AIR CANADA

News Releases

Groupe Aeroplan Inc. Starts Year on Solid Footing

Common share dividend increased by 20 per cent to $0.60 per share on an annual basis

On track to meet 2011 guidance

- *Normal course issuer bid ("NCIB") renewed*
- *Canadian redemption reserve reduced from $400 million to $300 million*
- *Canadian region buoyed by record first quarter performance at Aeroplan and strong results from Carlson Marketing*
- *Europe, the Middle East and Africa region ("EMEA") reflects growth in Nectar UK, growing contribution from LMG Insight & Communication (I&C) and full first quarter performance from Nectar Italia*
- *United States and Asia Pacific region (US & APAC) results impacted by the phasing out of a portion of the Visa business and continued economic weakness in the US*

FIRST QUARTER HIGHLIGHTS	**Quarter Ended March 31,**		**Year Over Year**	
(in millions, except per share amounts)	**2011 As Reported $**	**2010 As Reported $**	**% Change**	**% Change Constant Currency[2]**
Gross Billings	527.9	517.9	1.9%	3.1%
Total Revenue	546.2	508.3	7.5%	8.5%
Operating Income	49.5	25.3	95.2%	92.2%
Net Earnings	25.3	15.3	65.1%	na
Earnings Per Common Share	0.12	0.08	50.0%	na
Adjusted EBITDA[1]	72.6	55.8	29.9%	29.3%

1. A non-GAAP measurement

2. Includes the translation effect of foreign operations on the consolidated results. For more information on Constant Currency, please refer to the Use of Non-GAAP Financial Information section of this news release.

MONTREAL, May 25, 2011 /CNW Telbec/ - (TSX: AER) Groupe Aeroplan Inc. ("Groupe Aeroplan" or the "Corporation") today reported its financial results for the first quarter ended March 31, 2011 in accordance with the newly adopted International Financial Reporting Standards (IFRS). All financial information is in Canadian dollars unless otherwise noted.

"Our performance in the first quarter was right in line with our expectations and puts us on target to achieve our objectives for the year," commented Rupert Duchesne, Groupe Aeroplan's President and Chief Executive Officer. "We have the broadest range of capabilities in the loyalty arena and are ahead of the curve as this industry becomes global. As the established experts, we will continue to build out our global footprint over the next three years."

Continued Duchesne, "We will increase the long-term profitability and cash-flow of the businesses as we execute our plans. At the same time, we continue to deliver value to our shareholders through share repurchases and common share dividends. In addition to the recently announced renewal of our normal course issuer bid, we are increasing our annual common share dividend by 20%. In the last five years, we have returned more than $900 million to our shareholders, more than one-third of which was delivered in the last year."

New Regional Reporting Structure

Effective January 1, 2011, Groupe Aeroplan changed its segment reporting to reflect its new regional structure. The new regional segmentation allows for the Corporation to optimize both revenue and cost synergies, brands and technology and to leverage its full suite loyalty expertise across all markets served. The new structure is as follows:

- **Canada** - includes Aeroplan Canada and Carlson Marketing Canada
- **Europe, Middle East & Africa** (EMEA) - includes Nectar UK, Nectar Italia, I&C, Air Miles Middle East and Carlson Marketing operations in these regions

- **United States & Asia Pacific** (US & APAC) - includes all Carlson Marketing operations in these regions
- **Corporate -** includes the investment in Premier Loyalty & Marketing S.A.P.I. de C.V. (PLM) and strategic and support services to the regions

First Quarter Business Segment Highlights

Canada

- **7.5 per cent increase in Gross Billings**
- **Adjusted EBITDA of $88.0 million vs. $73.1 million in 2010**

Aeroplan Canada

- Record first quarter performance - Gross Billings increase of 5.6%; Adjusted EBITDA increase of 12.2 per cent
- Aeroplan Miles issued increased by 5.5 per cent in comparison to the first quarter of 2010
- Total Aeroplan Miles redeemed increased by 13.1 per cent driven primarily by the introduction of a new online air redemption tool introduced in late 2010, as well as an increase in Miles redeemed for non-air rewards
- Improved performance 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
- Together with Air Canada, the Aeroplan Program received four Frequent Traveler Awards, including Airline Program of the Year for the Americas; Best Redemption Ability; Best Promotion for Earning; Best Customer Service

