GROUPE AEROPLAN

Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010 and 2009

UNAUDITED

Management's Report

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

In fulfilling its responsibilities, management of the corporation has developed and maintains a system of internal accounting controls. These controls are designed to 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.

November 10, 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

Consolidated Statements of Operations

(in thousands of dollars, except share and per share amounts)		Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		$ 466,024	$ 322,648	$ 1,446,000	$ 1,011,987
Cost of rewards and direct costs	Notes 8 & 13	322,938	190,346	902,934	623,362
Gross margin		143,086	132,302	543,066	388,625
Operating expenses					
Selling, general and administrative	Note 13	137,080	65,409	425,261	195,250
Depreciation and amortization		7,403	4,494	22,196	14,558
Amortization of accumulation partners' contracts, customer relationships and technology		23,228	20,079	70,008	60,279
		167,711	89,982	517,465	270,087
Operating income (loss)		(24,625)	42,320	25,601	118,538
Interest on long-term debt		(12,955)	(12,808)	(40,564)	(27,465)
Other interest expense	Note 13	(7,189)	(2,118)	(8,492)	(4,384)
Interest income		8,428	5,894	25,278	11,314
Foreign exchange loss		-	(5,275)	-	(3,019)
Earnings (loss) before income taxes		(36,341)	28,013	1,823	94,984
Income tax (expense) recovery					
Current		(12,953)	(9,133)	(31,089)	(33,454)
Future		8,894	(124)	17,729	7,200
Net earnings (loss) for the period		**$ (40,400)**	**$ 18,756**	**$ (11,537)**	**$ 68,730**
Weighted average number of shares		**195,481,856**	**199,462,480**	**197,343,155**	**199,423,366**
Earnings (loss) per common share					
Basic and fully diluted		**$ (0.22)**	**0.09 $**	**$ (0.10)**	**0.34 $**

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

Consolidated Balance Sheets

As at		September 30	December 31
(in thousands of dollars, except share and per share amounts)		2010	2009
		(unaudited)	
Assets			
Current assets			
Cash and cash equivalents	Note 9	$ 688,577	$ 609,848
Restricted cash	Note 5	8,014	4,216
Short-term investments	Note 9	12,425	14,433
Accounts receivable	Note 13	371,887	256,254
Income taxes receivable		2,464	-
Loan receivable from Air Canada	Note 8	-	15,000
Inventories		11,625	16,346
Prepaid expenses		26,107	19,012
Future income taxes		35,912	17,161
		1,157,011	952,270
Cash held in escrow, related to the acquisition of LMG	Note 6	43,885	45,835
Loan receivable from Air Canada	Note 8	-	135,000
Note receivable	Note 7	59,100	59,179
Investment in Premier Loyalty and Marketing S.A.P.I. de C.V., at cost	Note 4	24,103	-
Accumulation partners' contracts and customer relationships		1,358,836	1,417,998
Property and equipment		8,387	12,628
Software and technology		115,553	113,618
Trade names		391,890	397,087
Other intangibles		11,109	16,280
Goodwill		2,048,721	2,068,097
		$ 5,218,595	**$ 5,217,992**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	Notes 3 & 13	$ 423,163	$ 352,711
Income taxes payable		-	16,613
Customer deposits		48,792	56,377
Deferred revenue	Note 11	1,371,123	1,258,672
		1,843,078	1,684,373
Long-term debt	Note 10	643,208	780,108
Future income taxes		146,241	160,400
Deferred revenue	Note 11	715,026	677,693
		3,347,553	3,302,574
Shareholders' equity		1,871,042	1,915,418
		$ 5,218,595	**$ 5,217,992**
Contingencies and commitments	Notes 13 & 15		

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

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

Consolidated Statements of Shareholders' Equity

Nine months ended September 30, 2010 and year ended December 31, 2009

(unaudited)

