TRANSAT A.T. INC.
FIRST QUARTERLY REPORT
Period ended January 31, 2011

MARCH 9, 2011

Investor Relations
M. Denis Pétrin
Vice-president, Finance and Administration
and Chief Financial Officer
investorrelations@transat.com

Trading symbols
TSX: TRZ.B, TRZ.A

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of Transat A.T. Inc's operations, performance and financial position for the quarter ended January 31, 2011 compared with the quarter ended January 31, 2010 and should be read in conjunction with the unaudited consolidated interim financial statements for the first quarter of fiscal 2011 and 2010, the notes thereto and the 2010 Annual Report including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a first-quarter update to the information contained in the MD&A section of our 2010 Annual Report. The risks and uncertainties set out in the MD&A of the 2010 Annual Report are herein incorporated by reference and remain substantially unchanged. The information contained herein is dated as of March 9, 2011. You will find more information about us on Transat's website at www.transat.com and on SEDAR at www.sedar.com, including the Attest Reports for the quarter ended January 31, 2011 and Annual Information Form for the year ended October 31, 2010.

Our financial statements are prepared in accordance with Canadian generally accepted accounting principles ["GAAP"]. We occasionally refer to non-GAAP financial measures in the MD&A. See the *Non-GAAP financial measures section* for more information. All dollar figures in this MD&A are in Canadian dollars unless otherwise indicated. The terms "Transat," "we," "us," "our" and the "Corporation" mean Transat A.T. Inc. and its subsidiaries, unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "would," the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. 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, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, extreme weather conditions, fuel prices, armed conflicts, terrorist attacks, general industry, market and economic conditions, disease outbreaks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, labour relations, collective bargaining and labour disputes, pension issues, exchange and interest rates, availability of financing in the future, statutory changes, adverse regulatory developments or procedures, pending litigation and actions by third parties, and other risks detailed from time to time in the Corporation's continuous disclosure documents.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The Corporation made a number of assumptions in making forward-looking statements in this MD&A such as certain economic, market, operational and financial assumptions and assumptions about transactions and forward-looking statements.

Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.
- The outlook whereby the Corporation expects the results of the second quarter to be similar to last year.
- The outlook whereby the favourable impact stemming from a strong Canadian dollar will be offset by higher aircraft fuel costs.

In making these statements, the Corporation has assumed, among other things, that price pressures will continue up to season-end, that travel reservations will follow the trends, that fuel prices, costs and the Canadian dollar's exchange rate against European and U.S. currencies will remain stable, that the assumptions used in the valuation of the ABCP securities will materialize, that credit facilities will continue to be made available as in the past, and that management will continue to manage changes in cash flows to fund working capital requirements. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this MD&A.

The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance and speak only as of the date this MD&A is issued, and represent the Corporation's expectations as of that date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

NON-GAAP FINANCIAL MEASURES

This MD&A was drawn up using results and financial information determined under GAAP. We occasionally refer to non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that excludes or includes amounts that that would not be so adjusted in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures used by the Corporation are as follows:

Measure	Definition
Margin (operating loss)	Revenues less operating expenses.
Adjusted income (loss)	Income (loss) before non-controlling interest in subsidiaries' results, income taxes, change in fair value of derivative financial instruments related to aircraft fuel purchases, non-monetary gain (loss) on investments in ABCP and restructuring charge (gain).
Adjusted after-tax income (loss)	Net income (loss) before change in fair value of derivative financial instruments related to aircraft fuel purchases, non-monetary gain (loss) on investments in ABCP and restructuring charge (gain), net of related taxes.
Adjusted after-tax income (loss) per share	Adjusted after-tax income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.
Total debt	Long-term debt and off-balance sheet arrangements, excluding agreements with service providers, reported on page 11.
Net debt	Total debt (described above) less cash and cash equivalents and investments in ABCP.

The above-described financial measures have no meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures reported by other issuers or those used by financial analysts. They are furnished to provide additional information and should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP. Management believes that readers of our MD&A use these measures, or a subset thereof, to analyze the Corporation's results, its financial performance and its financial position.

In addition to GAAP financial measures, management uses adjusted income and adjusted after-tax income to measure the Corporation's ongoing and recurring operational performance. Management considers these measures important as they exclude from results items that arise mainly from long-term strategic decisions, reflecting instead the Corporation's day-to-day operating performance. Management believes these measures are useful for assessing the Corporation's capacity to discharge its financial obligations.

Management also uses total debt and net debt to calculate the Corporation's indebtedness level, cash position, future cash needs and financial leverage ratio. Management believes these measures are useful for gauging the Corporation's financial leveraging.

The following table reconciles the non-GAAP financial measures to the most comparable GAAP financial measures:

(In thousands of dollars, except per share amounts)	Quarters ended January 31	
	2011 $	2010 $
Revenues	810,154	792,562
Operating expenses	(824,792)	(804,971)
Operating loss	(14,638)	(12,409)
Loss before non-controlling interest in subsidiaries' results	(12,620)	(12,780)
Income taxes	(6,031)	(7,934)
Change in fair value of derivative financial instruments related to aircraft fuel purchases	(3,838)	(1,228)
Non-monetary gain on investments in ABCP	(3,133)	(3,455)
Adjusted loss	(25,622)	(25,397)
Net loss	(13,473)	(13,872)
Change in fair value of derivative financial instruments related to aircraft fuel purchases	(3,838)	(1,228)
Non-monetary gain on investments in ABCP	(3,133)	(3,445)
Tax impact	1,031	348
Adjusted after-tax loss	(19,413)	(18,197)
Adjusted after-tax loss	(19,413)	(18,197)
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	37,870	37,754
Adjusted after-tax loss per share diluted	(0.51)	(0.48)

	As at January 31, 2011 $	As at October 31, 2010 $
Payments on current portion of long-term debt	13,470	13,768
Long-term debt	292	15,291
Off-balance sheet arrangements, excluding agreements with service providers	606,034	643,750
Total debt	619,796	672,809
Total debt	619,796	672,809
Cash and cash equivalents	(198,954)	(180,627)
Investments in ABCP	(75,055)	(72,346)
Net debt	345,787	419,836

FINANCIAL HIGHLIGHTS

	Quarters ended January 31			
(In thousands of dollars, except per share amounts)	2011 $	2010 $	Variance $	Variance %
Consolidated Statements of Income				
Revenues	810,154	792,562	17,592	2.2
Operating loss [1]	(14,638)	(12,409)	(2,229)	(18.0)
Net loss	(13,473)	(13,872)	399	2.9
Basic loss per share	(0.36)	(0.37)	0.01	2.7
Diluted loss per share	(0.36)	(0.37)	0.01	2.7
Adjusted after-tax loss [1]	(19,413)	(18,197)	(1,216)	(6.7)
Adjusted after-tax loss per share diluted	(0.51)	(0.48)	(0.03)	(6.3)
Consolidated Statements of Cash Flows				
Operating activities	47,577	(21,258)	68,835	323.8
Investing activities	(12,755)	(3,291)	(9,464)	(287.6)
Financing activities	(14,476)	(3,780)	(10,696)	(283.0)
Effect of exchange rate changes on cash and cash equivalents	(2,019)	(4,487)	2,468	55.0
Net change in cash and cash equivalents	18,327	(32,816)	51,143	155.8
	As at January 31, 2011 $	As at October 31, 2010 $	Variance $	Variance %
Consolidated Balance Sheets				
Cash and cash equivalents	198,954	180,627	18,327	10.1
Cash and cash equivalents in trust or otherwise reserved (short-term and long-term)	506,837	352,650	154,187	43.7
Investments in ABCP	75,055	72,346	2,709	3.7
	780,846	605,623	175,223	28.9
Total assets	1,437,797	1,189,458	248,339	20.9
Debt (short-term and long-term)	13,762	29,059	(15,297)	(52.6)
Total debt [1]	619,796	672,809	(53,013)	(7.9)
Net debt [1]	345,787	419,836	(74,049)	(17.6)

[1] SEE NON-GAAP FINANCIAL MEASURES

OVERVIEW

Transat is one of the largest fully integrated world-class tour operators in North America. We operate solely in the holiday travel industry and market our services mainly in the Americas and Europe. As a tour operator, Transat's core business involves developing and marketing holiday travel services in package and air-only formats. We operate as both an outgoing and incoming tour operator by bundling services bought in Canada and abroad and reselling them in Canada, France, the U.K. and in ten other European countries, mainly through travel agencies, some of which we own (as in France and Canada). Transat is also a major retail distributor with a total of approximately 500 travel agencies (including 368 franchisees) and a multi-channel distribution system incorporating web-based sales. Transat holds an interest in a hotel business that owns and operates properties in Mexico and the Dominican Republic. Transat deals with numerous air carriers, but relies on its subsidiary Air Transat for a large portion of its needs. Transat also offers destination and airport services.