Carlson Marketing Canada

- Gross Billings increased by 59.3 per cent to $58.8 million, mainly as a result of the in-sourcing of the Aeroplan Canada non-air rewards fulfillment; Adjusted EBITDA increased 151.2 per cent to $10.8 million
- Strong start to the year driven by growth in the financial vertical

EMEA

- **8.4 per cent increase in Gross Billings, 11.9 per cent increase on a constant currency basis**
- **Adjusted EBITDA of $3.2 million vs. $(8.5) million in 2010** (first quarter 2011 includes the effect of a$2.2 million net expense to earnings in the period related to the ECJ VAT Judgment)

Nectar UK

- Nectar Points issued in the three month period decreased by 0.3 per cent compared to 2010 as growth in the grocery and online sectors was offset primarily by the timing associated with the change to new Accumulation Partner, British Gas
- Redemption activity increased by 6.4 per cent mainly driven by an increase in the overall number of Nectar Points in circulation and the continued popularity of online rewards

Nectar Italia

- Nectar Italia Points issued increased by 52 per cent due to a full quarter of operations compared to one month in the same period last year, as well as an increase in the number of Accumulation Partners
- Increased redemptions compared to the same period last year due to full quarter of operations versus one month of operations in Q1 2010

LMG Insight & Communication

- Revenue increase of 97.5 per cent compared to the first quarter of 2010 driven by increased activity in both the UK and internationally
- Signed strategic partnership with Coles, the leading Australian supermarket retailer

US & APAC

- **19.8 per cent decrease in Gross Billings, 18.0 per cent decrease on a constant currency basis**
- **Adjusted EBITDA of $(6.9) million vs. $3.0 million in 2010**
- Decrease primarily resulting from the phasing out of a portion of the Visa business in the US

- While the US economy is still negatively impacting growth, the longer term outlook in the US remains positive, as benefits of expanded relationships with existing clients and the signing of new clients in new verticals are expected to affect operations in 2011 and beyond
- Asia Pacific is on track for solid performance through the year with extended agreements signed with both ExxonMobil and Qantas and new client Bendigo Bank in Australia.

PLM - Club Premier

On February 28, 2011, Groupe Aeroplan completed the second tranche of its investment in PLM of US$11.8 million ($11.8 million), bringing its equity participation to 28.86 per cent. The disbursement was made following PLM's important milestone signature and launch announcement of the co-branded credit card agreement among PLM, Aeromexico and Grupo Financiero Banamex, one of Mexico's largest financial institutions. From this date forward, 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. As a result, Groupe Aeroplan now records its share of PLM's net earnings in a line item, in the statement of operations, on the same basis as if the two entities had been consolidated. For this quarter, Groupe Aeroplan recorded $6.1 million in equity earnings. This included a fair value gain of $3.3 million, related to the step acquisition accounting treatment and $2.8 million representing Groupe Aeroplan's share of earnings for the month of March, which is not indicative of future quarterly results, as it includes an accounting benefit triggered by the additional investment.

Cash Flow and Financial Position

At March 31, 2011, Groupe Aeroplan had $295.3 million of cash and cash equivalents, $13.4 million of restricted cash, $0.5 million of short-term investments and $302.2 million of long-term investments, for a total of $611.5 million.

Groupe Aeroplan's Free Cash Flow was negative $47.0 million for the first quarter of 2011 compared to negative $66.0 million for the same period last year.

Amendment to Existing Credit Facilities

On May 6, 2011, Groupe Aeroplan concluded an amendment to its existing credit facilities with its lending syndicate. The Corporation repaid $100 million outstanding under its term facility with funds drawn from its revolving facility, and the term facility was terminated. The new secured credit facility, which now only consists of a revolving facility in the amount of $300 million, matures April 23, 2014, and ranks *pari passu* with Groupe Aeroplan's Senior Secured Notes Series 1 due April 23, 2012, Series 2 due September 2, 2014 and Series 3 due January 26, 2017. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 1.25 per cent to 2.00 per cent and the Bankers' Acceptance and LIBOR rates plus 1.75 per cent to 3.00 per cent. The new facility includes amendments to certain restrictive covenants, including covenants relating to distributions and the Aeroplan Canada redemption reserve, which will provide the Corporation with additional flexibility to execute its strategic plan.

