150,000	-	-
Note receivable	59,179	59,179	59,007	59,007
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	373,821	373,821	235,408	235,408
Long-term debt	780,108	809,635	696,969	698,521
Derivatives				
Currency swap	-	-	68,526	68,526

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. The carrying amount of the note receivable approximates fair value based on discounted cash flows. The fair value of the borrowings of approximately $809.6 million is estimated as carrying value adjusted to remove unamortized transaction costs, since they bear interest at floating rates, and are typically drawn in the form of Bankers' Acceptances with a short-term maturity, and includes the quoted market value of the publically traded debt securities. The carrying amount of the currency swap was fair value, estimated on the amounts at which it could be settled, based on current market rates.

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheet as at December 31, 2009, classified using the fair value hierarchy described above:

	December 31, 2009		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Financial assets			
Held for trading:			
Cash and cash equivalents, restricted cash and short-term investments	628,497	-	-
Air Canada Warrants	1,100	-	-

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within Groupe Aeroplan have been designed to provide reasonable assurance that all relevant information is identified to the Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

An evaluation of the design and effectiveness of the operation of Groupe Aeroplan's disclosure controls and procedures has been conducted by management, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2009, Groupe Aeroplan's disclosure controls and procedures, as defined by National Instrument 52-109 –

Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of Groupe Aeroplan's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above. Based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting, as defined by National Instrument 52-109, was effective as at December 31, 2009.

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.

A new financial system was implemented at one of the Corporation's subsidiaries during 2009. This change had no material impact on the control environment.

There has been no change in Groupe Aeroplan's internal control over financial reporting that occurred during the year ended 2009 that has materially affected, or is reasonable likely to materially affect, Groupe Aeroplan's internal control over financial reporting.

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, excluding the effect of currency fluctuations, Groupe Aeroplan anticipates modest organic growth in Gross Billings in its legacy businesses, and with the acquisition of Carlson Marketing, in consolidated Adjusted EBITDA as well. However, Free Cash Flow levels are expected to be reduced, as a result of investments required to support future growth and the effect of non-recurring favourable items, which occurred in 2009.

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 million, with Adjusted EBITDA in the 6% to 8% range, before one time transition costs, which are estimated at US$15 million. The successful transition 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. These costs could increase by up to US$2 million per month, should the transition be delayed from the original timetable.

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.

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 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. The following section summarizes certain of the major risks and uncertainties that could materially affect our future business results going forward. The risks described below 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.

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Air Canada Liquidity Issues

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its recent public filings, Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results including risks related to the current economic environment, market volatility in the price of fuel, foreign exchange and interest rates and increased competitive pressures, as well as risks relating to restrictive terms under its financing, credit card processing and other arrangements. In an effort to mitigate its liquidity risks, Air Canada implemented during 2009 an extensive series of measures and financial initiatives, including the Air Canada Club Loan.

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

The bankruptcy or insolvency of Air Canada could lead to a loss by Aeroplan Canada of all or a portion of the $150.0 million advanced to Air Canada under the Air Canada Club Loan. It could also lead to a termination or renegotiation of the CPSA. Upon such a renegotiation, Aeroplan Canada may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aeroplan Canada would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan Canada would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers.

The bankruptcy or insolvency of Air Canada could also lead certain Accumulation Partners to attempt to renegotiate certain terms of their commercial relationships with Aeroplan. Depending on the results of any such negotiation, Aeroplan's gross proceeds from the sale of Aeroplan Miles could be negatively affected.

Dependency on Top Accumulation Partners and Clients

Groupe Aeroplan's top four Accumulation Partners were responsible for 82% of Gross Billings for the year ended December 31, 2009. Although the Carlson Marketing acquisition will result in increased revenue diversification, a decrease in sales of GA Loyalty Units to any significant Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings and revenue. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles

awarded per flight without Aeroplan's consent, which could result in a significant reduction in Gross Billings. There is no assurance that contracts with Groupe Aeroplan's principal Accumulation Partners will be renewed on similar terms, or at all when they expire.

Carlson Marketing's clients are generally able to reduce marketing spending or cancel projects on short notice at their discretion. It is possible that such clients could reduce spending in comparison with historical patterns, or they could reduce future spending. A significant reduction in marketing spending by Carlson Marketing's largest clients, or the loss of several large clients, if not replaced by new accounts or an increase in business from other clients, could adversely affect our marketing service revenues and impact Groupe Aeroplan's results of operations and financial condition.

Conflicts of Interest

Groupe Aeroplan's businesses provide services to a number of clients who are competitors in various industries. Our ability to retain existing, and attract new, Accumulation Partners and clients may be limited by perceptions of conflicts of interest arising out of other relationships. If we are unable to adequately manage multiple client relationships and avoid potential conflicts of interests, there could be an impact on our results of operations and financial condition.

Air Canada or Travel Industry Disruptions

Aeroplan members' strong demand for air travel creates a significant dependency on Air Canada in particular and the airline industry in general. Any disruptions or other material adverse changes in the airline industry, whether domestic or international, affecting Air Canada or a Star Alliance® member airline, could have a material adverse impact on the business. This could manifest itself in Aeroplan's inability to fulfill member's flight redemption requests or to provide sufficient accumulation opportunities. As a result of airline or travel services industry disruption, such as those which resulted from the terrorist attacks on September 11, 2001, or as might result from political instability, other terrorist acts or war, from epidemic diseases, or from increasingly restrictive security measures, such as restrictions on the content of carry-on baggage, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel. Consequently, members might forego redeeming miles for air travel and therefore might not participate in the Aeroplan Program to the extent they previously did which could adversely affect revenue from the Aeroplan Program. A reduction in member use of the Aeroplan Program could impact Aeroplan's ability to retain its current Commercial Partners and members and to attract new Commercial Partners and members.

Airline Industry Changes and Increased Airline Costs

Air travel rewards remain the most desirable reward for consumers under the Aeroplan Program. An increase in low cost carriers and the airline industry trend which has major airlines offering low cost fares may negatively impact the incentive for consumers of air travel services to book flights with Air Canada or participate in the Aeroplan Program. Similarly, any change which would see the benefits of Star Alliance® reduced either through Air Canada's, or, less importantly, another airline's withdrawal from Star Alliance® or its dissolution could also have a negative impact since Aeroplan's members would lose access to the existing portfolio of international reward travel. In addition, the growth or emergence of other airline alliance groups could have a negative impact on Aeroplan by reducing traffic on Air Canada and Star Alliance® member airlines.

The airline industry has been subject to a number of increasing costs over the last several years, including increases in the cost of fuel and insurance, and increased airport user fees and air navigation fees. These increased costs may be passed on to consumers, increasing the cost of redeeming Aeroplan Miles for air travel rewards. This may negatively impact consumer incentive to participate in the Aeroplan Program.

Retail Market/Economic Downturn

The markets for the services that Groupe Aeroplan's businesses offer may fail to expand or may contract and this could negatively impact growth and profitability. Loyalty and database marketing strategies are relatively new to retailers, and there can be no guarantee that merchants will continue to

use these types of marketing strategies. In addition, Gross Billings and marketing revenues are dependent on levels of consumer spend with Accumulation Partners and clients, and any slowdown or reduction in consumer activity may have an impact on our business.

Greater Than Expected Redemptions for Rewards

A significant portion of our profitability is based on estimates of the number of GA Loyalty Units that will never be redeemed by the member base. The percentage of GA Loyalty Units that are not expected to be redeemed is known as "Breakage" in the loyalty industry. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. During 2008, Management assisted by an independent expert developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Groupe Aeroplan to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan also seeks advice from an independent expert every two years to validate the robustness of the Breakage tool. Based on the results of the application of the model, incorporating the adjustments to the Breakage rates applicable to the respective programs operated by each of the Subsidiary entities, the consolidated weighted average estimated Breakage factor is 20%. Breakage is recognized rateably over the estimated average life of a mile or point issued being 30 and 15 months for the Aeroplan and Nectar Programs, respectively, which has been determined in a rational and systematic manner. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards become available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability.

Industry Competition

Competition in the loyalty marketing industry is intense. New and existing competitors may target Accumulation Partners, clients and members, as well as draw rewards from Redemption Partners. The continued attractiveness of Groupe Aeroplan's businesses will depend in large part on their ability to remain affiliated with existing Commercial Partners and clients or add new partners, that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. With respect to database marketing services, the ability to continue collecting detailed transaction data on consumers is critical in providing effective marketing strategies. Many of our current competitors may have greater financial, technical, marketing and other resources. We cannot ensure that we will be able to compete successfully against current and potential competitors, including in connection with technological advancements by such competitors.

Integration of Carlson Marketing

Prior to its acquisition by Groupe Aeroplan, Carlson Marketing was a subsidiary of Carlson Companies, Inc. As part of the Carlson Companies, Inc. group, Carlson Marketing's U.S. operations were integrated in Carlson Companies, Inc.'s administrative services platform, which includes accounting, human resources and payroll, information technology, consolidation, facilities and treasury (the "Transition Services"). As of December 7, 2009, Carlson Companies, Inc. and Groupe Aeroplan entered into a transition services agreement to facilitate the effective transition of Carlson Marketing from Carlson Companies, Inc. and its suppliers to Groupe Aeroplan and its suppliers. As such, the agreement provides that the Transition Services will continue to be provided to Carlson Marketing by Carlson Companies, Inc. and its suppliers on a transitional basis, in consideration of certain fees payable to Carlson Companies, Inc. under the agreement.

Groupe Aeroplan may experience difficulties or delays in integrating such Transition Services under its own and its suppliers' administrative, financial and information technology services platform. Should they occur, such difficulties or delays may have an adverse effect on the administrative functions of Carlson Marketing and may eventually have an adverse effect on the operations and financial performance of Carlson Marketing.

Supply and Capacity Costs

Costs may increase as a result of supply arrangements with Air Canada and other suppliers for our coalition loyalty programs. Aeroplan Canada may not be able to satisfy its members if the seating capacity made available to Aeroplan by Air Canada, Jazz Air LP and Star Alliance® member airlines or other non-air rewards from other suppliers are inadequate to meet their redemption demands at specific prices.

If, upon the renegotiation of the rates charged to Aeroplan under the CPSA which takes place every three years based on agreed-to metrics (with the next rate renegotiation scheduled for 2010) or upon the expiry of the CPSA, Aeroplan is unable to negotiate new rates or a replacement agreement with Air Canada on similarly favourable terms or if Air Canada sharply reduces its seat capacity, Aeroplan may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA or to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers on certain routes.

Unfunded Future Redemption Costs

In the coalition loyalty program model, Gross Billings are derived from the sale of GA Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a GALU is sold as most of the costs are incurred on the redemption thereof. Based on historical data, the estimated period between the issuance of GA Loyalty Unit and its redemption is currently 30 months for the Aeroplan Program and 15 months for the Nectar Program; however, Aeroplan and Nectar have no control over the timing of the redemption or the number of units redeemed. Aeroplan and Nectar currently use proceeds from Gross Billings (which are deferred for accounting purposes) in the fiscal year from the issuance of the unit to pay for the redemption costs incurred in the year. As a result, if Aeroplan or Nectar were to cease to carry on business, or if redemption costs incurred in a given year were in excess of the revenues received in the year from the issuance of the GA Loyalty Units, they would face unfunded Future Redemption Costs, which could increase the need for working capital and, consequently, affect the payment of dividends to Shareholders.