(in thousands of dollars, except share and per share amounts)			Retained Earnings (Deficit)				
		Share capital	Net earnings (loss) and other	Dividends	Accumulated Other Comprehensive Income (loss)	Contributed Surplus	Total
Balance, December 31, 2008		**$ 1,746,878**		**$ (1,063,793)**	**$ (24,989)**	**$ 1,290,501**	**$ 1,948,597**
Net earnings for the period			68,730				68,730
Quarterly dividends				(74,991)			(74,991)
EIC-173 adjustment to currency swap			(4,675)				(4,675)
Shares held by stock-based compensation plans		570				(320)	250
Accretion related to other stock-based compensation plans						2,978	2,978
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries					(14,261)		(14,261)
Subtotal		570	64,055	(74,991)	(14,261)	2,658	(21,969)
				(1,074,729)	(39,250)		
Retained earnings and Accumulated other comprehensive income (loss)					(1,113,979)		
Balance, September 30, 2009		**$ 1,747,448**			**$ (1,113,979)**	**$ 1,293,159**	**$ 1,926,628**
Net earnings for the period			20,545				20,545
Quarterly dividends				(24,997)			(24,997)
Accretion related to other stock-based compensation plans						954	954
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries					(7,712)		(7,712)
Subtotal		-	20,545	(24,997)	(7,712)	954	(11,210)
				(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**
Preferred shares issued, net of issue costs	Note 14	168,787					168,787
Common shares issued		216					216
Common shares repurchased	Note 14	(93,150)				(19,491)	(112,641)
Net earnings (loss) for the period			(11,537)				(11,537)
Quarterly dividends, common and preferred				(81,402)			(81,402)
Shares held by stock-based compensation plans		1,272				(1,918)	(646)
Accretion related to other stock-based compensation plans						4,840	4,840
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries					(11,993)		(11,993)
Subtotal		77,125	(11,537)	(81,402)	(11,993)	(16,569)	(44,376)
				(1,172,120)	(58,955)		
Retained earnings and Accumulated other comprehensive income (loss)					(1,231,075)		
Balance, September 30, 2010		**$ 1,824,573**			**$ (1,231,075)**	**$ 1,277,544**	**$ 1,871,042**

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

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of dollars, except share and per share amounts)	Three months ended September 30 2010 (unaudited)	Three months ended September 30 2009 (unaudited)	Nine months ended September 30 2010 (unaudited)	Nine months ended September 30 2009 (unaudited)
Net earnings (loss) for the period	**$ (40,400)**	**$ 18,756**	**$ (11,537)**	**$ 68,730**
Other comprehensive income (loss)				
Cumulative translation adjustment on consolidation of self-sustaining foreign subsidiaries	18,493	(16,133)	(11,993)	(14,261)
	18,493	(16,133)	(11,993)	(14,261)
Comprehensive income (loss) for the period	**$ (21,907)**	**$ 2,623**	**$ (23,530)**	**$ 54,469**

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

Consolidated Statements of Cash Flows

(in thousands of dollars, except share and per share amounts)		Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from (used in)					
Operating activities					
Net earnings (loss) for the period		$ (40,400)	$ 18,756	$ (11,537)	$ 68,730
Items not affecting cash					
Depreciation and amortization		30,631	24,573	92,204	74,837
Stock-based compensation		2,796	1,040	4,840	2,978
Change in fair value of warrants related to the loan to Air Canada		(1,801)	(934)	(2,341)	(934)
Currency swap		-	(22,706)	-	7,221
Foreign exchange		-	27,981	-	(4,202)
Future income taxes		(12,766)	124	(21,601)	(7,200)
Accretion on note receivable		(809)	3,255	(2,395)	(2,707)
Changes in non-cash working capital items and deferred revenue					
Income taxes		226	(20)	(19,077)	(19,426)
Accounts receivable		(63,668)	15,932	(108,211)	53,113
Inventories		(1,774)	-	4,315	-
Prepaid expenses		3,262	-	(6,673)	-
Accounts payable and accrued liabilities		155,130	5,074	87,749	(51,966)
Deferred revenue		70,774	32,701	159,086	48,637
Customer deposits		1,933	-	(6,581)	-
Restricted cash		(1,264)	-	(3,798)	-
Other		10,070	(30,583)	5,416	12,606
Funding of stock-based compensation plans		-	-	(646)	(663)
		192,740	56,437	182,287	112,294
		152,340	75,193	170,750	181,024
Investing activities					
Acquisition of Carlson Marketing, net of cash acquired	Note 3	-	-	(14,715)	-
Investment in Premier Loyalty and Marketing S.A.P.I. de C.V.	Note 4	(24,103)	-	(24,103)	-
Change in short-term investments		(1,567)	11,921	1,367	452,435
Proceeds from currency swap		-	54,800		54,800
Loan to Air Canada	Note 8	-	(150,000)	-	(228,657)
Repayment of loan by Air Canada	Note 8	150,000	78,657	150,000	78,657
Additions to property, equipment, software and technology		(12,947)	(6,182)	(31,016)	(20,169)
		111,383	(10,804)	81,533	337,066
Financing activities					
Quarterly dividends		(26,686)	(24,997)	(81,402)	(74,991)
Issuance of common shares		-	-	216	-
Issuance of preferred shares	Note 14	-	-	172,439	-
Issue costs	Notes 10 & 14	-	-	(5,181)	-
Repurchase of common shares	Note 14	(88,970)	-	(112,641)	-
Borrowings of long-term debt	Note 10	-	-	200,000	-
Repayment of long-term debt	Note 10	-	(150,000)	(340,000)	(850,000)
Refinancing of long-term debt	Note 10	-	150,000	-	850,000
Refinancing costs		-	-	-	(8,990)
Financing costs		-	(1,814)	(1,718)	(1,814)
		(115,656)	(26,811)	(168,287)	(85,795)
Net change in cash and cash equivalents		148,067	37,578	83,996	432,295
Translation adjustment related to cash		(621)	(11,764)	(5,267)	(4,523)
Cash and cash equivalents, beginning of period		541,131	589,974	609,848	188,016
Cash and cash equivalents, end of period		**$ 688,577**	**$ 615,788**	**$ 688,577**	**$ 615,788**
Interest paid		**$ 13,275**	**$ 9,212**	**$ 30,972**	**$ 23,666**
Income taxes paid		**$ 10,204**	**$ 6,619**	**$ 50,130**	**$ 23,011**