According to the World Tourism Organization, the volume of international tourists grew nearly 7% in calendar 2010 after declining 4% in 2009. Transat's vision is to become a leading player in the Americas and build strong competitive positioning in several European countries by 2014. At present, we are a market leader in Canada, operating as an outgoing and incoming tour operator. We are a well-established outgoing tour operator in France and the U.K. and an incoming tour operator in Greece. We offer customers a broad range of

international destinations spanning some 50 countries. Over time, we intend to expand our business to other countries where we see high growth potential for an integrated tour operator specializing in holiday travel.

To deliver on its vision, the Corporation intends to continue: deriving synergies from its vertical integration model, which distinguishes it from several of its rivals; growing its market share in France, where it ranks among the largest tour operators; and tapping into new markets or expanding operations in markets not yet fully served. To increase its buying power for its traditional destinations, Transat is targeting new markets with potential demand for these routes.

For fiscal 2011, Transat has set the following targets:

- Continue the organizational transformation with the harmonized implementation of new information systems and related operating processes.
- Increase revenues at Transat Tours Canada through organic growth.
- Grow revenues and profitability at Transat France to become France's third largest tour operator by 2013.
- Strengthen our presence, expand sales and improve our bottom line in certain foreign markets.
- Actively pursue our plan to make Transat one of the industry's most responsible companies.
- Improve our competitiveness in terms of service quality and operating costs in the air carrier industry.
- Improve our organization's adaptability.

The key performance drivers are market share, revenue growth and margin. They are essential to the successful implementation of our strategy and the achievement of our objectives.

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives. Our financial resources consist primarily of cash, our investments and access to the undrawn balances of our credit facilities. Our non-financial resources include our brand, structure, employees and relationships with suppliers.

CONSOLIDATED OPERATIONS

REVENUES

	Quarters ended January 31			
	2011	2010	Variance	Variance
(In thousands of dollars)	$	$	$	%
Americas	675,561	656,796	18,765	2.9
Europe	134,593	135,766	(1,173)	(0.9)
	810,154	792,562	17,592	2.2

We derive our revenues from outgoing tour operators, air transportation, travel agencies, distribution, incoming tour operators and services at travel destinations.

Our revenues for the quarter were up $17.6 million from the corresponding period of 2010. The increase is mainly due to overall growth in the volume of travellers of 1.1%, and the higher average selling prices resulting from the termination of the seat purchase/sale agreement with Sunquest. However, excluding revenues from seat sales made through Sunquest, our average selling prices are down compared with the first quarter of 2010. Revenue growth was also limited by the dollar's strength against the euro and the sterling, which resulted in lower Canadian dollar revenues for our foreign subsidiaries. Year-over-year, revenues for the quarter rose 2.9% in the Americas, while they fell 0.9% in Europe.

OPERATING EXPENSES

	Quarters ended January 31			
	2011	2010	Variance	Variance
(In thousands of dollars)	$	$	$	%
Direct costs	**499,001**	511,782	(12,781)	(2.5)
Salaries and employee benefits	**89,900**	84,089	5,811	6.9
Aircraft fuel	**65,795**	57,142	8,653	15.1
Commissions	**41,645**	36,575	5,070	13.9
Aircraft maintenance	**23,291**	18,381	4,910	26.7
Airport and navigation fees	**17,792**	15,398	2,394	15.5
Aircraft rent	**14,821**	13,742	1,079	7.9
Other	**72,547**	67,862	4,685	6.9
Total	**824,792**	804,971	19,821	2.5

Our aggregate operating expenses were up $19.8 million or 2.5% for the first quarter compared with the corresponding period of 2010, stemming mostly from aggregate increase in the volume of travellers. Following the addition of an Airbus 330 in 2010, greater aircraft fleet utilization during the quarter resulted in lower direct costs and higher other operating expenses compared with the first quarter of 2010. We also benefited from the strength of Canada's currency against the U.S. dollar, the euro and the pound sterling, which resulted in lower operating expenses at our foreign subsidiaries once translated into Canadian dollars, in addition to having a favourable impact on the expenses denominated in foreign currencies of our Canadian subsidiaries. In the Americas and Europe, operating expenses were up 3.2% and down 0.8%, respectively for the quarter.

DIRECT COSTS

Direct costs are incurred by our tour operators. They include hotel room costs and the cost of reserving blocks of seats or full flights with air carriers other than Air Transat. Direct costs were down $12.8 million or 2.5% compared with the corresponding quarter of the previous year. The decrease arose primarily from fewer seat purchases following the end of our seat purchase agreement with Sunquest and the dollar's strength, offset by higher costs of hotel rooms.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits for the quarter rose $5.8 million or 6.9% compared with the corresponding period of 2010. The reasons for the increase included annual salary raises and a larger workforce, mainly attributable to the addition of aircraft to our fleet and greater business activity.

AIRCRAFT FUEL

Aircraft fuel costs for the quarter rose $8.7 million or 15.1%, mainly due to higher aircraft utilization and higher fuel costs.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense for the first quarter rose $5.1 million or 13.9% from the same quarter in 2010. As a percentage of revenues, commissions for the first quarter rose to 5.1% from 4.6% for the same period of 2010. The increase mainly stemmed from the higher level of revenue on which commissions are calculated.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat. These costs rose $4.9 million or 26.7% during the quarter compared with the same period of 2010. The quarterly rise in aircraft maintenance expense was driven primarily by higher fleet utilization. During the first quarter of 2010, we had also revised downwards some of our assumptions related to future maintenance costs following a new agreement entered into with one of our suppliers and optimization of the future maintenance schedule.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and agencies responsible for air traffic control. Fees for the first quarter ended January 31, 2011 were up $2.4 million or 15.5% year-over-year, owing to higher fleet utilization, offset by the dollar's strength.

AIRCRAFT RENT

Aircraft rent for the first quarter rose $1.1 million or 7.9% compared with the corresponding period of 2010, resulting primarily from the net effect of the addition of three Airbus A330 during the first quarter of 2011, the withdrawal of one Airbus A-310 at the beginning of the first quarter of 2011 and the Canadian dollar's strength against the U.S. currency.

OTHER

For the first quarter, other expenses were up $4.7 million or 6.9% from the corresponding period of 2010, driven mainly by greater business activity.

MARGIN (OPERATING LOSS)

In light of the foregoing, we reported an operating loss of $14.6 million (1.8%) for the first quarter compared with $12.4 million (1.6%) for the same period of 2010.

GEOGRAPHIC AREAS

AMERICAS

	Quarters ended January 31			
(In thousands of dollars)	2011 $	2010 $	Variance $	Variance %
Revenues	675,561	656,796	18,765	2.9
Operating expenses	681,634	660,729	20,905	3.2
Margin (operating loss)	(6,073)	(3,933)	(2,140)	(54.4)

First-quarter revenues at our North American subsidiaries, stemming from sales in Canada and abroad, were up $18.8 million or 2.9% from the same period in 2010. Factors underlying quarterly revenue growth included an increase in the volume of travellers compared with the corresponding quarter of 2010. The Corporation reported an operating loss of 0.9% compared with an operating loss of 0.6% for the corresponding period of 2010. The operating loss increased during the quarter mainly due to lower average selling prices for packages despite a stronger Canadian dollar and greater fleet utilization.

EUROPE

	Quarters ended January 31			
(In thousands of dollars)	2011 $	2010 $	Variance $	Variance %
Revenues	134,593	135,766	(1,173)	(0.9)
Operating expenses	143,158	144,242	(1,084)	(0.8)
Margin (operating loss)	(8,565)	(8,476)	(89)	(1.1)

Compared with 2010, revenues at our European subsidiaries, stemming from sales in Europe and Canada, were down $1.2 million or 0.9% over the quarter, owing to a 2.9% decrease in the volume of travellers and the dollar's strength against the euro and the pound sterling. The impact of these decreases on our revenues was offset by our higher average selling prices. Our European operations reported an operating loss of $8.6 million (6.4%) compared with an operating loss of $8.5 million (6.2%) in the corresponding period of 2010.