Failure to Safeguard Databases and Consumer Privacy

As part of our coalition loyalty programs and in connection with Carlson Marketing and the I&C business' activities, member databases are maintained for our programs and those of our clients. These databases contain member information including account transactions. Although we have established rigorous security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If we were to experience a security breach, our reputation may be negatively affected and an increased number of members in our loyalty programs may opt out from receiving marketing materials. The use of marketing services by partners and clients could decline in the event of any publicized compromise of security. Any public perception that we released consumer information without authorization could subject our businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members, clients and partners. In addition, any unauthorized release of member information, or any public perception that member information was released without authorization, could lead to legal claims from consumers or regulatory enforcement actions.

Consumer Privacy Legislation

The enactment of new, or amendments to existing, legislation or industry regulations relating to consumer privacy issues and/or marketing, including telemarketing, could have a material adverse impact on marketing services. Any such legislation or industry regulations could place restrictions upon the collection and use of information and could adversely affect our ability to deliver marketing services.

Changes to Loyalty Programs

From time to time we may make changes to our loyalty programs that may not be well received by certain segments of the membership and may affect their level of engagement. In addition, these members may choose to seek such legal and other recourses as available to them, which if successful, could have a negative impact on results of operations and /or reputation.

Seasonal Nature of the Business, Other Factors and Prior Performance

Aeroplan has historically experienced lower Gross Billings from the sale of Aeroplan Miles in the first and second quarters of the calendar year and higher Gross Billings from the sale of Aeroplan Miles in the third and fourth quarters of the calendar year. In addition, Aeroplan has historically experienced greater redemptions and therefore costs for rewards, in the first and second quarters of the calendar year and lower redemptions and related costs for rewards in the third and fourth quarters of the calendar year. This pattern results in significantly higher operating cash flow and margins in the third and fourth quarters for each calendar year compared to the first and second quarters. This pattern may however vary in future years as the degree of seasonality evolves over time.

Nectar's Gross Billings from the Nectar Program are seasonal with fourth quarter gross billings typically higher than the preceding quarters, as a result of the impact of Christmas shopping. Gross Billings for the other quarters are broadly similar. Redemption activity in the Nectar Program is more seasonal than Gross Billings. More than 40% of all redemptions for the Nectar Program take place during the fourth quarter, as a result of members redeeming for gifts and other rewards prior to Christmas. Consequently, operating results for any one quarter may not be necessarily indicative of operating results for an entire year.

Demand for travel rewards is also affected by factors such as economic conditions, war or the threat of war, fare levels and weather conditions. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

Regulatory Matters

Groupe Aeroplan's businesses are subject to several types of regulation, including legislation relating to banking and credit card systems, privacy, telemarketing, consumer protection, competition, advertising and sales, and lotteries, gaming and publicity contests.

During the month of March 2009, the Canadian Senate Standing Committee on Banking Trade and Commerce and the House of Commons Standing Committee on Industry, Science and Technology announced that it would study the credit card systems and their relative rates and fees including, among other things, credit cards' interchange rates. The committee proposed a code of conduct code in November 2009, which is subject to further review. While the government appears to have not made any recommendations on direct caps to interchange rates the ultimate outcome is not determinable, and any downward change in the credit cards' interchange rates could lead to a decrease in revenue for credit card companies and, as a result, could require Aeroplan to renegotiate certain agreements with certain of its credit and charge cards' partners. Changes to credit card regulation in Canada could have a significant impact on our operations and financial condition given the importance of Aeroplan Canada's relationships financial card providers.

An increasing number of laws and regulations pertain to the Internet. These laws and regulations relate to liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, taxation and the quality of products and services. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing.

In addition, Air Canada and several other Commercial Partners operate in the highly regulated airline industry. Changes in regulations affecting Groupe Aeroplan's businesses, Air Canada, the airline industry in general, or the implementation of additional limitations or adverse regulatory decisions

affecting such entities, may have a material adverse effect on Groupe Aeroplan's businesses, results from operations and financial condition.

Legal Proceedings

From time to time, Groupe Aeroplan becomes involved in various claims and litigation as a result of carrying on its business. Please see "*Guarantees (Off-Balance Sheet Arrangements) and Contingent Liabilities*". Our businesses are susceptible to various claims and litigation, including class action claims, in the course of operating their business or with respect to the interpretation of existing agreements. Any future claims or litigation could also have a material adverse effect on our business and results from operations.

Reliance on Key Personnel

Groupe Aeroplan's success depends on the abilities, experience, industry knowledge and personal efforts of senior Management and other key employees, including the ability to retain and attract skilled employees. The loss of the services of such key personnel could have a material adverse effect on our business, financial condition or future prospects. Groupe Aeroplan's growth plans may also put additional strain and demand on senior Management and key employees and produce risks in both productivity and retention levels. In addition, we may not be able to attract and retain additional qualified Management as needed in the future.

Labour Relations

Aeroplan Canada's contact center employees are unionized. The collective agreement for these employees is effective from November 15, 2009 and will expire November 14, 2012. No strikes or lock-outs may lawfully occur during the term of the collective agreement, nor during the negotiations of its renewal until a number of pre-conditions have been satisfied. There can be no assurance that the collective agreement will be renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Aeroplan Canada's contact center service or otherwise adversely affect the ability of Aeroplan Canada to conduct its operations, any of which could have an adverse effect on our business, results from operations and financial condition.

Pension Liability

The transfer of over 800 contact centre employees from Air Canada to Aeroplan Canada was fully effected on June 14, 2009. As part of the transfer of the employees, Aeroplan Canada 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. 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. The funding requirements of the defined benefit pension plan resulting from valuations of its assets and liabilities, depends on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from our current estimates and could require us to make contributions in the future and, therefore, could have a negative effect on our liquidity and results of operations.

Technological Disruptions and Inability to use Third-Party Software

Groupe Aeroplan's ability to protect the data and contact centres of our coalition loyalty programs and those of our clients against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any damage to data and contact centres, any failure of telecommunication links that interrupts operations or any impairment of the

ability to use licensed software could adversely affect the ability to meet our Commercial Partners', clients' and members' needs and their confidence in utilizing our services or programs in the future.

In addition, proper implementation and operation of technology initiatives is fundamental to the ability to operate a profitable business. We continuously invest in new technology initiatives to remain competitive, and our continued ability to invest sufficient amounts to enhance technology will affect our ability to operate successfully.

Failure to Protect Intellectual Property Rights

Third parties may infringe or misappropriate our trademarks or other intellectual property rights or may challenge the validity of trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. The actions that are taken to protect trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect intellectual property rights, trade secrets or determine the validity and scope of the proprietary rights of others. Groupe Aeroplan cannot ensure that we will be able to prevent infringement of intellectual property rights or misappropriation of proprietary information. Any infringement or misappropriation could harm any competitive advantage that we currently derive or may derive from proprietary rights. Third parties may assert infringement claims against our businesses. Any such claims and any resulting litigation could result in significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive to defend and could result in the diversion of time and resources. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

RISKS RELATED TO GROUPE AEROPLAN

Interest Rate and Currency Fluctuations

Groupe Aeroplan may be exposed to fluctuations in interest rates under its borrowings. Increases in interest rates may have an adverse effect on the earnings.

Prior to the acquisition of Carlson Marketing, our results were primarily sensitive to fluctuations in the Canada/U.S. dollar exchange rate and to the exchange rate from pound sterling (GBP) to Canadian dollars. Aeroplan Canada incurs expenses in U.S. dollars for such items as air, car rental and hotel rewards issued to redeeming Aeroplan members, while a substantial portion of its revenues are generated in Canadian dollars. A significant deterioration of the Canadian dollar relative to the U.S. dollar would increase the costs of Groupe Aeroplan. Substantially all of Groupe Aeroplan Europe's revenues and expenses are denominated in pounds sterling (GPB) rendering its results and their impact on Groupe Aeroplan's consolidated statements sensitive to fluctuations in the Canadian dollar exchange rate.

Further to the acquisition of Carlson Marketing, Groupe Aeroplan is subject to greater exposure to currency fluctuations given that Carlson Marketing's activities are principally located outside Canada, including the United States, Europe and the Asia Pacific region. Financial results are sensitive to the changing value of the Canadian dollar and foreign operations are sensitive to the fluctuations of other currencies, including the United States dollar, British pound sterling and the Australian dollar.

Leverage and Restrictive Covenants in Current and Future Indebtedness

The ability of Groupe Aeroplan to pay dividends, make distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the credit facilities). The degree to which Groupe Aeroplan is leveraged has important consequences to Shareholders, including: (i) that Groupe Aeroplan's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) that a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) that certain borrowings will be at variable rates of interest, which exposes Groupe

Aeroplan to the risk of increased interest rates; and (iv) that Groupe Aeroplan may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

In addition, the credit facilities contain a number of financial and other restrictive covenants that require Groupe Aeroplan to meet certain financial ratios and financial condition tests and limit the ability to enter into certain transactions. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities, including any possible hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of Groupe Aeroplan would be sufficient to repay in full that indebtedness.

Groupe Aeroplan may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Groupe Aeroplan is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Groupe Aeroplan's financial position, which may result in a reduction or suspension of payments of dividends to Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of Groupe Aeroplan to pay dividends.

Dilution of Shareholders

Groupe Aeroplan is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series for that consideration and on those terms and conditions as shall be established by the board of directors. The Shareholders have no pre-emptive rights in connection with such further issues. Groupe Aeroplan may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Groupe Aeroplan which may be dilutive.

Uncertainty of Dividend Payments

Payment of dividends are dependent upon operating cash flows generated by Subsidiaries of Groupe Aeroplan, financial requirements of Groupe Aeroplan and the satisfaction of solvency tests on the payment of dividends pursuant to the CBCA.

Level of Indebtedness – Refinancing Risk

The level of Groupe Aeroplan's indebtedness from time to time could impair Groupe Aeroplan's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Managing Growth

We regularly review potential acquisitions of businesses we believe may be complementary to ours. As part of any acquisition we conduct customary due diligence with the goal of identifying and evaluating material risks. Notwithstanding our review, we may be unsuccessful in identifying all such risks or realizing the intended synergies of any given acquisition and our results of operation and financial condition could be adversely impacted. In addition, our inability to effectively manage growth could have a material adverse impact on our business, operations and prospects.

Credit Ratings

Groupe Aeroplan has been assigned issuer credit ratings of BBB with a stable trend by DBRS and BBB− by S&P. The Notes have also been assigned credit ratings of BBB with a stable trend by DBRS and BBB– by S&P. There can be no assurance that the credit ratings assigned to Groupe Aeroplan and the Notes will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of the rating agencies at any time. The interest rate payable pursuant to Groupe Aeroplan’s credit facilities and the Notes will be subject to adjustment from time to time if any of DBRS or S&P downgrade (or subsequently upgrade) their ratings. Additionally, Groupe Aeroplan’s

access to capital markets could be adversely affected by changes to the debt credit ratings assigned by independent rating agencies such as DBRS and S&P.

ADDITIONAL INFORMATION

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

GROUPE AEROPLAN

Management's Report

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

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

March 3, 2010

(signed) "Rupert Duchesne"

RUPERT DUCHESNE

President and Chief Executive Officer

(signed) "David L. Adams"

DAVID L. ADAMS

Executive Vice President and Chief Financial Officer

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March 3, 2010

Auditors' Report

To the Shareholders of
Groupe Aeroplan Inc.

