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

For the three and six months ended June 30th 2011 and 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The following management's discussion and analysis of financial condition and results of operations (the "MD&A") presents a discussion of the financial condition and results of operations for Groupe Aeroplan Inc. (together with its direct and indirect subsidiaries, where the context requires, "Groupe Aeroplan" or the "Corporation").

The MD&A is prepared as at August 10, 2011 and should be read in conjunction with the accompanying interim consolidated financial statements of Groupe Aeroplan for the six months ended June 30, 2011 and the notes thereto, the audited consolidated financial statements of Groupe Aeroplan for the years ended December 31, 2010 and 2009 and the notes thereto, the annual management discussion and analysis for Groupe Aeroplan (the "2010 MD&A"), and Groupe Aeroplan's Annual Information Form and Management Information Circular, respectively dated March 22 and March 18, 2011.

As of January 1, 2011, the Corporation adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Accordingly, the disclosures herein and the unaudited interim consolidated financial statements for the six month period ended June 30, 2011, are presented in accordance with IFRS. The comparative periods presented, including the six months ended June 30, 2010, the year ended December 31, 2010 and the opening IFRS balance sheet at the transition date of January 1, 2010, have been restated in accordance with IFRS. For further information regarding the Corporation's adoption of IFRS, please refer to Adoption of IFRS under CHANGES IN ACCOUNTING POLICIES.

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, predictions or forward-looking statements cannot be relied upon due to, among 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, dependency on top accumulation partners and clients, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues, Air Canada or travel industry disruptions, airline industry changes and increased airline costs, 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, foreign operations, 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, uncertainty of dividend payments, 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 August 10, 2011, 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.

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GLOSSARY

"Accumulation Partners" – means Commercial Partners that purchase loyalty marketing services, including GA Loyalty Units;

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

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

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

"Air Canada Miles" – means the miles issued by Air Canada under the Aeroplan Program prior to January 1, 2002;

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

"Breakage" – means the estimated GA Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgement;

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

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

"Carlson Marketing" – means the proprietary loyalty marketing services business operated in each of our segments;

"Change in Future Redemption Costs" – means the 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;

"ECJ VAT Judgment" – means the ruling issued by the European Court of Justice on October 7, 2010;

"EMEA" – means the business segment of Groupe Aeroplan that operates the Nectar, Air Miles Middle East, I&C and Nectar Italia businesses as well as the Carlson Marketing business in the UK;

"Expired Miles" – means the miles that have been removed from members' accounts and are no longer redeemable;

"Future Redemption Costs" – means the 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" – means generally accepted accounting principles in Canada. As of January 1, 2011, this represents International Financial Reporting Standards;

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

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

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

"IFRS" – means International Financial Reporting Standards;

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

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

"Nectar", "Nectar UK" or the **"Nectar Program"** – means the loyalty marketing program operated by EMEA in the United Kingdom;

"Nectar Italia" or the **"Nectar Italia Program"** – means the loyalty marketing program operated by EMEA 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" – means all redeemable miles (including Broken Miles but not Expired Miles), whether issued by Aeroplan or by Air Canada (prior to January 1, 2002) under the Aeroplan Program.

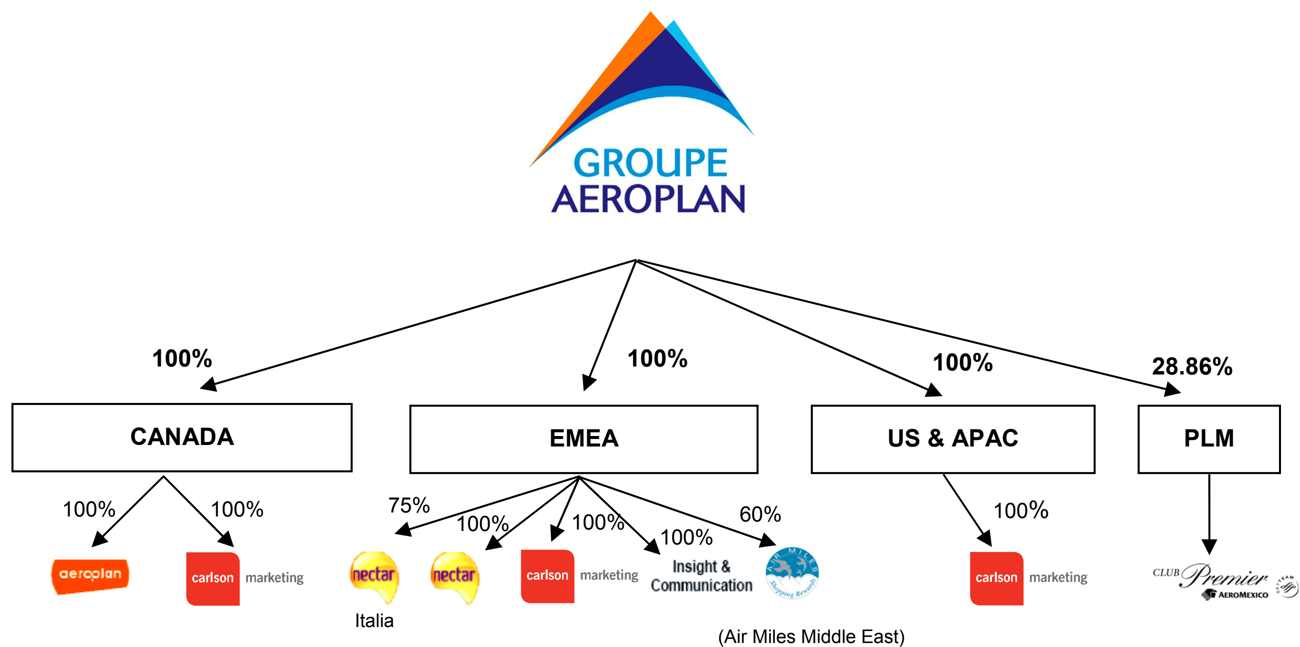
OVERVIEW

Groupe Aeroplan, a global leader in loyalty management, through its subsidiaries, operates in three regional business segments: Canada, the United States and Asia-Pacific ("US & APAC") and EMEA.

In Canada, Groupe Aeroplan operates the Aeroplan Program, a premier customer loyalty program and Carlson Marketing, a loyalty marketing services provider. In Europe, the Middle-East and Africa, Groupe Aeroplan operates Nectar, a coalition loyalty program in the United Kingdom, Air Miles Middle East through a 60% ownership interest, LMG Insight & Communication ("I&C"), a customer-driven insight and data analytics business offering international services to retailers and their suppliers, the Nectar Italia coalition loyalty program, through a 75% participation and Carlson Marketing, a loyalty marketing services provider. In the United States and Asia Pacific, Groupe Aeroplan operates Carlson Marketing, a loyalty marketing services and engagement and events provider. Groupe Aeroplan also jointly controls, with Grupo Aeromexico, S.A.B. de C.V., Premier Loyalty & Marketing S.A.P.I. de C.V. ("PLM"), owner and operator of Club Premier, a Mexican coalition loyalty program.

OPERATIONAL STRUCTURE

The following chart illustrates the operational structure of Groupe Aeroplan as at June 30, 2011:



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

STRATEGY

Please refer to the corresponding section of the 2010 MD&A to review Groupe Aeroplan's strategy.

PERFORMANCE INDICATORS

OPERATING INCOME

Revenue

Groupe Aeroplan derives its cash inflows primarily from the sale of GALUs to Accumulation Partners and from services rendered or to be rendered to customers. These inflows are referred to as "Gross Billings". A key characteristic of the business is that the gross proceeds received for the sale of GALUs to partners, known as "Gross Billings from the sale of GALUs", are deferred and recognized as revenue under IFRS 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 based on the number of GALUs redeemed in a period in relation to the total number expected to be redeemed.

In addition, Groupe Aeroplan derives loyalty marketing service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These loyalty marketing service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise and analytical services to retailers and consumer packaged goods companies, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or on an accrual basis, in accordance with the substance of the agreements in the case of royalties.

Cost of Rewards, Direct Costs and Operating Expenses

Cost of rewards consists of the cost to purchase airline seats or other products or services from Redemption Partners in order to deliver rewards chosen by members upon redemption of their GALUs. At that time, the costs of the chosen rewards are incurred and recognized. The total cost of rewards varies with the number of GALUs redeemed and the cost of the individual rewards purchased in connection with such redeemed GALUs.

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

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

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

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

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

Change in deferred revenue is calculated as the difference between Gross Billings, revenue recognized including 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 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 attributable to equity holders of the Corporation adjusted for Amortization of Accumulation Partners' contracts, customer relationships and technology, Change in deferred revenue, Change in Future Redemption Costs and the income tax effect thereon calculated at the effective income tax rate as reflected in the statement of operations, provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA.

Adjusted Net Earnings is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, and is not comparable to similar measures used by other issuers. For a reconciliation to GAAP, please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

STANDARDIZED FREE CASH FLOW ("FREE CASH FLOW")

Free Cash Flow is a non-GAAP measure recommended by the CICA in order to provide a consistent and comparable measurement of free cash flow across entities of cash generated from operations and is used as an indicator of financial strength and performance.

Free Cash Flow is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for:

a) total capital expenditures as reported in accordance with GAAP; and
b) dividends, when stipulated, unless deducted in arriving at cash flows from operating activities.

For a reconciliation to cash flows from operations please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

CAPABILITY TO DELIVER RESULTS

For a review of these factors, please refer to the 2010 MD&A.

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

On September 13, 2010, Groupe Aeroplan acquired an initial participation in 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, a Mexican coalition loyalty program. Until February 27, 2011, the investment was accounted for as an available for sale investment with fair value changes being recorded through other comprehensive income. Fair value was determined to approximate cost.

On February 28, 2011, after PLM achieved the remaining performance milestone, Groupe Aeroplan completed the second tranche of its investment in PLM of US$11.8 million ($11.8 million), increasing its equity interest to 28.86%. The investment, which is now subject to joint control with Grupo Aeromexico S.A.B. de C.V., is accounted for under the equity method.

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. An independent valuation of the identifiable assets of PLM has been obtained and the proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche. Please refer to discussion included in *Net Earnings* under the *Operating and Financial Results* section.

For the three and six months ended June 30, 2011, Groupe Aeroplan's share of PLM's financial statement items was as follows:

Statement of operations data	Three months ended June 30,		Six months ended June 30,	
(in millions of $)	**2011**	**2010**	**2011 [(a)]**	**2010**
	$	**$**	**$**	**$**
Revenue	3.1	-	3.7	-
Expenses	2.7	-	0.5	-

(a) Includes the results from February 28, 2011 to June 30, 2011.