OTHER EXPENSES (REVENUES)

	Quarters ended January 31			
	2011	2010	Variance	Variance
(In thousands of dollars)	$	$	$	%
Amortization	11,202	12,184	(982)	(8.1)
Interest on long-term debt	444	916	(472)	(51.5)
Other interest and financial expenses	424	421	3	0.7
Interest income	(1,932)	(432)	(1,500)	(347.2)
Change in fair value of derivative financial instruments related to aircraft fuel purchases	(3,838)	(1,228)	(2,610)	(212.5)
Foreign exchange loss (gain) on long-term monetary items	277	(212)	489	230.7
Gain on investments in ABCP	(3,133)	(3,455)	322	9.3
Share of net loss of a company subject to significant influence	569	111	458	412.6

AMORTIZATION

Amortization includes amortization of property, plant and equipment, intangible assets subject to amortization, deferred lease inducements and deferred gains on options. Amortization for the quarter was down $1.0 million compared with the corresponding period of 2010, mainly resulting from fewer additions to property, plant and equipment and intangible assets compared with recent fiscal years. The 2010 amortization expense included a $1.1 million amount relating to the deferred gain on our option of repayment of debt.

INTEREST ON LONG-TERM DEBT

Interest on long-term debt was down $0.5 million during the quarter compared with the corresponding period of 2010, due to lower average debt.

OTHER INTEREST AND FINANCIAL EXPENSES

Other interest and financial expenses for the first quarter held steady at $0.4 million, compared with the corresponding period of 2010.

INTEREST INCOME

Interest income for the quarter rose $1.5 million from the corresponding quarter of 2010, driven primarily by higher average balances of cash and cash equivalents.

CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS RELATED TO AIRCRAFT FUEL PURCHASES

The change in fair value of derivative financial instruments related to aircraft fuel purchases represents the change in fair value for the period of the portfolio of derivative financial instruments held and used by the Corporation to manage its exposure to fuel price volatility. For the quarter, the fair value of derivative financial instruments related to aircraft fuel purchases increased by $3.8 million compared with a $1.2 million increase for the same period of 2010.

FOREIGN EXCHANGE LOSS (GAIN) ON LONG-TERM MONETARY ITEMS

The foreign exchange loss on long-term monetary items for the quarter, amounting to $0.3 million, arose mainly from an unfavourable foreign exchange effect on our foreign currency deposits.

GAIN ON INVESTMENTS IN ABCP

The gain on investments in ABCP results from the change in the fair value of investments in ABCP during the period. The gain on investments in ABCP reached $3.1 million for the first quarter (See *Investments in ABCP* for more information).

SHARE OF NET INCOME OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

Our share of net loss of a company subject to significant influence represents our share of the net income of our hotel business, Caribbean Investments B.V. ["CIBV"]. The share of net loss for the quarter amounted to $0.6 million compared with $0.1 million for the corresponding quarter of 2010.

INCOME TAXES

The income tax recovery for the quarter totalled $6.0 million compared with $7.9 million for the corresponding period of the previous fiscal year. Excluding the share in the net loss of a company subject to significant influence, the effective tax rate was 33.4% for the quarter compared with 39.5% for the corresponding period of 2010. The lower tax rate for the quarter resulted mainly from differences in the statutory tax rates applied to taxable income or losses in various countries.

NET LOSS

Due to the items discussed in *Consolidated Operations*, the Corporation recorded a net loss for the quarter ended January 31, 2011 of $13.5 million or $0.36 per share (basic and diluted) compared with a net loss of $13.9 million or $0.37 per share (basic and diluted) for the corresponding period of the previous year. The weighted average number of shares outstanding used in calculating the per share amounts was 37,870,000 for the first quarter of 2011 compared with 37,754,000 for corresponding period of 2010. *See note 8 to the unaudited Interim Consolidated Financial Statements.*

For the first quarter, our adjusted after-tax loss stood at $19.4 million ($0.51 per share) compared with $18.2 million ($0.48 per share) for the same period of 2010.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. Overall, revenues are higher compared with the corresponding quarters of previous years, mainly as a result of growth in volume of travellers and higher average selling prices. Margins have fluctuated from quarter to quarter, mainly due to competitive price pressures. As a result, the following quarterly financial information sometimes varies significantly from quarter to quarter.

(In thousands of dollars, except per share amounts)	Q2-2009 $	Q3-2009 $	Q4-2009 $	Q1-2010 $	Q2-2010 $	Q3-2010 $	Q4-2010 $	Q1-2011 $
Revenues	1,129,077	819,354	719,656	792,562	1,060,386	867,344	788,585	**810,154**
Margin (operating loss)	39,130	27,187	35,576	(12,409)	8,198	53,941	77,852	**(14,638)**
Net income (loss)	42,186	30,991	18,106	(13,872)	6,198	20,925	52,356	**(13,473)**
Basic earnings (loss) per share	1.29	0.95	0.53	(0.37)	0.16	0.55	1.38	**(0.36)**
Diluted earnings (loss) per share	1.27	0.94	0.52	(0.37)	0.16	0.55	1.37	**(0.36)**

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2011, cash and cash equivalents totalled $199.0 million compared with $180.6 million as at October 31, 2010. Cash and cash equivalents in trust or otherwise reserved amounted to $506.8 million as at the end of the first quarter of 2011 compared with $352.7 million as at October 31, 2010. The Corporation's balance sheet reflects working capital of $36.0 million and a ratio of 1.04 compared with $64.3 million and 1.10 as at October 31, 2010.

Total assets rose $248.3 million or 20.9% to $1,437.8 million as at January 31, 2011 from $1,189.5 million as at October 31, 2010. This rise resulted mainly from a $154.2 million increase in cash and cash equivalents in trust or otherwise reserved, an $18.3 million increase in cash and cash equivalents, a $60.0 million increase in prepaid expenses and a $14.2 million increase in income taxes receivables, offset by a $19.7 million decrease in receivables. These changes primarily reflect the seasonal nature of the business. Shareholders' equity fell $16.1 million to $423.0 million as at January 31, 2011 from $439.1 million as at October 31, 2010, due primarily to the net loss of $13.5 million.

CASH FLOWS

	Quarters ended January 31		
	2011	2010	Variance
(In thousands of dollars)	$	$	$
Cash flows related to operating activities	47,577	(21,258)	68,835
Cash flows related to investing activities	(12,755)	(3,291)	(9,464)
Cash flows related to financing activities	(14,476)	(3,780)	(10,696)
Effect of exchange rate changes on cash	(2,019)	(4,487)	2,468
Net change in cash and cash equivalents	18,327	(32,816)	51,143

OPERATING ACTIVITIES

During the first quarter, operating activities generated $47.6 million in cash flows compared with a utilization of $21.3 million for the corresponding quarter of 2010. This $68.8 million increase during the quarter compared with the same quarter of 2010 resulted mainly from a $65.9 million increase in the net change in non-cash working capital balances related to operations and a $6.6 million increase in the net change in the provision for overhaul of leased aircraft.

INVESTING ACTIVITIES

Cash flows used in investing activities for the quarter totalled $12.8 million, up $9.5 million from the corresponding period of 2010. In the first quarter, our investments in property, plant and equipment and other intangible assets totalled $13.2 million, up $8.8 million from $4.4 million for the corresponding period of 2010. Also during the quarter, the Corporation received an amount of $0.4 million from investments in ABCP compared with $1.1 million in 2010.

FINANCING ACTIVITIES

Cash flows used in financing activities during the quarter totalled $14.5 million, up $10.7 million from $3.8 million in the corresponding period of 2010. This increase resulted primarily from a $10.8 million increase in repayments of our credit facilities and other debt, compared with 2010.

FINANCING

As at January 31, 2011, the Corporation had several types of financing, consisting primarily of two revolving term credit facilities, loans secured by aircraft and lines of credit.

The Corporation has a $157.0 million revolving credit facility maturing in 2012 or payable immediately in the event of a change in control and a $60.0 million revolving credit facility for issuing letters of credit for which the Corporation must pledge cash as collateral security against 105% of the letters of credit issued. Under the terms and conditions of this agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. Under this agreement, interest is charged at bankers' acceptance rates, at the financial institution's prime rate or at the London Interbank Offered Rate (LIBOR), plus a premium based on certain financial ratios calculated on a consolidated basis. Under the terms of the agreement, the Corporation is required to comply with financial criteria and ratios. As at January 31, 2011, all financial criteria and ratios were met.

The Corporation also has access to an $85.4 million revolving credit facility which matures in 2012 or is immediately payable in the event of a change in control. Under the terms and conditions of this agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. Under this agreement, interest is charged at bankers' acceptance rates, at the financial institution's prime rate or at the LIBOR, plus a premium specific to the type of financing vehicle. This credit facility also includes an option, now in effect following implementation of the ABCP restructuring plan, allowing the Corporation, at its discretion, to repay amounts drawn down as they fall due under certain conditions up to a maximum of $46.6 million using the restructured notes. This option is reported at fair value at each balance sheet date under *derivative financial instruments*, and any change in fair value of the options is recorded in net income under *gain on investments in ABCP*. Under the terms of the agreement, the Corporation is required to comply with financial criteria and ratios. As at January 31, 2011, all financial criteria and ratios were met.

