TRANSAT A.T.INC.
Third QUARTERLY REPORT
Period ended July 31, 2010

SEPTEMBER 8, 2010

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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 and nine-month period ended July 31, 2010 compared with the quarter and nine-month period ended July 31, 2009 and should be read in conjunction with the unaudited interim consolidated financial statements for the third quarter of fiscal 2010 and 2009, the notes thereto and the 2009 Annual Report including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a third quarter update to the information contained in the MD&A section of our 2009 Annual Report. The risks and uncertainties set out in the MD&A of the 2009 Annual Report are herein incorporated by reference and remain substantially unchanged. The information contained herein is dated as of September 8, 2010. 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 July 31, 2010 and Annual Information Form for the year ended October 31, 2009.

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 Corporation's outlook whereby it will meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

- The Corporation's outlook whereby the Corporation anticipates higher revenues and margin compared with the previous year.

In making these statements, the Corporation has assumed, among other things, that selling prices will remain under strong pressure for the summer season, that fuel prices and Canadian dollar against European currencies will remains stable, 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 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:

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 used for 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 used for aircraft fuel purchases, non-monetary gain (loss) on investments in ABCP and restructuring charge (gain), net of related taxes.
After-tax adjusted income (loss) per share	Adjusted after-tax income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted income (loss) per share.
Total debt	Long-term debt plus the debenture and off-balance sheet arrangements, excluding agreements with service providers, reported on page 13.
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)	Quarters ended July 31		Nine-month periods ended July 31	
	2010 $	2009 $	2010 $	2009 $
Revenues	**867,344**	819,354	**2,720,292**	2,825,685
Operating expenses	**(813,403)**	(792,167)	**(2,670,562)**	(2,767,866)
Margin	**53,941**	27,187	**49,730**	57,819
Income before non-controlling interest in subsidiaries' results	**21,272**	31,118	**15,973**	46,278
Income taxes	**13,831**	20,052	**8,351**	26,851
Change in fair value of derivative financial instruments used for aircraft fuel purchases	**2,968**	(44,409)	**(7,350)**	(53,325)
Non-monetary loss (gain) on investments in ABCP				
Writedown of investments in ABCP (provision reversal)	**3,901**	7,303	**(1,493)**	7,351
Adjustment related to January 21, 2009 restructuring plan implementation	**—**	—	**—**	1,759
Remeasurement of options related to repayment of revolving credit facilities	**—**	(400)	**—**	(800)
	3,901	6,903	**(1,493)**	8,310
Gain on disposal of assets related to restructuring	**(76)**	—	**(1,036)**	—
Adjusted income	**41,896**	13,664	**14,445**	28,114
Net income	**20,925**	30,991	**13,251**	43,741
Change in fair value of derivative financial instruments used for aircraft fuel purchases	**2,968**	(44,409)	**(7,350)**	(53,325)
Non-monetary loss (gain) on investments in ABCP	**3,901**	6,903	**(1,493)**	8,310
Gain on disposal of assets related to restructuring	**(76)**	—	**(1,036)**	—
Tax impact	**(890)**	13,517	**2,564**	17,151
Adjusted after-tax income	**26,828**	7,002	**5,936**	15,877
Adjusted after-tax income	**26,828**	7,002	**5,936**	15,877
Adjusted weighted average number of outstanding shares used in computing diluted income per share	**38,217**	33,115	**38,039**	33,088
After-tax adjusted income (loss) per share	**0.70**	0.21	**0.16**	0.48

	As at July 31, 2010 $	As at October 31, 2009 $
Payments on current portion of long-term debt	**14,169**	24,576
Long-term debt	**6,899**	83,108
Debenture	**—**	3,156
Off-balance sheet debt, excluding agreements with service providers	**542,644**	396,433
Total debt	**563,712**	507,273

Total debt	**563,712**	507,273
Cash and cash equivalents	**(217,278)**	(180,552)
Investments in ABCP	**(69,682)**	(71,401)
Net debt	**276,752**	255,320

FINANCIAL HIGHLIGHTS

	Quarters ended July 31				Nine-month periods ended July 31			
(In thousands of dollars, except per share amounts)	2010 $	2009 $	Variance $	Variance %	2010 $	2009 $	Variance $	Variance %
Consolidated Statements of Income								
Revenues	**867,344**	819,354	47,990	5.9	**2,720,292**	2,825,685	(105,393)	(3.7)
Margin[1]	**53,941**	27,187	26,754	98.4	**49,730**	57,819	(8,089)	(14.0)
Net income	**20,925**	30,991	(10,066)	(32.5)	**13,251**	43,741	(30,490)	(69.7)
Adjusted after-tax income[1]	**26,828**	7,002	19,826	283.1	**5,936**	15,877	(9,941)	(62.6)
Basic earnings per share	**0.55**	0.95	(0.40)	(42.1)	**0.35**	1.34	(0.99)	(73.9)
Diluted earnings per share	**0.55**	0.94	(0.39)	(41.5)	**0.35**	1.32	(0.97)	(73.5)
Dividend – Class A and Class B shares	**—**	—	—	—	**—**	0.09	(0.09)	(100.0)
Consolidated Statements of Cash Flows								
Operating activities	**48,154**	24,897	23,257	93.4	**154,893**	144,585	10,308	7.1
					As at July 31, 2010 $	As at October 31, 2009 $	Variance $	Variance %
Consolidated Balance Sheets								
Cash and cash equivalents					**217,278**	180,552	36,726	20.3
Cash and cash equivalents in trust or otherwise reserved (short-term and long-term)					**341,651**	272,726	68,925	25.3
Investments in ABCP					**69,682**	71,401	(1,719)	(2.4)
					628,611	524,679	103,932	19.8
Total assets					**1,250,807**	1,129,503	121,304	10.7
Debt (short-term and long-term)					**21,068**	110,840	(89,772)	(81.0)
Total debt[1]					**563,712**	507,273	56,439	11.1
Net debt[1]					**276,752**	255,320	21,432	8.4

[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 10 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 354 franchisees) and a multi-channel distribution system incorporating web-based sales. Since 2008, Transat has held an interest in a hotel business that owns and operates properties in Mexico and the Dominican Republic. Transat deals with over 60 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, there were some 880 million international tourists in 2009, down nearly 4% from 2008. Despite this decline, the World Tourism Organization expects this market to grow in 2010. Transat's vision is to become a leading player in the Americas and build strong competitive positioning in several European countries. 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 60 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, from 2009 to 2011, the Corporation intends to continue optimizing synergies from its vertical integration model, which distinguishes it from several of its competitors, growing its market share in France, where it ranks among the largest tour operators, and tapping into new markets or expanding its presence in markets in which it has a smaller footprint. To increase its buying power for its traditional destinations, Transat is targeting new markets with potential demand for these routes.