Statement of financial position data	June 30, 2011	December 31, 2010
(in millions of $)		
	$	**$**
Current assets	11.1	-
Long-term assets	29.4	-
Current liabilities	6.8	-
Long-term liabilities	10.6	-

For the three and six months ended June 30, 2011, PLM reported Gross Billings of $27.9 and $52.1 million, respectively.

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Groupe Aeroplan has been derived from, and should be read in conjunction with, the interim consolidated financial statements for the three and six months ended June 30, 2011, and the related notes.

Historically, the Aeroplan Program 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. The Nectar Program is characterized by high redemption activity in the last quarter of the year as a result of the holiday season. While the loyalty marketing services business is also affected by similar seasonality in the last quarter of the year, also related to the holiday season, the impact at the consolidated level is not significant due to the lower relative importance of the reward fulfilment component of the business compared to that of the Aeroplan Program and the Nectar Program.

QUARTER HIGHLIGHTS

- Gross Billings of $542.4 million;
- Operating income of $39.4 million;
- Net earnings attributable to equity holders of the Corporation of $15.1 million;
- Earnings per common share of $0.07;
- Cash flows from operations of $91.2 million;
- Adjusted EBITDA of $76.9 million;
- Adjusted net earnings of $41.6 million;
- Free cash flow of $51.8 million.

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

(in thousands, except share and per share information)	Three months ended June 30,		Six months ended June 30,		%∆	
	2011	2010 (j)	2011	2010 (j)	Q2	YTD
	$	$	$	$		
Gross Billings	**542,418**	**555,734** (i)	**1,070,298**	**1,073,681** (i)	**(2.4)**	**(0.3)**
Gross Billings from the sale of GALUs	**388,203**	**364,722**	**750,942**	**702,991**	**6.4**	**6.8**
Revenue from GALUs and loyalty marketing services	482,194	446,557	1,000,684	932,029	8.0	7.4
Other revenue	25,408	21,328	53,126	44,115	19.1	20.4
Total revenue	507,602	467,885	1,053,810	976,144	8.5	8.0
Cost of rewards and direct costs	(297,737) (a)	(274,256)	(625,353) (a)	(579,996)	8.6	7.8
Gross margin before depreciation and amortization (b)	209,865	193,629	428,457	396,148	8.4	8.2
Depreciation and amortization	(8,096)	(7,166)	(15,916)	(14,793)	13.0	7.6
Amortization of Accumulation Partners' contracts, customer relationships and technology	(22,893)	(23,812)	(46,222)	(46,780)	(3.9)	(1.2)
Gross margin	178,876 (a)	162,651	366,319 (a)	334,575	10.0	9.5
Operating expenses	(139,484) (a)	(142,101)	(277,465) (a)	(288,690)	(1.8)	(3.9)
Amortization of Accumulation Partners' contracts, customer relationships and technology	22,893	23,812	46,222	46,780	(3.9)	(1.2)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**62,285** (a)	**44,362**	**135,076** (a)	**92,665**	**40.4**	**45.8**
Depreciation and amortization	8,096	7,166	15,916	14,793	13.0	7.6
EBITDA (b)(e)	**70,381** (a)	**51,528**	**150,992** (a)	**107,458**	**36.6**	**40.5**
Adjustments:						
Change in deferred revenue						
Gross Billings	542,418	555,734 (i)	1,070,298	1,073,681 (i)		
Revenue	(507,602)	(467,885)	(1,053,810)	(976,144)		
Change in Future Redemption Costs (c)	(28,343) (d)	(49,849)	(18,355) (d)	(60,401)		
(Change in Net GALUs outstanding x Average Cost of Rewards per GALUs for the period)						
Subtotal of Adjustments	6,473	38,000	(1,867)	37,136		
Adjusted EBITDA (e)	**76,854** (a)(d)	**89,528** (i)	**149,125** (a)(d)	**144,594** (i)	**(14.2)**	**3.1**
Net earnings attributable to equity holders of the Corporation	**15,095** (a)(g)	**11,236**	**40,523** (a)(g)	**29,655**		
Weighted average number of shares	180,173,985	198,905,059	182,839,306	199,181,460		
Earnings per common share (f)	0.07 (a)(g)	0.04	0.19 (a)(g)	0.12		
Net earnings attributable to equity holders of the Corporation	**15,095** (a)(g)	**11,236**	**40,523** (a)(g)	**29,655**	**34.3**	**36.6**
Amortization of Accumulation Partners' contracts, customer relationships and technology	22,893	23,812	46,222	46,780		
Subtotal of Adjustments (from above)	6,473	38,000	(1,867)	37,136		
Effective tax rate (%) (h)	-44.93%	-20.63%	-42.67%	-14.72%		
Tax on adjustments at the effective rate	(2,908)	(7,838)	797	(5,465)		
Adjusted net earnings (e)	**41,553** (a)(d)(g)	**65,210** (i)	**85,675** (a)(d)(g)	**108,106** (i)	**(36.3)**	**(20.7)**
Adjusted net earnings per common share (f)	0.22 (a)(d)(g)	0.31 (i)	0.44 (a)(d)(g)	0.52 (i)		
Net earnings attributable to equity holders of the Corporation	15,095 (a)(g)	11,236	40,523 (a)(g)	29,655		
Earnings per common share (f)	0.07 (a)(g)	0.04	0.19 (a)(g)	0.12		
Cash flow from operations	**91,155**	**48,141**	**76,314**	**18,410**	**89.4**	**314.5**
Capital Expenditures	(9,643)	(8,910)	(15,955)	(18,069)		
Dividends	(29,712)	(27,567)	(55,525)	(54,716)		
Free cash flow (e)	**51,800**	**11,664**	**4,834**	**(54,375)**	**344.1**	**108.9**
Total assets	4,914,481	5,092,138	4,914,481	5,092,138		
Total long-term liabilities	1,301,667	1,585,098	1,301,667	1,585,098		
Total dividends	29,712	27,567	55,525	54,716		
Total dividends per preferred share	0.406	0.406	0.813	0.718		
Total dividends per common share	0.150	0.125	0.275	0.250		

(a) The cost of rewards for the period includes the effect of an expense recognized as a result of the ECJ VAT Judgment amounting to $2.0 million (£1.2 million) and $3.8 million (£2.4 million) for the three and six month periods ended June 30, 2011, respectively.

(b) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(c) 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.

(d) The Average Cost of Rewards per GALU for the three and six month periods ended June 30, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.7 million (£0.5 million) and $1.1 million (£0.7 million), respectively.

(e) A non-GAAP measurement.

(f) After deducting dividends paid on preferred shares.

(g) Interest expense for the period includes the effect of a net charge recognized as a result of the ECJ VAT Judgment amounting to $1.0 million (£0.7 million) and $2.0 million (£1.3 million) for the three and six month periods ended June 30, 2011, respectively.

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

(i) Includes the positive effect of a $17.4 million adjustment, as a result of a reclassification of deferred revenue amounts previously included in customer deposits.

(j) 2010 comparative figures do not include any effect related to the adverse impact of the ECJ VAT Judgment.

SEGMENTED INFORMATION

Effective January 1, 2011, the Corporation had three operating segments: Canada, EMEA and US & APAC.

For the year ended December 31, 2010, the Corporation's operating segments were Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe.

The change in segmentation results from a strategic decision to transition to a regional structure to leverage the full suite of loyalty management capabilities across the regions in order to optimize revenue and cost synergies, brands and technology. As a result, the comparative information for 2010 has been restated to conform with the new segmentation.

The tables below summarize the relevant financial information by operating segment:

(in thousands) — Three months ended June 30,

Operating segments	Canada 2011	Canada 2010 (m)	EMEA 2011	EMEA 2010 (m)	US & APAC 2011	US & APAC 2010 (m)	Corporate (c) 2011	Corporate (c) 2010 (m)	Consolidated 2011	Consolidated 2010 (m)
	$	$	$	$	$	$	$	$	$	$
Gross Billings	323,944	302,326	137,720 (d)	127,571 (d)(k)	80,754 (d)	125,837 (d)(k)	-	-	542,418 (d)	555,734 (d)(k)
Gross Billings from the sale of GALUs	271,969	253,960	116,234	110,762	-	-	-	-	388,203	364,722
Revenue from GALUs and loyalty marketing services	308,201	257,650	90,489	75,863	83,504	113,044	-	-	482,194	446,557
Other revenue	11,672	11,563	13,736	9,765	-	-	-	-	25,408	21,328
Total revenue	319,873	269,213	104,225	85,628	83,504	113,044	-	-	507,602	467,885
Cost of rewards and direct costs	177,169	152,652	71,969 (g)	58,486	48,599	63,118	-	-	297,737 (g)	274,256
Gross margin before depreciation and amortization (a)	142,704	116,561	32,256 (g)	27,142	34,905	49,926	-	-	209,865 (g)	193,629
Depreciation and amortization (b)	25,079	24,966	3,295	3,970	2,615	2,042	-	-	30,989	30,978
Gross margin	117,625	91,595	28,961 (g)	23,172	32,290	47,884	-	-	178,876 (g)	162,651
Operating expenses before share-based compensation	56,320	50,411	38,415	35,885	33,079	44,749	8,799	9,104	136,613	140,149
Share -based compensation	-	-	-	-	-	-	2,871	1,952	2,871	1,952
Total operating expenses	56,320	50,411	38,415	35,885	33,079	44,749	11,670	11,056	139,484	142,101
Operating income (loss)	61,305	41,184	(9,454) (g)	(12,713)	(789)	3,135	(11,670)	(11,056)	39,392 (g)	20,550
Financial expenses	40	691	1,025 (h)	201	5	-	14,247	12,645	15,317 (h)	13,537
Financial income	2,207 (j)	4,225 (j)	1,001	941	42	-	-	-	3,250 (j)	5,166 (j)
Share of net earnings of PLM	-	-	-	-	-	-	390	-	390	-
Earnings (loss) before income taxes	63,472 (j)	44,718 (j)	(9,478) (g)(h)	(11,973)	(752)	3,135	(25,527)	(23,701)	27,715 (g)(h)(j)	12,179 (j)
Adjusted EBITDA (l)	87,363	82,136	2,085 (g)(i)	478 (k)	(924)	17,970 (k)	(11,670)	(11,056)	76,854 (g)(i)	89,528 (k)
Additions to non-current assets (e)	5,267	4,743	3,229	280	1,147	3,887	N/A	N/A	9,643	8,910
Non-current assets (e)	3,291,655	3,374,186	446,243 (f)	455,932 (f)	99,876 (f)	110,900 (f)	N/A	N/A	3,837,774 (f)	3,941,018 (f)
Deferred revenue	1,815,961	1,781,351	311,589	289,175	12,514	17,406	N/A	N/A	2,140,064	2,087,932
Total assets	3,801,215	4,090,739	868,164	768,610	202,723	232,789	42,379	-	4,914,481	5,092,138

(a) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(b) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(c) Includes expenses that are not directly attributable to any specific operating segment.