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

1. STRUCTURE OF THE CORPORATION

Groupe Aeroplan Inc. ("Groupe Aeroplan" or the "Corporation") was incorporated on May 5, 2008 under the *Canada Business Corporations Act* and is the successor to Aeroplan Income Fund, following the completion of the reorganization of Aeroplan Income Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

The registered and head office of Groupe Aeroplan is located at 5100 de Maisonneuve Blvd. West, Montreal, Québec, Canada, H4A 3T2.

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

Aeroplan Canada operates the Aeroplan Program, Canada's premier coalition loyalty program. Carlson Marketing is an international loyalty marketing services, engagement and events provider headquartered in the United States. Groupe Aeroplan Europe operates Nectar, the United Kingdom's largest coalition loyalty program, the Air Miles Middle East program through a 60% interest, Insight & Communication ("I&C"), a customer-driven insight and data analytics business offering international services to retailers and their suppliers, and, through its 75% participation, the Nectar Italia coalition loyalty program. Groupe Aeroplan also holds a minority interest in Premier Loyalty Management S.A.P.I. de C.V., owner and operator of Club Premier, Mexico's leading coalition loyalty program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These unaudited consolidated interim financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants (CICA) handbook section 1751, *Interim Financial Statements*. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") have been omitted or condensed. These interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2009.

In the opinion of management, these interim financial statements include all adjustments considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. Except as otherwise indicated hereunder, these interim financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2009.

Historically, Aeroplan Canada's business has been marked by seasonality relating to high redemption activity in the first half of the year and high accumulation activity in the second half of the year. Groupe Aeroplan Europe is characterized by high redemption activity in the last quarter of the year as a result of the Holiday Season. While Carlson Marketing is also affected by similar seasonality in the last quarter of the year, also related to the Holiday Season, the impact of the Carlson Marketing seasonality at the consolidated level is not significant due to a lower relative importance of the reward fulfilment component of the Carlson Marketing's business compared to that of Aeroplan Canada and Groupe Aeroplan Europe.

PRINCIPLES OF CONSOLIDATION

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

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 for a net purchase price of US$175.3 million ($188.0 million), including transaction costs of US$6.5 million ($6.8 million). The purchase price was subject to certain working capital adjustments, which were estimated on the closing date of December 7, 2009 at US$76.0 million ($80.0 million). These were later adjusted in January 2010 to reflect additional actual working capital amounts of US$11.7 million ($12.1 million), and were included in accounts payable and accrued liabilities at December 31, 2009 and were paid during the first quarter of 2010. The transaction was financed with cash on hand and borrowings from bank facilities.

Concurrently with the acquisition, Groupe Aeroplan entered into a one year transition services agreement to facilitate the effective migration of Carlson Marketing from Carlson Companies, Inc.'s administrative services platform, including accounting, human resources and payroll, information technology, consolidation, facilities and treasury, in consideration for certain fees. Each of the services under the agreement may be terminated upon 30 days notice. The maximum annual payment under this agreement could amount to US$31.8 million ($32.7 million).