Reserve Policy

On May 25, 2011, upon recommendation from management, the board of directors approved a $100 million reduction of the Aeroplan Canada redemption reserve from $400 million to $300 million. Management believes that the reduced reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due in the ordinary course of business. The reduced reserve is consistent with our investment grade rating parameters and compliant with the covenants contained in our credit facility.

Normal Course Issuer Bid

During the first quarter of 2011, pursuant to the NCIB previously announced on May 11, 2010, the corporation purchased 4,468,500 common shares for total cash consideration of $58.1 million. Subsequent to March 31, 2011, and up to and including May 13, 2011, Groupe Aeroplan repurchased and cancelled 2,492,231 common shares for total cash consideration of $32.4 million. In addition, on May 12, 2011, Groupe Aeroplan 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 May 13, 2012. Total common shares repurchased and cancelled during the period from May 16, 2011 to May 24, 2011, pursuant to the renewed NCIB, amounted to 310,000 for a total cash consideration of $4.0 million.

Dividend Policy and Dividends Declared

On May 25, 2011, the Board of Directors approved a 20% increase to the dividends payable on the Corporation's common shares to $0.60 per common share per year, or $0.15 per common share per quarter.

Common Shares

The Board of Directors declared a quarterly dividend of $0.15 per common share, payable on June 30, 2011 to shareholders of record at the close of business on June 16, 2011.

Preferred Shares

The Board also declared a quarterly dividend in the amount of $0.40625 per Cumulative Rate Reset Preferred Share, Series 1, payable on June 30, 2011 to the holders of record at the close of business on June 16, 2011.

Dividends paid by Groupe Aeroplan to Canadian residents on both its common and preferred shares are "eligible dividends" for Canadian income tax purposes.

2011 Outlook

Other than an update with respect to Carlson Marketing's contribution to 2011 Adjusted EBITDA, the Corporation has no revisions to the 2011 annual guidance provided in the February 24, 2011 earnings press release. Operating results are subject to seasonal variations and are not indicative of our expectations for the full year. Regional guidance has now been provided under the new reporting segments. This update reflects the new operating segments and does not change our guidance.

Guidance (as provided February 24, 2011)

For the year ending 2011, Groupe Aeroplan expects to report the following on a consolidated basis:

	Target Range
Gross Billings	Between 4 per cent and 6 per cent growth
Adjusted EBITDA[1]	Between $355M and $365M
Free Cash Flow [2 & 3]	Between $190M and $210M

1. Within the consolidated Adjusted EBITDA target range, Carlson Marketing is expected to generate Adjusted EBITDA margins of between 6 per cent to 8 per cent excluding the impact of costs associated with the phasing out of a portion of the Visa business in the US and restructuring costs related to the creation of the Groupe Aeroplan regional structure.
2. Free Cash Flow before dividends and excluding an anticipated net payment of $72.2 million (£46.3 million) related to the ECJ VAT Judgment, which will reduce cash from operating activities in the statement of cash flows. Upon settlement of the ECJ VAT Judgment, cash proceeds from funds held in escrow of $42.3 million (£27.1 million) and related interest of approximately $1.2 million (£0.8 million) will be classified as cash from investing activities in the statement of cash flows and will partly offset the above payment. The net cash outflow expected in 2011 related to the ECJ VAT Judgment, based on accrued balances at March 31, 2011, is estimated to be $28.7 million (£18.4 million).
3. The Free Cash Flow outlook range of $190 million to $210 million includes an assumption of planned incremental spend of $45 million to $65 million when compared to 2010, relating primarily to higher redemptions expected at Nectar Italia as members start reaching redemption thresholds and redemption velocity starts to accelerate, higher redemptions at Aeroplan Canada resulting from program improvements and investments made to improve member engagement, higher capital expenditures and increased cash taxes. Note that 2011 Free Cash Flow will be impacted by the full year payment of preferred share dividends ($11 million) and an additional interest payment on the Senior Secured Notes Series 3 ($7 million) and will not have the benefit of interest proceeds and prepayment charges from the Air Canada Club Loan ($16 million) received in 2010.