(d) Includes Gross Billings of $113.4 million in the UK and $46.8 million in the US for the three months ended June 30, 2011, compared to Gross Billings of $101.6 million in the UK and $87.7 million in the US for the three months ended June 30, 2010.

(e) Non-current assets includes amounts relating to goodwill, Accumulation Partners' contracts, trade names, customer relationships, other intangibles, software and technology and property and equipment.

(f) Includes non-current assets of $395.7 million in the UK and $94.3 million in the US as of June 30, 2011 compared to non-current assets of $409.5 million in the UK and $104.1 million in the US as of June 30, 2010.

(g) Includes the effect of a $2.0 million (£1.2 million) expense to cost of rewards recognized as a result of the ECJ VAT Judgment.

(h) Includes the effect of a $1.0 million (£0.7 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment.

(i) The Average Cost of Rewards per GALU for the three month period ended June 30, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.7 million (£0.5 million).

(j) Includes a loss of $0.4 million relating to the fair value adjustment of the Air Canada Warrants for the three months ended June 30, 2011 compared to a loss of $1.0 million for the three months ended June 30, 2010.

(k) Includes the positive effect of a $17.4 million adjustment, as a result of a reclassification of deferred revenue amounts previously included in customer deposits. Of this amount, $17.0 million relates to the US & APAC segment and $0.4 million to the EMEA segment.

(l) A non-GAAP measurement.

(m) Comparative figures have been reclassified to conform with the new segmentation and do not include any effect related to the adverse impact of the ECJ VAT Judgment.

(in thousands)	Six months ended June 30,									
	2011	2010 [m]	2011	2010 [m]	2011	2010 [m]	2011	2010 [m]	2011	2010 [m]
Operating segments	**Canada**		**EMEA**		**US & APAC**		**Corporate [c]**		**Consolidated**	
	$	$	$	$	$	$	$	$	$	$
Gross Billings	643,644	599,808	258,467 (d)	238,994 (d)(k)	168,187 (d)	234,879 (d)(k)	-	-	1,070,298 (d)	1,073,681 (d)(k)
Gross Billings from the sale of GALUs	533,603	500,451	217,339	202,540	-	-	-	-	750,942	702,991
Revenue from GALUs and loyalty marketing services	649,108	553,917	180,264	156,859	171,312	221,253	-	-	1,000,684	932,029
Other revenue	25,241	25,625	27,885	18,490	-	-	-	-	53,126	44,115
Total revenue	674,349	579,542	208,149	175,349	171,312	221,253	-	-	1,053,810	976,144
Cost of rewards and direct costs	381,536	339,397	142,722 (g)	117,022	101,095	123,577	-	-	625,353 (g)	579,996
Gross margin before depreciation and amortization [a]	292,813	240,145	65,427 (g)	58,327	70,217	97,676	-	-	428,457 (g)	396,148
Depreciation and amortization [b]	50,170	49,914	6,734	7,203	5,234	4,456	-	-	62,138	61,573
Gross margin	242,643	190,231	58,693 (g)	51,124	64,983	93,220	-	-	366,319 (g)	334,575
Operating expenses before share-based compensation	108,606	100,427	70,516	75,178	74,891	90,334	18,918	18,765	272,931	284,704
Share -based compensation	-	-	-	-	-	-	4,534	3,986	4,534	3,986
Total operating expenses	108,606	100,427	70,516	75,178	74,891	90,334	23,452	22,751	277,465	288,690
Operating income (loss)	134,037	89,804	(11,823) (g)	(24,054)	(9,908)	2,886	(23,452)	(22,751)	88,854 (g)	45,885
Financial expenses	40	1,303	2,008 (h)	344	9	-	27,619	27,513	29,676 (h)	29,160
Financial income	2,964 (j)	10,689 (j)	1,875	1,853	131	-	-	-	4,970 (j)	12,542 (j)
Share of net earnings of PLM	-	-	-	-	-	-	6,528	-	6,528	-
Earnings (loss) before income taxes	136,961 (j)	99,190 (j)	(11,956) (g)(h)	(22,545)	(9,786)	2,886	(44,543)	(50,264)	70,676 (g)(h)(j)	29,267 (j)
Adjusted EBITDA [l]	175,016	154,421	5,360 (g)(i)	(8,044) (k)	(7,799)	20,968 (k)	(23,452)	(22,751)	149,125 (g)(i)	144,594 (k)
Additions to non-current assets [e]	8,984	9,265	5,369	1,489	1,602	7,315	N/A	N/A	15,955	18,069
Non-current assets [e]	3,291,655	3,374,186	446,243 (f)	455,932 (f)	99,876 (f)	110,900 (f)	N/A	N/A	3,837,774 (f)	3,941,018 (f)
Deferred revenue	1,815,961	1,781,351	311,589	289,175	12,514	17,406	N/A	N/A	2,140,064	2,087,932
Total assets	3,801,215	4,090,739	868,164	768,610	202,723	232,789	42,379	-	4,914,481	5,092,138

(a) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(b) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(c) Includes expenses that are not directly attributable to any specific operating segment.

(d) Includes Gross Billings of $213.1 million in the UK and $95.7 million in the US for the six months ended June 30, 2011, compared to Gross Billings of $200.5 million in the UK and $164.2 million in the US for the six months ended June 30, 2010.

(e) Non-current assets includes amounts relating to goodwill, Accumulation Partners' contracts, trade names, customer relationships, other intangibles, software and technology and property and equipment.

(f) Includes non-current assets of $395.7 million in the UK and $94.3 million in the US as of June 30, 2011 compared to non-current assets of $409.5 million in the UK and $104.1 million in the US as of June 30, 2010.

(g) Includes the effect of a $3.8 million (£2.4 million) expense to cost of rewards recognized as a result of the ECJ VAT Judgment.

(h) Includes the effect of a $2.0 million (£1.3 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment.

(i) The Average Cost of Rewards per GALU for the six month period ended June 30, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $1.1 million (£0.7 million).

(j) Includes a loss of $2.2 million relating to the fair value adjustment of the Air Canada Warrants for the six months ended June 30, 2011 compared to a gain of $0.5 million for the six months ended June 30, 2010.

(k) Includes the positive effect of a $17.4 million adjustment, as a result of a reclassification of deferred revenue amounts previously included in customer deposits. Of this amount, $17.0 million relates to the US & APAC segment and $0.4 million to the EMEA segment.

(l) A non-GAAP measurement.

(m) Comparative figures have been reclassified to conform with the new segmentation and do not include any effect related to the adverse impact of the ECJ VAT Judgment.

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

(as a % of total revenue)	Three months ended June 30, 2011		Three months ended June 30, 2010	Six months ended June 30, 2011		Six months ended June 30, 2010
	%		%	%		%
Total Revenue	**100.0**		**100.0**	**100.0**		**100.0**
Cost of rewards and direct costs	(58.7)	(a)	(58.6)	(59.3)	(a)	(59.4)
Gross margin before depreciation and amortization (b)	41.3	(a)	41.4	40.7	(a)	40.6
Operating expenses	(27.5)		(30.4)	(26.3)		(29.6)
Depreciation and amortization	(1.6)		(1.5)	(1.5)		(1.5)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	12.3	(a)	9.5	12.8	(a)	9.5

(as a % of Gross Billings)	Three months ended June 30, 2011		Three months ended June 30, 2010		Six months ended June 30, 2011		Six months ended June 30, 2010	
	%		%		%		%	
Gross Billings	**100.0**		**100.0**	(f)	**100.0**		**100.0**	(f)
Total revenue	93.6		84.2		98.5		90.9	
Cost of rewards and direct costs	(54.9)	(a)	(49.4)		(58.4)	(a)	(54.0)	
Operating expenses	(25.7)		(25.6)		(25.9)		(26.9)	
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	11.5	(a)	8.0		12.6	(a)	8.6	
Adjusted EBITDA (d)	14.2	(a)(e)	16.1	(f)	13.9	(a)(b)	13.5	(f)
Adjusted Net Earnings (Loss) (d)	7.7	(a)(c)(e)	11.7	(f)	8.0	(a)(c)(e)	10.1	(f)
Free Cash Flow (d)	9.5		2.1		0.5		(5.1)	

(a) The cost of rewards for the period includes the effect of an expense recognized as a result of the ECJ VAT Judgment amounting to $2.0 million (£1.2 million) and $3.8 million (£2.4 million) for the three and six month periods ended June 30, 2011, respectively.

(b) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(c) Interest expense for the period includes the effect of a net charge recognized as a result of the ECJ VAT Judgment amounting to $1.0 million (£0.7 million) and $2.0 million (£1.3 million) for the three and six month periods ended June 30, 2011, respectively.

(d) A non-GAAP measurement.

(e) The Average Cost of Rewards per GALU for the three and six month periods ended June 30, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.7 million (£0.5 million) and $1.1 million (£0.7 million), respectively.

(f) Includes the positive effect of a $17.4 million adjustment, as a result of a reclassification of deferred revenue amounts previously included in customer deposits.

QUARTER ENDED JUNE 30, 2011 COMPARED TO QUARTER ENDED JUNE 30, 2010

Gross Billings generated for the three months ended June 30, 2011 amounted to $542.4 million compared to $555.7 million for the three months ended June 30, 2010, representing a decrease of $13.3 million or 2.4%, mainly as a result of a $17.4 million positive adjustment to Carlson Marketing's Gross Billings in the second quarter of 2010, which related to a reclassification of deferred revenue amounts which were previously included in customer deposits. Excluding the effect of the reclassification, Gross Billings increased by 0.8% for the quarter. Gross Billings were also negatively affected by the phasing out of a portion of the Visa business in the US. Those factors were partially offset by increased Gross Billings in the Canada and EMEA segments.

Groupe Aeroplan's ability to generate Gross Billings is a function of the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, and loyalty marketing customers, which are in turn affected by the general economic conditions present in the countries in which the loyalty programs are operated and the services are rendered. For the three months ended June 30, 2011, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

- Gross Billings were positively affected by higher airline, travel and financial partners activity, reflecting an increase in average consumer spend per credit card and number of active cards;
- Gross Billings generated from retail partners continued to be positively affected by the grocery sector. Specifically, in the UK, the strong ties of the Nectar Program to the grocery sector had a positive impact on Gross Billings despite the economic recession; and
- Gross Billings generated from loyalty marketing services were negatively impacted primarily by the phasing out of a portion of the Visa business in the US, approximating $28.5 million, but partly offset by growth from the financial sector in Canada.