For fiscal 2010, Transat has set the following targets:

- Expand our leadership market position on both sides of the Atlantic via a broader offering of products and destination-based services by stepping up multichannel distribution and controlling costs, while providing enhanced customer experience.
- Complete the integration of new management teams, foster teaming and promote a strong sense of cohesion among the new subsidiary entities and head office so as to meet our business objectives sooner.
- Pursue development and implementation of new information systems to step up operating efficiency and provide us with greater flexibility in developing our offering.
- Maintain our initiatives to position Transat as an industry leader in corporate responsibility and sustainable tourism to play a key role in shaping our future market, secure employee buy-in and generate a competitive edge for Transat.

The key performance drivers are market share, revenue growth and margin. They are essential to successfully implement our strategy and achieve 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 July 31				Nine-month periods ended July 31			
(In thousands of dollars)	2010 $	2009 $	Variance $	Variance %	2010 $	2009 $	Variance $	Variance %
Revenues	**867,344**	819,354	47,990	5.9	**2,720,292**	2,825,685	(105,393)	(3.7)

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 ended July 31, 2010 were up $48.0 million from the corresponding period of 2009. This increase resulted mainly from 10.1% growth in the volume of travellers and to a lesser extent, from higher average selling prices. Year-over-year, revenues for the quarter rose 13.8% in the Americas, while they fell 5.3% in Europe.

Revenues for the nine-month period ended July 31, 2010 were down $105.4 million from the corresponding period of 2009. This decline resulted from lower average selling prices, resulting mainly from the intense competitive environment in the first half of the year, and the dollar's strength against the euro and pound sterling. This negative revenue growth was offset however by a 4.5% aggregate increase in the volume of travellers. Compared with the first nine months of 2009, revenues in the Americas and Europe retreated 2.1% and 8.8%, respectively.

OPERATING EXPENSES

	Quarters ended July 31				Nine-month periods ended July 31			
	2010	2009	Variance	Variance	2010	2009	Variance	Variance
(In thousands of dollars)	$	$	$	%	$	$	$	%
Direct costs	**468,229**	460,083	8,146	1.8	**1,689,917**	1,712,385	(22,468)	(1.3)
Salaries and employee benefits	**85,794**	87,392	(1,598)	(1.8)	**253,644**	267,547	(13,903)	(5.2)
Aircraft fuel	**86,376**	77,280	9,096	11.8	**213,821**	238,882	(25,061)	(10.5)
Commissions	**34,630**	34,994	(364)	(1.0)	**127,738**	148,869	(21,131)	(14.2)
Aircraft maintenance	**23,707**	21,610	2,097	9.7	**67,030**	75,133	(8,103)	(10.8)
Airport and navigation fees	**25,733**	25,072	661	2.6	**59,809**	66,913	(7,104)	(10.6)
Aircraft rent	**13,595**	13,803	(208)	(1.5)	**41,192**	40,725	467	1.1
Other	**75,339**	71,933	3,406	4.7	**217,411**	217,412	(1)	(0.0)
Total	**813,403**	792,167	21,236	2.7	**2,670,562**	2,767,866	(97,304)	(3.5)

Aggregate operating expenses for the quarter rose $21.2 million or 2.7%, whereas they fell $97.3 million or 3.5% for the first nine months of 2010, compared with the corresponding periods of 2009. The quarterly growth resulted primarily from aggregate increase in the volume of travellers, offset by the strength of the Canadian dollar against other currencies. Operating expenses were lower for the nine-month period due to the strength of the dollar against the euro and the U.S. dollar and partly to cost reduction efforts undertaken in 2009, offset by a higher volume of travellers. Year-over-year, operating expenses in the Americas were up 9.4% for the quarter and down 1.7% for the nine-month period, while Europe logged declines of 7.3% and 9.2%, respectively.

During the second quarter, the Corporation's operations were partly disrupted by the volcanic activity in Iceland. The closure of part of European airspace caused flight cancellations and delays, and required us, in particular, to amend flight times and charter special flights for the repatriation and departure of our travellers. The additional costs incurred as a result of this event amounted to nearly $4.0 million and consisted primarily of blocks of seats and flights with air carriers other than Air Transat and of hotel rooms, which are reported under direct costs.

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 for the third quarter were up $8.1 million or 1.8% compared with the corresponding period of the previous year. This increase resulted primarily from the higher volume of travellers, whose impact on direct costs was tempered by lower seat and hotel room costs and the strength of Canada's currency against the U.S. dollar, the euro and the pound sterling.

Direct costs for the nine-month period ended July 31, 2010 were down $22.5 million or 1.3% from the corresponding period of 2009, while the volume of travellers increased. The decrease in direct costs was due mainly to lower hotel room costs arising from negotiated contract savings, coupled with the strength of the Canadian dollar against other currencies.

However, as a result of our currency hedges, we were unable to fully capitalize on the Canadian dollar's appreciation against the U.S. dollar for the quarter and nine-month period.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits for the quarter and nine-month period were down $1.6 million or 1.8% and $13.9 million or 5.2%, respectively, compared with the corresponding periods of 2009, owing primarily to tighter human resources management combined with a lower bonus expense under short-term variable compensation programs and the Canadian dollar's strength against the euro.

AIRCRAFT FUEL

Year-over-year, aircraft fuel expense for the quarter was up $9.1 million or 11.8%, while it fell $25.1 million or 10.5% for the nine-month period. The quarterly rise was driven primarily by greater use of aircraft to European destinations, which entails generally longer flights than for sun destinations, offset by a drop in fuel costs. The decrease for the nine-month period stemmed primarily from lower utilization of our fleet during the winter season, particularly given that we have one fewer Airbus A-310 aircraft than in 2009 and that we leased one of our Airbus A-330 aircraft to a European air carrier for the 2010 winter season, as well as from improved fleet management. To a lesser extent, the drop in fuel expense for the first nine months also resulted from lower fuel costs than in the 2009 winter season.