Fees paid under this agreement amounted to US$5.6 million ($5.9 million) and US$19.6 million ($20.3 million) for the three and nine months ended September 30, 2010, respectively.

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

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

The table below details the final purchase price allocation.

	September 30, 2010
	$
Purchase price:	
Cash	280,071
Transaction costs	6,844
	286,915
Net identifiable assets acquired:	
Current assets and liabilities	
Cash and cash equivalents	90,399
Restricted cash	4,216
Accounts receivable	97,216
Inventories	16,346
Prepaid expenses	14,728
Accounts payable and accrued liabilities	(97,608)
Deferred revenue	(49,245)
Prepaid card deposits	(16,354)
Property and equipment	9,621
Intangible assets	
Finite life	
Customer relationships (8 to 14 years)	71,797
Software and technology (5 years)	23,953
Other intangibles (3 to 5 years) [(a)]	16,280
Indefinite life	
Goodwill [(b)]	103,066
Future income tax asset	2,500
	286,915

(a) Included in other intangibles are the rights to use the Carlson Marketing trade name over a period of 3 years (until December 7, 2012) and non-competition restrictions, for 5 years (until December 7, 2014), agreed to by the vendor, pursuant to the acquisition agreement.

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

4. INVESTMENT IN PREMIER LOYALTY AND MARKETING, S.A.P.I. DE C.V.

On September 13, 2010, Groupe Aeroplan Inc. acquired an initial participation in Premier Loyalty and Marketing, S.A.P.I. de C.V. ("PLM"), for cash consideration of US$23.3 million, including transaction costs of US$1.3 million ($24.1 million, including transaction costs of $1.4 million). PLM is the owner and operator of Club Premier, Mexico's leading coalition loyalty program. The investment has been accounted for under the cost method.

An additional US$12.0 million will be invested if certain performance milestones are achieved within 18 months of closing.

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

5. 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.

6. CASH HELD IN ESCROW

Cash held in escrow, in the amount of $43.9 million (£27.1 million), represents contingent consideration related to the December 2007 acquisition of LMG. Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow will be released to the Corporation upon ratification by the UK Supreme Court of the ECJ VAT Judgment *(Note 17)* against the Corporation.

7. 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.

8. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Air Canada and two 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 ("GALUs") to members by the Accumulation Partners, the information on major customers is based on total Gross Billings, which include proceeds from the sale of GALUs and services rendered or to be rendered. Gross Billings for each Accumulation Partner represent the contracted amounts received or receivable from Accumulation Partners and customers during each period. Air Canada and the other Accumulation Partners accounted for significant issuance of Gross Billings as follows:

		Three months ended September 30,		Nine months ended September 30,	
	Geographic segment	**2010**	**2009**	**2010**	**2009**
		%	%	**%**	%
Air Canada	Canada	12	17	12	18
Accumulation Partner A	Canada	27	36	25	35
Accumulation Partner B	Rest of the World	11	16	11	16

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 cost of rewards and direct costs is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	**2009**	**2010**	**2009**
	%	%	**%**	%
Air Canada (and other Star Alliance Partners)	35	60	41	63

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aeroplan Canada Inc. (“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 amounting to 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.

LOAN RECEIVABLE FROM AIR CANADA

On July 29, 2009, Aeroplan, with a syndicate of other lenders, including GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc., entered into an agreement to provide financing to Air Canada (“Air Canada Club Loan”), pursuant to which Aeroplan committed to advance $150.0 million to the airline.

On August 3, 2010, Air Canada repaid $156.3 million, representing all amounts outstanding and accrued to the date of repayment owed under the Air Canada Club Loan, in advance of its maturity. Of this amount, $6.3 million was recorded in interest income which included $4.8 million of accrued interest and a $1.5 million prepayment charge.

In connection with the Air Canada Club Loan, Air Canada issued warrants to the lenders to purchase Air Canada Class A or Class B variable voting shares. Upon closing, 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. 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 $3.4 million at September 30, 2010 and $1.1 million at December 31, 2009.

In consideration of the foregoing, Aeroplan and Air Canada agreed to certain mutually beneficial commercial arrangements, none of which related 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.

9. 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 10*), may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. As at September 30, 2010 and December 31, 2009, the Reserve amounted to $400.0 million and is included in cash and cash equivalents.

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 are reviewed periodically.

Any deposits of funds in non-Canadian dollar denominated investments are required to be hedged. At September 30, 2010, all the investments held as part of the Reserve were denominated in Canadian dollars.