As at January 31, 2011, this credit facility was undrawn.

The loans secured by aircraft of the Corporation amounted to $13.4 million [US$13.3 million] as at January 31, 2011. The loans bear interest at LIBOR plus 2.15% and 3.25% and are repayable in equal semi-annual instalments through August 2011.

With regard to our French operations, we also have access to undrawn lines of credit totalling €10.5 million [$14.4 million].

OFF-BALANCE SHEET ARRANGEMENTS

Transat enters into arrangements and incurs obligations in the normal course of business that will impact the Corporation's future operations and liquidity, some of which are reflected as liabilities in the unaudited Interim Consolidated Financial Statements as at January 31, 2011. As at January 31, 2011 and October 31, 2010, these obligations, reported in liabilities, amounted to $13.8 million and $29.1 million, respectively.

Obligations that are not reported as liabilities are considered off-balance sheet arrangements. These contractual arrangements are entered into with non-consolidated entities and consist of the following:

- Guarantees
- Operating leases

Off-balance sheet debt, excluding agreements with service providers, that can be estimated amounted to approximately $606.0 million as at January 31, 2011 compared with $643.8 million as at October 31, 2010, and is detailed as follows:

(In thousands of dollars)	As at January 31, 2011 $	As at October 31, 2010 $
Guarantees		
Irrevocable letters of credit	2,837	5,273
Collateral security contracts	956	957
Operating leases		
Commitments under operating leases	602,241	637,520
	606,034	643,750

In the normal course of business, guarantees are required in the travel industry to provide indemnifications and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts. Historically, Transat has not made any significant payments under such guarantees. Operating leases are entered into to enable the Corporation to lease certain items rather than acquire them.

In addition, the Corporation has a $50.0 million guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at January 31, 2011, this facility was undrawn.

We believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

DEBT LEVELS

The Corporation's debt levels as at January 31, 2011 were lower than as at October 31, 2010.

Balance sheet debt decreased $15.3 million to $13.8 million from $29.1 million and our off-balance sheet debt decreased $37.7 million to $606.0 million from $643.8 million, collectively representing a $53.0 million decrease in total debt compared with October 31, 2010. The decreases in balance sheet and off-balance sheet debt resulted from repayments made during the first quarter and the Canadian dollar's strengthening against the U.S. currency.

Net of cash and cash equivalents and our investments in ABCP, the Corporation reported $345.8 million in net debt as at January 31, 2011, down $74.0 million from $419.8 million as at October 31, 2010.

OUTSTANDING SHARES

As at January 31, 2011, there were three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at January 31, 2011, there were 927,908 Class A Variable Voting Shares outstanding and 36,970,635 Class B Voting Shares outstanding.

STOCK OPTIONS

As at March 9, 2011, stock options outstanding totalled 1,905,233, of which 629,752 were exercisable.

INVESTMENTS IN ABCP

RESTRUCTURING

In 2007, the Canadian third-party asset backed commercial paper ["ABCP"] market was hit by a liquidity disruption. Subsequent to this disruption, a group of financial institutions and other parties agreed, pursuant to the Montréal Accord [the "Accord"], to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee was subsequently established to oversee the orderly restructuring of these instruments during this standstill period.

In 2009, the Pan-Canadian Investors Committee announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes whose maturities match those of the assets previously held in the underlying conduits. As at January 21, 2009, the Corporation held a portfolio of ABCP issued by several trusts with an overall notional value of $143.5 million.

On January 21, 2009, the plan implementation date, the Corporation measured its investments in ABCP at fair value prior to the exchange. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions. Subsequent to this valuation, the provision for impairment totalled $47.5 million, and the fair value of the ABCP investment portfolio stood at $96.1 million. The ABCP held by the Corporation was exchanged on that date for new securities. As at that date, the new ABCP had a notional value of $141.7 million.

PORTFOLIO

In the first quarter of 2011, the Corporation received $0.4 million in principal repayments on ABCP supported solely by traditional securitized assets (MAV3 Traditional). The notional value of the new ABCP amounted to $117.7 million as at January 31, 2011 and is detailed as follows:

MAV2 Eligible

The Corporation holds $113.3 million in ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets, which have been restructured into floating rate notes with maturities through January 2017.

MAV3 Traditional

The Corporation holds $4.4 million in ABCP supported solely by traditional securitized assets that have been restructured on a series-by-series basis, with each series or trust maintaining its own assets and maturing through September 2016.

VALUATION

On January 31, 2011, the Corporation remeasured its new ABCP at fair value. During this valuation, the Corporation reviewed its assumptions to factor in new information available, as well as the changes in credit market conditions. During the quarter ended January 31, 2011, a limited number of transactions were entered into in respect of the investments in ABCP. However, the Corporation did not take these transactions into account in measuring its ABCP since, in its opinion, there were too few of them to meet the definition of an active market. Once ABCP begins trading in an active market again, the Corporation will review its valuation assumptions accordingly.

The Corporation reviews the information released by BlackRock Canada Ltd. ["BlackRock"], which was appointed to administer the assets on the plan implementation date. BlackRock issues monthly valuation reports on the fair value of ABCP supported exclusively by traditional securitized assets (MAV3 Traditional). The Corporation's management measured the fair value of its assets from these classes using said valuations. For the other securities, given the lack of an active market, the Corporation's management estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates based as much as possible on observable market inputs, such as the credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The Corporation also considered the information released by DBRS on September 21, 2010, upgrading ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets [MAV2 Eligible] of Class A-1 to A+ and confirming the BBB− rating of Class A-2.

For the purposes of estimating future cash flows, the Corporation estimated that the long-term financial instruments arising from the conversion of its ABCP would generate interest at rates ranging from 0.0% to 2.4% [weighted average rate of 2.0%], depending on the type of series. These future cash flows were discounted, according to the type of series, over a 6-year period using discount rates ranging from 6.9% to 39.3% [weighted average rate of 11.5%], which factor in liquidity.

Subsequent to this new valuation, the Corporation recognized a $3.1 million increase in the fair value of its investments in ABCP on January 31, 2011. The fair value of the ABCP investment portfolio stood at $75.1 million as at this date and the provision for impairment totalled $42.6 million, representing 36.2% of the notional value of $117.7 million.

The Corporation's estimate of the fair value of its ABCP investments is subject to significant uncertainty. The substitution of one or more inputs by one or more assumptions cannot reasonably be completed in these conditions. Management believes that its valuation technique is appropriate in the circumstances; however, changes in significant assumptions could significantly impact the value of ABCP securities over the coming fiscal year. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates and the extent of that difference could have a material effect on our financial results.

A 1% increase (decrease), representing 100 basis points, in the estimated discount rates would result in a decrease (increase) of approximately $3.7 million in the estimated fair value of ABCP held by the Corporation.

The following table details the change in balances of investments in ABCP in the consolidated balance sheet and the composition of gain on investments in ABCP in the consolidated statement of income:

(In thousands of dollars)	Notional value of investments in ABCP $	Provision for impairment of investments in ABCP $	Investments in ABCP $	Loss (gain) on investments in ABCP $
Balance as at October 31, 2009	128,835	(57,434)	71,401	
Increase in value of investments in ABCP	—	3,455	3,455	(3,455)
Principal repayments	(1,092)	—	(1,092)	—
Share of cash accumulated in conduits	—	(620)	(620)	—
Balance as at January 31, 2010; impact on results for the period ended January 31, 2010	127,743	(54,599)	73,144	(3,455)
Disposal of investments in ABCP	(7,630)	7,630	—	—
Increase in value of investments in ABCP	—	1,193	1,193	(1,193)
Principal repayments	(1,991)	—	(1,991)	—
Balance as at October 31, 2010; impact on results for the year ended October 31, 2010	118,122	(45,776)	72,346	(4,648)
Increase in value of investments in ABCP	—	3,133	3,133	(3,133)
Principal repayments	(424)	—	(424)	
Balance as at January 31, 2011; impact on results for the period ended January 31, 2011	**117,698**	**(42,643)**	**75,055**	**(3,133)**

The balance of investments in ABCP as at January 31, 2011 is detailed as follows:

(In thousands of dollars)	Notional value of investments in ABCP $	Provision for impairment of investments in ABCP $	Investments in ABCP $
MAV2 Eligible			
Class A-1	34,415	(7,608)	26,807
Class A-2	63,894	(22,912)	40,982
Class B	11,598	(9,080)	2,518
Class C	3,403	(3,038)	365
	113,310	(42,638)	70,672
MAV3 Traditional	4,388	(5)	4,383
	117,698	(42,643)	75,055

OTHER

HANDLEX

On February 15, 2011, Handlex, one of the Corporation's subsidiaries, locked out 400 of its baggage and ramp workers at airports in Toronto and Montréal, following the rejection of its most recent offer to renew the collective bargaining agreement and the strike action launched by the union. The previous agreement had expired in November 2010.