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 third quarter and nine-month period was down $0.4 million or 0.1% and $21.1 million or 14.2%, respectively, compared with the corresponding periods of 2009. As a percentage of revenues, commissions for the third quarter fell to 4.0% from 4.3% for the same period of 2009. Year-over-year, commission expense for the nine-month period fell to 4.7% from 5.3%.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat. Year-over-year, costs for the quarter were up $2.1 million or 9.7%, while for the nine-month period they retreated $8.1 million or 10.8%. The quarterly rise in aircraft maintenance expense was prompted primarily by higher fleet utilization. For the nine-month period, the decline was mainly due to downward revisions to a number of assumptions used in determining future maintenance costs following renegotiation of a number of our supplier agreements, a streamlined maintenance schedule and less business activity in some areas during the winter season.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports. Fees for the third quarter ended July 31, 2010 were up $0.7 million or 2.6% year-over-year, owing to greater business activity, offset by the strength of the dollar. Fees for the nine-month period fell $7.1 million or 10.6% compared with the corresponding period of 2009, owing primarily to less business activity in some areas during the first quarter, coupled with the strength of the Canadian dollar against the U.S. currency.

AIRCRAFT RENT

Compared with the corresponding periods of 2009, aircraft rent for the third quarter fell $0.2 million or 1.5%, while for the nine-month period it was up $0.5 million or 1.1%. These changes arose from the net effect of the addition of one Airbus A-330 during the third quarter of 2009 and the withdrawal of one Airbus A-310 at the beginning of the first quarter of 2010, as well as from the dollar's strength against the greenback. In addition, as a result of our currency hedges, the Corporation was unable to fully capitalize on the Canadian dollar's appreciation against its U.S. counterpart.

OTHER

Compared with the corresponding periods of 2009, other expenses for the third quarter rose $3.4 million or 4.7%, while they remained relatively unchanged for the nine-month period. The quarterly increase, driven mainly by greater business activity, was tempered by our cost reduction initiatives.

MARGIN

In light of the foregoing, we reported a margin for the third quarter of $54.0 million or 6.2% compared with $27.2 million or 3.3% for the same period of 2009. Our improved margin for the quarter resulted mainly from the greater volume of travellers, higher average selling prices and stringent cost management. For the nine-month period, we recorded a margin of $49.8 million or 1.8% compared with a margin of $57.8 million or 2.0% for the corresponding period of the previous fiscal year. Our slimmer margins for nine-month period stemmed primarily from lower average selling prices during the winter season and our inability to fully capitalize on the strength of the Canadian dollar against the U.S. currency due to our currency hedges, mainly for the winter season.

GEOGRAPHIC AREAS

AMERICAS

	Quarters ended July 31				Nine-month periods ended July 31			
	2010	2009	Variance	Variance	2010	2009	Variance	Variance
(In thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	**544,063**	478,089	65,974	13.8	**2,087,609**	2,131,725	(44,116)	(2.1)
Operating expenses	**517,482**	472,949	44,533	9.4	**2,051,869**	2,086,417	(34,548)	(1.7)
Margins	**26,581**	5,140	21,441	417.1	**35,740**	45,308	(9,568)	(21.1)

Revenues for the quarter and nine-month period at our North American subsidiaries from sales in Canada and abroad were up $66.0 million or 13.8% and $44.1 million or 2.1%, from the same periods of 2009. Revenue growth for the quarter was driven primarily by 13.3% increase in traveller volumes and, to a lesser extent, by slightly higher average selling prices compared with the corresponding quarter of 2009. The decline in revenues for the nine-month period resulted mainly from lower average selling prices, offset by a 2.7% increase in traveller volumes. Margins for the quarter and nine-month period stood at 4.9% and 1.7%, respectively, compared with 1.1% and 2.1% for the corresponding periods of 2009. The quarterly margin improvement stemmed mostly from higher traveller volumes. The slimmer margins for the nine-month period was mainly attributable to lower selling prices resulting from excess market supply and our inability to fully capitalize on the strength of the Canadian dollar against the U.S. currency due to our currency hedges and constant competitive pressure.

EUROPE

	Quarters ended July 31				Nine-month periods ended July 31			
	2010	2009	Variance	Variance	2010	2009	Variance	Variance
(In thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	**323,281**	341,265	(17,984)	(5.3)	**632,683**	693,960	(61,277)	(8.8)
Operating expenses	**295,921**	319,218	(23,297)	(7.3)	**618,693**	681,449	(62,756)	(9.2)
Margins	**27,360**	22,047	5,313	24.1	**13,990**	12,511	1,479	11.8

Year-over-year, revenues for the third quarter and nine-month period at our European subsidiaries from sales in Europe and Canada were down $18.0 million or 5.3% and $61.3 million or 8.8%, despite increases in the volume of travellers for the quarter and nine-month period of 5.0% and 2.7%, respectively. The combined impact of the strength of the Canadian dollar against the euro and the pound sterling, and lower selling prices readily offset the revenue boost from higher traveller volumes. The growth in traveller volumes was driven by a rise in sales to U.K. and Canadian travellers by our subsidiary Canadian Affair, partially offset by lower volumes in France. Margins for the quarter and nine-month period at our European operations stood at $27.4 million or 8.5% and $14.0 million or 2.2%, respectively, compared with $22.0 million or 6.5% and $12.5 million or 1.8%, respectively, for the corresponding periods of 2009. Margins widened as a result of higher travel volumes at our U.K. subsidiary, partially offset by the depreciation of the pound sterling and the euro relative to other currencies, lower selling prices, particularly during the winter season, and additional costs incurred by our European companies following the volcanic activity in Iceland.

OTHER EXPENSES (REVENUES)

	Quarters ended July 31				Nine-month periods ended July 31			
(In thousands of dollars)	2010 $	2009 $	Variance $	Variance %	2010 $	2009 $	Variance $	Variance %
Amortization	**11,858**	12,541	(683)	(5.4)	**36,083**	38,342	(2,259)	(5.9)
Interest on long-term debt and debenture	**489**	870	(381)	(43.8)	**1,678**	3,473	(1,795)	(51.7)
Other interest and financial expenses	**695**	1,194	(499)	(41.8)	**1,572**	2,335	(763)	(32.7)
Interest income	**(673)**	(674)	1	0.1	**(1,710)**	(4,093)	2,383	58.2
Change in fair value of derivative financial instruments used for aircraft fuel purchases	**2,968**	(44,409)	47,377	106.7	**(7,350)**	(53,325)	45,975	86.2
Foreign exchange gain on long-term monetary items	**(428)**	(1,243)	815	65.6	**(97)**	(1,354)	1,257	92.8
Loss (gain) on investments in ABCP	**3,901**	6,903	(3,002)	(43.5)	**(1,493)**	1,910	(3,403)	(178.2)
Gain on disposal of assets related to restructuring	**(76)**	—	(76)	N/A	**(1,036)**	—	(1,036)	N/A
Share of net (income) loss of a company subject to significant influence	**104**	835	(731)	(87.5)	**(2,241)**	(2,598)	357	13.7

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 third quarter and nine-month period declined $0.7 million and $2.3 million, respectively, compared with the same periods of 2009, resulting primarily from fewer additions to property, plant and equipment in fiscal 2009.