10. LONG-TERM DEBT

On June 12, 2009, Groupe Aeroplan concluded a refinancing of its credit facilities with its lending syndicate, resulting in the settlement of the old credit facilities and new borrowings under the new credit facilities. At September 30, 2010, after the application of the proceeds of the issuance of the Preferred Shares *(Note 14)*, Series 1 and the Senior Secured Notes Series 3, $100.0 million had been drawn and $300.0 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, 2 and 3:

	Authorized at September 30, 2010	Drawn at September 30, 2010	Drawn at December 31, 2009
	$	$	$
Revolving facility [(a)]	300,000	-	140,000
Term facility [(a) (d)]	100,000	100,000	300,000
Senior Secured Notes Series 1 [(b)]	N/A	200,000	200,000
Senior Secured Notes Series 2 [(c)]	N/A	150,000	150,000
Senior Secured Notes Series 3 [(d)]	N/A	200,000	-
Prepaid interest [(e)]	-	(232)	(709)
Unamortized refinancing costs [(e)]	-	(6,560)	(9,183)
		643,208	780,108
Less: current portion		-	-
Total		643,208	780,108

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

At September 30, 2010, amounts borrowed under the term facility were in the form of Bankers' Acceptances with a 90 day term and an effective interest rate of 4.72%.

The revolving facility was repaid in January 2010 with proceeds generated from the issuance of the Preferred Shares, Series 1 (Note 14).

Letters of credit: Groupe Aeroplan has issued irrevocable letters of credit in the aggregate amount of $10.8 million. This amount reduces the available credit under the revolving facility.

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

(c) *The Senior Secured Notes Series 2 bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014.*

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

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

Each of the Senior Secured Notes Series 1, 2 and 3 are secured by certain present and future undertakings, property and assets of the Corporation and certain of its subsidiaries and rank equally and pari passu, including with respect to security interest, with all other present and future unsubordinated debt of the Corporation, and are subject to compliance with certain affirmative and negative covenants.

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.

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

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

Ratio	Result	Test
Leverage	2.31	≤ 3.00 [(b)]
Debt service [(a)]	(0.24)	≤ 2.25 [(c)]
Interest coverage	9.20	≥ 3.00

(a) *This ratio takes into account Groupe Aeroplan's net debt, calculated as long-term debt less cash and short-term investments on hand.*
(b) *The threshold increases for the twelve months following an acquisition from 2.75 to 3.00.*
(c) *The threshold increases for the twelve months following an acquisition from 2.00 to 2.25.*

11. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	GA Loyalty Units		Other		Total	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
	$	$				
Opening balance	**1,906,033**	**1,909,472**	**30,332**	**21,110**	**1,936,365**	**1,930,582**
GALUs issued – Gross Billings	1,063,053	1,363,010	-	-	1,063.053	1,363,010
Other – Gross Billings	-	-	531,083	-	531,083	-
Revenue recognized	(934,147)	(1,352,527)	(511,853)	-	(1,446,000)	(1,352,527)
Foreign currency and other adjustments	(9,201)	(13,922)	10,849	-	1,648	(13,922)
Deferred revenue assumed on acquisition of Carlson Marketing	-	-	-	9,222	-	9,222
Ending balance	**2,025,738**	**1,906,033**	**60,411**	**30,332**	**2,086,149**	**1,936,365**
Represented by:						
Current portion [(a)]	**1,317,267**	**1,230,607**	**53,856**	**28,065**	**1,371,123**	**1,258,672**
Long-term	**708,471**	**675,426**	**6,555**	**2,267**	**715,026**	**677,693**

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

12. EMPLOYEE BENEFITS

Groupe Aeroplan has recorded pension and other post-employment future benefits related to defined benefit plans for the three and nine months ended September 30, 2010 of $0.9 million and $0.8 million and $2.4 million and $1.8 million, respectively. For the three and nine months ended September 30, 2009, $0.9 million and $0.4 million and $1.0 million and $0.5 million were recorded for pension and other post-employment future benefits, respectively.

13. CONTINGENT LIABILITIES

AIR CANADA MILES ISSUED PRIOR TO JANUARY 1, 2002

In accordance with the CPSA, Air Canada is responsible for the cost of the redemption for air rewards of up to a maximum of 112.4 billion Air Canada Miles accumulated by members prior to January 1, 2002. As of September 30, 2010, the full 112.4 billion of Air Canada Miles had been redeemed.