We have audited the consolidated balance sheets of Groupe Aeroplan Inc. as at December 31, 2009 and December 31, 2008 and the consolidated statements of operations, shareholders' equity, comprehensive income (loss) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express and opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2009 and December 31, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP[1]

[1] Chartered accountant auditor permit No. 15621

GROUPE AEROPLAN

Consolidated Statements of Operations

(in thousands of dollars, except share and per share amounts)		For the years ended December 31 2009	2008
Revenue	Note 2	$ 1,436,839	$ 1,458,229
Cost of rewards	Note 7	893,415	859,082
Gross margin		543,424	599,147
Operating expenses			
Selling, general and administrative		280,134	271,591
Depreciation and amortization		19,280	20,636
Amortization of accumulation partners' contracts and technology		80,246	87,838
		379,660	380,065
Operating income		163,764	219,082
Impairment of long lived intangible assets and goodwill	Note 10	-	(1,160,700)
Interest on long-term debt		(40,921)	(37,992)
Other interest expense		(4,254)	(13,697)
Interest income		17,879	26,759
Foreign exchange loss		(2,965)	(2,301)
Earnings (loss) before income taxes		133,503	(968,849)
Income tax (expense) recovery	Note 13		
Current		(42,228)	(23,129)
Future		(2,000)	26,768
Net earnings (loss) for the year		**$ 89,275**	**$ (965,210)**
Weighted average number of shares		**199,443,084**	**199,392,420**
Earnings per share			
Basic and fully diluted		**$ 0.45**	**$ (4.84)**

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

GROUPE AEROPLAN

Consolidated Balance Sheets

As at		December 31	December 31
(in thousands of dollars, except share and per share amounts)		2009	2008
Assets			
Current assets			
Cash and cash equivalents	Note 8	$ 609,848	$ 188,016
Restricted cash	Note 2	4,216	-
Short-term investments	Note 8	14,433	477,341
Accounts receivable		256,254	208,283
Loan receivable from Air Canada	Note 7	15,000	-
Inventories		16,346	-
Prepaid expenses		19,012	7,538
Future income taxes	Note 13	17,161	58,911
		952,270	940,089
Cash held in escrow, related to the acquisition of LMG	Note 4	45,835	48,485
Currency swap	Note 5	-	68,526
Loan receivable from Air Canada	Note 7	135,000	-
Note receivable	Note 6	59,179	59,007
Accumulation Partners' contracts and customer relationships	Notes 9 & 10	1,417,998	1,418,398
Property and equipment	Note 9	12,628	2,122
Software and technology	Notes 9 & 10	113,618	100,946
Trade names	Note 10	397,087	404,145
Other intangibles	Note 10	16,280	-
Goodwill	Note 10	2,068,097	1,976,002
		$ 5,217,992	**$ 5,017,720**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	Note 3	$ 373,821	$ 235,408
Income taxes payable		16,613	33,774
Deferred revenue	Note 14	1,293,939	1,171,438
Current portion of long-term debt	Note 11	-	200,000
		1,684,373	1,640,620
Long-term debt	Note 11	780,108	496,969
Future income taxes	Note 13	160,400	193,500
Deferred revenue	Note 14	677,693	738,034
		3,302,574	3,069,123
Shareholders' equity	Note 17	1,915,418	1,948,597
		$ 5,217,992	**$ 5,017,720**
Contingencies and commitments	Notes 12, 15 & 18		

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

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

GROUPE AEROPLAN

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 2009 and 2008

(in thousands of dollars, except share and per share amounts)			Retained Earnings (Deficit)				
		Share capital	Net earnings (loss) and other	Distributions / Dividends	Accumulated Other Comprehensive Income (loss)	Contributed Surplus	Total
Balance, December 31, 2007		**$ 3,248,075**		**$ (206,592)**	**$ -**	**$ 9,582**	**$ 3,051,065**
Net earnings for the period			73,586				73,586
Monthly distributions	Note 16			(83,988)			(83,988)
Redemption of 169 units tendered by unitholders	Note 17	(2)					(2)
Shares held by stock-based compensation plans	Note 17	(1,195)				(2,596)	(3,791)
Accretion related to initial long-term incentive plan	Note 17					430	430
Accretion related to other stock-based compensation plans	Note 17					1,656	1,656
Capital reduction pursuant to the Arrangement	Note 17	(1,500,000)	216,994			1,283,006	-
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries					2,457		2,457
Subtotal		(1,501,197)	290,580	(83,988)	2,457	1,282,496	(9,652)
Balance, June 25, 2008 (at time of conversion)		**$ 1,746,878**		**$ -**	**$ 2,457**	**$ 1,292,078**	**$ 3,041,413**
Net loss for the period			(1,038,796)				(1,038,796)
Quarterly dividends	Note 16			(24,997)			(24,997)
Accretion related to other stock-based compensation plans	Note 17					1,374	1,374
Shares granted under various employment contracts	Note 17					(2,951)	(2,951)
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries					(27,446)		(27,446)
Subtotal		-	(1,038,796)	(24,997)	(27,446)	(1,577)	(1,092,816)
				(1,063,793)	(24,989)		
Retained earnings and Accumulated other comprehensive income (loss)					(1,088,782)		
Balance, December 31, 2008		**$ 1,746,878**		**$ (1,063,793)**	**$ (24,989)**	**$ 1,290,501**	**$ 1,948,597**
Net earnings for the year			89,275				89,275
Quarterly dividends	Note 16			(99,988)			(99,988)
EIC-173 adjustment to currency swap	Note 2		(4,675)				(4,675)
Shares held by stock-based compensation plans	Note 17	570				(320)	250
Accretion related to other stock-based compensation plans	Note 17					3,932	3,932
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries					(21,973)		(21,973)
Subtotal		570	84,600	(99,988)	(21,973)	3,612	(33,179)
				(1,079,181)	(46,962)		
Retained earnings and Accumulated other comprehensive income (loss)					(1,126,143)		
Balance, December 31, 2009		**$ 1,747,448**			**$ (1,126,143)**	**$ 1,294,113**	**$ 1,915,418**

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

Consolidated Statements of Comprehensive Income (loss)

(in thousands of dollars, except share and per share amounts)	For the years ended December 31 2009	2008
Net earnings (loss) for the year	**$ 89,275**	**$ (965,210)**
Other comprehensive income (loss)		
Cumulative translation adjustment on consolidation of self sustaining foreign subsidiaries	(21,973)	(24,989)
	(21,973)	(24,989)
Comprehensive income (loss) for the year	**$ 67,302**	**$ (990,199)**

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

GROUPE AEROPLAN

Consolidated Statements of Cash Flows

(in thousands of dollars, except share and per share amounts)		For the years ended December 31 2009	2008
Cash flows from (used in)			
Operating activities			
Net earnings (loss) for the year		$ 89,275	$ (965,210)
Items not affecting cash			
Depreciation and amortization		99,526	108,474
Stock-based compensation		3,932	3,461
Impairment of long lived intangible assets and goodwill		-	1,160,700
Fair value of warrants related to the loan to Air Canada		(1,107)	-
Currency swap		7,221	(46,799)
Foreign exchange		(4,256)	49,100
Future income taxes		2,000	(26,768)
Accretion on note receivable		(3,574)	1,475
Changes in non-cash working capital items and deferred revenue			
Income taxes		(17,155)	29,953
Accounts receivable		45,164	7,732
Inventories		-	-
Prepaids expense		3,870	-
Accounts payable and accrued liabilities		40,985	(57,129)
Deferred revenue		10,483	42,812
Other		12,788	19,069
Funding of stock-based compensation plans		(663)	(3,791)
		199,214	1,288,289
		288,489	323,079
Investing activities			
Acquisitions of LMG and RMMEL, net of cash acquired and transaction costs related to the LMG acquisition		-	(39,553)
Acquisition of Carlson Marketing, net of cash acquired	Note 3	(181,801)	-
Change in short-term investments		461,735	(353,980)
Proceeds from currency swap	Note 5	54,800	-
Loan to Air Canada	Note 7	(228,657)	-
Repayment of loan by Air Canada	Note 7	78,657	-
Additions to property, equipment, software and technology		(23,469)	(22,558)
		161,265	(416,091)
Financing activities			
Quarterly dividends and monthly distributions	Note 16	(99,988)	(122,981)
Redemption of units		-	(2)
Refinancing costs	Note 11	(8,990)	-
Refinancing and borrowings of long-term debt	Note 11	940,000	-
Repayment of long-term debt	Note 11	(850,000)	(40,000)
Financing costs		(2,950)	-
		(21,928)	(162,983)
Net change in cash and cash equivalents		427,826	(255,995)
Translation adjustment related to cash		(5,994)	(11,993)
Cash and cash equivalents, beginning of period		188,016	456,004
Cash and cash equivalents, end of period		**$ 609,848**	**$ 188,016**
Interest paid		**$ 34,249**	**$ 68,989**
Income taxes paid		**$ 56,782**	**$ -**

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

1. STRUCTURE OF THE CORPORATION

Groupe Aeroplan Inc. (together with its direct and indirect wholly-owned subsidiaries, where the context requires, "Groupe Aeroplan" or the "Corporation") was incorporated on May 5, 2008 under the laws of Canada as a wholly-owned subsidiary of Aeroplan Income Fund (the "Fund"). The Corporation entered into an arrangement agreement dated May 8, 2008 with, among other parties, the Fund, pursuant to which the parties proposed to implement an arrangement under the *Canada Business Corporations Act* (the "Arrangement"). The Arrangement involved the exchange, on a one-for-one basis of units of the Fund for common shares of Groupe Aeroplan. As a result of the Arrangement, the holders of units of the Fund became the shareholders of Groupe Aeroplan, which became the sole owner of all outstanding Fund units. The effective date of the Arrangement was June 25, 2008. On December 29 and 30, 2008, Groupe Aeroplan completed the reorganization of its corporate structure, which began with the closing of the Arrangement on June 25, 2008. As a result of this reorganization, Aeroplan Limited Partnership (the "Partnership") was liquidated and dissolved and the Fund and Aeroplan Trust were wound-up.

The principal and head office of Groupe Aeroplan is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2. Groupe Aeroplan earns income from its interest in Aeroplan Canada Inc. ("Aeroplan" or "Aeroplan Canada", the successor to the Partnership following the December 2008 reorganization), a Canadian customer loyalty marketing company, and from its other subsidiaries in the U.S., Europe, the Middle East, and the Asia Pacific region managed by its Carlson Marketing and Groupe Aeroplan Europe divisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

PRINCIPLES OF CONSOLIDATION

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

REVENUE RECOGNITION AND COST OF REWARDS

Groupe Aeroplan derives its cash inflows primarily from the sale of "GA Loyalty Units" or "GALUs", which are defined as the miles, points or other loyalty program reward units issued by Groupe Aeroplan's subsidiaries under the respective programs operated by each of the entities, to its Accumulation Partners, which are referred to as Gross Billings. GA Loyalty Units issued for promotional purposes, at a discount or no value, are also included in Gross Billings at their issue price. These Gross Billings are deferred and recognized as revenue either upon the redemption of GA Loyalty Units by members or in accordance with the accounting policy for Breakage. Revenue recognized per GA Loyalty Unit redeemed is calculated, on a weighted average basis, separately for each program. Breakage represents the estimated GA Loyalty Units that are not expected to be redeemed by members. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. During 2008, management assisted by an independent expert finalized an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Groupe Aeroplan to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a continuous basis. Groupe Aeroplan will use an independent expert every two years to validate the robustness of the newly implemented Breakage tool. Changes in Breakage

are accounted for at the reporting unit level as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Based on the results of the application of the model in 2009, incorporating the adjustments to the Breakage rates applicable to the respective programs, operated by each of the subsidiary entities, the consolidated weighted average estimated Breakage is 20% (2008: 17%). The increased rate is explained by the first-time application of the Breakage model to the programs operated by Groupe Aeroplan Europe in the Middle East, resulting in a change in the underlying Breakage rate of those programs, with no material financial impact. Breakage is recognized ratably over the estimated average life of a mile or point issued being 30 and 15 months for the Aeroplan and Nectar programs, respectively, which has been determined in a rational and systematic manner.