INTEREST ON LONG-TERM DEBT AND DEBENTURE

Year-over-year, interest on long-term debt and debenture for the third quarter and nine-month period was down $0.4 million and $1.8 million, respectively, resulting primarily from lower average debt balances in the corresponding periods of 2009.

OTHER INTEREST AND FINANCIAL EXPENSES

Our other interest and financial expenses for the third quarter and nine-month period fell $0.5 million and $0.8 million, respectively, compared with the corresponding periods of the previous fiscal year. These declines stemmed primarily from the recognition of interest charges related to prior year income tax assessments affecting a number of our subsidiaries in 2009.

INTEREST INCOME

Interest income for the quarter ended July 31, 2010 remained unchanged from the same period of 2009. Year-over-year, interest income for the nine-month period fell $2.4 million, owing mainly to lower interest rates in 2010 than in the corresponding period of 2009, despite generally higher average balances of cash and cash equivalents.

CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS USED FOR AIRCRAFT FUEL PURCHASES

The change in fair value of derivative financial instruments used for 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 used for aircraft fuel purchases fell $3.0 million compared with a $44.4 million increase for the same period of 2009. For the nine-month period, the fair value of derivative financial instruments used for aircraft fuel purchases was up $7.4 million compared with $53.3 million for the same period of 2009.

FOREIGN EXCHANGE GAIN ON LONG-TERM MONETARY ITEMS

Foreign exchange gains on long-term monetary items for the quarter and nine-month period amounted to $0.4 million and $0.1 million, respectively, owing primarily to the favourable effect of foreign exchange rates on our long-term debt for aircraft financing.

LOSS (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. Year-over-year, the Corporation reported a $3.9 million loss on investments in ABCP for the third quarter, whereas it reported a $1.5 million gain for the nine-month period. *See Investments in ABCP for more information.*

GAIN ON DISPOSAL OF ASSETS RELATED TO RESTRUCTURING

On September 24, 2009, we announced a restructuring plan to make structural changes to our distribution network in France. These structural changes resulted in the closure of an administrative centre. Furthermore, under these changes, some agencies will close, while other agencies will be sold. During the third quarter and the nine-month period ended July 31, 2010, we recorded gains on disposal of assets held for sale related to restructuring of $0.1 million and $1.0 million, respectively, consisting mainly of gains on the sale of agencies for which no restructuring charge had been recognized.

SHARE OF NET LOSS (INCOME) OF A COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

Our share of net loss (income) of a company subject to significant influence represents our share of the net income of our hotel business, Caribbean Investments B.V. ["CIBV"]. Our share of net loss for the quarter amounted to $0.1 million compared with $0.8 million for the corresponding quarter of 2009. This narrowing of the net loss resulted primarily from a higher foreign exchange gain on long-term debt than in the corresponding quarter of 2009. For the nine-month period, our share of net income amounted to $2.2 million compared with $2.6 million for the same period of 2009. These decreases resulted primarily from a drop in selling prices of person-nights at hotels, offset by the foreign exchange gain on long-term debt.

INCOME TAXES

Income taxes for the quarter totalled $13.8 million compared with $20.1 million for the corresponding period of the previous fiscal year. Income taxes for the nine-month period amounted to $8.4 million compared with $26.9 million for the same period of 2009. Excluding the share in net income of a company subject to significant influence, the effective tax rate for the quarter and nine-month period was 39.3% and 37.8%, respectively, compared with 38.6% and 38.1% for the respective periods of 2009. The effective tax rates for the quarter and nine-month period also reflect, in particular, reversals of certain future income tax asset balances considered by the Corporation to be no longer recoverable. The effective tax rates for the quarter and nine-month period ended July 31, 2009 factor in, among other things, unfavourable items related to prior year adjustments affecting a number of our subsidiaries recognized in the third quarter of 2009.

NET INCOME

In light of the items discussed in *Consolidated operations*, net income for the quarter ended July 31, 2010 totalled $20.9 million or $0.55 per share compared with $31.0 million or $0.95 per share for the corresponding quarter of the previous fiscal year. The weighted average number of shares outstanding used to establish the per share amounts for the third quarter of 2010 was 37,904,000 compared with 32,792,000 for the corresponding period of 2009.

Net income for the nine-month period ended July 31, 2010 amounted to $13.3 million or $0.35 per share compared with $43.7 million or $1.34 per share for the corresponding period of the previous fiscal year. The weighted average number of shares outstanding used to establish the per share amounts for the nine-month period ended July 31, 2010 was 37,782,000 compared with 32,743,000 for the corresponding period of 2009.

On a diluted basis, earnings per share for the third quarter and nine-month period ended July 31, 2010 stood at $0.55 and $0.35, respectively, compared with $0.94 and $1.32 for the respective periods of 2009. The adjusted weighted average number of shares used in computing these amounts for the third quarter and nine-month period of 2010 was 38,217,000 and 38,039,000, respectively, compared with 33,115,000 and 33,088,000 for the respective periods of 2009. See note 8 to the unaudited Interim Consolidated Financial Statements.

Adjusted after-tax income for the third quarter and nine-month period amounted to $26.8 million ($0.70 per share) and $5.9 million ($0.16 per share), respectively, compared with $7.0 million ($0.21 per share) and $15.9 million ($0.48 per share) for the respective periods of 2009.

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 down compared with the same quarters in previous fiscal years, mainly as a result of lower priced sales owing to intense competition sparked by excess supply, despite a rise in traveller volumes. Margins have fluctuated from quarter to quarter, mainly due to competitive price pressures. As a result, the following quarterly financial information shows significant variations from quarter to quarter.