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

The maximum potential redemption cost of meeting this obligation, if all 7.8 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $71.5 million at September 30, 2010, which would be charged to costs of rewards when they are incurred, as the Air Canada Miles are redeemed over time.

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

GA LOYALTY UNITS ISSUED AFTER JANUARY 1, 2002

In addition, Groupe Aeroplan may be required to provide rewards to members for unexpired GA Loyalty Units accounted for as Breakage on the GA Loyalty Units issued after December 31, 2001 for which the Breakage revenue has been recognized or deferred and for which no liability has been recorded. The maximum potential redemption cost for such GA Loyalty Units is estimated to be $1,008.6 million at September 30, 2010. The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

On a consolidated basis, management estimates that a 1% change in Breakage would have a total impact on revenue and earnings before income taxes of $84.0 million for the period in which the change occurred, with $74.1 million relating to prior years and $9.9 million relating to the current year.

VAT APPEAL (*NOTE 6*)

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 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, which issued a judgment 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 ("ECJ"). The case was heard on January 21, 2010. On October 7, 2010, the ECJ ruled against LMG and in favour of HMRC. The case will be referred back to the UK Supreme Court for judgment based on the guidance of the ECJ.

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of $128.0 million (£79.0 million) has been recorded in accounts payable and accrued liabilities as of

September 30, 2010 representing input tax credits relating to the supply of goods claimed historically. An amount of $60.3 million (£37.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, has also been recorded in accounts receivable. Of the net amount, $58.5 million (£36.8 million) (of which $1.8 million (£1.1 million) and $5.4 million (£3.4 million) relate to the three and nine months ended September 30, 2010, respectively, and $53.1 million (£33.4 million) relate to 2002 to 2009) has been charged to cost of rewards during the quarter. In addition, $1.6 million (£1.0 million) and $6.4 million (£4.0 million) has been charged to selling, general and administrative expenses and interest expense, respectively.

In addition, a provision in the amount of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable outcome, set up at the time of the acquisition, has been reversed into earnings, reducing selling, general and administrative expenses during the period.

At this time, the provision represents management's best estimate *(Note 17).* The ECJ provided for potential relief to mitigate a portion of the increase in the cost base resulting from the ECJ VAT Judgment which will require further discussion with HMRC. Given that the case will be referred back to the UK Supreme Court for judgment based on the guidance of the ECJ, and due to the need for on-going discussions with HMRC, management has neither considered nor accounted for any potential favourable impact of this aspect of the ECJ VAT Judgment.

OTHER

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 or 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 and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At September 30, 2010, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to $118.6 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. The motion is scheduled to be heard on May 9 and 10, 2011. 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 on 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.

14. CAPITAL STOCK

PREFERRED SHARES, SERIES 1

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, for total cash consideration of $167.3 million, net of issue costs of $3.7 million ($5.2 million, less a related income tax benefit of $1.5 million). The Preferred Shares, Series 1, bear a 6.5% annual cumulative, quarterly dividend, which is 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%. The Preferred Shares, Series 1 are 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.

NORMAL COURSE ISSUER BID

On May 11, 2010, the Corporation received approval from the Toronto Stock Exchange and announced its intention to repurchase up to 5,000,000 of its issued and outstanding common shares during the period from May 14, 2010 to no later than May 13, 2011, through a Normal Course Issuer Bid ("NCIB") program.

On August 11, 2010, the Corporation received approval from the Toronto Stock Exchange to increase the number of common shares that may be repurchased under the NCIB from 5,000,000 to 19,983,631, during the period from May 14, 2010 to no later than May 13, 2011.

From May 14 to September 30, 2010, Groupe Aeroplan repurchased and cancelled 10,650,600 common shares for total cash consideration of $112.6 million, with 9,333,031 common shares remaining available for purchase through the period ending May 13, 2011. Share capital was reduced by $93.1 million, and the remaining $19.5 million was accounted for as a reduction of contributed surplus *(Note 17).*

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

15. 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	3,382	11,859	1,146	16,387
2011	11,250	33,519	23,841	68,610
2012	8,944	20,525	14,842	44,311
2013	7,670	9,581	11,804	29,055
2014	5,026	2,542	11,804	19,372
Thereafter	11,063	88	1,634	12,785
Total	**47,335**	**78,114**	**65,071**	**190,520**

(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 September 30, 2010, Groupe Aeroplan complied with all such covenants.