A contingency plan was implemented immediately to ensure continuity of operations and services for all airlines served by Handlex, including Air Transat.

On March 7, 2011, Handlex came to terms on a new collective agreement with its ramp and cargo employees in Montreal and Toronto. A return-to-work protocol will be discussed very shortly in order to put an end to the current lock-out.

NEW CREDIT CARD PROCESSOR

On February 28, 2011, we announced that we signed a new agreement with a second credit card processor in Canada effective immediately and valid until February 28, 2015.

The Canadian credit card transactions processed under this new agreement will not be subject to the requirement to hold funds in a reserved bank account. However, the Corporation is required to maintain a minimum unrestricted cash and cash equivalents position at the end of each quarter as well as an obligation to maintain certain financial ratios comparable to those defined in its bank agreement. A failure by Transat to comply with these covenants could result in a variety of adverse consequences, including an obligation by Transat to provide this new credit card processor with a letter of credit according to a predetermined formula based on the quarterly dollar volume of credit card transactions processed by this new credit card processor.

FLEET

Air Transat's fleet currently consists of 12 Airbus A310 aircraft (249 seats), which will be gradually retired, and eight Airbus A330 (342 seats). An A310 was retired during the first quarter and three A330s were added. A ninth A330 is slated for commissioning in April 2011 while the tenth and eleventh A330s will be commissioned in fall 2011.

FUTURE CHANGES IN ACCOUNTING POLICIES

In February 2008, Canada's Accounting Standards Board ["AcSB"] confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards ["IFRS"] for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending October 31, 2012.

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards apply to financial statements related to fiscal years beginning on or after January 1, 2011. The Corporation does not intend to opt for early adoption.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the AcSB confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending October 31, 2012. The Corporation has prepared an IFRS transition plan consisting of three phases: design and planning; identification of differences and development of solutions; and implementation and review.

Phase 1, comprising design and planning, has been completed. Under Phase 1, an IFRS transition plan was prepared based on the results of a preliminary high-level diagnostic review of the differences between IFRS and the Corporation's accounting policies. This analysis provided an overview of key issues raised by the changeover to IFRS and the resulting impacts on the Corporation, including enhanced presentation and disclosure requirements. During Phase 1, the Corporation's management established a formal governance structure for the conversion project, including an IFRS Steering Committee, to oversee the transition process with regard to the impact on financial reporting, operating processes, internal controls and information systems.

As part of Phase 2, which is expected to be completed during fiscal 2011, the Corporation is now identifying the differences between IFRS and the Corporation's accounting policies, and developing solutions. In this phase, the Corporation is performing a detailed analysis of IFRS, which consists in identifying the differences between IFRS and the Corporation's current accounting policies to prioritize key areas that will be more significantly impacted by the changeover and determining the options permitted under IFRS at the effective date and on an ongoing basis in order to finalize conclusions. Phase 2 also includes detailed planning of information technology and human resource needs as they relate to the changeover. Moreover, internal procedures and systems that require updating and adapting will be identified, including adjustments to existing internal control procedures and the implementation of additional internal control over financial reporting and disclosure controls and procedures that are necessary to certify financial reporting during the changeover and post-implementation periods.

In Phase 3, the Corporation will implement the accounting and other necessary changes to internal procedures, controls and systems to ensure all changes are in place and operating effectively for the first fiscal year under IFRS.

The following table provides a progress update on timelines for core items of the IFRS conversion plan as at January 31, 2011:

	Core item(s)	Timeline	Progress
Financial information	Identify differences and develop solutions for accounting policy elections, particularly permitted elections under IFRS, including those involving permitted exemptions under IFRS 1.	During fiscal 2011.	The analyses are underway, and in certain cases, we are unable to quantify the impact of differences.
	Develop a model set of IFRS financial statements with accompanying notes.	During fiscal 2011.	Development of a model set of IFRS financial statements is underway.
	Prepare an opening balance sheet and compile financial information to prepare comparative IFRS financial statements.	During fiscal 2011.	Analysis is expected to begin in the second quarter of 2011.
Information technology and data systems	Assess the effects of changes on information and data systems, and make the necessary changes.	Changes to information and data systems finalized in a timely fashion to compile the financial information during fiscal 2011. Follow-ups and updates during fiscal 2011.	The effects on information and data systems are analyzed at the same time as differences are identified and financial reporting solutions are developed.

	Core item(s)	Timeline	Progress
Internal control over financial reporting	Assess the effects of changes on internal control over financial reporting and disclosures controls and procedures and implement modifications as necessary.	Implement the required modifications starting in the first quarter of fiscal 2011. Follow-ups and updates during fiscal 2011.	The effects on information and data systems are analyzed at the same time as differences are identified and financial reporting solutions are developed.
Business activity	Determine the conversion's impact on the Corporation's business activity.	Changes to be finalized before October 31, 2011.	The effects on business activity are analyzed at the same time as differences are identified and financial reporting solutions are developed.
Training and communications	Offer training to affected employees, management and the Board of Directors and its relevant committees, particularly the Audit Committee.	During fiscal 2010 and 2011.	Training is being offered in a timely fashion in accordance with conversion timelines.
	Provide conversion plan status reports to internal and external stakeholders.	During fiscal 2010 and 2011.	Periodic status reports are sent to internal and external stakeholders.

The Corporation has assessed some of the exemptions from full retrospective application under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, on the effective date and their potential impact on the Corporation's consolidated financial statements. Based on current progress, on adoption of IFRS, the following exemptions are likely to have an impact for the Corporation:

Exemption	Application of exemption
Business combinations	The Corporation expects to elect not to retrospectively restate business acquisitions completed prior to November 1, 2010.
Employee benefits	The Corporation expects to elect to recognize cumulative actuarial gains and losses arising from its defined benefit pension plans through opening retained earnings at the IFRS transition date and prospectively apply IAS 19, *Employee Benefits*. The application of this exemption will result in the recognition, as at November 1, 2010 of a $6.7 million decrease in the Corporation's opening retained earnings balance at the IFRS transition date.
Cumulative translation adjustments	The Corporation expects to elect to recognize cumulative translation adjustments through opening retained earnings at the IFRS transition date. The application of this exemption will result in the recognition, as at November 1, 2010 of a $16.8 million decrease in the Corporation's opening retained earnings balance at the IFRS transition date.
Share-based payment transactions	The Corporation expects to apply the exemption enabling it not to retrospectively apply IFRS 2, *Share-based Payment*, to share-based payment transactions prior to the transition date.

The Corporation is in the process of quantifying the expected material differences between IFRS and current accounting treatment under Canadian GAAP. Differences in the accounting policies applied at the IFRS transition date and, subsequently, recognition, measurement, presentation and disclosure of financial information, as well as the impacts on the financial statements, are expected to be in the following key accounting areas:

Accounting area	Main differences with potential impact for the Corporation	Progress
Financial statement presentation and disclosure	• IFRS require a different format and additional disclosures in the notes to financial statements.	A model set of financial statements has been prepared and is subject to change based on the conclusions of our overall work.
Property, plant and equipment	• Separate recognition of components of significant assets and amortization of components over various useful lives.	Based on preliminary conclusions, there are no differences that could potentially result in a significant impact for the Corporation.

Accounting area	Main differences with potential impact for the Corporation	Progress
Asset impairment	• Grouping of assets in cash generating units (CGUs) on the basis of largely independent cash inflows for impairment testing purposes, using a discounted future cash flow method in a single-step approach. • Goodwill allocated to and tested in conjunction with its related CGU or group of CGUs that benefit from collective synergies. • In certain circumstances, previous impairment charges on assets other than goodwill are required to be reversed.	Based on preliminary conclusions, there are no differences that could potentially result in a significant impact for the Corporation.
Leases	• IFRS require the use of qualitative versus quantitative thresholds as under Canadian GAAP in accounting for capital leases.	Based on preliminary conclusions, there are no differences that could potentially result in a significant impact for the Corporation.
Business combinations	• Acquisition and restructuring costs are expensed as incurred. Contingent consideration is measured at its acquisition-date fair value with subsequent changes in fair value recognized through income. • Changes in equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. • Non-controlling interests are reported separately from shareholders' equity.	Based on preliminary conclusions, there are no differences that could potentially result in a significant impact for the Corporation.
Income taxes	• Recognition and measurement criteria for deferred tax assets and liabilities may differ.	Based on preliminary conclusions, there are no differences that could potentially result in a significant impact for the Corporation.
Provisions and contingencies	• A different threshold is used to recognize contingent liabilities, which could impact the timing for recognition of provisions.	Analysis is underway, and we are unable to quantify the impact of differences, if any.
Employee benefits	• Immediate recognition of past service costs for which benefits are vested through opening retained earnings at the transition date and subsequently through income. • After the transition to IFRS, an entity may recognize actuarial gains and losses as they occur in comprehensive income with no impact on income.	Preliminary conclusions indicate there could be differences with significant impact for the Corporation at the IFRS transition date. However, changes in actuarial gains or losses will be recognized through comprehensive income without any impact on the statement of income.