Capital expenditures for 2011 are expected to be approximately $55 million. The current income tax rate is anticipated to approximate 30 per cent in Canada, and the Corporation expects that no significant cash income taxes will be incurred in the rest of its foreign operations.

For 2011, on a segmented basis, Groupe Aeroplan anticipates the following Gross Billings growth from its operating segments:

Region	**Target Growth Range of Gross Billings**
Canada	Between 4 per cent and 6 per cent
EMEA	Between 12 per cent and 15 per cent
US & APAC [4]	Between negative 10 per cent and negative 7 per cent

4. Year over year Gross Billings reduction reflects the full year impact of US$60 million resulting from the phasing out of a portion of the overall Visa business in the US.

The Average Cost of Rewards per Aeroplan Mile Redeemed for 2011 is not expected to exceed 0.95 cents, with gross margin remaining relatively stable.

The above excludes the effects of fluctuations in currency exchange rates. In addition, Groupe Aeroplan made a number of economic and market assumptions in preparing its 2011 forecasts, including assumptions regarding the performance of the economies in which the Corporation operates, market competition and tax laws applicable to the Corporation's operations. The Corporation cautions that the assumptions used to prepare the above forecasts for 2011, although reasonable at the time they were made, may prove to be incorrect or inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this news release. The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and should be read in conjunction with the "Caution Concerning Forward-Looking Statements" section.

Use of Non-GAAP Financial Information

In order to provide a better understanding of the results, the following indicators are used:

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

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 the Corporation'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.

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 attached schedule. 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 attached schedule.

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 attached schedule.

EBITDA and Free Cash Flow are non-GAAP measurements recommended by the CICA in accordance with the draft recommendations provided in their February 2008 publication, *Improved Communications with Non-GAAP Financial Measures - General Principles and Guidance for Reporting EBITDA and Free Cash Flow*.

Constant Currency

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant-currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, helps improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant-currency information compares results between periods as if exchange rates had remained constant over the periods. Constant currency is derived by calculating current-year results using prior-year foreign currency exchange rates. Results calculated on a constant-currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

Q1 2011 Conference Call / Audio Webcast

Groupe Aeroplan will host a conference call to discuss its first quarter 2011 financial results at 8:00 a.m. ET on Thursday May 26, 2011. The call can be accessed by dialing 1-800-731-5319 or 416-644-3426 for the Toronto area. The call will be simultaneously audio webcast at: http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=33644680.

Supporting slides for the call will also be available the evening of May 25, 2011. An archive of the audio webcast and a copy of the slides will be available at: http://www.groupeaeroplan.com/pages/invEvents.php for ninety days following the original broadcast.

The unaudited interim consolidated financial statements, the MD&A and a financial highlights presentation will be accessible on the investor relations website at: www.groupeaeroplan.com/pages/invQuarter.php.

About Groupe Aeroplan Inc.

Groupe Aeroplan Inc., a global leader in loyalty management, owns Aeroplan, Canada's premier coalition loyalty program, Carlson Marketing, an international loyalty marketing services, engagement and events provider, as well as Nectar, the United Kingdom's largest coalition loyalty program. Groupe Aeroplan also operates LMG Insight & Communication, an international customer-driven insight and data analytics business. In addition, Groupe Aeroplan has majority equity positions in Air Miles Middle East and Nectar Italia as well as a minority position in Club Premier, Mexico's leading coalition loyalty program. For more information about Groupe Aeroplan, please visit www.groupeaeroplan.com.

Caution Concerning Forward-Looking Statements

Forward-looking statements are included in this news release. 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 news release.

The forward-looking statements contained herein represent Groupe Aeroplan's expectations as of May 25, 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.