Gross Billings from the Sale of GALUs generated for the three months ended June 30, 2011 amounted to $388.2 million compared to $364.7 million for the three months ended June 30, 2010, representing an increase of $23.5 million or 6.4%.

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

Canada

Aeroplan Miles issued during the three month period ended June 30, 2011 increased by 6.1% in comparison to the three months ended June 30, 2010, tracking above general economic indicators.

Aeroplan experienced an increase of $18.0 million in Gross Billings from the sale of Aeroplan Miles compared to the same period in the prior year resulting from increased airline partner activity, an increase in average consumer spend per active credit card, continued growth in the retail sector and a recovery in the travel segment.

EMEA

Nectar UK Points issued during the three month period ended June 30, 2011 increased by 6.6% compared to the same period in the prior year, due to growth in the grocery sector despite the prior year benefiting from elevated levels of bonusing in that sector, and higher issuance in the energy sector as a result of a new Accumulation Partner, British Gas.

Nectar Italia Points issued decreased by 16.9% in comparison to the prior period due to certain one-time effects consistent with the program launch which occurred in the prior year.

The EMEA segment experienced an increase of $5.5 million in Gross Billings from GALUs, including a favourable $2.2 million currency impact resulting from the increase in value of foreign currencies relative to the Canadian dollar. The operational variance of $3.3 million is mostly explained by a $4.4 million increase in Gross Billings from GALUs in the Nectar Program driven by the grocery, energy, travel and other retail sectors, partly offset by a decrease of $1.8 million in Nectar Italia's GALU Gross Billings as a result of the prior period benefiting from launch related activities which amounted to $4.9 million, in part offset by an increase in Gross Billings from GALUs resulting from an increase in members and Accumulation Partners.

Other Gross Billings, consisting of loyalty marketing services and other revenues, amounted to $154.2 million for the three months ended June 30, 2011 compared to $191.0 million for the three months ended June 30, 2010, representing a decrease of $36.8 million or 19.3%. The decrease is partially explained by a $17.4 million positive adjustment to Carlson Marketing's Other Gross Billings in the second quarter of 2010 and the phasing out of a portion of the Visa business in the US representing $28.5 million. Please refer to the *Revenue* section for details explaining the remaining variance.

Redemption activity – Under the Aeroplan Program, Total Miles redeemed for the three months ended June 30, 2011 amounted to 17.6 billion compared to 15.0 billion for the three months ended June 30, 2010, representing an increase of 2.6 billion or 17.3% driven primarily by the introduction of a new air redemption product and an increase in non-air redemptions.

Redemption activity for the Nectar Program increased by 5.1% compared to the second quarter of 2010, mainly driven by an increase in the number of Nectar Points in circulation and the continued popularity of online rewards.

Total points redeemed for the Nectar Italia Program for the three months ended June 30, 2011 increased in comparison to the same period of 2010, consistent with members having availability of points in their accounts in excess of redemption thresholds, allowing them to engage with the program for redemption and accumulation as the program enters its second year of operations.

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 $345.4 million for the three months ended June 30, 2011 compared to $290.9 million for the three months ended June 30, 2010, representing an increase of $54.5 million or 18.7%. This increase is mainly attributable to:

- a favourable variance of $32.6 million in the Canada segment explained by an increase in total redemption volume and an increase in the cumulative average selling price of an Aeroplan Mile;
- a favourable variance of $12.2 million in the EMEA segment, including a $1.7 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is explained mainly by increased redemptions at Nectar Italia, which had low levels of redemptions in the prior period as it was still in the start-up phase, and increased redemptions at the Nectar program in the UK; and
- on a consolidated basis, increased revenue recognized from Breakage of $9.7 million, reflecting the higher redemption activity and the favourable fluctuation of foreign currencies of $0.2 million related to the translation of foreign operations.

Loyalty marketing service revenue, which consists of consolidated revenue from Carlson Marketing, amounted to $136.8 million for the three months ended June 30, 2011 compared to $155.7 million for the three months ended June 30, 2010, representing a decrease of $18.9 million or 12.1% mainly attributable to:

- a decrease of $29.5 million in the US & APAC region related mostly to the phasing out of a portion of the Visa business, representing $28.5 million, and the negative fluctuation of foreign currencies of $0.7 million related to the translation of foreign operations; offset in part by
- an increase of $10.8 million in Canada driven by growth in the financial vertical. The revenue for the three months ended June 30, 2010 was net of a $2.7 million acquisition accounting fair value adjustment, relating to deferred revenue, which was fully amortized by the end of the 2010 year.

Other revenue consists primarily of member-based revenues (charges to members for services rendered including the Aeroplan mileage transfer program, booking, change and cancellation fees), marketing fees related to the Aeroplan Program in Canada and of I&C activity and royalties earned with respect to the Air Miles trade name and loyalty industry related business know-how, trademarks and expertise in the EMEA segment.

Other revenue amounted to $25.4 million for the three months ended June 30, 2011 compared to $21.3 million for the three months ended June 30, 2010, representing an increase of $4.1 million or 19.1%, mainly driven by increased activity in the I&C business in the UK and international expansion. I&C related revenues increased by 48.9% compared to the prior period.

Cost of rewards and direct costs amounted to $297.7 million for the three months ended June 30, 2011 compared to $274.3 million for the three months ended June 30, 2010, representing an increase of $23.4 million or 8.6%. This change is mainly attributable to the following factors:

The Canada segment experienced an increase of $24.5 million in cost of rewards and direct costs mostly explained by:

- a higher volume of air and non-air redemptions for the quarter, representing $23.3 million; and
- an increase in loyalty marketing services direct costs of approximately $2.4 million resulting from a higher volume of services rendered during the current period; partially offset by
- a lower redemption cost per Aeroplan Mile redeemed in the amount of $1.2 million.

The EMEA segment experienced a $13.5 million increase in costs explained primarily by:

- the additional expense related to the ECJ VAT Judgment of $2.0 million in the Nectar Program due to VAT deducted from indirect tax remittances to HMRC on member rewards and an additional $2.5 million resulting from higher redemptions volumes;
- increased redemption activity under the Nectar Italia program accounting for approximately $6.4 million, as the prior year had very low level of redemptions during its start up period; and
- the negative impact of the currency fluctuation relative to the foreign currencies of $1.6 million.

The US & APAC segment experienced a decrease of $14.5 million in direct costs in line with the variance in revenue and partly offset by increased costs related to additional services with new and existing clients and the $0.4 million negative impact of currency fluctuation recognized on the translation of foreign operations.

Gross margin before depreciation and amortization decreased by 0.1 percentage-points, a direct result of the factors described above, and represented 41.3% of total revenue at the end of the three month period ended June 30, 2011, and is detailed as follows:

- Canada's gross margin before depreciation and amortization represented 44.6% of total revenue compared to 43.3%. The 1.3 percentage-points increase is attributable to lower unit costs due to redemption mix improvements and higher volume rebates;
- EMEA's gross margin before depreciation and amortization represented 30.9% of total revenue compared to 31.7%. The variance was mainly driven by the Q2 2011 adverse impact of the ECJ VAT Judgment representing 1.9 percentage-points, offset by a positive mix of loyalty marketing services and I&C activity within the overall EMEA segment; and
- US & APAC's gross margin before depreciation and amortization was 41.8% compared to 44.2%. The variance is mainly driven by the overall change in revenue mix as well as the negative impact of currency fluctuation recognized on the translation of foreign operations.

Operating expenses amounted to $139.5 million for the three months ended June 30, 2011 compared to $142.1 million for the same period in 2010, representing a decrease of $2.6 million or 1.8%.

As a result of the transition to a regional structure, restructuring expenses and other reorganization costs amounting to $7.7 million and $0.5 million, respectively, were recorded in the three months ended June 30, 2011. These costs by segment are detailed as follows:

- Canada incurred $3.4 million in restructuring expenses relating to termination benefits;
- EMEA incurred $3.8 million in restructuring expenses, of which $1.5 million relate to termination benefits and $2.3 million relate to an onerous lease. In addition, other reorganization costs of $0.5 million were incurred; and
- US & APAC incurred $0.5 million in restructuring expenses relating to termination benefits.

Excluding the effect of the restructuring expenses and other reorganization costs incurred during the second quarter of 2011, operating expenses decreased by $10.8 million or 7.6%. This variance is mainly attributable to:

- a $2.6 million increase in Canada resulting mostly from the timing of advertising and promotional spending efforts offset in part by lower professional and administrative fees;
- a $1.8 million decrease in the EMEA segment mostly explained by savings of $7.4 million in respect to Nectar Italia launch related costs incurred in the second quarter of 2010, offset by $3.3 million in costs associated with the growth of the I&C business and the ramp-up of the Nectar Italia business, $1.1 million in costs associated with the phasing of Nectar brand spending, and the negative impact of currency fluctuation of $1.6 million recognized on the translation of foreign operations;
- a $12.2 million decrease in the US & APAC segment, including a $1.1 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is explained by $3.0 million of migration costs incurred in the second quarter of 2010 to separate from Carlson Marketing's former parent company, cost savings in the current period related to the transition away from the former parent of $2.3 million and lower compensation costs and outsourcing expenses related to the change in revenue mix of $5.7 million; and
- a $0.6 million increase in the corporate segment mainly attributable to increased compensation costs due to higher headcount associated with the growth of the Corporation, business development activities during the current period and increased share-based compensation expense as a result of the integration of Carlson Marketing employees under the Corporation's Long Term Incentive Plan; partially offset by lower consulting fees.

Depreciation and amortization amounted to $8.1 million and $7.2 million for the three months ended June 30, 2011 and 2010, respectively.

Amortization of Accumulation Partners' contracts, customer relationships and technology amounted to $22.9 million for the three months ended June 30, 2011 compared to $23.8 million for the same period in 2010.

Operating income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $62.3 million for the three months ended June 30, 2011 compared to $44.4 million for the three months ended June 30, 2010, representing an increase of $17.9 million or 40.4%. Operating income was negatively impacted by the recognition of a $2.0 million expense resulting from the ECJ VAT Judgment.

Net financing costs for the three months ended June 30, 2011, consist of interest revenue of $3.6 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds; offset by interest on long-term debt of $14.3 million, which includes $1.5 million of deferred transaction costs written off as a result of the refinancing of the credit facilities, a loss of $0.4 million

relating to the fair value adjustment of the Air Canada warrants, and other interest expense of $1.0 million, which relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net earnings include the effect of $2.8 million of current income taxes, an expense of $3.0 million resulting from the ECJ VAT Judgment and the share of net earnings of PLM of $0.4 million.