(In thousands of dollars, except per share amounts)	Q4-2008 $	Q1-2009 $	Q2-2009 $	Q3-2009 $	Q4-2009 $	Q1-2010 $	Q2-2010 $	Q3-2010 $
Revenues	790,424	877,254	1,129,077	819,354	719,656	792,562	1,060,386	**867,344**
Margin (operating loss)	23,192	(8,498)	39,130	27,187	35,576	(12,409)	8,198	**53,941**
Net income (loss)	(82,369)	(29,436)	42,186	30,991	18,106	(13,872)	6,198	**20,925**
Basic earnings (loss) per share	(2.54)	(0.90)	1.29	0.95	0.53	(0.37)	0.16	**0.55**
Diluted earnings (loss) per share	(2.54)	(0.90)	1.27	0.94	0.52	(0.37)	0.16	**0.55**

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2010, cash and cash equivalents totalled $217.3 million compared with $180.6 million as at October 31, 2009. Cash and cash equivalents in trust or otherwise reserved amounted to $341.7 million as at the end of the nine-month period ended July 31, 2010 compared with $272.7 million as at October 31, 2009. The Corporation's balance sheet reflects working capital of $5.2 million and a ratio of 1.01 compared with $35.0 million and 1.06 as at October 31, 2009.

Total assets grew $121.3 million or 10.7% to $1,250.8 million as at July 31, 2010 from $1,129.5 million as at October 31, 2009. This rise resulted mainly from a $65.3 increase in cash and cash equivalents in trust or otherwise reserved, a $36.7 million increase in cash and cash equivalents, a $47.5 million increase in receivables and a $32.2 million increase in prepaid expenses, offset by a $26.2 million decrease in property, plant and equipment and a $19.5 million decrease in income taxes receivable. Shareholders' equity rose $16.5 million to $383.9 million as at July 31, 2010 from $367.4 million as at October 31, 2009, mainly due to $13.3 million in net income.

CASH FLOWS

	Quarters ended July 31			Nine-month periods ended July 31		
(In thousands of dollars)	2010 $	2009 $	Variance $	2010 $	2009 $	Variance $
Cash flows related to operating activities	**48,154**	24,897	23,257	**154,893**	144,585	10,308
Cash flows related to investing activities	**(6,700)**	(6,984)	284	**(15,868)**	(18,876)	3,008
Cash flows related to financing activities	**(34,294)**	(42,242)	7,948	**(89,484)**	(54,367)	(35,117)
Effect of exchange rate changes on cash and cash equivalents	**3,152**	(346)	3,498	**(12,815)**	(1,951)	(10,864)
Net change in cash and cash equivalents	**10,312**	(24,675)	34,987	**36,726**	69,391	(32,665)

OPERATING ACTIVITIES

During the third quarter, operating activities generated $48.2 million in cash flows compared with $24.9 million for the corresponding quarter of 2009. This $23.3 million increase during the quarter compared with the corresponding quarter of 2009 resulted mainly from improved profitability and a $10.6 million increase under net change in provision for overhaul of leased aircraft.

For the nine-month period, cash flows provided by operating activities rose $10.3 million to $154.9 million from $144.6 million for the corresponding period of 2009. This growth resulted mainly from a $45.3 million increase under net change in non-cash working capital balances, owing primarily to a rise in client deposits and deferred revenues, offset by lower profitability and an $18.9 million decline under net change in other assets and liabilities related to operations.

INVESTING ACTIVITIES

Cash flows used in investing activities for the quarter totalled $6.7 million, up $0.3 million from the corresponding quarter of 2009. In the third quarter, our investments in property, plant and equipment and other intangible assets totalled $7.6 million, down $0.9 million from $8.5 million for the corresponding period of 2009. Also during the quarter, the Corporation received $0.8 million from investments in ABCP compared with $1.5 million for the third quarter of 2009.

For the nine-month period, cash flows used in investing activities amounted to $15.9 million, down $3.0 million from $18.9 million for the same period of 2009. Year-over-year, investments in property, plant and equipment and other intangible assets for the nine-month period were down $5.0 million. Also during the nine-month period, we received $2.6 million from investments in ABCP compared with $7.3 million for the same period of 2009. We also received proceeds totalling $1.6 million on the sale of a number of agencies in our French distribution network. Following the increase in some of our letters of credit, our balances of reserved cash and cash equivalents reported on a long-term basis rose $3.7 million. In the first nine months of 2009, we paid $0.5 million to acquire the remainder of the shares of Tourgreece. Also in the first nine months of 2009, we made a $5.2 million capital contribution to a hotel business for land acquisition in the Dominican Republic.

FINANCING ACTIVITIES

Cash flows used in financing activities in the current quarter totalled $34.3 million, down $7.9 million from $42.2 million in the corresponding quarter of 2009. This decline resulted primarily from a $7.9 million decrease in repayments of our credit facilities and other debt compared with the third quarter of 2009.

For the nine-month period, cash flows used in financing activities amounted to $89.5 million, up $35.1 million year-over-year. This rise stemmed mainly from $88.5 million in repayments of long-term debt, the debenture and credit facilities and other debt compared with $49.7 million for the first nine months of 2009.

FINANCING

As at July 31, 2010, the Corporation had several types of financing, consisting primarily of three 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 amount of 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 July 31, 2010, all financial criteria and ratios were met.

The Corporation has two revolving credit facilities of $9.4 million and $86.2 million, the first maturing in 2010 and the second in 2011, or immediately payable in the event of a change in control. Under the terms and conditions of these agreements, 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 these agreements, interest is charged at bankers' acceptance rates, at the financial institution's prime rate or at LIBOR, plus a premium specific to the type of financing vehicle. These credit facilities include options, which are now effective following implementation of the ABCP restructuring plan and allow the Corporation, at its option, to use the restructured notes to repay up to $56.8 million in drawdowns as they fall due, under certain conditions. These options have been initially reported at fair value, and the corresponding initial gain has been deferred and recognized in net income under amortization over the term of the credit agreements. The options are 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 loss (gain) on the investments in ABCP. Under the terms of the agreement, the Corporation is required to comply with financial criteria and ratios. As at July 31, 2010, all financial criteria and ratios were met.

As at July 31, 2010, this credit facility was undrawn.

The loans secured by aircraft of the Corporation amounted to US$20.0 million [$20.6 million] as at July 31, 2010. The loans bear interest at LIBOR plus 2.15% and 3.25% and are repayable in equal semi-annual instalments through 2011.