The above table of significant differences addresses only the items identified to date as work on our transition plan progresses. It should not be seen as exhaustive and is subject to change following completion of the next phases of our transition plan and potential amendments to IFRS prior to adoption by the Corporation.

As the Corporation assesses its obligations under IFRS, adjustments to internal control over financial reporting and disclosure controls and procedures will be required and new controls could prove necessary.

The Company has secured the appropriate internal and external resources to complete the transition plan in a timely fashion. The Corporation will also provide sufficient training to all relevant resources. During the transition, the Corporation will monitor ongoing amendments to IFRS and adjust its transition plan accordingly. Management is providing the Audit Committee with timely project progress updates, as well as guidance, decisions and conclusions regarding the options available under IFRS. The Corporation's transition plan is currently on track with its implementation schedule, calling for initial reporting under IFRS starting November 1, 2011.

During the transition to IFRS, the Corporation will regularly monitor developments in the standards issued by the International Accounting Standards Board and AcSB, as well as regulatory changes made by the Canadian Securities Administrators, which could impact the adoption of IFRS, and the nature and extent of adjustments that will be made.

Additional information on the effects of the adoption of IFRS on the Corporation's consolidated financial statements will be reported in upcoming MD&As.

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators National Instrument 52-109, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer that, among other things, deem adequate as at January 31, 2011 the design of:

- Disclosure controls and procedures, which provide reasonable assurance that material financial information has been duly disclosed by the Corporation and its subsidiaries and that this information is recorded, processed, summarized and reported within the time periods specified in legislation;
- Internal control over financial reporting ("ICFR"), which provides reasonable assurance regarding the reliability of the Corporation's financial reporting and its compliance with Canadian GAAP in its financial statements.

The President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation have also evaluated whether there were changes to its ICFR during the quarter ended January 31, 2011 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

The Canadian sun destinations market accounts for a very significant portion of Transat's business in the winter. For the second quarter 2011, the Corporation's capacity is approximately 9% higher than the actual capacity offered last year; bookings and load factors are superior to last year at the same date; and selling prices are similar.

In France, bookings are slightly higher than last year, after having lost momentum following the events in North Africa.

Transat expects the results of the second quarter to be similar to last year, as the favourable impact stemming from a strong Canadian dollar will be offset by higher aircraft fuel costs.

On the summer transatlantic market, capacity and bookings are 10% higher than last year; load factors and selling prices are similar.

There is currently significant uncertainty surrounding oil prices and the upward pressure that this will have on the Corporation's costs for the summer season. Transat has introduced additional fuel surcharges, and continues to use hedging instruments, in order to manage this risk.

TRANSAT A.T. INC.
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) (unaudited)	As at January 31, 2011 $	As at October 31, 2010 $
ASSETS		
Current assets		
Cash and cash equivalents	198,954	180,627
Cash and cash equivalents in trust or otherwise reserved *[note 3]*	474,661	320,428
Accounts receivable	127,233	146,944
Income taxes receivable	18,907	4,738
Future income tax assets	2,167	2,895
Inventories	12,894	9,867
Prepaid expenses	110,321	50,297
Derivative financial instruments	4,727	868
Current portion of deposits	29,787	12,554
Total current assets	979,651	729,218
Cash and cash equivalents reserved *[note 3]*	32,176	32,222
Investments in ABCP *[note 4]*	75,055	72,346
Deposits	24,855	29,837
Future income tax assets	11,918	9,650
Property, plant and equipment	87,514	88,376
Goodwill	111,509	112,454
Other intangible assets	52,454	50,464
Derivative financial instruments	—	23
Investments and other assets *[note 5]*	62,665	64,868
	1,437,797	1,189,458
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	358,539	300,355
Current portion of provision for overhaul of leased aircraft	22,356	18,301
Income taxes payable	8,113	14,608
Future income tax liabilities	41	106
Customer deposits and deferred income	537,034	313,695
Derivative financial instruments	4,143	4,116
Payments on current portion of long-term debt	13,470	13,768
Total current liabilities	943,696	664,949
Long–term debt *[note 6]*	292	15,291
Provision for overhaul of leased aircraft	10,830	12,408
Other liabilities *[note 7]*	46,089	45,368
Future income tax liabilities	13,870	12,370
	1,014,777	750,386
Shareholder's equity		
Share capital *[note 8]*	218,329	217,604
Retained earnings	217,230	230,703
Contributed surplus	9,639	9,090
Accumulated other comprehensive loss *[note 9]*	(22,178)	(18,325)
	423,020	438,072
	1,437,797	1,189,458

See accompanying notes to consolidated interim financial statement

NOTICE

The Corporation's independent auditors have not performed a review of the accompanying financial statements in accordance with the Canadian Institue of Chartered Accountants' standards for a review of interim financial statements by the auditors.

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars, except per share amounts) (unaudited)	Quarters ended January 31 2011 $	 2010 $
Revenues	810,154	792,562
Operating expenses		
Direct costs	499,001	511,782
Salaries and employee benefits	89,900	84,089
Aircraft fuel	65,795	57,142
Commissions	41,645	36,575
Aircraft maintenance	23,291	18,381
Airport and navigation fees	17,792	15,398
Aircraft rent	14,821	13,742
Other	72,547	67,862
	824,792	804,971
	(14,638)	(12,409)
Amortization	11,202	12,184
Interest on long-term debt	444	916
Other interest and financial expenses	424	421
Interest income	(1,932)	(432)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(3,838)	(1,228)
Foreign exchange loss (gain) on long-term monetary items	277	(212)
Gain on investments in ABCP *[note 4]*	(3,133)	(3,455)
Share of net loss of a company subject to significant influence	569	111
	4,013	8,305
Loss before the undernoted items	(18,651)	(20,714)
Income taxes (recovery)		
Current	(5,857)	(5,527)
Future	(174)	(2,407)
	(6,031)	(7,934)
Loss before non-controlling interest in subsidiaries' results	(12,620)	(12,780)
Non-controlling interest in subsidiaries' results	(853)	(1,092)
Net loss for the period	(13,473)	(13,872)
Loss per share *[note 8]*		
Basic	(0.36)	(0.37)
Diluted	(0.36)	(0.37)

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars) (unaudited)	Quarters ended January 31 2011 $	2010 $
Net loss for the period	(13,473)	(13,872)
Other comprehensive income		
Change in fair value of derivatives designated as cash flow hedges	655	26,311
Reclassification in income	(1,042)	(11,346)
Future income taxes	(48)	(4,607)
	(435)	10,358
Foreign exchange gains (losses) on translation of financial statements of self-sustaining foreign subsidiaries due to (appreciation) depreciation of Canadian dollars vs. euro, pound sterling and U.S. dollar at balance sheet date	(3,418)	(6,228)
	(3,853)	4,130
Comprehensive income (loss) for the period	(17,326)	(9,742)

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

(in thousands of dollars) (unaudited)	Share capital $	Retained earnings $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Shareholders' equity $
Balance as at October 31, 2009	216,236	165,096	6,642	(20,613)	367,361
Net Income for the period	—	(13,872)	—	—	(13,872)
Other comprehensive loss	—	—	—	4,130	4,130
Issued from treasury	356	—	—	—	356
Exercise of options	112	—	—	—	112
Compensation expense for stock option plan	—	—	535	—	535
Balance as at January 31, 2010	216,704	151,224	7,177	(16,483)	358,622
Net Income for the period	—	79,479	—	—	79,479
Other comprehensive income	—	—	—	(1,842)	(1,842)
Issued from treasury	870	—	—	—	870
Exercise of options	30	—	—	—	30
Compensation expense for stock option plan	—	—	1,913	—	1,913
Balance as at October 31, 2010	217,604	230,703	9,090	(18,325)	439,072
Net loss for the period	—	(13,473)	—	—	(13,473)
Other comprehensive income	—	—	—	(3,853)	(3,853)
Issued from treasury	308	—	—	—	308
Exercise of options	417	—	—	—	417
Compensation expense for stock option plan	—	—	549	—	549
Balance as at January 31, 2011	**218,329**	**217,230**	**9,639**	**(22,178)**	**423,020**