In limited circumstances, Groupe Aeroplan may sell GA Loyalty Units directly to members. Revenue from these sales to members is recognized at the time the member redeems GA Loyalty Units for rewards.

Cost of rewards representing the amount paid by Groupe Aeroplan to Redemption Partners is accrued when the member redeems the GA Loyalty Units.

Fees charged to Air Canada for the management of the frequent flyer tier membership program, for the management of the contact centre servicing the Aeroplan program and for marketing services are recognized when the services are rendered.

Other revenue consists of charges to members for services rendered to members including booking, change and cancellation fees, other miscellaneous amounts, marketing and Insight and Communication fees and royalties earned from the use of the Air Miles trademark and loyalty industry related business know how and expertise. Revenue from these sources is recognized when the service is performed.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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.

EMPLOYEE FUTURE BENEFITS

Aeroplan Canada Contact Centre Employees

The cost of pension benefits earned by contact centre employees under the defined benefit pension plan is actuarially determined using the projected benefit method prorated on service, market interest rates, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement *(Note 12).*

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

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

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

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

Other Employees

Substantially all other Groupe Aeroplan employees, excluding the Aeroplan Canada contact centre agents, participate in the Corporation's various defined contribution pension plans, which provide pension benefits based on the accumulated contributions and fund earnings.

INCOME TAXES

Groupe Aeroplan provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and the tax values of assets and liabilities, using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse (*Note 13*).

DIVIDENDS

Dividends payable by Groupe Aeroplan to its common shareholders, which are determined at the discretion of the board of directors, are recorded when declared.

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Gains and losses are included in income for the year. Non-monetary assets, liabilities, revenues and expenses arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

FOREIGN OPERATIONS

All of Groupe Aeroplan's foreign operations are self sustaining. The assets and liabilities of foreign operations are translated at the rates of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the average rates for the year. Translation gains or losses are recognized and included in accumulated other comprehensive income.

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Under Groupe Aeroplan's practices, derivative financial instruments are used only for risk management purposes and are not entered into for speculative purposes.

Financial assets classified as held-for-trading are measured at fair value with changes in those fair values recognized in non-operating income. Financial assets classified as held-to-maturity, loans and receivables, or other financial liabilities, are measured at amortized cost using the effective interest method of amortization.

Groupe Aeroplan may, from time to time, enter into forward exchange contracts and currency swaps to manage the risk associated with acquisitions of foreign assets in order to mitigate the impact of currency fluctuations.

Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in non-operating income (expense) with the exception of derivatives designated as effective cash flow hedges. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized as part of the related item while the ineffective portion is recognized in non-operating income (expense). In connection with the acquisition of Loyalty Management Group Limited, ("LMG"), Aeroplan purchased derivative instruments consisting of forward contracts and a currency swap. The forward contracts were designated as an accounting hedge of the foreign currency exposure of the anticipated investment, with any changes in fair value were reflected in accumulated other comprehensive income and ultimately allocated to the purchase price of the acquisition. Subsequent to the acquisition date of LMG, the currency swap was not designated as a hedge for accounting purposes and was held as a trading instrument until it was disposed of in July 2009. Accordingly, all changes in the fair value of the currency swap were recognized in non-operating income as foreign exchange.

For financial instruments measured at amortized cost, transaction costs or fees, premiums or discounts earned or incurred are recorded, at inception, net against the fair value of the financial instrument. Interest expense is recorded using the effective interest method. For any guarantee issued that meets the definition of a guarantee pursuant to Accounting Guideline 14, Disclosure of Guarantees ("AcG-14"), the inception fair value of the obligation relating to the guarantee is recognized.

Groupe Aeroplan has classified its financial instruments as follows:

- cash and cash equivalents, restricted cash and short-term investments are classified as held-for-trading and any change in fair value is recorded through net income;
- accounts and note receivable and loan receivable from Air Canada are classified as loans and receivables and, are recorded at amortized cost;
- accounts payable and accrued liabilities, dividends payable, and long-term debt are classified as other financial liabilities and are recorded at amortized cost.

Comprehensive Income consists of Net Income and Other Comprehensive Income ("OCI"). OCI represents changes in Shareholders' equity during a period arising from transactions and other events with non-owner sources that are recognized in Comprehensive Income, but excluded from Net Income. Cumulative translation adjustments related to the conversion of the foreign subsidiaries to Canadian dollars are recognized in OCI.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds in current operating bank accounts, term deposits and fixed income securities with an original term to maturity of three months or less. The weighted average effective interest rate earned on investments held at December 31, 2009 was 0.3% (2008: 1.5%).

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

RESTRICTED CASH

Restricted cash represents amounts held in trust as required by statute for travel programs in Ontario and Québec, and contractual obligations requiring the segregation of cash for purposes of fulfillment obligations in connection with certain loyalty programs managed by Carlson Marketing. At December 31, 2009 restricted cash amounted to $4.2 million.

SHORT-TERM INVESTMENTS

Short-term investments consist of fixed income securities with an original term to maturity of less than one year and greater than three months. The weighted average interest rate earned on short-term investments held at December 31, 2009 was 0.3% (2008: 3.8%).

INVENTORIES

Inventories are stated at the lower cost and net realizable value. Cost is determined principally using average cost and specific identification methods. Inventories consist mainly of merchandise on hand required to fulfill redemptions for various loyalty and marketing programs managed by Carlson Marketing.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and amortized over their estimated useful lives, using the straight-line method, as follows:

Furniture, fixtures and equipment	3 to 10 years
Computer hardware	3 years
Leasehold improvements	Over the lesser of the term of the lease or 15 years

Property and equipment are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When such a situation arises, the future cash flows associated with the assets' use and disposition are compared to its carrying amount to determine if the carrying amount is recoverable. Any impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value.

ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, SOFTWARE AND TECHNOLOGY AND OTHER INTANGILBES

Accumulation Partners' contracts, customer relationships, software and technology and other intangibles are considered long-lived assets with finite lives. Accumulation Partners' contracts and customer relationships are recorded at cost and are amortized using the straight-line method over their estimated lives, typically 5 - 25 years.

Other intangibles, which include the rights to use the Carlson Marketing trade name and non-competition restrictions agreed to by the vendor, pursuant to the acquisition agreement, are recorded at cost and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

Software and technology are recorded at cost and amortized using the straight-line method over 3 to 7 years. Software under development includes costs paid to third parties such as consultants' fees and other direct costs of development. Amortization will commence upon completion of development once the software is available for use.

Accumulation Partners' contracts, customer relationships, software and technology and other intangibles are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When such a situation arises, the future cash flows associated with the particular asset's use and disposition are compared to its carrying amount to determine if the carrying amount is recoverable. Any impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value.

TRADE NAMES AND GOODWILL

Trade names, which are considered intangible assets with indefinite lives, are recorded at cost, and are not amortized but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the trade names may be impaired. The impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount exceeds the fair value, the trade name is written down to its fair value.

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized. On an annual basis, a goodwill impairment test is performed. This test is carried out more frequently if events or changes in circumstances indicate that goodwill might be impaired. A ***"Step I"*** goodwill impairment test determines whether the fair value of a reporting unit exceeds the net carrying amount of that reporting unit as of the assessment date in order to assess if goodwill is impaired. If the fair value is greater than the net carrying amount, no impairment is necessary. In the event that the net carrying amount exceeds the fair value, a ***"Step II"*** goodwill impairment test must be performed in order to determine the amount of the impairment charge. Fair value of goodwill is estimated in the same way as goodwill is determined at the date of the acquisition in a business combination. That is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. To accomplish this step II test, the fair value of the reporting unit's goodwill must be estimated and compared to its carrying value. The excess of the carrying value over the fair value is taken as an impairment charge in the period (*Note 10*).

For purposes of impairment testing, goodwill must be assigned and tested at the reporting unit level. From December 20, 2007 to December 7, 2009, Groupe Aeroplan had two reporting units, Aeroplan Canada and the European and Middle East unit consisting of Groupe Aeroplan Europe's operations, including Nectar, LMG Insight & Communication and Air Miles Middle East. On December 7, 2009 through the acquisition of Carlson Marketing, a third reporting segment, "Carlson Marketing" consisting of Carlson Marketing's loyalty operations in the U.S., Canada, the Middle East and the Asia Pacific region, and the Events and Engagements Business, was added.

STOCK-BASED COMPENSATION PLANS

Employee Share Purchase Plan

On January 1, 2006, an ownership purchase plan was established allowing eligible employees to invest up to 5% of their salary for the purchase of Fund Units. Upon the Fund's conversion to a corporation, the plan was amended to allow for the purchase of Groupe Aeroplan common shares on the secondary market. The corporate yearly contribution, which is based on performance, is measured as a function of performance metrics, compared to targets, as established by the board of directors from time to time and will range between 33.33% and 100% of the employee contributions depending on whether such targets are met or exceeded by at least 15%, is charged to earnings as compensation expense over the performance period, based on the estimated annual performance.

On-Going Long-Term Incentive Plan

Under the terms of the Groupe Aeroplan On-Going Long-Term Incentive Plan, eligible employees were entitled to yearly Groupe Aeroplan share grants determined on the basis of a percentage of their annual base salary. The shares, which are held in a trust for the benefit of the eligible employees, vest

at the end of a three year period (the "Performance Cycle"), commencing January 1 of the year in respect of which they are granted, subject to achieving distributable cash targets, established by the board of directors for the Performance Cycle. Groupe Aeroplan purchases the shares on the secondary market, which are accounted for as an acquisition of treasury shares. Dividends declared by Groupe Aeroplan on any shares granted under this plan, may be invested in additional shares, which will vest concurrently and proportionately with the shares granted. Forfeited shares and accumulated dividends thereon accrue to Groupe Aeroplan. The trust is a VIE entity with respect to Groupe Aeroplan, and as such, it is consolidated with Groupe Aeroplan's financial statements. The fair value of Groupe Aeroplan's shares, at the grant date is charged to earnings as compensation expense over the vesting period, with a corresponding increase to equity. Groupe Aeroplan's cost of the shares held is presented as a reduction of share capital. Estimated compensation costs relative to this plan are accrued on the basis of actual performance relative to targets. Effective June 25, 2008, the On-Going Long-Term Incentive Plan was replaced by the Groupe Aeroplan Inc. Long-Term Incentive Plan.

Omnibus Plan

The Omnibus Compensation and Incentive Plan was established in order to attract and/or retain employees. Vesting conditions vary at the time of grant but are typically time and performance based, with shares, which are held in a trust for the benefit of the eligible employees, vesting three years after the grant. Groupe Aeroplan purchases the shares on the secondary market, which are accounted for as an acquisition of treasury shares. Dividends declared by Groupe Aeroplan on any shares granted under this plan, may be invested in additional shares, which will vest concurrently with the shares granted. Forfeited shares and accumulated dividends thereon accrue to Groupe Aeroplan. The trust is a VIE with respect to Groupe Aeroplan, and as such, it is consolidated with Groupe Aeroplan's financial statements. The fair value of Groupe Aeroplan's shares, at the grant date, is charged to earnings as compensation expense over the vesting period, with a corresponding increase to equity. Groupe Aeroplan's cost of the shares held is presented as a reduction of shareholders' capital. Effective June 25, 2008, except for remaining commitments to certain individuals, the Omnibus Plan was replaced by the Groupe Aeroplan Inc. Long-Term Incentive Plan.

Deferred Share Unit Plan

The Deferred Share Unit Plan (the "DSU Plan") has been established for compensation of directors and designated employees of Groupe Aeroplan. Directors of Groupe Aeroplan are automatically eligible to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the board of directors.