With regard to our French operations, we also have access to undrawn lines of credit totalling €11.3 million [$15.2 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 July 31, 2010. As at July 31, 2010 and October 31, 2009, these obligations, reported in liabilities, amounted to $21.1 million and $110.8 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 $542.6 million as at July 31, 2010 compared with $396.4 million as at October 31, 2009, and is detailed as follows:

(In thousands of dollars)	As at July 31, 2010 $	As at October 31, 2009 $
Guarantees		
Irrevocable letters of credit	**7,414**	10,364
Collateral security contracts	**1,018**	860
Operating leases		
Commitments under operating leases	**534,212**	385,209
	542,644	396,433

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, since May 5, 2010, 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 July 31, 2010, this credit 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 July 31, 2010 were higher than as at October 31, 2009.

Balance sheet debt decreased $89.8 million to $21.1 million as at July 31, 2010 from $110.8 million as at October 31, 2009, and our off-balance sheet debt increased $146.2 million to $542.6 million from $396.4 million, collectively representing a $56.4 million increase in total debt as at July 31, 2010 compared with October 31, 2009. The decrease in our balance sheet debt resulted from repayments during the nine-month period, including the debenture. The $146.2 million increase in off-balance sheet debt, resulted from the signing of leases for four aircraft, offset by repayments made during the period and the strength of the Canadian dollar against its U.S. counterpart.

Net of cash and cash equivalents and our investments in ABCP, the Corporation reported $276.8 million in net debt as at July 31, 2010, up $21.4 million from $255.3 million as at October 31, 2009.

OUTSTANDING SHARES

As at July 31, 2010, 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 July 31, 2010, there were 1,018,365 Class A Variable Voting Shares outstanding and 36,808,185 Class B Voting Shares outstanding.

STOCK OPTIONS

As at September 8, 2010, there were a total of 1,737,737 stock options outstanding, 677,448 of which 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

During the first half of 2010, the Corporation received a total of $1.8 million and a further $0.8 million on July 27, 2010 in the form of principal repayments on ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets (Master Asset Vehicle 2 Eligible ["MAV2 Eligible"]) and ABCP supported solely by traditional securitized assets (Master Asset Vehicle 3 Traditional ["MAV3 Traditional"]). During the nine-month period ended July 31, 2010, the Corporation received its share of $0.6 million of the cash accumulated in the conduits. The notional value of the new ABCP amounted to $126.2 million as at July 31, 2010 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.

MAV2 Ineligible

The Corporation holds $7.6 million in ABCP supported mainly by U.S. subprime assets that have been restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets and maturing through December 2035.

MAV3 Traditional

The Corporation holds $5.3 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 2015.

VALUATION

On July 31, 2010, 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 nine-month period ended July 31, 2010, 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 primarily by subprime assets in the U.S. [MAV2 Ineligible] and 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. The Corporation also took into account the information released by DBRS on August 11, 2009. DBRS downgraded ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets [MAV2 Eligible] from Class A-2 to BBB–. Prior to this downgrading, this class of ABCP had an A rating. 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.

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 ranging from 0.0% to 2.24% [weighted average rate of 1.9%], depending on the type of series. These future cash flows were discounted, according to the type of series, over a 6.5-year period using discount rates ranging from 6.8% to 46.9% [weighted average rate of 13.2%], which factor in liquidity.

As a result of this new valuation, on July 31, 2010, the Corporation recognized an additional $3.9 million writedown in respect of its investments in ABCP ($1.5 million reversal of its provision for impairment of investments in ABCP for the nine-month period ended July 31, 2010). These adjustments do not take into account any additional amount of the Corporation's share of the estimated cash accumulated in the conduits. The ABCP investment portfolio had a fair value of $69.7 million and the provision for impairment totalled $56.6 million, representing 44.8% of the notional value of $126.2 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 $3.6 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 loss (gain) on investments in ABCP in the consolidated statement of income (loss):

(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, 2008	143,500	(56,905)	86,595	
Adjustment related to January 21, 2009 restructuring plan implementation	(1,759)	—	(1,759)	1,759
Writedown of investments in ABCP	—	(48)	(48)	48
Share of estimated cash receivable	—	1,655	1,655	(1,655)
Share of cash accumulated in conduits	—	—	—	(4,745)
Principal repayments	(5,664)	—	(5,664)	—
Remeasurement of options related to repayment of revolving credit facilities	—	—	—	(400)
Balance as at April 30, 2009; impact on results for six-month period ended April 30, 2009	136,077	(55,298)	80,779	(4,993)
Writedown of investments in ABCP	—	(7,303)	(7,303)	7,303
Principal repayments	(1,518)	—	(1,518)	—
Share of estimated cash receivable	—	(1,655)	(1,655)	—
Remeasurement of options related to repayment of revolving credit facilities	—	—	—	(400)
Balance as at July 31, 2009; impact on results for nine-month period ended July 31, 2009	134,559	(64,256)	70,303	1,910
Writedown in notional value of ABCP	(4,844)	4,844	—	—
Reversal of provision	—	1,358	1,358	(1,358)
Principal repayments	(880)	—	(880)	—
Share of estimated cash receivable	—	620	620	(620)
Balance as at October 31, 2009; impact on results for fiscal year ended October 31, 2009	128,835	(57,434)	71,401	(68)
Reversal of provision	—	5,394	5,394	(5,394)
Principal repayments	(1,801)	—	(1,801)	—
Share of cash accumulated in conduits	—	(620)	(620)	—
Balance as at April 30, 2010; impact on results for six-month period ended April 30, 2010	127,034	(52,660)	74,374	(5,394)
Writedown of investments in ABCP	—	(3,901)	(3,901)	3,901
Principal repayments	(791)	—	(791)	—
Balance as at July 31, 2010; impact on results for nine-month period ended July 31, 2010	**126,243**	**(56,561)**	**69,682**	**(1,493)**

The balance of investments in ABCP as at July 31, 2010 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	(8,221)	26,194
Class A-2	63,894	(27,608)	36,286
Class B	11,598	(9,728)	1,870
Class C	3,403	(3,211)	192
	113,310	(48,768)	64,542
MAV2 Ineligible	7,630	(7,624)	6
MAV3 Traditional	5,303	(169)	5,134
	126,243	**(56,561)**	**69,682**

OTHER

On June 10, 2010, the Corporation announced plans to set up an ongoing tour operator in Monterrey, Mexico under the Eleva Travel banner offering leisure travel products to Mexican customers and leveraging its existing agreements and business relationships with hotels.

On February 26, 2010, the Corporation made a cash payment of €0.3 million [$0.5 million] to acquire the remainder of the shares [10%] of Tourgreece Tourist Enterprises S.A. that it did not already own.