Summary of Consolidated Operating Results and Reconciliation of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Free Cash Flow

(in thousands, except share and per share information)	Three months ended March 31,			%Δ
	2011		2010 [i]	
	$		$	
Gross Billings	**527,880**		**517,947**	**1.9**
Gross Billings from the sale of GALUs	**362,739**		**338,269**	**7.2**
Revenue from GALUs and loyalty marketing services	518,490		485,472	6.8
Other revenue	27,718		22,787	21.6
Total revenue	546,208		508,259	7.5
Cost of rewards and direct costs	(327,616)	*(a)*	(305,740)	7.2
Gross margin before depreciation and amortization *(b)*	218,592	*(a)*	202,519	7.9
Depreciation and amortization	(7,820)		(7,627)	2.5
Amortization of Accumulation Partners' contracts, customer relationships and technology	(23,329)		(22,968)	1.6
Gross margin	187,443	*(a)*	171,924	9.0
Operating expenses	(137,981)	*(a)*	(146,589)	(5.9)
Amortization of Accumulation Partners' contracts, customer relationships and technology	23,329		22,968	1.6
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**72,791**	*(a)*	**48,303**	**50.7**
Depreciation and amortization	7,820		7,627	2.5
EBITDA *(b)(e)*	**80,611**	*(a)*	**55,930**	**44.1**
Adjustments:				
Change in deferred revenue				
Gross Billings	527,880		517,947	
Revenue	(546,208)		(508,259)	

Change in Future Redemption Costs *(c)*	10,270	*(d)*	(9,782)	
(Change in Net GALUs outstanding x Average Cost of Rewards per GALUs for the period)				
Subtotal of Adjustments	(8,058)		(94)	
Adjusted EBITDA *(e)*	**72,553**	*(a)(d)*	**55,836**	**29.9**
Net earnings attributable to equity holders of the Corporation	**25,428**	*(a)(g)*	**18,419**	
Weighted average number of shares	185,482,236		199,506,259	
Earnings per common share *(f)*	0.12	*(a)(g)*	0.08	
Net earnings attributable to equity holders of the Corporation	**25,428**	*(a)(g)*	**18,419**	**38.1**
Amortization of Accumulation Partners' contracts, customer relationships and technology	23,329		22,968	
Subtotal of Adjustments (from above)	(8,058)		(94)	
Effective tax rate (%) *(h)*	-41.21%		-10.50%	
Tax on adjustments at the effective rate	3,321		10	
Adjusted net earnings *(e)*	**44,020**	*(a)(d)(g)*	**41,303**	**6.6**
Adjusted net earnings per common share *(f)*	0.22	*(a)(d)(g)*	0.20	
Net earnings attributable to equity holders of the Corporation	25,428	*(a)(g)*	18,419	
Earnings per common share *(f)*	0.12	*(a)(g)*	0.08	
Cash flow from operations	**(14,841)**		**(29,731)**	**(50.1)**
Capital Expenditures	(6,312)		(9,159)	
Dividends	(25,813)		(27,149)	
Free cash flow *(e)*	**(46,966)**		**(66,039)**	**(28.9)**
Total assets	5,014,085		5,061,381	
Total long-term liabilities	1,578,713		1,598,208	
Total dividends	25,813		27,149	
Total dividends per preferred share	0.406		0.312	
Total dividends per common share	0.125		0.125	

(a) 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.
(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 month period ended March 31, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.4 million (£0.2 million).
(e) A non-GAAP measurement.
(f) After deducting dividends paid on preferred shares.
(g) Includes the effect of a $1.0 million (£0.6 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment.
(h) Effective tax rate calculated as follows: income tax expense per statement of operations / earnings before income taxes for the period.
(i) 2010 comparative figures do not include any effect related to the adverse impact of the ECJ VAT Judgment.

SEGMENTED INFORMATION

At March 31, 2011, the Corporation had three operating segments: Canada, EMEA and US & APAC.