Vesting conditions may be attached to DSUs at the board of directors' discretion. To date, DSUs granted to designated employees vest over 4 years, while those granted to directors vest immediately. DSUs are paid out in cash upon termination of service.

Upon termination of service, DSU Plan participants are entitled to receive for each DSU credited to their account the payment in cash of the value on the date of termination of service of a Groupe Aeroplan common share and accrued dividends from the time of grant.

The fair value of DSUs, at the date of grant to DSU Plan participants is recognized as a compensation expense over the vesting period, with a credit to accounts payable and accrued liabilities. In addition, the DSUs are fair valued at the end of every reporting period.

Long-Term Incentive Plan

The Groupe Aeroplan Inc. Long-Term Incentive Plan (the "Plan"), which upon the Fund's conversion to a corporation effectively replaced the Initial Long-Term Incentive, the On-Going Long-Term Incentive, and Omnibus Plans, was established to provide an opportunity for officers, senior executives and other employees of Groupe Aeroplan and its subsidiaries to participate in the growth and development of Groupe Aeroplan. Under the Plan, stock options or performance share units ("PSUs") may be

granted to eligible employees. The aggregate number of shares that may be issued under the Plan, at any time, may not exceed five percent of the issued and outstanding Groupe Aeroplan common shares. The vesting conditions of options and PSUs issued under the Plan, may include time and performance criteria, and are determined at the time of grant. In the case of options, the option term cannot exceed ten years, whereas the vesting period of PSUs shall end no later than December 31 of the calendar year which is three years after the calendar year in which the award is granted. The fair value of stock options and PSUs, at the date of grant to the eligible employees, is recognized as compensation expense and a credit to contributed surplus on a straight-line basis over the applicable vesting period.

EARNINGS PER SHARE

Earnings per share are calculated on a weighted average number of shares outstanding basis. Shares held under the various stock-based compensation plans reduce the weighted average number of Groupe Aeroplan's outstanding shares from the date they are contributed into the respective plans.

CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets

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

Financial Instruments

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

The presentation amendments apply to reclassifications made on or after July 1, 2009, while disclosure amendments apply to annual financial statements for years ending after December 31, 2009 *(Note 21).*

Groupe Aeroplan has adopted the presentation amendments with no effect to the financial statements.

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

On January 1, 2009, Groupe Aeroplan adopted EIC–173, which requires the Corporation to consider its own credit risk and the credit risk of the counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC–173, which has been applied on a retrospective basis without restatement of prior periods on the adoption date and has affected the fair value determination of the currency swap (*Note 5*), has resulted in a $4.7 million charge to retained earnings, net of a $1.8 million tax effect.

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.

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

Concurrently with the acquisition, Groupe Aeroplan entered into a 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. Maximum annual payments under this agreement amount to US$31.8 million ($33.4 million).

Given the timing of the acquisition, a preliminary estimate of the purchase price allocation has been performed and, as permitted by Canadian accounting standards, the final valuation will be completed during 2010. Due to the fact that the purchase price allocation has not been finalized, the fair value of assets acquired and liabilities assumed could differ from the amounts presented in the consolidated financial statements.

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

The table below details the preliminary purchase price allocation:

	December 7, 2009
	$
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)]	109,566
Future income taxes	(4,000)
	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 US is not tax deductible.

4. CASH HELD IN ESCROW

Cash held in escrow, in the amount of $45.8 million (£27.1 million), represents contingent consideration related to the December 2007 acquisition of LMG. In the event that the VAT litigation is decided in favour of Groupe Aeroplan, this contingent consideration will be distributed to the former shareholders of LMG, with a corresponding amount to be recorded as an increase to goodwill *(Note 15)*.

5. CURRENCY SWAP

In connection with the December 2007 acquisition of LMG, a subsidiary of Groupe Aeroplan entered into a currency swap arrangement to mitigate its exposure to currency rate fluctuations arising on the subsidiary's future profits. The currency swap was for a 5 year term to December 19, 2012, swapping floating interest on £240.0 million at the 3-month sterling LIBOR rate, for floating interest on $500.0 million at the 3-month CDOR rate. The currency swap did not meet the criteria for hedge

accounting treatment, and accordingly, changes in the fair value of the currency swap were recognized in non-operating income as foreign exchange.

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

6. NOTE RECEIVABLE

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

7. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

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

		Year ended December 31,	
	Geographic segment	**2009**	**2008**
		%	**%**
Air Canada	Canada	18	17
Accumulation Partner A	Canada	37	38
Accumulation Partner B	Canada and Rest of the World	10	10
Accumulation Partner C	Rest of the World	17	17

CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

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

	Year ended December 31,	
	2009	**2008**
	%	**%**
Air Canada (and other Star Alliance Partners)	57	57

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

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2009, Aeroplan is required to purchase reward travel seats with an exchange amount of approximately $416.7 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

On November 27, 2008, Aeroplan entered into an agreement with Air Canada to temporarily accelerate the contractual payment terms under the CPSA for air travel rewards purchased from Air Canada for the period from October 2008 to May 2009. On June 29, 2009, Aeroplan and Air Canada terminated the acceleration of payment terms agreement and Air Canada remitted to Aeroplan approximately $40.0 million to reverse amounts remaining on that date, related to accelerated payments previously disbursed.

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

LOAN RECEIVABLE FROM AIR CANADA

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

GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc. are also part of the syndicate of lenders. An aggregate of $600.0 million was made available 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. Aeroplan's portion of the

Air Canada Club Loan is repayable in 16 consecutive quarterly instalments of $7.5 million commencing in August 2010 with the balance of $30.0 million due in July 2014. The Air Canada Club Loan bears interest at the greater of the bankers' acceptance rate plus 9.75%, or 12.75%.

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

Under the financing arrangement, Air Canada issued the lenders warrants to purchase Air Canada Class A or Class B variable voting shares. Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each, exercisable at any time and expiring in four years. 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 $1.1 million at December 31, 2009 and $1.8 million at the time of initial grant.

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

OTHER

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

8. AEROPLAN CANADA MILES REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Canada Miles redemption reserve (the "Reserve"), which, subject to compliance with the provisions of the June 12, 2009 credit facilities (*Note 11*), may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. As at December 31, 2009 and December 31, 2008, the Reserve amounted to $400.0 million and is included in cash and cash equivalents and short-term investments.

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

Any deposits of funds in non-Canadian dollar denominated investments are required to be hedged. At December 31, 2009, all the investments held as part of the Reserve were denominated in Canadian dollars.

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

9. ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, PROPERTY AND EQUIPMENT AND SOFTWARE AND TECHNOLOGY

	December 31, 2009			
	Cost	Accumulated depreciation and amortization	Impairment Writedown *(Note 10)*	Net
	$	$	$	$
Accumulation Partners' contracts and customer relationships	**1,613,137**	**195,139**	**-**	**1,417,998**
Property and equipment				
Furniture, fixtures and computer hardware	17,417	6,484	-	10,933
Leasehold improvements	3,369	1,674	-	1,695
	20,786	**8,158**	**-**	**12,628**
Software and technology				
Software and technology	192,949	89,642	-	103,307
Software under development	10,311	-	-	10,311
	203,260	**89,642**	**-**	**113,618**

	December 31, 2008			
	Cost	Accumulated depreciation and amortization	Impairment Writedown *(Note 10)*	Net
	$	$	$	$
Accumulation Partners' contracts	**1,608,509**	**125,307**	**64,804**	**1,418,398**
Property and equipment				
Furniture, fixtures and computer hardware	7,694	6,481	-	1,213
Leasehold improvements	2,290	1,381	-	909
	9,984	**7,862**	**-**	**2,122**
Software and technology				
Software and technology	138,906	56,122	10,000	72,784
Software under development	28,162	-	-	28,162
	167,068	**56,122**	**10,000**	**100,946**

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

10. LONG-LIVED INTANGIBLE ASSETS AND GOODWILL

	Accumulation Partners' contracts and Customer Relationships			Software & technology			Trade names			Other [(a)]			Goodwill		
	Reporting unit			Reporting unit			Reporting unit			Reporting unit			Reporting unit		
	Aeroplan Canada	Groupe Aeroplan Europe	Carlson Marketing	Aeroplan Canada	Groupe Aeroplan Europe	Carlson Marketing	Aeroplan Canada	Groupe Aeroplan Europe	Carlson Marketing	Aeroplan Canada	Groupe Aeroplan Europe	Carlson Marketing	Aeroplan Canada	Groupe Aeroplan Europe	Carlson Marketing
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Balance – December 31, 2007	**1,434,635**	**160,575**	**-**	**77,901**	**42,262**	**-**	**275,000**	**159,671**	**-**	**-**	**-**	**-**	**2,517,237**	**477,453**	**-**
Purchase price allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments [(b)]	-	(66,224)	-	-	-	-	-	-	-	-	-	-	-	76,782	-
Additions (disposals)	-	20,570	-	17,862	7,560	-	-	-	-	-	-	-	-	19,134	-
Amortization	(64,420)	-	-	(19,786)	(10,568)	-	-	-	-	-	-	-	-	-	-
Impairment charge	-	(64,804)	-	-	(10,000)	-	-	(21,497)	-	-	-	-	(841,395)	(223,004)	-
Foreign exchange translation adjustment [(b)]	-	(1,934)	-	-	(4,285)	-	-	(9,029)	-	-	-	-	-	(50,205)	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance – December 31, 2008	**1,370,215**	**48,183**	**-**	**75,977**	**24,969**	**-**	**275,000**	**129,145**	**-**	**-**	**-**	**-**	**1,675,842**	**300,160**	**-**
Purchase price allocation	-	-	71,797	-	-	23,953	-	-	-	-	-	16,280	-	-	109,566
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions (disposals)	-	-	-	11,419	7,360	-	-	-	-	-	-	-	-	-	-
Amortization	(64,424)	(5,408)	-	(21,298)	(8,013)	-	-	-	-	-	-	-	-	-	-
Impairment charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange translation adjustment	-	(2,365)	-	-	(1,380)	-	-	(7,058)	-	-	-	-	-	(17,471)	-
Other	-	-	-	-	631	-	-	-	-	-	-	-	-	-	-
Balance – December 31, 2009	**1,305,791**	**40,410**	**71,797**	**66,098**	**23,567**	**23,953**	**275,000**	**122,087**	**-**	**-**	**-**	**16,280**	**1,675,842**	**282,689**	**109,566**

(a) Included in other intangibles are the rights to use the Carlson Marketing trade name and non-competition restrictions agreed to by on the vendor pursuant to the acquisition agreement.

(b) During the last quarter of 2008, Groupe Aeroplan adjusted the purchase price allocation relating to the December 2007 acquisition of LMG and the January 2008 acquisition of RMMEL, primarily to reflect the impact of the breakage model on the Nectar and RMMEL programs. This resulted in an increase to goodwill of $126.5 million and a reduction in the fair value of Accumulation Partners' contracts of $66.2 million. Goodwill was reduced by the benefit of VAT input tax credits, in the aggregate amount of £27.8 million ($49.8 million) relating to the VAT appeal recorded during 2008 (Note 15).

At December 31, 2008, Groupe Aeroplan performed impairment tests of its amortizable property and equipment and amortizable intangibles consisting of accumulated partner contracts and software and technology; its trade name; and its goodwill. As a result of these impairment tests, Aeroplan recorded impairment losses reflecting the decline in expected future cash flows reflecting the current economic conditions which generally is expected to result in a tightening of general consumer spending and travel and increased discount rates used in determining fair values reflecting current market conditions and uncertainties.