Current income taxes are mostly attributable to income tax payable in our Canadian operations. Consistent with the prior year, future income tax recoveries, related mostly to our international tax structures and foreign operations, have not been recognized and are lower in magnitude than would otherwise have been expected as a result of not recording the tax benefit arising from start-up losses and operating tax losses incurred in Italy and the US, respectively. Consequently, the future income tax expense, which is primarily related to the Canadian operations, is not offset by future income tax recoveries available in our foreign operations, resulting in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA amounted to $76.9 million or 14.2% (as a % of Gross Billings) for the three months ended June 30, 2011 and included an unfavourable impact of $0.7 million in the average cost of rewards per GALU related to the ECJ VAT Judgment. Adjusted EBITDA was $89.5 million or 16.1% (as a % of Gross Billings) for the three months ended June 30, 2010. Adjusted EBITDA for the current period includes the effect of a $2.7 million expense to earnings in the period as a result of the ECJ VAT Judgment. Adjusted EBITDA excludes any share of net earnings related to PLM.

Adjusted Net Earnings amounted to $41.6 million or 7.7% (as a % of Gross Billings) for the three months ended June 30, 2011; compared to $65.2 million or 11.7% (as a % of Gross Billings), for the three months ended June 30, 2010. Adjusted Net Earnings for the current period also includes the effect of a $3.7 million net expense to earnings recorded as a result of the ECJ VAT Judgment and the share of net earnings of PLM of $0.4 million. The effective tax rate has been impacted as described under *Net earnings*.

Consolidated ***Adjusted EBITDA*** and consolidated ***Adjusted Net Earnings*** for the three months ended June 30, 2010 were positively affected by the $17.4 million reclassification to deferred revenue described under *Gross Billings* and *Other Gross Billings*. Of this amount, $17.0 million relates to the US & APAC segment and $0.4 million to the EMEA segment.

Free Cash Flow for the three months ended June 30, 2011, amounted to $51.8 million compared to $11.7 million for the three months ended June 30, 2010, mainly as a result of:

- an increase in cash from operating activities of $43.0 million, due to improved sources of working capital coming from accounts receivable and accounts payable and accruals amounting to $57.0 million, mainly due to timing and also in part due to a sharper focus on managing working capital. In addition, cash from operating activities was positively impacted by a reduction in operating expenses and improvement in various other working capital items. This was offset by an increase of $23.1 million in cost of rewards and direct costs, mainly attributable to higher redemptions in all loyalty programs. Interest received was lower than the same period last year mainly due to the absence of the Air Canada club loan in the current period;
- higher capital expenditures of approximately $0.7 million;
- increased dividends paid on common shares of $2.1 million, explained by the increase in dividend per share payment from $0.125 to $0.150 during the second quarter of 2011, partially offset by lower number of common shares outstanding as a result of shares repurchased and cancelled under the Corporation's NCIB program;

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.

SIX MONTHS ENDED JUNE 30, 2011 COMPARED TO SIX MONTHS ENDED JUNE 30, 2010

Gross Billings generated for the six months ended June 30, 2011 amounted to $1,070.3 million compared to $1,073.7 million for the six months ended June 30, 2010, representing a decrease of $3.4 million or 0.3%, mainly as a result of a $17.4 million positive adjustment to Carlson Marketing's Gross Billings in the second quarter of 2010, which related to a reclassification of deferred revenue amounts which were previously included in customer deposits. Excluding the effect of the reclassification, Gross Billings increased by 1.3% for the period. Gross Billings were also negatively affected by the phasing out of a portion of the Visa business in the US. Those factors were partially offset by increased Gross Billings in the Canada and EMEA segments.

Groupe Aeroplan's ability to generate Gross Billings is a function of the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, and loyalty marketing customers, which are in turn affected by the general economic conditions present in the countries in which the loyalty programs are operated and the services are rendered. For the six months ended June 30, 2011, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

- Gross Billings were positively affected by higher airline, travel and financial partners activity, reflecting an increase in average consumer spend per credit card and number of active cards;
- Gross Billings generated from retail partners continued to be positively affected by the grocery sector. Specifically, in the UK, the strong ties of the Nectar Program to the grocery sector had a positive impact on Gross Billings despite the economic recession; and
- Gross Billings generated from loyalty marketing services were negatively impacted primarily by the phasing out of a portion of the Visa business in the US, approximating $49.0 million, but partly offset by growth from the financial sector in Canada.

Gross Billings from the Sale of GALUs generated for the six months ended June 30, 2011 amounted to $750.9 million compared to $703.0 million for the six months ended June 30, 2010, representing an increase of $47.9 million or 6.8%.

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

Canada

Aeroplan Miles issued during the six month period ended June 30, 2011 increased by 5.8% in comparison to the six months ended June 30, 2010, tracking above general economic indicators.

Aeroplan experienced an increase of $33.2 million in Gross Billings from the sale of Aeroplan Miles compared to the same period in the prior year resulting from increased airline partner activity, an increase in average consumer spend per active credit card, continued growth in the retail sector and a recovery in the travel segment.

EMEA

Nectar UK Points issued during the six month period ended June 30, 2011 increased by 3.3% compared to the same period in the prior year, due to growth in the grocery sector despite the prior year benefiting from elevated levels of bonusing in that sector, and higher issuance in the energy sector as a result of a new Accumulation Partner, British Gas.

Nectar Italia Points issued increased by 5.7% in comparison to the prior period which is due to a full six months of operations compared to the prior year which commenced in March 2010. The benefit of a full six months was partially offset by the absence of certain launch related activities that occurred in the prior year.

The EMEA segment experienced an increase of $16.0 million in Gross Billings from GALUs, offset by a currency related reduction of $1.2 million, resulting from the decline in value of foreign currencies relative to the Canadian dollar during the six months ended June 30, 2011, compared to the same period of 2010. The variance is mainly due to an $8.1 million positive variance in Nectar UK from the grocery, energy, travel and other retail sectors, which more than offset the impact of former Accumulation Partners. Nectar Italia's Gross Billings from GALUs increased $6.8 million, compared to 2010, due to a full six months of operations and an increase in members and Accumulation Partners which generated an additional $16.3 million, offset in part by the absence of certain launch related activities that occurred in the prior year which amounted to $9.5 million.

Other Gross Billings, consisting of loyalty marketing services and other revenues, amounted to $319.4 million for the six months ended June 30, 2011 compared to $370.7 million for the six months ended June 30, 2010, representing a decrease of $51.3 million or 13.8%. The decrease is partially explained by a $17.4 million positive adjustment to Carlson Marketing's Other Gross Billings during the six month period ended June 30, 2010 and the phasing out of a portion of the Visa business in the US representing $49.0 million. Please refer to the *Revenue* section for details explaining the remaining variance.

Redemption activity – Under the Aeroplan Program, Total Miles redeemed for the six months ended June 30, 2011 amounted to 37.5 billion compared to 33.0 billion for the six months ended June 30, 2010, representing an increase of 4.5 billion or 13.6% driven primarily by the introduction of a new air redemption product and an increase in non-air redemptions.

Redemption activity for the Nectar Program increased by 5.7% compared to the six months ended June 30, 2010, mainly driven by an increase in the number of Nectar Points in circulation and the continued popularity of online rewards.

Total points redeemed for the Nectar Italia Program for the six months ended June 30, 2011 increased in comparison to the same period of 2010, consistent with members having availability of points in their accounts in excess of redemption thresholds, allowing them to engage with the program for redemption and accumulation as the program enters its second year of operations.

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 $724.2 million for the six months ended June 30, 2011 compared to $621.4 million for the six months ended June 30, 2010, representing an increase of $102.8 million or 16.5%. This increase is mainly attributable to:

- a favourable variance of $61.9 million in the Canada segment explained by an increase in total redemption volume, a higher proportion of Aeroplan Miles redeemed during the period under the Aeroplan Program, and an increase in the cumulative average selling price of an Aeroplan Mile;
- a favourable variance of $23.1 million in the EMEA segment explained by a higher number of GALUs redeemed during the period under the programs operated by the segment, offset in part by the negative fluctuation of foreign currencies of $0.5 million related to the translation of foreign operations;

- on a consolidated basis, increased revenue recognized from Breakage of $18.3 million, reflecting the higher redemption activity, offset in part by the negative fluctuation of foreign currencies of $0.3 million related to the translation of foreign operations.

Loyalty marketing service revenue, which consists of consolidated revenue from Carlson Marketing, amounted to $276.4 million for the six months ended June 30, 2011 compared to $310.7 million for the six months ended June 30, 2010, representing a decrease of $34.3 million or 11.0% mainly attributable to:

- a decrease of $49.9 million in the US & APAC region related mostly to the phasing out of a portion of the Visa business, representing $49.0 million, and the negative fluctuation of foreign currencies of $2.6 million related to the translation of foreign operations, partially offset by increases in services with new and existing clients; and
- a decrease of $4.0 million in the EMEA segment resulting from a change in timing of projects; offset in part by
- an increase of $19.6 million in Canada driven by growth in the financial vertical. The revenue for the six months ended June 30, 2010 was net of a $5.4 million acquisition accounting fair value adjustment, relating to deferred revenue, which was fully amortized by the end of the 2010 year.

Other revenue consists primarily of member-based revenues (charges to members for services rendered including the Aeroplan mileage transfer program, booking, change and cancellation fees), marketing fees related to the Aeroplan Program in Canada and of I&C activity and royalties earned with respect to the Air Miles trade name and loyalty industry related business know-how, trademarks and expertise in the EMEA segment.

Other revenue amounted to $53.1 million for the six months ended June 30, 2011 compared to $44.1 million for the six months ended June 30, 2010, representing an increase of $9.0 million or 20.4%, mainly driven by increased activity in the I&C business in the UK and international expansion. I&C related revenues increased by 70.6% compared to the prior period.

Cost of rewards and direct costs amounted to $625.4 million for the six months ended June 30, 2011 compared to $580.0 million for the six months ended June 30, 2010, representing an increase of $45.4 million or 7.8%. This change is mainly attributable to the following factors:

The Canada segment experienced an increase of $42.1 million in cost of rewards and direct costs mostly explained by:

- a higher volume of air and non-air redemptions for the period, representing $40.9 million;
- an increase in the proportionate allocation of the total air redemptions of Aeroplan Miles issued under the Aeroplan Program, representing a total of $4.2 million; and
- an increase in loyalty marketing services direct costs of approximately $3.9 million resulting from a higher volume of services rendered during the current period; partially offset by
- a lower redemption cost per Aeroplan Mile redeemed in the amount of $6.9 million.

The EMEA segment experienced a $25.7 million increase in costs explained primarily by:

- the additional expense related to the ECJ VAT Judgment of $3.8 million in the Nectar Program due to VAT deducted from indirect tax remittances to HMRC on member rewards and an additional $4.9 million resulting from higher redemption volumes;
- increased redemption activity under the Nectar Italia program accounting for approximately $14.8 million, resulting from a greater volume of GALUs in circulation and redemptions from Nectar Italia; and
- the impact of I&C related costs of $2.9 million incurred in the UK and new international contracts; offset by
- the positive impact of the currency fluctuation relative to the foreign currencies of $0.6 million.