See accompanying notes to consolidated interim financial statement

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands of dollars) (unaudited)	Quarters ended January 31 2011 $	 2010 $
OPERATING ACTIVITIES		
Net loss for the period	(13,473)	(13,872)
Operating items not involving an outlay (receipt) of cash :		
Amortization	11,202	12,184
Change in fair value of derivative financial instruments used for aircraft fuel purchases	(3,838)	(1,228)
Foreign exchange loss (gain) on long-term monetary items	277	(212)
Gain on investments in ABCP	(3,133)	(2,835)
Share of net loss of a company subject to significant influence	569	111
Non-controlling interest in subsidiaries' results	853	1,092
Future income taxes	(174)	(2,407)
Pension expense	574	675
Compensation expense related to stock option plan	549	535
	(6,594)	(5,957)
Net change in non-cash working capital balances related to operations	57,121	(8,785)
Net change in other assets and liabilities related to operation	(5,427)	(2,381)
Net change in provision for overhaul of leased aircraft	2,477	(4,135)
Cash flows related to operating activities	47,577	(21,258)
INVESTING ACTIVITIES		
Additions to property, plant and equipment and to intangible assets	(13,179)	(4,383)
Realization of principal of investments in ABCP	424	1,092
Cash flow related to investing activities	(12,755)	3,291
FINANCING ACTIVITIES		
Net change in credit facilities and other debt	(15,076)	(1,092)
Debenture repayments	—	(3,156)
Proceeds from issuance of shares	600	468
Cash flow related to financing activities	(14,476)	(3,780)
Effect of exchange rate changes on cash and cash equivalents	(2,019)	(4,487)
Net change in cash and cash equivalents	18,327	(32,816)
Cash and cash equivalents, beginning of the period	180,627	180,552
Cash and cash equivalents, end of the period	198,954	147,736
Supplementary information		
Income taxes paid	14,248	4,468
Interest paid	64	856

See accompanying notes to consolidated interim financial statement

[The amounts are expressed in thousands, except for share capital, stock options, and amounts per option or per share] [Unaudited]

Note 1 BASIS OF PRESENTATION

The unaudited consolidated interim financial statements were prepared by the Corporation in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods of their application as the most recent annual financial statements. In the opinion of management, all adjustments necessary for a fair presentation are reflected in the consolidated interim financial statements. Such adjustments are of a normal and recurring nature. The Corporation's operations are seasonal in nature; consequently, interim operating results do not necessarily proportionately reflect the operating results for a full year. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Corporation's 2010 Annual Report.

Note 2 FUTURE CHANGES IN ACCOUNTING POLICIES

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards [IFRS] for fiscal years beginning on or after January 1, 2011. The Corporation will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending October 31, 2012.

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These new standards will be effective for financial statements related to fiscal years beginning on or after January 1, 2011. The Corporation does not intend to opt for early adoption of these standards.

Note 3 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at January 31, 2011, cash and cash equivalents in trust or otherwise reserved included $422,285 [$266,617 as at October 31, 2010] in funds received from customers, consisting primarily of Canadians, for services not yet rendered and for which the availability period had not ended, in accordance with Canadian regulatory bodies and the Corporation's business agreement with one of its credit card processor. Cash and cash equivalents in trust or otherwise reserved also include $84,552, of which $32,176 was recorded as non-current assets [$86,033 as at October 31, 2010, of which $32,222 was presented as non-current assets], which was pledged as collateral security against letters of credit.

Note 4 INVESTMENTS IN ABCP

RESTRUCTURING

In 2007, the Canadian third-party asset backed commercial paper ["ABCP"] market was hit by a liquidity disruption. Subsequent to this disruption, a group of financial institutions and other parties agreed, pursuant to the Montréal Accord [the "Accord"], to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee was subsequently established to oversee the orderly restructuring of these instruments during this standstill period.

In 2009, the Pan-Canadian Investors Committee announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes whose maturities match those of the assets previously held in the underlying conduits. As at January 21, 2009, the Corporation held a portfolio of ABCP issued by several trusts with an overall notional value of $143,500.

On January 21, 2009, the plan implementation date, the Corporation measured its investments in ABCP at fair value prior to the exchange. During this valuation, the Corporation reviewed its assumptions to factor in new information available at that date, as well as the changes in credit market conditions. Subsequent to this valuation, the provision for impairment totalled $47,450, and the fair value of the ABCP investment portfolio stood at $96,050. The ABCP held by the Corporation was exchanged on that date for new securities. As at that date, the new ABCP had a notional value of $141,741.

PORTFOLIO

During the first quarter of 2011, the Corporation received $424 in the form of principal repayments on ABCP supported solely by traditional securitized assets ["MAV3 Traditional"]. The notional value of the new ABCP amounted to $117,698 as at January 31, 2011 and is detailed as follows:

MAV2 Eligible

The Corporation holds $113,310 in ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets, which have been restructured into floating rate notes with maturities through January 2017.

MAV3 Traditional

The Corporation holds $4,388 in ABCP supported solely by traditional securitized assets that have been restructured on a series-by-series basis, with each series or trust maintaining its own assets and maturing through September 2016.

VALUATION

On January 31, 2011, the Corporation remeasured its new ABCP at fair value. During this valuation, the Corporation reviewed its assumptions to factor in new information available, as well as the changes in credit market conditions. During the quarter ended January 31, 2011, a limited number of transactions were entered into in respect of the investments in ABCP. However, the Corporation did not take these transactions into account in measuring its ABCP since, in its opinion, there were too few of them to meet the definition of an active market. Once ABCP begins trading in an active market again, the Corporation will review its valuation assumptions accordingly.

The Corporation reviews the information released by BlackRock Canada Ltd. ["BlackRock"], which was appointed to administer the assets on the plan implementation date. BlackRock issues monthly valuation reports on the value of ABCP supported exclusively by traditional securitized assets (MAV3 Traditional). The Corporation's management measured the fair value of its assets from these classes using said valuations. For the other securities, given the lack of an active market, the Corporation's management estimated the fair value of these assets by discounting future cash flows determined using a valuation model that incorporates management's best estimates based as much as possible on observable market inputs, such as the credit risk attributable to underlying assets, relevant market interest rates, amounts to be received and maturity dates. The Corporation also took into account the information released by DBRS on September 21, 2010. DBRS upgraded ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets (MAV2 Eligible) of Class A-1 to A+ and confirmed the BBB− rating of Class A-2.

For the purposes of estimating future cash flows, the Corporation estimated that the long-term financial instruments arising from the conversion of its ABCP would generate interest returns ranging from 0.0% to 2.4% [weighted average rate of 2.0%], depending on the type of series. These future cash flows were discounted, according to the type of series, over 6-year periods using discount rates ranging from 6.9% to 39.3% [weighted average rate of 11.5%], which factor in liquidity.

As a result of this new valuation, on January 31, 2011, the Corporation recognized an increase in the fair value of its investments in ABCP of $3,133. The ABCP investment portfolio had a fair value of $75,055 and the provision for impairment totalled $42,643, representing 36.2% of the notional value of $117,698.

The Corporation's estimate of the fair value of its ABCP investments is subject to significant uncertainty. The substitution of one or more inputs by one or more assumptions cannot reasonably be completed in these conditions. Management believes that its valuation technique is appropriate in the circumstances; however, changes in significant assumptions could significantly impact the value of ABCP securities over the coming fiscal year. The resolution of these uncertainties could result in the ultimate value of these investments varying significantly from management's current best estimates and the extent of that difference could have a material effect on our financial results.

A 1% increase (decrease), representing 100 basis points, in the estimated discount rates would result in a decrease (increase) of approximately $3,700 in the estimated fair value of ABCP held by the Corporation.