For amortizable assets, management determined that the undiscounted cash flows for the assets of the Europe and Middle East reporting unit were below the carrying value of the net assets of the reporting unit. Management determined the fair value of the group of assets at the reporting unit level, as well as, the fair value of accumulation partners' contracts and software and technology. The resulting impairment loss was allocated on a pro rata basis to reduce the carrying value of the amortizable assets, except for the accumulated partners' contracts and software and technology, which were reduced to their respective fair values. Fair value of the group of assets was determined using a discounted cash flow model, as explained below, for goodwill step I impairment testing. The fair value of accumulated partners' contracts and software and technology was determined using the income approach valuation technique. The impairment loss related to amortizable assets of the Europe and Middle East reporting unit was $74.8 million, which has been included in impairment of long-lived intangibles. In addition, the Nectar trade name was written down to its fair value.

The impairment loss related to goodwill for the Aeroplan and Europe and Middle East reporting units was computed as follows:

Step I Impairment Test:

Groupe Aeroplan determined that the discounted cash flow method ("DCF") was the most appropriate approach to determine the respective fair value of the reporting units. Financial projections of future cash flows, for the period from 2009 to 2011 (the "Forecast Period"), served as the basis of calculation for the DCF and terminal value calculations. The discounted future cash flow analysis resulted in a fair value of the reporting units below the carrying value of the net assets by $841.4 million for Aeroplan and $319.3 million for the Europe and Middle East reporting unit.

Step II Impairment Test:

In Step II of the impairment test, the estimated fair value of the reporting units, determined in Step I, was allocated to its assets and liabilities, based on their fair values, in order to arrive at the fair value of goodwill for each of the respective reporting units. The step II impairment test concluded that the fair value of goodwill, at Aeroplan was impaired by $841.4 million, and accordingly, an impairment charge of that amount was recorded against goodwill in the fourth quarter of 2008, to reduce the carrying value to fair value. Similarly, for the Europe and Middle East reporting unit, the step II impairment test concluded that goodwill was impaired by $223.0 million.

11. 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 December 31, 2009, after the application of the proceeds of the issuance of the Senior Secured Notes Series 2, $440.0 million had been drawn and $160.0 million remained committed and available.

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

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

	Authorized	Drawn at December 31, 2009	Drawn at December 31, 2008
	$	$	$
Revolving facility [(a)]	300,000	140,000	-
Term facility [(a)]	300,000	300,000	300,000
Bridge facility [(b) (c) (d)]	N/A	N/A	300,000
Acquisition facility	N/A	N/A	100,000
Senior Secured Notes Series 1 [(c)]	N/A	200,000	N/A
Senior Secured Notes Series 2 [(d)]	N/A	150,000	N/A
Prepaid interest [(e)]	-	(709)	(1,479)
Unamortized refinancing costs [(e)]	-	(9,183)	(1,552)
	600,000	780,108	696,969
Less: current portion	-	-	200,000
Total	600,000	780,108	496,969

(a) *The revolving and term facilities mature on April 23, 2012, or earlier at the option of Groupe Aeroplan, without penalty, and depending on the 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%.*

On December 7, 2009, the revolving facility and term facility were amended to increase the maximum authorized borrowings under these facilities from $250.0 million and $275.0 million respectively, to $300.0 million and $300.0 million respectively.

At December 31, 2009, amounts borrowed under the term and revolving facilities, were in the form of Bankers' Acceptances with a 30 day term and an effective interest rate of 3.9% (Note 22).

Letters of credit: Groupe Aeroplan has issued irrevocable letters of credit in the aggregate amount of $12.7 million. This amount reduces the available credit under the revolving facility.

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

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

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

Each of the Senior Secured Notes Series 1 and 2 are secured by certain present and future undertakings, property and assets of the 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 and 2 are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries.

The continued availability of the credit facilities is subject to Groupe Aeroplan's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and

negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

12. EMPLOYEE BENEFITS

Total employee pension and other future benefit costs, as recognized by Groupe Aeroplan under required defined contribution employee future benefit accounting practices, are as follows:

	Pension Benefits	Other Future Benefits	Pension Benefits	Other Future Benefits
	December 31,			
	2009		2008	
	$	$	$	$
Contact centre employees	4,585	2,988	5,724	1,270
Other Groupe Aeroplan Employees	3,351	-	2,660	-
	7,936	2,988	8,384	1,270

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

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

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

As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. This past service cost obligation and the past service cost obligation related to the other employee future benefits have been estimated at $13.9 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 of 16.2 years for the defined benefit pension plan and 13.9 years for the non-pension benefit plans.

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

	Pension Benefits [(a)]	Other Employee Future Benefits [(a)]
	2009	2009
	$	$
Change in benefit obligation		
Accrued benefit obligation resulting from plan initiation and amendment – June 1 and 14, 2009, respectively	(13,895)	(8,945)
Current service cost	(1,602)	(363)
Interest cost	(633)	(310)
Benefits paid	-	76
Actuarial (gain) loss	-	(701)
Benefit obligation, end of period	(16,130)	(10,243)
Change in plan assets		
Fair value of plan assets, June 1 and 14, 2009, respectively	-	-
Actual return on plan assets	10	-
Employer contribution	2,353	-
Plan participants' contributions	887	-
Fair value of plan assets, end of period	**3,250**	-
Funded (unfunded) status, end of period	**(12,880)**	**(10,243)**
Unamortized net actuarial gain	47	611
Unamortized past service costs	13,394	8,554
Accrued benefit asset (liability)	**561**	**(1,078)**

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

The defined benefit pension plan assets consist of:

	December 31, 2009
	%
Asset category [(a)]	
Equity securities	74.0
Debt securities	16.0
Other	10.0
Total	**100.0**

(a) Measured at December 31 of each year.

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

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

	Pension Benefits	Other Employee Future Benefits
	2009	2009
	%	%
Discount rate to determine accrued benefit obligations	7.0	6.15
Discount rate to determine the pension and benefit cost	7.0	5.0 – 6.15
Rate of compensation increase	3.0 for 2010; 2.0 until 2012; 2.5 thereafter	-
Expected return on plan assets	6.0	N/A
Health care inflation – Selected to determine accrued benefit obligation [(a)]	N/A	4.5 & 8.5
Health care inflation – Selected to determine pension and benefit cost [(a)]	N/A	4.5 & 8.5

(a) The health care inflation assumption was graded down, in and after 2016, to 5% per annum.

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

	Pension Benefits	Other Employee Future Benefits
	2009	2009
	$	$
Components of expense		
Current service cost, net of employee contributions	715	363
Interest cost	633	310
Actual return on plan assets	(10)	701
Past service costs	-	-
Elements of employee future benefits costs before adjustments to recognize the long-term nature of employee future benefit costs	1,338	1,374
Differences between costs arising in the period and costs recognized in the period in respect of:		
Actuarial (gain) loss	(47)	(611)
Amortization of past service costs and actual plan amendments	501	391
Net periodic pension and benefit expense recognized	**1,792**	**1,154**

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

13. INCOME TAXES

Prior to June 25, 2008, immediately prior to converting to a corporation, the Fund, as a publicly traded income trust, qualified for special income tax treatment that permitted a tax deduction for distributions paid to unitholders. For taxation purposes, the Fund was considered a specified investment flow-through ("SIFT") entity and was to become subject to tax commencing January 1, 2011. For accounting purposes, the Fund computed future income tax based on temporary differences that were expected to reverse after 2010, at the tax rate expected to apply for those periods. The Fund was not subject to and did not recognize any current income taxes or future income tax assets or liabilities on temporary differences expected to reverse prior to 2011.

Effective June 25, 2008, upon conversion to a corporate structure, Groupe Aeroplan became subject to tax on taxable income earned from that date. Current income taxes recorded prior to June 25, 2008 relate to foreign operations of the subsidiary companies.

Groupe Aeroplan's provision for income taxes is made up as follows:

	December 31, 2009		December 31, 2008	
	%	$	%	$
Reconciliation of statutory tax rate:				
Income taxes expense (recovery) at Canadian statutory tax rate:	30.60	40,852	30.80	(298,405)
Adjusted for the effect of:				
Fund's earnings – distributed to unitholders and therefore not subject to tax	-	-	2.16	(20,879)
Permanent differences – goodwill impairment	-	-	(33.18)	321,509
Permanent differences – other	2.75	3,671	1.40	(13,748)
Foreign operations – subject to lower tax rates	(0.22)	(295)	(0.80)	7,884
Income tax expense (recovery), as reported in the consolidated statements of operations and effective tax rate	33.13	44,228	0.38	(3,639)

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

The future income tax assets and liabilities result from differences between the tax value and book value of the following items:

	December 31,	
	2009	2008
	$	$
Assets		
Eligible capital expenditures	172,541	190,613
Deferred revenues	20,887	36,004
Losses available for carry forward	30,466	23,107
Note receivable	2,381	3,522
Deferred transaction costs	1,404	2,513
Liabilities		
Accumulation Partners' contracts, customer relationships and trade names	(347,095)	(366,614)
Software and technology	(13,465)	(19,162)
Other	(10,358)	(4,572)
Net future income tax liabilities	**(143,239)**	**(134,589)**

The amounts recognized in the consolidated balance sheet consists of:

	December 31,	
	2009	2008
	$	$
Future income tax assets – Current	17,161	58,911
Future income tax liabilities – Non-Current	(160,400)	(193,500)
	(143,239)	(134,589)

14. DEFERRED REVENUE

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

	December 31,	
	2009	**2008**
	$	**$**
Opening balance	**1,909,472**	**1,820,280**
GALUs issued – Gross billings	1,363,010	1,420,548
Deferred revenue assumed on acquisition of RMMEL	-	78,649
Revenue recognized for GALUs redeemed and Breakage	(1,352,527)	(1,377,736)
Other foreign currency adjustments	(13,922)	(32,269)
Deferred revenue and prepaid card deposits assumed on acquisition of Carlson Marketing	65,599	-
Ending balance	**1,971,632**	**1,909,472**
Represented by:		
Current portion [(a)]	**1,293,939**	**1,171,438**
Long-term	**677,693**	**738,034**

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

15. 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 December 31, 2009, 112.0 billion of those Air Canada Miles had been redeemed.

In the event that Air Canada is unable to meet its obligation, Aeroplan may be required to honour Air Canada's redemption obligation. Based on Aeroplan's current average redemption cost per mile, as calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience, such obligation would amount to approximately $3.6 million at December 31, 2009.

Also under the CPSA, Aeroplan is responsible for any redemption for air rewards of Air Canada Miles issued prior to January 1, 2002, in excess of the 112.4 billion Air Canada Miles. The maximum potential redemption cost of meeting this obligation, if all 10.3 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $94.9 million at December 31, 2009. While Aeroplan anticipates that a portion of the broken but unexpired Air Canada Miles will be redeemed, the actual number which will be redeemed is not determinable.

As a result, the total maximum potential redemption cost of meeting this obligation, which would be charged to costs of rewards when they are incurred, as the Air Canada Miles are redeemed over time, for the total outstanding and unbroken Air Canada Miles issued prior to January 1, 2002 is estimated to be $98.5 million at December 31, 2009.

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

AEROPLAN MILES ISSUED AFTER JANUARY 1, 2002

In addition, Groupe Aeroplan may be required to provide rewards to members for unexpired 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 $937.1 million at December 31, 2009. The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

On a consolidated basis, management estimates that a 1% change in Breakage would have a total impact on revenue and earnings before income taxes of $74.8 million for the period in which the change occurred, with $61.8 million relating to prior years and $13.0 million relating to the current year.

VAT APPEAL (*NOTE 4*)

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 December 31, 2009, LMG has recorded in its accounts the net benefit of VAT input tax credits in the aggregate amount of £33.4 million ($56.5 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 December 31, 2009, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to $113.2 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.