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

Year ending December 31,	Shares
2011	80,000
2012	30,000
2013	30,000
2014	30,000
2015	10,000
Total shares to be granted	**180,000**

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

16. SEGMENTED INFORMATION

At September 30, 2010, the Corporation has three operating segments: Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

The tables below summarize the relevant financial information by segment:

(in thousands, except miles information)	Three months ended September 30,									
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Operating segments	**Aeroplan Canada**		**Groupe Aeroplan Europe**		**Carlson Marketing**		**Corporate** [(b)]		**Consolidated**	
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Gross Billings	268,351	257,020	115,707	98,329	136,397	-	-	-	520,455	355,349
Gross Billings from the sale of GALUs	256,971	244,991	103,091	90,891	-	-	-	-	360,062	335,882
Revenue	234,055	231,522	74,901	71,659	133,108	-	-	-	442,064	303,181
Other revenue	11,378	12,030	12,582	7,437	-	-	-	-	23,960	19,467
Total revenue	245,433	243,552	87,483	79,096	133,108	-	-	-	466,024	322,648
Cost of rewards and direct costs	138,760	137,108	118,101	53,238	66,077	-	-	-	322,938	190,346
Gross margin	106,673	106,444	(30,618)	25,858	67,031	-	-	-	143,086	132,302
Selling, general and administrative expenses	36,799	37,451	21,667	20,011	64,998	-	13,616	7,947	137,080	65,409
Depreciation and amortization[(a)]	22,060	21,442	3,138	3,131	5,433	-	-	-	30,631	24,573
Interest on long-term debt	-	-	50	-	-	-	12,905	12,808	12,955	12,808
Other interest expense	829	-	6,360	91	-	-	-	2,027	7,189	2,118
Interest income	5,923	5,233	2,214	661	291	-	-	-	8,428	5,894
Foreign exchange loss	-	-	-	-	-	-	-	(5,275)	-	(5,275)
Earnings (loss) before income taxes	52,908	52,784	(59,619)	3,286	(3,109)	-	(26,521)	(28,057)	(36,341)	28,013
Additions to capital assets	6,230	4,011	1,827	2,171	4,890	-	N/A	N/A	12,947	6,182
Goodwill	1,675,842	1,675,842	269,612	280,485	103,267	-	N/A	N/A	2,048,721	1,956,327
Deferred revenue	1,705,451	1,637,299	350,939	305,299	29,759	-	N/A	N/A	2,086,149	1,942,598
Total assets	4,826,315	4,776,864	232,973	155,657	159,307	-	N/A	N/A	5,218,595	4,932,521

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

(in thousands, except miles information)	Nine months ended September 30,									
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Operating segments	**Aeroplan Canada**		**Groupe Aeroplan Europe**		**Carlson Marketing**		**Corporate [(b)]**		**Consolidated**	
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Gross Billings	794,425	772,209	337,466	288,415	462,245	-	-	-	1,594,136	1,060,624
Gross Billings from the sale of GALUs	757,422	731,576	305,631	268,386	-	-	-	-	1,063,053	999,962
Revenue	719,647	735,902	214,500	215,423	443,778	-	-	-	1,377,925	951,325
Other revenue	37,003	40,634	31,072	20,028	-	-	-	-	68,075	60,662
Total revenue	756,650	776,536	245,572	235,451	443,778	-	-	-	1,446,000	1,011,987
Cost of rewards and direct costs	443,397	460,070	229,429	163,292	230,108	-	-	-	902,934	623,362
Gross margin	313,253	316,466	16,143	72,159	213,670	-	-	-	543,066	388,625
Selling, general and administrative expenses	107,361	113,172	85,805	62,828	196,666	-	35,429	19,250	425,261	195,250
Depreciation and amortization[(a)]	65,993	64,466	9,754	10,371	16,457	-	-	-	92,204	74,837
Interest on long-term debt	-	-	146	-	-	-	40,418	27,465	40,564	27,465
Other interest expense	2,132	-	6,360	271	-	-	-	4,113	8,492	4,384
Interest income	16,579	7,045	8,375	4,269	324	-	-	-	25,278	11,314
Foreign exchange loss	-	-	-	-	-	-	-	(3,019)	-	(3,019)
Earnings (loss) before income taxes	154,346	145,873	(77,547)	2,958	871	-	(75,847)	(53,847)	1,823	94,984
Additions to capital assets	14,758	15,603	3,144	4,566	13,114	-	N/A	N/A	31,016	20,169
Goodwill	1,675,842	1,675,842	269,612	280,485	103,267	-	N/A	N/A	2,048,721	1,956,327
Deferred revenue	1,705,451	1,637,299	350,939	305,299	29,759	-	N/A	N/A	2,086,149	1,942,598
Total assets	4,826,315	4,776,864	232,973	155,657	159,307	-	N/A	N/A	5,218,595	4,932,521