The US & APAC segment experienced a decrease of $22.5 million in direct costs, in line with the variance in revenue and partly offset by increased costs related to additional services with new and existing clients.

Gross margin before depreciation and amortization increased by 0.1 percentage-points, a direct result of the factors described above, and represented 40.7% of total revenue at the end of the six month period ended June 30, 2011, and is detailed as follows:

- Canada's gross margin before depreciation and amortization represented 43.4% of total revenue compared to 41.4%. The 2.0 percentage-points increase is attributable to lower unit costs due to redemption mix improvements and higher volume rebates;
- EMEA's gross margin before depreciation and amortization represented 31.4% of total revenue compared to 33.3%. The variance was mainly driven by the adverse impact of the ECJ VAT Judgment on the six month period ended June 30, 2011 representing 1.9 percentage-points; and
- US & APAC's gross margin before depreciation and amortization was 41.0% compared to 44.1%. The variance is mainly driven by the overall change in revenue mix as well as the negative impact of currency fluctuation recognized on the translation of foreign operations.

Operating expenses amounted to $277.5 million for the six months ended June 30, 2011 compared to $288.7 million for the same period in 2010, representing a decrease of $11.2 million or 3.9%.

As a result of the transition to a regional structure, restructuring expenses and other reorganization costs amounting to $9.1 million and $2.4 million, respectively, were recorded in the six months ended June 30, 2011. These costs by segment are detailed as follows:

- Canada incurred $3.4 million in restructuring expenses relating to termination benefits;
- EMEA incurred $3.8 million in restructuring expenses, of which $1.5 million relate to termination benefits and $2.3 million relate to an onerous lease. In addition, other reorganisation costs of $0.5 million were incurred; and
- US & APAC incurred $1.9 million in restructuring expenses which relate to termination benefits and $1.9 million in exit costs associated with the phasing out of a portion of the Visa business. Total restructuring expenses and other reorganization costs incurred during the first and second quarter of 2011 in the US & APAC segment were $3.3 million and $0.5 million, respectively.

Excluding the effect of the restructuring expenses and other reorganization costs incurred during the six month period ended June 30, 2011, operating expenses decreased by $22.7 million or 7.9%. This variance is mainly attributable to:

- a $4.8 million increase in Canada resulting mostly from the timing of advertising and promotional spending and professional and administrative fees;
- a $9.0 million decrease in the EMEA segment, including a $0.7 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $8.3 million is mostly explained by savings of $18.5 million in respect to Nectar Italia launch costs incurred during the six months ended June 30, 2010, partially offset by increased costs associated with the growth of the I&C business and the ramp-up of the Nectar Italia business of approximately $7.6 million, $0.8 million in costs associated with the phasing of the Nectar brand spending and $1.3 million associated to the launch of a new Accumulation Partner, British Gas;
- a $19.2 million decrease in the US & APAC segment, including a $2.7 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance of $16.5 million is explained by $5.6 million of migration costs incurred in the prior period of 2010 to separate from Carlson Marketing's former parent company, cost savings in the current period related to the transition away from the former parent of $5.9 million and lower compensation costs and outsourcing expenses related to the change in revenue mix of $6.2 million; partially offset by business development expenses incurred during the current period; and

- a $0.7 million increase in the Corporate segment resulting from increased compensation costs due to higher headcount associated with the growth of the Corporation, business development activities and an increase in share-based compensation expense as a result of the integration of Carlson Marketing employees under the Corporation's Long Term Incentive Plan partly offset by lower consulting fees.

Depreciation and amortization amounted to $15.9 million and $14.8 million for the six months ended June 30, 2011 and 2010, respectively.

Amortization of Accumulation Partners' contracts, customer relationships and technology amounted to $46.2 million for the six months ended June 30, 2011 compared to $46.8 million for the same period in 2010.

Operating income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $135.1 million for the six months ended June 30, 2011 compared to $92.7 million for the six months ended June 30, 2010, representing an increase of $42.4 million or 45.8%. Operating income was negatively impacted by the recognition of a $3.8 million expense resulting from the ECJ VAT Judgment.

Net financing costs for the six months ended June 30, 2011, consist of interest revenue of $7.2 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds; offset by interest on long-term debt of $27.7 million, which includes $1.5 million of deferred transaction costs written off as a result of the refinancing of the credit facilities, a loss of $2.2 million relating to the fair value adjustment of the Air Canada warrants, and other interest expense of $2.0 million, which relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net earnings include the effect of $17.4 million of current income taxes, an expense of $5.8 million resulting from the ECJ VAT Judgment and the share of net earnings of PLM of $6.5 million which incorporates a fair value gain of $3.3 million, recognized on a step basis on the second tranche investment, as well as the earnings portion from March to June 2011. This level of earnings participation is not indicative of anticipated future quarter results.

Current income taxes are mostly attributable to income tax payable in our Canadian operations. Consistent with the prior year, future income tax recoveries, related mostly to our international tax structures and foreign operations, have not been recognized and are lower in magnitude than would otherwise have been expected as a result of not recording the tax benefit arising from start-up losses and operating tax losses incurred in Italy and the US, respectively. Consequently, the future income tax expense, which is primarily related to the Canadian and UK operations, is not offset by future income tax recoveries available in our foreign operations, resulting in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA amounted to $149.1 million or 13.9% (as a % of Gross Billings) for the six months ended June 30, 2011 and included an unfavourable impact of $1.1 million in the average cost of rewards per GALU related to the ECJ VAT Judgment. Adjusted EBITDA was $144.6 million or 13.5% (as a % of Gross Billings) for the six months ended June 30, 2010. Adjusted EBITDA for the current period includes the effect of a $4.9 million expense to earnings in the period as a result of the ECJ VAT Judgment. Adjusted EBITDA excludes any share of net earnings related to PLM.

Adjusted Net Earnings amounted to $85.7 million or 8.0% (as a % of Gross Billings) for the six months ended June 30, 2011; compared to $108.1 million or 10.1% (as a % of Gross Billings), for the six months ended June 30, 2010. Adjusted Net Earnings for the current period also includes the effect of a $6.9 million net expense to earnings recorded as a result of the ECJ VAT Judgment and the share of net earnings of PLM of $6.5 million. The effective tax rate has been impacted as described under *Net earnings*.

Consolidated ***Adjusted EBITDA*** and consolidated ***Adjusted Net Earnings*** for the six months ended June 30, 2011 were positively affected by the $17.4 million reclassification to deferred revenue described under *Gross Billing* and *Other Gross Billings*. Of this amount, $17.0 million relates to the US & APAC segment and $0.4 million to the EMEA segment.

Free Cash Flow for the six months ended June 30, 2011, amounted to $4.8 million compared to $(54.4) million for the six months ended June 30, 2010, mainly as a result of:

- an increase in cash from operating activities of $57.9 million, due to improved sources of working capital coming from accounts receivable, accounts payable and accruals and other working capital amounting to $68.0 million, mainly due to timing and also in part due to a sharper focus on managing working capital; Gross Billings were up $14.0 million excluding the $17.4 non-cash reclassification related to Carlson Marketing recorded in the same period last year; operating expenses improved over the same period last year by $11.8 million and cash taxes were better by $19.6 million due to timing of instalments. This was offset by an increase of $45.4 million in cost of rewards and direct costs, mainly attributable to higher redemptions in all loyalty programs, lower interest received with the absence of the Air Canada club loan and higher interest paid due to the timing of payments on the long-term debt.
- increased dividends paid on the preferred shares of $0.7 million as a result of the timing of the issuances of the shares in 2010 and increased dividends paid on common shares of $0.2 million, explained by the increase in dividend per share payment from $0.125 to $0.15 during the second quarter of 2011, partially offset by lower number of common shares outstanding as the result of shares repurchased and cancelled under the Corporation's NCIB program;
- lower capital expenditures of approximately $2.1 million for the six months ended June 30, 2011, compared to the six months ended June 30, 2010.

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 June 30, 2011.

(in thousands, except per share amounts)	2011 [(a)]				2010 [(a)]								2009 [(b)]	
	Q2		Q1		Q4		Q3		Q2 [(q)]		Q1 [(q)]		Q4 [(q)]	Q3 [(q)]
	$		$		$		$		$		$		$	$
Gross Billings	**542,418**		**527,880**		**593,617**		**520,455**		**555,734**	(c)	**517,947**		**386,698**	**355,349**
Gross Billings from the sale of GALUs	**388,203**		**362,739**		**394,698**		**360,062**		**364,722**		**338,269**		**363,048**	**335,882**
Revenue	**507,602**		**546,208**		**618,579**		**461,512**		**467,885**		**508,259**		**424,852**	**322,648**
Cost of rewards and direct costs	(297,737)	(d)	(327,616)	(e)	(392,348)	(f)	(322,938)	(g)	(274,256)		(305,740)		(279,698)	(190,346)
Gross margin before depreciation and amortization [(h)]	209,865	(d)	218,592	(e)	226,231	(f)	138,574	(g)	193,629		202,519		145,154	132,302
Operating expenses	(139,484)		(137,981)		(146,606)		(107,297)	(g)(p)	(142,101)		(146,589)		(75,239)	(65,409)
Depreciation and amortization	(8,096)		(7,820)		(10,258)		(7,403)		(7,166)		(7,627)		(4,722)	(4,494)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	62,285	(d)	72,791	(e)	69,367	(f)	23,874	(g)(p)	44,362		48,303		65,193	62,399
Amortization of Accumulation Partners' contracts, customer relationships and technology	(22,893)		(23,329)		(20,300)		(23,228)		(23,812)		(22,968)		(19,967)	(20,079)
Operating income (loss)	39,392	(d)	49,462	(e)	49,067	(f)	646	(g)(p)	20,550		25,335		45,226	42,320
Net earnings (loss) attributable to equity holders of the Corporation	**15,095**	(d)(i)	**25,428**	(e)(i)	**(3,186)**	(f)(i)	**(11,546)**	(g)(i)(p)	**11,236**		**18,419**		**20,545**	**18,756**
Adjusted EBITDA [(j)]	76,854	(d)(n)	72,553	(e)(m)	85,473	(f)(k)	56,797	(g)(l)(p)	89,528	(c)	55,836		69,553	76,706
Adjusted net earnings [(j)]	41,553	(d)(i)(n)	44,020	(e)(i)(m)	16,624	(f)(i)(k)	39,272	(g)(i)(l)(p)	65,210	(c)	41,303		40,319	45,405
Net earnings (loss) attributable to equity holders of the Corporation	**15,095**	(d)(i)	**25,428**	(e)(i)	**(3,186)**	(f)(i)	**(11,546)**	(g)(i)(p)	**11,236**		**18,419**		**20,545**	**18,756**
Earnings (loss) per common share [(o)]	0.07	(d)(i)	0.12	(e)(i)	(0.03)	(f)(i)	(0.07)	(g)(i)(p)	0.04		0.08		0.10	0.09
Free cash flow [(j)]	51,800		(46,966)		55,319		112,707		11,664		(66,039)		79,168	44,014

(a) Reported under IFRS.