Air Transat and its pilots, represented by the Airline Pilot's Association (ALPA), have concluded negotiations pertaining to a new labour agreement. The agreement, which covers 48 months and would expire on May 1, 2014, will be voted on for ratification in the coming weeks by the members.

Air Transat's fleet consists of 13 Airbus A310 jets (249 seats), which will be gradually retired, and five Airbus A330 (342) seats); not counting one additional A330 which will be brought into service in the fall of 2010. On May 5, 2010, the Corporation announced it had entered into an agreement with a lessor for the long-term lease of a new Airbus A330 wide-body jet. This new aircraft, Air Transat's seventh Airbus A330, is expected to be brought into service in April 2011. In addition, on June 2, 2010, we announced that we had entered into an agreement with a lessor for the long-term lease of two additional Airbus A330 wide-body jet. The latter are expected to be brought into service by the end of 2010. These new aircraft will bring the total number of A330s to nine for 2011.

FUTURE CHANGES IN ACCOUNTING POLICIES

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 is currently assessing the requirements under these new standards.

BUSINESS COMBINATIONS

Section 1582, *Business Combinations*, supersedes former Section 1581, *Business Combinations*, and sets out recognition standards for business combinations. The Section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Section constitutes the Canadian equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

Sections 1601 and 1602 supersede former Section 1600, *Consolidated Financial Statements*. Section 1601, which sets out standards for the preparation of consolidated financial statements, is effective for interim and annual consolidated financial statements related to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section, constituting the equivalent of International Accounting Standard IAS 27, *Consolidated and Separate Financial Statements*, is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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. 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, the Corporation is now identifying the differences between IFRS and the Corporation's accounting policies, and developing solutions, which is expected to be completed for the first quarter of fiscal 2011. 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 resources 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 based on timelines for core IFRS conversion plan activities as at July 31, 2010:

	Core activity(ies)	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.	Completed as at October 31, 2010. Follow-ups and updates during fiscal 2011.	The analyses are in progress, and in certain cases, we are unable to quantify the impact of differences.
	Develop a model for IFRS financial statements, including 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 first quarter of 2011.
Information technology and data systems	Evaluate the impact of changes on information technology and data systems, and make the necessary changes.	Modify the information technology and data systems finalized in time to compile the financial information during fiscal 2011. Follow-ups and updates during fiscal 2011.	The effects on information technology and data systems are analyzed at the same time as differences are identified and financial reporting solutions are developed.
Internal control over financial reporting	Evaluate the impact of changes on internal control over financial reporting and disclosure 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 internal controls over financial reporting 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 communication	Provide training to affected employees, management and the Board of Directors and its relevant committees, including the Audit Committee.	During fiscal 2010 and 2011.	Training is being provided 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*.
Cumulative translation adjustments	The Corporation expects to elect to recognize cumulative translation adjustments through opening retained earnings at the IFRS transition date.
Share-based payment transactions	The Corporation expects to apply the exemption allowing 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.
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.	Analysis is underway, and we are unable to quantify the impact of differences, if any.
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.

Accounting area	Main differences with potential impact for the Corporation	Progress
Employee benefits	• Immediate recognition of vested past service costs 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.	Analysis is underway, and we are unable to quantify the impact of differences, if any.

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 the design of disclosure controls and procedures and the design of internal control over financial reporting ("ICFR") to be adequate. The financial disclosure controls and procedures provide reasonable assurance that material financial information has been duly disclosed by the Corporation and its subsidiaries. Furthermore, ICFR is designed to provide 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 July 31, 2010 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

For the fourth quarter, on the transatlantic market, Transat's capacity is approximately 15% higher than in 2009. The Corporation's load factor is similar to last year at the same date, with bookings higher in Canada and Europe. Average revenue per booking in Canadian dollars is higher to that of 2009 at the same date, despite the weakness of European currencies against the Canadian dollar.

From Canada to sun destinations, capacity is similar to 2009, bookings and load factors are slightly higher. As of today, and as was the case for the past winter season, selling prices remain under strong pressure, due to intense competition in the marketplace.

In France, sales on medium-haul destinations are lower than in 2009 at the same date and margins are under very strong pressure. On long-haul destinations, volumes and selling prices are slightly higher than last year, but costs are also higher due to the weakness of the euro.

For the fourth quarter, if the trend remains unchanged, Transat anticipates higher revenues and significantly higher margin compared with the previous year.

It is too early to comment on the winter 2011. At this moment, capacity and bookings are higher than last year.

TRANSAT A.T. INC.
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) (unaudited)	As at July 31, 2010 $	As at October 31, 2009 $
ASSETS		
Current assets		
Cash and cash equivalents	**217,278**	180,552
Cash and cash equivalents in trust or otherwise reserved *[note 3]*	**309,521**	244,250
Accounts receivable	**152,823**	105,349
Income taxes receivable	**5,536**	25,083
Future income tax assets	**4,569**	12,860
Inventories	**9,476**	9,823
Prepaid expenses	**62,684**	30,447
Derivative financial instruments	**11,382**	6,770
Current portion of deposits	**24,448**	30,578
Total current assets	**797,717**	645,712
Cash and cash equivalents reserved *[note 3]*	**32,130**	28,476
Investments in ABCP *[note 4]*	**69,682**	71,401
Deposits	**24,061**	12,014
Future income tax assets	**10,429**	10,454
Property, plant and equipment	**96,754**	122,911
Goodwill and other intangible assets	**152,681**	160,156
Derivative financial instruments	**77**	9,488
Investments and other assets *[note 5]*	**67,276**	68,891
	1,250,807	1,129,503
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**355,411**	266,445
Current portion of provision for overhaul of leased aircraft	**20,463**	21,029
Income taxes payable	**3,835**	4,021
Future income tax liabilities	**543**	266
Customer deposits and deferred income	**387,158**	251,018
Derivative financial instruments	**10,904**	40,243
Debenture	**—**	3,156
Payments on current portion of long-term debt	**14,169**	24,576
Total current liabilities	**792,483**	610,754
Long–term debt *[note 6]*	**6,899**	83,108
Provision for overhaul of leased aircraft	**12,265**	8,550
Other liabilities *[note 7]*	**42,309**	41,743
Derivative financial instruments	**80**	50
Future income tax liabilities	**12,870**	17,937
	866,906	762,142
Shareholder's equity		
Share capital *[note 8]*	**217,329**	216,236
Retained earnings	**178,347**	165,096
Contributed surplus	**8,412**	6,642
Accumulated other comprehensive income *[note 9]*	**(20,187)**	(20,613)
	383,901	367,361
	1,250,807	1,129,503

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 entity's auditors.