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

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

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

(in thousands, except miles information)	Three months ended September 30,					
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Geographic segments	**Canada [a]**		**Rest of the World**		**Consolidated**	
	$	**$**	**$**	**$**	**$**	**$**
Gross Billings [d]	312,424	257,020	208,031 [c]	98,329 [c]	520,455	355,349
Gross Billings from the sale of GALUs	256,971	244,991	103,091	90,891	360,062	335,882
Revenue	274,984	231,523	167,080	71,658	442,064	303,181
Other revenue	11,378	12,029	12,582	7,438	23,960	19,467
Total revenue	286,362	243,552	179,662	79,096	466,024	322,648
Cost of rewards and direct costs	158,819	137,108	164,119	53,238	322,938	190,346
Gross margin	127,543	106,444	15,543	25,858	143,086	132,302
Selling, general and administrative expenses	65,692	45,398	71,388	20,011	137,080	65,409
Depreciation and amortization [b]	25,057	21,442	5,574	3,131	30,631	24,573
Earnings (loss) before income taxes	30,258	24,727	(66,599)	3,286	(36,341)	28,013
Additions to capital assets	6,676	4,011	6,271	2,171	12,947	6,182
Goodwill	1,697,590	1,675,842	351,131	280,485	2,048,721	1,956,327
Deferred revenue	1,719,014	1,637,299	367,135	305,299	2,086,149	1,942,598
Total assets	4,965,299	4,776,864	253,296	155,657	5,218,595	4,932,521

(a) The corporate segment is included in the Canadian geographic segment.
(b) Includes amortization of accumulation partners' contracts, customer relationships and technology.
(c) Includes Gross Billings of $102.2 million in the UK and $46.7 million in the US for the three months ended September 30, 2010 compared to Gross Billings of $92.5 million in the UK for the three months ended September 30, 2009.
(d) Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

(in thousands, except miles information)	Nine months ended September 30,					
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Geographic segments	**Canada** [(a)]		**Rest of the World**		**Consolidated**	
	$	**$**	**$**	**$**	**$**	**$**
Gross Billings [(d)]	912,232	772,209	681,904 [(c)]	288,415 [(c)]	1,594,136	1,060,624
Gross Billings from the sale of GALUs	757,422	731,576	305,631	268,386	1,063,053	999,962
Revenue	832,082	735,903	545,843	215,422	1,377,925	951,325
Other revenue	37,003	40,633	31,072	20,029	68,075	60,662
Total revenue	869,085	776,536	576,915	235,451	1,446,000	1,011,987
Cost of rewards and direct costs	498,216	460,070	404,718	163,292	902,934	623,362
Gross margin	370,869	316,466	172,197	72,159	543,066	388,625
Selling, general and administrative expenses	188,361	132,422	236,900	62,828	425,261	195,250
Depreciation and amortization [(b)]	74,971	64,466	17,233	10,371	92,204	74,837
Earnings (loss) before income taxes	81,693	92,026	(79,870)	2,958	1,823	94,984
Additions to capital assets	15,941	15,603	15,075	4,566	31,016	20,169
Goodwill	1,697,590	1,675,842	351,131	280,485	2,048,721	1,956,327
Deferred revenue	1,719,014	1,637,299	367,135	305,299	2,086,149	1,942,598
Total assets	4,965,299	4,776,864	253,296	155,657	5,218,595	4,932,521

(a) The corporate segment is included in the Canadian geographic segment.
(b) Includes amortization of accumulation partners' contracts, customer relationships and technology.
(c) Includes Gross Billings of $302.7 million in the UK and $210.9 million in the US for the nine months ended September 30, 2010 compared to Gross Billings of $271.3 million in the UK for the nine months ended September 30, 2009.
(d) Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2010, Groupe Aeroplan repurchased and cancelled 1,972,300 common shares for total cash consideration of $24.7 million, pursuant to the NCIB.

On October 7, 2010, the European Court of Justice rendered its judgment on the pending VAT case and found in favour of HMRC. The effect of the judgment has been recorded in the September 30, 2010 consolidated financial statements and the impact is described in *Note 13*.

18. COMPARATIVE FIGURES

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