16. DIVIDENDS / DISTRIBUTIONS

Quarterly dividends declared to shareholders of Groupe Aeroplan in 2009 were as follows:

Record date	2009	
	Amount	Amount per common share
	$	$
March	24,997	0.125
June	24,997	0.125
September	24,997	0.125
December	24,997	0.125
	99,988	**0.500**

Monthly distributions declared to unitholders of the Fund in 2008 for the period up to the date of conversion were as follows:

Record date	2008	
	Amount	Amount per Aeroplan Unit
	$	$
January	13,998	0.070
February	13,998	0.070
March	13,998	0.070
April	13,998	0.070
May	13,998	0.070
June	13,998	0.070
	83,988	**0.420**

In addition, during the fourth quarter of 2008, Groupe Aeroplan declared and paid a cash dividend of $24,996,078 or $0.125 per common share.

17. CAPITAL STOCK

A) CAPITAL STOCK

Authorized:

An unlimited number of common shares, voting;
An unlimited number of preferred shares, non-voting, non-participating, issuable in series.

Issued and outstanding	December 31,			
	2009		2008	
	Number of shares	$	Number of shares	$
Common Shares:				
Opening balance	**199,383,818**	**1,746,878**	**-**	**-**
Shares issued pursuant to the arrangement	-	-	199,968,622	3,258,204
Shares released from (held by) stock-based compensation plan	78,662	570	(584,804)	(11,326)
Capital reduction pursuant to the arrangement	-	-	-	(1,500,000)
Closing balance	**199,462,480**	**1,747,448**	**199,383,818**	**1,746,878**

On June 19, 2008, unitholders of the Fund voted, and approved, the reorganization of the Fund, by way of a plan of arrangement under the Canada Business Corporations Act (the "CBCA") into a corporation pursuant to an arrangement agreement dated May 8, 2008 between Groupe Aeroplan and the Fund. The Arrangement was completed and effective June 25, 2008. The purpose of the Arrangement was to convert the Fund's income trust structure into a corporate structure.

The Arrangement resulted in unitholders receiving Groupe Aeroplan common shares in exchange for Fund units on a one-for-one basis and has been accounted for as a continuity of interests of Aeroplan Income Fund since Groupe Aeroplan continued to operate the business of the Fund and there have been no ownership changes. On December 29 and 30, 2008, Groupe Aeroplan completed the reorganization of its corporate structure which began with the closing of the Arrangement on June 25, 2008. As a result of this reorganization, the Partnership was liquidated and dissolved and the Fund and Aeroplan Trust were wound-up. The comparative figures are those of the Fund.

In addition and also approved pursuant to the Arrangement, Groupe Aeroplan reduced its capital maintained in respect of its common shares by an amount of $1,500,000,000. This reduction has been applied first, in the amount of $216,994,000, to reduce the accumulated deficit, with the balance of $1,283,006,000 credited to contributed surplus.

As a result of the Fund's conversion pursuant to the Arrangement, holders of incentive rights under the predecessor Ongoing and Omnibus long term incentive plans will receive Groupe Aeroplan common shares rather than units of the Fund upon vesting of their respective grandfathered incentive rights.

All time-based incentive units granted under the Initial LTIP in June 2005 vested on June 29, 2008.

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

B) UNITHOLDERS' CAPITAL

	December 31, 2008	
Description	**Number of units**	**$**
Issued June 2005 for $10 each, net of issue costs of $2,250,000	28,750,000	285,250
Issued on March 3, 2006 for $12.40 each	20,204,165	250,532
Issued on March 31, 2006 for $12.90 each	500,000	6,450
Issued on December 28, 2006 for $17.00 each	50,000,000	850,000
Issued on January 10, 2007 for $17.97 each	60,000,000	1,078,200
Issued on March 14, 2007 for $19.40 each	40,545,835	786,589
Sub-total	200,000,000	3,257,021
Redemption of Units tendered	(315)	(6)
Repurchased and cancelled	(320,000)	(5,211)
Issued on December 20, 2007 for $22.15	288,937	6,400
	199,968,622	3,258,204
Fund Units held to fund stock-based compensation plans	-	-
Sub-total	199,968,622	3,258,204
Funds units cancelled on June 25, 2008, under the Arrangement	(199,968,622)	(3,258,204)
Unitholders' capital – closing balance	**-**	**-**

C) STOCK-BASED COMPENSATION

Groupe Aeroplan Long-Term Incentive Plan

The number of Groupe Aeroplan stock options granted to employees during the year, the related compensation expense recorded, and the assumptions used to determine stock-based compensation expense, using the binomial options pricing model, were as follows:

	December 31, 2009	December 31, 2008
Compensation expense relating to the options granted	$ 656	$ 101
Number of stock options granted	1,461,961	430,000
Weighted average fair value per option granted	$ 2.51	$ 3.16
Aggregate fair value of options granted	$ 3,666	$ 1,360
Weighted average assumptions:		
Risk-free interest rate	2.64%	3.26%
Expected volatility	36.60%	29.34%
Dividend yield	5.40%	4.33%
Expected option life (years)	7	7
Vesting conditions – time (years)	4	4

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

A summary of the activity related to the employees participating in the Groupe Aeroplan Long-Term Incentive Plan is as follows:

Range of Exercise Prices	Expiry Dates	Number of Options Outstanding	Remaining Life (years)	Weighted Average Exercise Price
Options outstanding – December 31, 2007	-	-	-	**-**
Granted				**$**
$15.07	2015	305,000	5.7	15.07
$ 7.52	2015	125,000	5.9	7.52
Forfeited		-		-
Options outstanding – December 31, 2008	**-**	**430,000**	**-**	**12.88**
Granted				
$ 8.47	2016	607,000	6.2	8.47
$ 9.17	2016	75,000	6.7	9.17
$10.27	2016	15,000	6.9	10.27
$ 9.56	2016	746,000	6.9	9.56
$ 9.84	2016	18,611	6.9	9.84
Forfeited		(100,086)		8.23
Options outstanding – December 31, 2009		**1,791,525**		**10.05**

The details of Groupe Aeroplan shares held under stock-based compensation plans described in note 2 are as follows:

	Initial LTIP		On-going LTIP		Omnibus Plan	
December 31,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Number of shares outstanding – beginning of year	-	201,246	256,775	146,993	299,022	212,500
Number of shares granted during the year	-	-	-	130,673	80,000	123,022
	-	201,246	256,775	277,666	379,022	335,522
Number of shares forfeited during the year	-	-	(11,545)	(20,891)	(9,000)	(36,500)
	-	201,246	245,230	256,775	370,022	299,022
Number of shares vested during the year	-	(201,246)	(74,804)	-	(30,500)	-
Number of shares outstanding – end of year	-	-	170,426	256,775	339,522	299,022
Weighted average remaining life (years)	-	-	1.00	1.64	1.10	2.11
Cost of shares purchased during the period ($)	-	-	$ -	$ 2,043	$ 690	$ 1,748
Weighted average fair value per share on date of grant ($)	-	-	$ 17.34	$ 17.34	$ 17.72	$ 19.99
Expense for the year ($)	-	$ 431	$ 960	$ 1,429	$ 2,410	$ 1,601

In addition, 379,662 PSUs and 218,581 DSUs were granted and outstanding during the year. The PSUs vest over 3 years, while the DSUs vest over 4 years for eligible employees and are not subject to vesting conditions for the directors and are payable to them only upon termination of service. Total compensation expense recognized during the year in connection with these PSUs and DSUs, amounted to $1.0 million.

Pursuant to the terms of various employment contracts with certain management employees, Groupe Aeroplan has committed to annual grants, under certain conditions, of common shares under the Plan as follows:

Year ending December 31,	Shares
2010	80,000
2011	80,000
2012	30,000
2013	30,000
2014	30,000
Thereafter	10,000
Total shares to be granted	**260,000**

Pursuant to the terms of the On-going and Omnibus plans, Groupe Aeroplan shares are purchased on the open market of the Toronto Stock Exchange and are held by a trustee for the benefit of the eligible employees until their vesting.

18. COMMITMENTS

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

Year ending December 31,	Operating leases	Technology infrastructure and other	Marketing support and other [(a)]	Total
	$	$	$	$
2010	14,658	28,144	31,753	74,555
2011	12,536	18,901	34,938	66,375
2012	10,143	6,884	15,938	32,965
2013	8,427	4,737	12,766	25,930
2014	4,895	544	12,766	18,205
Thereafter	11,063	-	2,692	13,755
Total	**61,722**	**59,210**	**110,853**	**231,785**

(a) 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 formulae. At December 31, 2009, Groupe Aeroplan complied with all such covenants.

19. SEGMENTED INFORMATION

At December 31, 2009, the Corporation has three operating segments: Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

The table below summarizes the relevant financial information by segment:

(in thousands, except miles information)	Year ended December 31,							
	2009	2008	2009	2008	2009	2008	2009	2008
Operating segments	**Aeroplan Canada**		**Groupe Aeroplan Europe**		**Carlson Marketing [a]**		**Consolidated**	
	$	$	$	$	$	$	$	$
Gross billings	993,295	1,025,184	369,715	395,364	-	-	1,363,010	1,420,548
Revenue	1,020,866	1,008,987	415,973	449,242	-	-	1,436,839	1,458,229
Cost of rewards	601,716	567,599	291,699	291,483	-	-	893,415	859,082
Gross margin	419,150	441,388	124,274	157,759	-	-	543,424	599,147
Selling, general and administrative expenses	182,563	175,383	97,571	96,208	-	-	280,134	271,591
Depreciation and amortization [b]	85,743	85,877	13,783	22,597	-	-	99,526	108,474
Impairment of long lived intangibles and goodwill	-	841,395	-	319,305	-	-	-	1,160,700
Earnings (loss) before income taxes	115,271	(699,004)	18,232	(269,845)	-	-	133,503	(968,849)
Additions to capital assets	16,052	14,464	7,417	8,094	-	-	23,469	22,558
Additions to goodwill	-	-	-	12,034	-	-	-	12,034
Goodwill	1,675,842	1,676,108	282,689	299,894	109,566	-	2,068,097	1,976,002
Deferred revenue	1,667,957	1,641,626	238,076	267,846	65,599	-	1,971,632	1,909,472
Total assets	4,906,975	4,785,482	143,758	232,238	167,259	-	5,217,992	5,017,720

(a) Results of operations from the date of acquisition, December 7, 2009 to December 31, 2009 were not material.
(b) Includes amortization of Accumulation Partners' contracts and technology.

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

The table below reflects the Corporation's geographic operations segmented between Canada and the rest of the world:

(in thousands, except miles information)	Year ended December 31,					
	2009	2008	2009	2008	2009	2008
Geographic Segments	**Canada**		**Rest of the World**		**Consolidated**	
	$	$	$	$	$	$
Gross billings	993,295	1,025,184	369,715	395,364	1,363,010	1,420,548
Revenue	1,020,866	1,008,987	415,973	449,242	1,436,839	1,458,229
Cost of rewards	601,716	567,599	291,699	291,483	893,415	859,082
Gross margin	419,150	441,388	124,274	157,759	543,424	599,147
Selling, general and administrative expenses	182,563	175,383	97,571	96,208	280,134	271,591
Depreciation and amortization[(a)]	85,743	85,877	13,783	22,597	99,526	108,474
Impairment of long lived intangibles and goodwill	-	841,395	-	319,305	-	1,160,700
Earnings (loss) before income taxes	115,271	(699,004)	18,232	(269,845)	133,503	(968,849)
Additions to capital assets	16,052	14,464	7,417	8,094	23,469	22,558
Additions to goodwill	-	-	-	12,034	-	12,034
Goodwill	1,699,062	1,676,108	369,035	299,894	2,068,097	1,976,002
Deferred revenue	1,698,700	1,641,626	272,932	267,846	1,971,632	1,909,472
Total assets	4,833,446	4,785,482	384,546	232,238	5,217,992	5,017,720

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

20. CAPITAL DISCLOSURES

Groupe Aeroplan's capital consists of cash and cash equivalents, short-term investments, long-term debt and shareholders' equity (excluding accumulated other comprehensive income).