(b) Reported under previous Canadian GAAP.

(c) Includes the positive effect of a $17.4 million adjustment, as a result of a reclassification of deferred revenue amounts previously included in customer deposits.

(d) Includes the effect of a $2.0 million (£1.2 million) expense to cost of rewards recognized as a result of the ECJ VAT Judgment.

(e) Includes the effect of a $1.8 million (£1.2 million) expense to cost of rewards recognized as a result of the ECJ VAT Judgment.

(f) Includes the effect of a $3.6 million (£2.2 million) expense to cost of rewards recognized as a result of the ECJ VAT Judgment.

(g) Includes the effect of a $52.9 million (£33.3 million) net charge to earnings recognized as a result of the ECJ VAT Judgment. Of this 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) relates to the period from 2002 to 2009) was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome.

(h) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(i) Includes the effect of a $9.2 million (£5.8 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment, of which $6.4 million (£4.0 million), $0.8 million (£0.5 million), $1.0 million (£0.6 million) and $1.0 million (£0.7 million) were recorded in the three month periods ended September 30, 2010, December 31, 2010, March 31, 2011 and June 30, 2011, respectively.

(j) A non-GAAP measurement.

(k) The Change in Future Redemption Costs for the three month period ended December 31, 2010 reflects the favorable impact resulting from high redemption activity attributable to the fourth quarter seasonality in the Nectar program and partly offset by a high average cost of rewards related to the impact of the ECJ VAT Judgment amounting to $1.1 million (£0.7 million).

(l) The Average Cost of Rewards per GALU for the three month period ended September 30, 2010 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.4 million (£0.3 million).

(m) The Average Cost of Rewards per GALU for the three month period ended March 31, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.4 million (£0.2 million).

(n) The Average Cost of Rewards per GALU for the three month period ended June 30, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.7 million (£0.5 million).

(o) After deducting dividends paid on preferred shares in 2011 and 2010.

(p) Operating expenses were reduced by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

(q) The figures do not include any effect related to the adverse impact of the ECJ VAT Judgment.

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 for 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 June 30, 2011, Groupe Aeroplan had $192.9 million of cash and cash equivalents, $14.7 million of restricted cash, $6.6 million of short-term investments and $305.1 million of long-term investments, for a total of $519.3 million. Approximately $10.5 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to August 2011 and $305.1 million of long-term investments which is mostly invested in corporate, federal and provincial government bonds maturing at various dates between September, 2012 and June, 2020. The Aeroplan Canada Miles redemption reserve described under *Redemption Reserve* is included in long-term investments. Groupe Aeroplan's cash and cash equivalents, restricted cash and long-term investments are not invested in any asset-backed commercial paper.

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

(in thousands)	**Three months ended June 30,**		**Six months ended June 30,**	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Cash and cash equivalents, beginning of period	**295,336**	**551,588**	**538,580**	**609,848**
Cash from operating activities	91,155	48,141	76,314	18,410
Cash used in investing activities	(19,455)	(9,336)	(164,024)	(29,850)
Cash used in financing activities	(173,073)	(51,197)	(256,973)	(52,631)
Translation adjustment related to cash	(1,028)	1,935	(962)	(4,646)
Cash and cash equivalents, end of period	**192,935**	**541,131**	**192,935**	**541,131**

OPERATING ACTIVITIES

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

Cash flows from operating activities were $91.2 million and $76.3 million for the three and six months ended June 30, 2011 compared to $48.1 million and $18.4 million for the three and six months ended June 30, 2010, respectively. The favourable variance is primarily attributable to improved sources of working capital for each period offset by higher redemptions in the loyalty programs. The improved sources of working capital is due partially to timing and also related to a renewed focus on managing collections and payments to commercial terms. In addition, for the three month period ended June 30, 2011, interest received was lower than the comparable period last year due to the absence of the Air Canada club loan in the current period. For the six month period ended June 30, 2011, compared to the

prior period, higher Gross Billings excluding the $17.4 million positive adjustment, lower operating expenses and lower cash taxes contributed to explaining the remainder of the variance. Please refer to the *Free Cash Flow* section for more information on cash flow from operation variances.

The ECJ VAT Judgment has not yet affected cash flows from operating activities as the amounts have not been settled. This will only occur once the UK Supreme Court renders judgment based on the guidance of the ECJ and the settlement process is agreed to with HMRC, which is anticipated to take place in early 2012.

Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow of $42.0 million (£27.1 million) will be released to the Corporation upon ratification by the UK Supreme Court of the ECJ VAT Judgment.

Upon settlement, based on accrued balances as at June 30, 2011, the net cash outflow is expected to be $31.4 million (£20.3 million), including the receipt of accrued interest on the cash held in escrow amounting to $1.3 million (£0.8 million) to date.

INVESTING ACTIVITIES

Investing activities in the six months ended June 30, 2011 reflect the additional investment in PLM, which amounted to $11.8 million.

Investments in short-term investments for the three and six months ended June 30, 2011, amounted to $6.2 million and $6.7 million, respectively. Investments in long-term investments for the three and six months ended June 30, 2011, amounted to $3.6 million and $129.6 million, respectively.

Capital expenditures for the three and six months ended June 30, 2011, amounted to $9.6 million and $16.0 million, respectively. Capital expenditures, which are primarily related to capital expenditures associated with software development initiatives for fiscal 2011, are expected to amount to approximately $55.0 million for the year.

FINANCING ACTIVITIES

For the three and six months ended June 30, 2011, financing activities used cash of $173.1 million and $257.0 million, respectively.

Cash used in financing activities for the six months ended June 30, 2011, was primarily related to the payment of common and preferred dividends in the amount of $55.5 million and the repurchase of common shares in the amount of $100.4 million as described under the *CAPITAL STOCK* section. In addition, an amount of $100.0 million was drawn under the revolving facility on May 6, 2011 to fully repay the outstanding amount under the term facility. The funds drawn under the revolving facility were subsequently repaid with cash on hand. Related to the refinancing of the Corporation's credit facilities, $1.0 million was disbursed as transaction costs during the period.

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 Canada Business Corporations Act (the "CBCA") for the declaration of dividends and other conditions existing at such future time. The preferred shares bear a 6.5% annual cumulative dividend or $0.40625 per preferred share per quarter.

LIQUIDITY

Groupe Aeroplan anticipates that total capital requirements for the 2011 fiscal year of $170.2 million, including $115.2 million in respect of anticipated cash dividends to its common and preferred shareholders and approximately $55.0 million of capital expenditures, will be funded from operations, available cash on

deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

Management expects that it will be able to refinance the $200.0 million Senior Secured Notes Series 1 due in April 2012, by accessing credit markets or by drawing from the revolving facility.

REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Canada Miles redemption reserve (the "Reserve"), which, subject to compliance with the provisions of the Corporation's credit facilities, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. On May 25, 2011, upon recommendation from management, the Board of Directors approved a reduction of the Reserve from $400.0 million to $300.0 million. To date, Aeroplan has never accessed the funds held in the Reserve. As at June 30, 2011, the Reserve was $300.0 million and was included in long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At June 30, 2011, the Reserve was invested in corporate, federal and provincial bonds.

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.

At June 30, 2011, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 33.3% 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 unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those GALUs, calculated at the current Average Cost of Rewards per GALU redeemed, is approximately $1,307.0 million.

CREDIT FACILITIES AND LONG-TERM DEBT

On May 6, 2011, Groupe Aeroplan concluded an amendment to its existing credit facilities with its lending syndicate, resulting in the settlement of the old credit facilities and new borrowings under the new credit facility. As of June 30, 2011, $300.0 million remained authorized and available under the revolving facility.

The following is a summary of Groupe Aeroplan's authorized and outstanding revolving facility and Senior Secured Notes Series 1, 2 and 3:

	Authorized at June 30, 2011	Drawn at June 30, 2011	Drawn at December 31, 2010
	$	$	$
Revolving facility *(a)*	300,000	-	-
Term facility *(b)*	-	-	100,000
Senior Secured Notes Series 1 *(c)*	N/A	200,000	200,000
Senior Secured Notes Series 2 *(d)*	N/A	150,000	150,000
Senior Secured Notes Series 3 *(e)*	N/A	200,000	200,000
Prepaid interest *(f)*	N/A	-	(259)
Unamortized transaction costs *(f)*	N/A	(4,125)	(5,838)
		545,875	643,903
Less: current portion *(c)*		200,000	-
Total		**345,875**	**643,903**

(a) The revolving facility matures on April 23, 2014, or earlier at the option of Groupe Aeroplan, without penalty, and depending on the Corporation's credit ratings, bears interest at rates ranging between Canadian prime rate plus 0.75% to 2.00% and the Bankers' Acceptance and LIBOR rates plus 1.75% to 3.00%.

Letters of credit: Groupe Aeroplan has issued irrevocable letters of credit in the aggregate amount of $14.0 million. This amount reduces the available credit under the revolving facility.

(b) On May 6, 2011, the term facility was fully repaid with funds drawn from the revolving facility, and the term facility was terminated.

(c) The Senior Secured Notes Series 1 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.

(d) 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.

(e) The Senior Secured Notes Series 3 bear interest at 6.95% per annum, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017.

(f) Long-term debt is presented net of prepaid interest and unamortized transaction 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.

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

Ratio	Result	Test
Leverage	1.94	≤ 2.75
Debt service [a]	0.11	≤ 2.00
Interest coverage	6.10	≥ 3.00

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

MEASUREMENT UNCERTAINTY

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. The full 112.4 billion of Air Canada Miles have now been redeemed and as a result, Groupe Aeroplan is required to honour any obligations resulting from the redemption of Air Canada Miles.

The maximum potential redemption cost of meeting this obligation, if all 5.2 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $47.7 million at June 30, 2011, which will be charged to cost of rewards once 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 On Or 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 $1,091.3 million at June 30, 2011.