The table below summarizes the relevant financial information by operating segment:

(in thousands)	Three months ended March 31,									
	2011	**2010 *(l)***	**2011**	**2010 *(l)***	**2011**	**2010 *(l)***	**2011**	**2010 *(l)***	**2011**	**2010 *(l)***
Operating segments	**Canada**		**EMEA**		**US & APAC**		**Corporate *(c)***		**Consolidated**	
	$	$	$	$	$	$	$	$	$	$
Gross Billings	319,700	297,482	120,747 *(d)*	111,423 *(d)*	87,433 *(d)*	109,042 *(d)*	-	-	527,880 *(d)*	517,947 *(d)*
Gross Billings from the sale of GALUs	261,634	246,491	101,105	91,778	-	-	-	-	362,739	338,269
Revenue from GALUs and loyalty marketing services	340,907	296,267	89,775	80,996	87,808	108,209	-	-	518,490	485,472
Other revenue	13,569	14,062	14,149	8,725	-	-	-	-	27,718	22,787
Total revenue	354,476	310,329	103,924	89,721	87,808	108,209	-	-	546,208	508,259
Cost of rewards and direct costs	204,367	186,745	70,753 *(g)*	58,536	52,496	60,459	-	-	327,616 *(g)*	305,740
Gross margin before depreciation and amortization *(a)*	150,109	123,584	33,171 *(g)*	31,185	35,312	47,750	-	-	218,592 *(g)*	202,519
Depreciation and amortization *(b)*	25,091	24,948	3,439	3,233	2,619	2,414	-	-	31,149	30,595
Gross margin	125,018	98,636	29,732 *(g)*	27,952	32,693	45,336	-	-	187,443 *(g)*	171,924
Operating expenses before share-based compensation	52,286	50,016	32,101	39,293	41,812	45,585	10,119	9,661	136,318	144,555
Share-based compensation	-	-	-	-	-	-	1,663	2,034	1,663	2,034
Total operating expenses	52,286	50,016	32,101	39,293	41,812	45,585	11,782	11,695	137,981	146,589
Operating income (loss)	72,732	48,620	(2,369) *(g)*	(11,341)	(9,119)	(249)	(11,782)	(11,695)	49,462 *(g)*	25,335
Financial expenses	-	612	983 *(h)*	143	4	-	13,372	14,868	14,359 *(h)*	15,623
Financial income	757 *(j)*	6,464 *(j)*	874	912	89	-	-	-	1,720 *(j)*	7,376 *(j)*
Share of net earnings of PLM	-	-	-	-	-	-	6,138	-	6,138	-
Earnings (loss) before income taxes	73,489 *(j)*	54,472 *(j)*	(2,478) *(g)(h)*	(10,572)	(9,034)	(249)	(19,016)	(26,563)	42,961 *(g)(h)(j)*	17,088 *(j)*
Adjusted EBITDA *(k)*	88,017	73,055	3,193 *(g)(i)*	(8,521)	(6,875)	2,997	(11,782)	(11,695)	72,553 *(g)(i)*	55,836

Additions to non-current assets ***(e)***	3,717	4,522	2,140		1,209		455		3,428		N/A	N/A	6,312	**-**	9,159	
Non-current assets ***(e)***	3,310,028	3,394,416	449,530	***(f)***	445,359	***(f)***	101,839	***(f)***	104,403	***(f)***	N/A	N/A	3,861,397	***(f)***	3,944,178	***(f)***
Deferred revenue	1,812,068	1,747,816	283,524		246,450		15,365		2,146		N/A	N/A	2,110,957		1,996,412	
Total assets	3,934,202	4,117,438	840,863		722,013		197,031		221,930		41,989	-	5,014,085		5,061,381	

(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 $99.7 million in the UK and $48.9 million in the US for the three months ended March 31, 2011 compared to Gross Billings of $98.5 million in the UK and $74.0 million in the US for the three months ended March 31, 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 $398.9 million in the UK and $96.4 million in the US as of March 31, 2011 compared to non-current assets of $399.4 million in the UK and $97.8 million in the US as of March 31, 2010.*

(g) *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.*

(h) *Includes the effect of a $1.0 million (£0.6 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 March 31, 2011 includes the unfavourable impact of the ECJ VAT Judgment amounting to $0.4 million (£0.2 million).*

(j) *Includes a loss of $1.8 million relating to the fair value adjustment of the Air Canada Warrants for the three months ended March 31, 2011 compared to a gain of $1.5 million for the three months ended March 31, 2010.*

(k) *A non-GAAP measurement.*

(l) *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.*

For further information:

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