Groupe Aeroplan's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

In managing its capital structure, Groupe Aeroplan monitors performance throughout the year to ensure anticipated cash dividends, working capital requirements and maintenance capital expenditures are funded from operations, available cash on deposit and, where applicable, bank borrowings. Groupe Aeroplan manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, Groupe Aeroplan may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

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

The total capital as at December 31, 2009 and December 31, 2008 is calculated as follows:

	December 31,	
	2009	2008
	$	$
Cash and cash equivalents	(609,848)	(188,016)
Short-term investments	(14,433)	(477,341)
Long-term debt (including current portion)	780,108	696,969
Shareholders' Capital	1,747,448	1,746,878
Contributed surplus	1,294,113	1,290,501
Deficit	(1,126,143)	(1,088,782)
Total capital	**2,071,245**	**1,980,209**

Groupe Aeroplan monitors capital using a number of financial metrics, including but not limited to:

- the leverage ratio, defined as debt to adjusted earnings before interest, taxes, depreciation and amortization, adjusted for changes in deferred revenue and future redemption costs (adjusted EBITDA);
- the debt service ratio, defined as debt to operating cash flows; and
- the interest coverage ratio, defined as adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

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

Ratio	Result	Test
Leverage	2.84	≤ 3.00 [(b)]
Debt service [(a)]	0.61	≤ 2.00 [(b)]
Interest coverage	10.18	≥ 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.

Groupe Aeroplan uses adjusted earnings before interest taxes depreciation and amortization ("EBITDA") and adjusted net earnings as a measurement to monitor operating performance. Free cash flow is used as an indicator of financial performance. These measures, as presented, are not recognized for financial statement presentation purposes under Canadian GAAP, and do not have a standardized meaning. Therefore, they are not likely to be comparable to similar measures presented by other public entities.

Groupe Aeroplan is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, under the terms of certain contractual obligations with a major Accumulation Partner, Groupe Aeroplan is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Groupe Aeroplan is in compliance with all such covenants.

Groupe Aeroplan has also established the Reserve, which at December 31, 2009 amounted to $400.0 million and is included in cash and cash equivalents and short-term investments. 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 upon policies established by management. This internally imposed reserve, which was established as a matter of prudence, which subject to compliance with the provisions of the 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. To date, Groupe Aeroplan has not had to use the funds held in the Reserve. 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 operations.

21. FINANCIAL INSTRUMENTS

Groupe Aeroplan's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, loan to Air Canada, note receivable, accounts payable and accrued liabilities, and long-term debt.

Groupe Aeroplan, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Groupe Aeroplan is exposed to fluctuations in interest rates with respect to cash and cash equivalents, restricted cash, short-term investments, and borrowings under the terms of the outstanding credit facilities, all of which bear interest at variable rates and are held or borrowed in the form of short-term deposits or Bankers' Acceptances.

Groupe Aeroplan invests the Reserve and excess cash on hand in instruments with similar terms to maturity as the underlying Bankers' Acceptances related to the credit facilities with an objective to mitigate the interest rate exposure.

At December 31, 2009, the interest rate risk profile of Groupe Aeroplan's interest bearing financial instruments was as follows:

	December 31,	
	2009	2008
	$	$
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	628,497	665,357
Credit facilities	(440,000)	(700,000)
Currency swap	-	68,526

For the year ended December 31, 2009, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments and credit facilities would not have a significant impact on earnings before income taxes.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2009, Groupe Aeroplan's credit risk exposure consists mainly of the carrying amounts

of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, loan receivable from Air Canada and note receivable.

In accordance with its investment policy, Groupe Aeroplan invests the Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper or corporate bonds with a minimum rating of R-1 (high) or AA (low), and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments and cash and cash equivalents is limited because the counterparties are banks with high credit-ratings, assigned by international credit-ratings agencies. At December 31, 2009, the Reserve and excess cash is invested in bankers' acceptances and overnight and term deposits.

With respect to accounts receivable, the loan to Air Canada and the note receivable, Groupe Aeroplan is exposed to a concentration of credit risk on the Accumulation Partners, as identified in *Note 7*. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. Accordingly, Groupe Aeroplan is directly affected by the financial and operational strength of Air Canada. In order to manage its exposure to credit risk and assess credit quality, Groupe Aeroplan reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Groupe Aeroplan have been negligible.

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its recent public filings, Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results including risks related to the current economic environment, market volatility in the price of fuel, foreign exchange and interest rates and increased competitive pressures, as well as risks relating to restrictive terms under its financing, credit card processing and other arrangements. In an effort to mitigate its liquidity risks, Air Canada implemented during 2009 an extensive series of measures and financial initiatives, including the Air Canada Club Loan.

Given that Air Canada is in compliance with the covenants under the Club Loan, the loan is secured and Air Canada is not in default, the risk profile relative to this financial instrument remains unchanged since the time it was advanced.

LIQUIDITY RISK

Groupe Aeroplan's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on credit facilities. Groupe Aeroplan manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2009, Groupe Aeroplan had authorized credit facilities of $600.0 million and drawings of $440.0 million, maturing on April 23, 2012, against the facilities. Groupe Aeroplan also had authorized Senior Secured Notes in the amount of $350.0 million maturing at various dates through September 2, 2014. The credit facilities are provided by a syndicate that consists of fifteen institutional lenders. While it is Groupe Aeroplan's intention to renew or replace credit facilities as they come due, given the current credit market conditions, it is anticipated that such renewal or replacement may occur at terms that are less favorable than current terms *(Notes 11 and 22).* Groupe Aeroplan also had letters of credit totaling approximately $12.7 million at December 31, 2009 issued as security in the normal course of business.

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

At December 31, 2009, maturities of the financial liabilities are as follows:

(in millions)	Total	2010	2011	2012	2013	2014	Thereafter
	$	$	$	$	$	$	$
Long-term debt including interest	922,200	41,900	41,900	664,600	11,900	161,900	-
Accounts payable and accrued liabilities	373,821	373,821	-	-	-	-	-
Total	**1,296,021**	**415,721**	**41,900**	**664,600**	**11,900**	**161,900**	**-**

CURRENCY RISK

Groupe Aeroplan is exposed to currency risk on its foreign operations which are denominated in a currency other than the Canadian dollar, mainly the pound sterling, and as such, is subject to fluctuations as a result of foreign exchange rate variations.

At December 31, 2009, Groupe Aeroplan held net financial assets denominated in £ sterling of approximately £72.7 million. A 1% variance in the £ sterling foreign exchange rate would result in an approximate variance of $2.1 million in the net assets of Groupe Aeroplan.

FINANCIAL INSTRUMENTS – CARRYING AMOUNTS AND FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

	December 31,			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Financial assets				
Held for trading:				
Cash and cash equivalents, restricted cash and short-term investments	628,497	628,497	665,357	665,357
Loans and receivables:				
Accounts receivable	256,254	256,254	208,283	208,283
Loan receivable from Air Canada	150,000	150,000	-	-
Note receivable	59,179	59,179	59,007	59,007
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	373,821	373,821	235,408	235,408
Long-term debt	780,108	809,635	696,969	698,521
Derivatives				
Currency swap	-	-	68,526	68,526

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. The carrying amount of the note receivable approximates fair value based on discounted cash flows. The fair value of the borrowings of approximately $809.6 million is estimated as carrying value adjusted to remove unamortized transaction costs, since they bear interest at floating rates, and are typically drawn in the form of Bankers' Acceptances with a short-term maturity, and includes the quoted market value of the publically traded debt securities. The carrying amount of the currency swap was fair value, estimated on the amounts at which it could be settled, based on current market rates.

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheet as at December 31, 2009, classified using the fair value hierarchy described above:

	December 31, 2009		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Financial assets			
Held for trading:			
Cash and cash equivalents, restricted cash and short-term investments	628,497	-	-
Air Canada Warrants	1,100	-	-

22. SUBSEQUENT EVENTS

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.

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, and are secured by substantially all the present and future assets of Groupe Aeroplan and certain of its subsidiaries. The proceeds from the notes issued were used to repay a portion of the term facility.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

Corporate Information

Head Office
5100 de Maisonneuve Blvd. West
Montréal, Québec
Canada, H4A 3T2

Aeroplan Customer Contact Centre
To book Aeroplan reward travel or to request general information about the Aeroplan program, please call 1-800-361-5373 between 7 a.m. and midnight ET

Transfer Agent
Shareholders are encouraged to contact CIBC Mellon Trust Company for information regarding their security holdings. They can be reached at:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
Canada, M5C 2W9

Telephone:
416-643-5500
1-800-387-0825 (toll-free throughout North America)
Facsimile: 416-643-5501
Email: inquiries@cibcmellon.com

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants
Montréal, Québec

Toronto Stock Exchange Symbol
AER

Investor Relations
50 Bay Street, 8th Floor
Air Canada Centre
Toronto, Ontario
Canada, M5J 2X3
Telephone: 416-352-3728
Email: ir@groupeaeroplan.com
Website: www.groupeaeroplan.com

Annual and General Meeting
Shareholders are invited to attend the annual and general meeting of shareholders of Groupe Aeroplan being held on Wednesday May 12, 2010
at the Bourse de Montréal Inc.
La Tour de la Bourse
800 Victoria Square, 4th Floor
Montréal, Québec
Canada, H4Z 1A9

Groupe Aeroplan's Website
Groupe Aeroplan's website contains a variety of corporate and investor information including:

- Share price information
- Annual and quarterly reports
- Management information circular
- News releases
- Investor presentations
- Dividend information
- Corporate social responsibility report
- Annual Information Form

Groupe Aeroplan's continuous disclosure documents are filed with the securities regulators in Canada and can be found at www.sedar.com

Board of Directors

Robert Brown
Chairman of the Board
Corporate Director

Roman Doroniuk (1)
Director
Consultant

Rupert Duchesne
Director
President and Chief Executive Officer,
Groupe Aeroplan Inc.

Joanne Ferstman (1)(3)
Director
Vice Chair and Head of Capital Markets,
DundeeWealth Inc.

Hon. Michael Fortier, PC (2)
Director
Partner, Ogilvy Renault LLP

John Forzani (2)(3)
Director
Founder and Non-Executive Chairman,
The Forzani Group Ltd.

David Laidley (1)
Director
Corporate Director

Douglas Port (2)(3)
Director
Consultant

Alan Rossy (2)
Director
President and Chief Executive Officer,
Copley Investments Inc.

(1) Member of the Audit, Finance and Risk Committee
(2) Member of the Governance and Nominating Committee
(3) Member of the Human Resources and Compensation Committee

Executive Team

Rupert Duchesne
President and Chief Executive Officer

David Adams
Executive Vice President and Chief Financial Officer

Jeff Balagna
Executive Vice President and
President and Chief Executive Officer,
Carlson Marketing

Liz Graham
Executive Vice President and Chief Operating Officer

Mark Hounsell
Senior Vice President, General Counsel
and Corporate Secretary

David Johnston
Executive Vice President and
President and Chief Executive Officer,
Groupe Aeroplan Europe

Melissa Sonberg
Senior Vice President, Corporate Services

Vince Timpano
Executive Vice President and
President and Chief Executive Officer,
Aeroplan Canada