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 $87.2 million for the period in which the change occurred, with $80.1 million relating to prior years and $7.1 million relating to the current six month period.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

VAT Litigation

	VAT Provision
	$
Balance at January 1, 2010	**-**
Provision recorded during the period	136,572
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	(3,567)
Balance at January 1, 2011	**133,005**
Provision recorded during the period	5,767
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	(289)
Balance at June 30, 2011	**138,483**

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 $138.5 million (£89.4 million) has been recorded in provisions as of June 30, 2011 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of $63.8 million (£41.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, has also been recorded in accounts receivable.

For the three months ended June 30, 2011, $2.0 million (£1.2 million) and $1.0 million (£0.7 million) have been recorded to cost of rewards and interest expense, respectively. For the six months ended June 30, 2011, $3.8 million (£2.4 million) and $2.0 million (£1.3 million) have been recorded to cost of rewards and interest expense, respectively.

At this time, the provision represents management's best estimate. 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 has been 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.

The ECJ VAT Judgment has not yet affected cash flows as the amounts have not been settled. This will only occur once the UK Supreme Court renders judgment based on the guidance of the ECJ and the settlement process is agreed to with HMRC, which is anticipated to take place in early 2012.

CONTINGENT LIABILITIES AND GUARANTEES

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 June 30, 2011, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to $151.0 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 on October 16, 2006.

The motion was heard on May 9 and 10, 2011. A decision is anticipated to be rendered within six months of the date it was heard.

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

From time to time, Groupe Aeroplan becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Groupe Aeroplan's financial position and results of operations.

TRANSACTIONS WITH AIR CANADA

Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada, which are described in Groupe Aeroplan's Annual Information Form dated March 22, 2011.

Air Canada is one of Groupe Aeroplan's largest Accumulation Partners, representing 13% and 13% of Gross Billings for the three and six months ended June 30, 2011 compared to 11% and 12% for the three months and six months ended June 30, 2010. 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 $215.3 million for 2011. Air Canada, including other Star Alliance partners, is Groupe Aeroplan's largest Redemption Partner. For the three and six months ended June 30, 2011, 44% and 46% respectively of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 41% and 45% for each of the three and six months ended June 30, 2010.

CONTACT CENTRE EMPLOYEES

As part of the transfer of the contact centre on June 1, 2009, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan.

As a result of the termination of the General Services Agreement ("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.

AIR CANADA WARRANTS

In connection with the Air Canada club loan, which was repaid on August 3, 2010, Air Canada issued warrants to the lenders to purchase Air Canada Class A or Class B variable voting shares. Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each and 1,250,000 warrants with an exercise price of $1.44 each, exercisable at any time and expiring four years from the date of grant.

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

The total fair value of the 2,500,000 warrants amounted to $2.3 million at June 30, 2011 and $4.5 million and $1.1 million at December 31 and January 1, 2010 respectively.

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As at June 30, 2011, estimated future minimum payments under Groupe Aeroplan's contractual obligations and commitments are as follows:

(in millions)	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Contractual Obligations							
Operating leases	60.6	7.0	12.9	11.8	8.5	8.3	12.1
Technology infrastructure and other	53.5	14.4	19.8	12.3	6.0	1.0	-
Marketing support and other	70.9	5.0	19.5	19.5	17.5	9.4	-
Long-term debt [(a)]	793.1	21.9	334.8	25.8	175.8	13.9	220.9
Purchase obligation under the CPSA	3,680.4	129.1	417.8	417.8	417.8	417.8	1,880.1
Contractual Obligations	**4,658.5**	**177.4**	**804.8**	**487.2**	**625.6**	**450.4**	**2,113.1**
Commitments							
Letters of Credit and Surety Bonds	19.4	14.7	0.5	4.2	-	-	-
Commitments	**19.4**	**14.7**	**0.5**	**4.2**	**-**	**-**	**-**
Total Contractual Obligations and Commercial Commitments	**4,677.9**	**192.1**	**805.3**	**491.4**	**625.6**	**450.4**	**2,113.1**

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

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 June 30, 2011, Groupe Aeroplan complied with all such covenants.

DIVIDENDS

Quarterly dividends declared to common shareholders of Groupe Aeroplan during the six months ended June 30, 2011 and 2010 were as follows:

	2011		2010	
	Amount	Amount per common share (a)	Amount	Amount per common share
	$	$	$	$
March	23,010	0.125	24,999	0.125
June	26,909	0.150	24,764	0.125
	49,919	0.275	49,763	0.250

(a) On May 25, 2011, the Board of Directors of Groupe Aeroplan approved an increase to the common share dividend from $0.125 to $0.15 per quarter.

Quarterly dividends declared to preferred shareholders of Groupe Aeroplan during the six months ended June 30, 2011 and 2010 were as follows:

	2011		2010	
	Amount	Amount per preferred share	Amount	Amount per preferred share
	$	$	$	$
March	2,803	0.406	2,150	0.312
June	2,803	0.406	2,803	0.406
	5,606	0.813	4,953	0.718

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

CAPITAL STOCK

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 subsequently received approval from the Toronto Stock Exchange to increase the number of common shares that it could repurchase 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 December 31, 2010, Groupe Aeroplan repurchased and cancelled 13,022,900 common shares for total cash consideration of $142.5 million. Share capital was reduced by $113.9 million and the remaining $28.6 million was accounted for as a reduction of contributed surplus.

From January 1 to May 13, 2011, Groupe Aeroplan repurchased and cancelled 6,960,731 common shares for total cash consideration of $90.4 million. Share capital was reduced by $61.0 million and the remaining $29.4 million was accounted for as a reduction of contributed surplus.

On May 12, 2011, the Corporation received approval from the Toronto Stock Exchange and announced the renewal of its NCIB to repurchase up to 18,001,792 of its issued and outstanding common shares during the period from May 16, 2011 to no later than May 13, 2012. Total common shares repurchased and cancelled during the period from May 16, 2011 to June 30, 2011, pursuant to the NCIB, amounted to 760,000 for total cash consideration of $10.0 million. Share capital was reduced by $6.8 million, and the remaining $3.2 million was accounted for as a reduction of contributed surplus.

At June 30, 2011, Groupe Aeroplan had 179,123,523 common shares and 6,900,000 preferred shares issued and outstanding for an aggregate amount of $1,739.7 million. In addition, there were 4,633,970 stock options issued and outstanding under the Groupe Aeroplan Long-Term Incentive Plan.

Subsequent to June 30, 2011, Groupe Aeroplan repurchased and cancelled 551,300 common shares for total cash consideration of $6.9 million, pursuant to the NCIB.

EARNINGS PER COMMON SHARE

Groupe Aeroplan's earnings per share attributable to the equity holders of the Corporation amounted to $0.07 and $0.04 for the three months ended June 30, 2011 and June 30, 2010, respectively, and $0.19 and $0.12 for the six months ended June 30, 2011 and June 30, 2010. Earnings per share are calculated after dividends on preferred shares.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF IFRS

Effective January 1, 2011, the Corporation adopted IFRS. The June 30, 2011 unaudited consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to the presentation of interim financial statements, including IAS 34 - *Interim Financial Reporting* and IFRS 1 - *First-time Adoption of International Financial Reporting Standards*. Previously, the consolidated financial statements were prepared in accordance with previous GAAP.

In preparing its opening IFRS balance sheet, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with previous Canadian GAAP. For detailed explanation of how the transition from previous Canadian GAAP to IFRSs has affected Groupe Aeroplan's financial position, financial performance and cash flows, please refer to *Note 20* of the June 30, 2011 unaudited interim consolidated financial statements of Groupe Aeroplan.

FUTURE ACCOUNTING CHANGES

The following standards and amendments to existing standards have been published and their adoption is mandatory for future accounting periods.

A) International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income. Where such equity instruments are measured at fair value through

other comprehensive income, dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

B) In May 2011, the International Accounting Standards Board ("IASB") issued the following standards which have not yet been adopted by the Corporation: IFRS 10 - *Consolidated Financial Statements*; IFRS 11 - *Joint Arrangements*; IFRS 12 - *Disclosure of Interests in Other Entities*; IAS 27 - *Consolidated and Separate Financial Statements*; IFRS 13 - *Fair Value Measurement*; and IAS 28 - *Investments in Associates and Joint Ventures* (as amended in 2011). Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 - *Consolidation – Special Purpose Entities*, and parts of IAS 27 - *Consolidated and Separate Financial Statements*. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

IFRS 11, Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures*, and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* The Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements since Groupe Aeroplan already accounts for its participation in PLM, classified as a joint venture, under the equity method.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard may result in expanded disclosure requirements in connection with Groupe Aeroplan's participation in PLM. The Corporation has not yet decided whether it will early adopt this standard.

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market

participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 - *Separate Financial Statements*, and IAS 28 - *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

C) In June 2011, the IASB amended IAS 1 - *Presentation of Financial Statements*, to change the disclosure of items presented in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This standard is required to be applied for accounting periods beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet determined whether it will early adopt this standard.

D) In June 2011, the IASB issued a revised version of IAS 19 - *Employee Benefits*. The standard was amended to reflect significant changes to recognition and measurement of defined benefit liabilities (assets), and provide expanded disclosure requirements. The main changes include the elimination of the corridor approach, the immediate recognition of past service costs when those occur and the disaggregation of defined benefit cost into components. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the revised standard or determined whether it will early adopt this standard.

CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the June 30, 2011 unaudited consolidated interim financial statements of Groupe Aeroplan and the corresponding section of the 2010 MD&A to review Groupe Aeroplan's critical accounting estimates.

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that management believes are reasonable based upon the information available. These estimates, judgements and assumptions affect the application of accounting policies and the amounts reported as assets, liabilities income and expenses. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Significant estimates made in the preparation of the consolidated financial statements include those used in accounting for breakage, income taxes, provisions, 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.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation has adopted disclosure controls and procedures that were designed by the CEO and CFO, with management's assistance, in order to provide reasonable assurance that they are made aware of material information. The Corporation has also adopted internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. During the interim period ended on June 30, 2011, there were no changes in the Corporation's internal controls over financial reporting that have significantly affected, or are reasonably likely to significantly affect, Groupe Aeroplan's internal controls over financial reporting.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Effective January 1, 2011, the Corporation adopted IFRS. The conversion to IFRS from previous Canadian GAAP impacts the way we present our financial results and the accompanying disclosures. We have evaluated the impact of the conversion on our financial reporting systems, processes and controls and have concluded that no material change was required to these systems.

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.

RISKS AND UNCERTAINTIES

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

For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding sections in the *2010 MD&A* and *Groupe Aeroplan's Annual Information Form* dated March 22, 2011.

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

ADDITIONAL INFORMATION

Additional information relating to Groupe Aeroplan and its operating businesses, including Groupe Aeroplan's Annual Information Form and Management Information Circular, respectively dated March 22 and March 18, 2011, is available on SEDAR at www.sedar.com or on Groupe Aeroplan's website at www.groupeaeroplan.com under "Investors".