The following table details the change in balances of investments in ABCP in the consolidated balance sheet and the composition of Gain on investments in ABCP in the consolidated statement of income:

(In thousands of dollars)	Notional value of investments in ABCP $	Provision for impairment of investments in ABCP $	Investments in ABCP $	Loss (gain) on investments in ABCP $
Balance as at October 31, 2009	128,835	(57,434)	71,401	
Appreciation in value of investments in ABCP	—	3,455	3,455	(3,455)
Principal repayments	(1,092)	—	(1,092)	—
Share of cash accumulated in conduits	—	(620)	(620)	—
Balance as at January 31, 2010; impact on results for period ended January 31, 2010	127,743	(54,599)	73,144	(3,455)
Disposal of investments in ABCP	(7,630)	7,630	—	—
Appreciation in value of investments in ABCP	—	1,193	1,193	(1,193)
Principal repayments	(1,991)	—	(1,991)	—
Balance as at October 31, 2010; impact on results for fiscal year ended October 31, 2010	118,122	(45,776)	72,346	(4,648)
Appreciation in value of investments in ABCP	—	3,133	3,133	(3,133)
Principal repayments	(424)	—	(424)	—
Balance as at January 31, 2011; impact on results for period ended January 31, 2011	117,698	(42,643)	75,055	(3,133)

The balance of investments in ABCP as at January 31, 2011 is detailed as follows:

(In thousands of dollars)	Notional value of investments in ABCP $	Provision for impairment of investments in ABCP $	Investments in ABCP $
MAV2 Eligible			
Class A-1	34,415	(7,608)	26,807
Class A-2	63,894	(22,912)	40,982
Class B	11,598	(9,080)	2,518
Class C	3,403	(3,038)	365
	113,310	(42,638)	70,672
MAV3 Traditional	4,388	(5)	4,383
	117,698	(42,643)	75,055

Note 5 INVESTMENTS AND OTHER ASSETS

	As at January 31, 2011 $	As at October 31, 2010 $
Investment in Caribbean Investments B.V.	59,173	61,239
Deferred costs, unamortized balance	1,672	1,868
Other investments	81	115
Sundry	1,739	1,646
	62,665	64,868

The change in the investment in Caribbean Investments B.V. [« CIBV »] is detailed as follows:

	$
Balance as at October 31, 2010	61,239
Share of net income	(569)
Translation adjustment	(1,497)
Balance as at January 31, 2011	59,173

Note 6 LONG-TERM DEBT

	As at January 31, 2011 $	As at October 31, 2010 $
Loan secured by aircraft amounting to US$13,333 [US$13,333 as at October 31, 2010]	13,363	13,584
Drawdowns under the revolving term credit facility maturing in 2012	—	15,000
Other	399	475
	13,762	29,059
Less: current portion	13,470	13,768
	292	15,291

Note 7 OTHER LIABILITIES

	As at January 31, 2011 $	As at October 31, 2010 $
Accrued benefit liabilities	18,967	18,630
Deferred lease inducements	18,151	18,500
Non-controlling interest	8,971	8,238
	46,089	45,368

On February 26, 2010, the Corporation acquired Tourgreece Tourist Enterprises S.A's non-controlling interest, which consisted of the balance of the remaining shares (10%), for a cash consideration of $504 (€350).

Note 8 SHARE CAPITAL

A) SHARE CAPITAL

AUTHORIZED

Class A variable voting shares

An unlimited number of Class A Variable Voting Shares ["Class A Shares"], participating, which may be owned or controlled by non-Canadians as defined by the *Canada Transportation Act* ["CTA"], carrying one vote per Class A Share unless (i) the number of issued and outstanding Class A Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any higher percentage that the Governor in Council may specify pursuant to the CTA); or (ii) the total number of votes cast by or on behalf of holders of Class A Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed, the vote attached to each Class A Share will decrease automatically, without further act or formality. Under the circumstance described in subparagraph (i) above, the Class A Shares as a class cannot carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the aggregate votes attached to all issued

and outstanding voting shares of the Corporation. Under the circumstance described in subparagraph (ii) above, the Class A Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that can be exercised at the said meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further act on the part of the Corporation or of the holder if: (i) the Class A Share is or becomes owned and controlled by a Canadian as defined by the CTA; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

Class B voting shares

An unlimited number of Class B Voting Shares ["Class B Shares"], participating, which may be owned and controlled by Canadians as defined by the CTA only and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation.

Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further act on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

Preferred shares

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

ISSUED AND OUTSTANDING

The changes affecting the Class A Shares and the Class B Shares were as follows:

	Number of shares	Amount ($)
Balance as at October 31, 2010	37,849,834	217,604
Issued from treasury	19,377	308
Exercise of options	29,332	417
Balance as at January 31, 2011	**37,898,543**	**218,329**

As at January 31, 2011, the number of Class A Shares and Class B Shares amounted to 927,908 and 36,970,635, respectively.

B) OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2010	1,722,302	16.04
Granted	237,239	19.24
Exercised	(29,332)	9.87
Cancelled	(24,976)	17.38
Balance as at January 31, 2011	**1,905,233**	**16.52**
Options exercisable as at January 31, 2011	**629,752**	**21.94**

c) Loss per share

Loss per share and the diluted loss per share were computed as follows:

	Quarters ended January 31	
(in thousands of dollars, except per share amounts)	2011 $	2010 $
Numerator		
Loss attributable to voting shareholders and used to calculate diluted loss per share	(13,473)	(13,872)
Denominator		
Weighted average number of outstanding shares and adjusted weighted average number of outstanding shares used in computing diluted loss per share	37,870	37,754
Loss per share		
Basic	(0.36)	(0.37)
Diluted	(0.36)	(0.37)

Given the loss recorded for the three-month periods ended January 31, 2011 and 2010, the 1,905,233 stock options outstanding were excluded from the computation of diluted loss per share because of their antidilutive effect [1,068,035 stock options for the three-month period ended January 31, 2010].

Note 9 Accumulated other comprehensive income

Changes in the accumulated other comprehensive income were as follows for the quarter ended January 31, 2011:

	Cash flow hedges $	Cumulative translation adjustment $	Accumulated other comprehensive income (loss) $
Accumulated other comprehensive income (loss)			
Balance as at October 31, 2010	(1,522)	(16,803)	(18,325)
Change during the period	(435)	(3,418)	(3,853)
Balance as at January 31, 2011	(1,957)	(20,221)	(22,178)

Changes in the accumulated other comprehensive income were as follows for the quarter ended January 31, 2010:

	Cash flow hedges $	Cumulative translation adjustment $	Accumulated other comprehensive income (loss) $
Accumulated other comprehensive income (loss)			
Balance as at October 31, 2009	(17,043)	(3,570)	(20,613)
Change during the period	10,358	(6,228)	4,130
Balance as at January 31, 2010	(6,685)	(9,798)	(16,483)

Note 10 SEGMENTED INFORMATION

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the consolidated statements of income include all the required information. With respect to geographic areas, the Corporation operates mainly in the Americas and in Europe.

	Quarter ended January 31, 2011		
	Americas $	Europe $	Total $
Revenues	675,561	134,593	810,154
Operating expenses	681,634	143,158	824,792
	(6,073)	(8,565)	(14,638)
Property, plant and equipment, goodwill and other intangible assets [1]	141,835	109,642	251,477

	Quarter ended January 31, 2010		
	Americas $	Europe $	Total $
Revenues	656,796	135,766	792,562
Operating expenses	660,729	144,242	804,971
	(3,933)	(8,476)	(12,409)
Property, plant and equipment, goodwill and other intangible assets [2]	139,705	111,589	251,294

[1] As at January 31, 2011
[2] As at October 31, 2010

Note 11 GUARANTEES

In the normal course of business, the Corporation has entered into agreements that contain features which meet the definition of a guarantee. These agreements provide for indemnification and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit, and security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 4, 11, 12, 13 and 21 to the 2010 audited consolidated financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases mature at various dates until 2034. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance protecting them for the obligations undertaken.

IRREVOCABLE LETTERS OF CREDIT

The Corporation has entered into irrevocable letters of credit guarantees with some of its suppliers. The Corporation guarantees the payment of certain rendered services that it has undertaken to pay for. These agreements typically cover a one year period and are renewed annually.

The corporation has also issued letters of credit to provincial regulatory agencies guaranteeing amounts to the Corporation's clients for the performance of its obligations. The amount guaranteed totalled $465 as at January 31, 2011. Historically, the Corporation has not made any significant payments under such letters of credit.

SECURITY CONTRACTS

The Corporation has entered into security contracts whereby it has guaranteed a prescribed amount to its clients at the request of regulatory agencies for the performance of the obligations given in mandates by its clients during the term of the licenses granted to the Corporation for its travel agent and wholesaler activities in the province of Québec. These agreements typically cover a one-year period and are renewed annually. The amount guaranteed totalled $956 as at January 31, 2011. Historically, the Corporation has not made any significant payments under such agreements. As at January 31, 2011, no amounts had been accrued with respect to the above-mentioned agreements.

SECURITY FACILITY

The Corporation has a $50,000 guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at January 31, 2011, this credit facility was undrawn.

transat