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars, except per share amounts) (unaudited)	Quarters ended July 31 2010 $	Quarters ended July 31 2009 $	Nine months ended July 31 2010 $	Nine months ended July 31 2009 $
Revenues	**867,344**	819,354	**2,720,292**	2,825,685
Operating expenses				
Direct costs	**468,229**	460,083	**1,689,917**	1,712,385
Salaries and employee benefits	**85,794**	87,392	**253,644**	267,547
Aircraft fuel	**86,376**	77,280	**213,821**	238,882
Commissions	**34,630**	34,994	**127,738**	148,869
Aircraft maintenance	**23,707**	21,610	**67,030**	75,133
Airport and navigation fees	**25,733**	25,072	**59,809**	66,913
Aircraft rent	**13,595**	13,803	**41,192**	40,725
Other	**75,339**	71,933	**217,411**	217,412
	813,403	792,167	**2,670,562**	2,767,866
	53,941	27,187	**49,730**	57,819
Amortization	**11,858**	12,541	**36,083**	38,342
Interest on long-term debt and debenture	**489**	870	**1,678**	3,473
Other interest and financial expenses	**695**	1,194	**1,572**	2,335
Interest income	**(673)**	(674)	**(1,710)**	(4,093)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	**2,968**	(44,409)	**(7,350)**	(53,325)
Foreign exchange gain on long-term monetary items	**(428)**	(1,243)	**(97)**	(1,354)
Loss (gain) on investments in ABCP *[note 4]*	**3,901**	6,903	**(1,493)**	1,910
Gain on disposal of assets under the restructuring plan *[note 10]*	**(76)**	—	**(1,036)**	—
Share of net (income) loss of a company subject to significant influence	**104**	835	**(2,241)**	(2,598)
	18,838	(23,983)	**25,406**	(15,310)
Income before the undernoted items	**35,103**	51,170	**24,324**	73,129
Income taxes (recovery)				
Current	**14,244**	1,760	**11,365**	10,171
Future	**(413)**	18,292	**(3,014)**	16,680
	13,831	20,052	**8,351**	26,851
Income before non-controlling interest in subsidiaries' results	**21,272**	31,118	**15,973**	46,278
Non-controlling interest in subsidiaries' results	**(347)**	(127)	**(2,722)**	(2,537)
Net income for the period	**20,925**	30,991	**13,251**	43,741
Income per share *[note 8]*				
Basic	**0.55**	0.95	**0.35**	1.34
Diluted	**0.55**	0.94	**0.35**	1.32

See accompanying notes to consolidated interim financial statement

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

(in thousands of dollars) (unaudited)	Quarters ended July 31 2010 $	Quarters ended July 31 2009 $	Nine months ended July 31 2010 $	Nine months ended July 31 2009 $
Net income for the period	**20,925**	30,991	**13,251**	43,741
Other comprehensive income				
Change in fair value of derivatives designated as cash flow hedges	**7,174**	(36,046)	**41,250**	(38,998)
Reclassification in income	**(4,020)**	(12,199)	**(20,126)**	(94,231)
Future income taxes	**(943)**	14,988	**(6,319)**	42,962
	2,211	(33,257)	**14,805**	(90,267)
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	**3,038**	(6,853)	**(14,379)**	(13,458)
	5,249	(40,110)	**426**	(103,725)
Comprehensive income (loss) for the period	**26,174**	(9,119)	**13,677**	(59,984)

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, 2008	154,198	106,188	4,619	82,123	347,128
Net Income for the period	—	43,741	—	—	43,741
Other comprehensive loss	—	—	—	(103,725)	(103,725)
Issued from treasury	1,071	—	—	—	1,071
Exercise of options	62	—	—	—	62
Compensation expense for stock option plan	—	—	1,487	—	1,487
Dividends	—	(2,939)	—	—	(2,939)
Balance as at July 31, 2009	155,331	146,990	6,106	(21,602)	286,825
Net Income for the period	—	18,106	—	—	18,106
Other comprehensive income	—	—	—	989	989
Issued from treasury	60,878	—	—	—	60,878
Exercise of options	27	—	—	—	27
Compensation expense for stock option plan	—	—	536	—	536
Balance as at October 31, 2009	216,236	165,096	6,642	(20,613)	367,361
Net income for the period	—	13,251	—	—	13,251
Other comprehensive income	—	—	—	426	426
Issued from treasury	951	—	—	—	951
Exercise of options	142	—	—	—	142
Compensation expense for stock option plan	—	—	1,770	—	1,770
Balance as at July 31, 2010	217,329	178,347	8,412	(20,187)	383,901

See accompanying notes to consolidated interim financial statement

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

(in thousands of dollars) (unaudited)	Quarters ended July 31 2010 $	Quarters ended July 31 2009 $	Nine months ended July 31 2010 $	Nine months ended July 31 2009 $
OPERATING ACTIVITIES				
Net income for the period	**20,925**	30,991	**13,251**	43,741
Operating items not involving an outlay (receipt) of cash :				
Amortization	**11,858**	12,541	**36,083**	38,342
Change in fair value of derivative financial instruments used for aircraft fuel purchases	**2,968**	(44,409)	**(7,350)**	(53,325)
Foreign exchange gain on long-term monetary items	**(428)**	(1,243)	**(97)**	(1,354)
Loss (gain) on investments in ABCP	**3,901**	8,558	**(873)**	8,310
Gain on disposal of assets under the restructuring plan *[note 10]*	**(76)**	—	**(1,036)**	—
Share of net loss (income) of a company subject to significant influence	**104**	835	**(2,241)**	(2,598)
Non-controlling interest in subsidiaries' results	**347**	127	**2,722**	2,537
Future income taxes	**(413)**	18,292	**(3,014)**	16,680
Pension expense	**566**	732	**1,699**	2,195
Compensation expense related to stock option plan	**699**	555	**1,770**	1,487
	40,451	26,979	**40,914**	56,015
Net change in non-cash working capital balances related to operations	**8,439**	4,770	**129,585**	84,303
Net change in other assets and liabilities related to operation	**(4,130)**	325	**(18,755)**	130
Net change in provision for overhaul of leased aircraft	**3,394**	(7,177)	**3,149**	4,137
Cash flows related to operating activities	**48,154**	24,897	**154,893**	144,585
INVESTING ACTIVITIES				
Additions to property, plant and equipment and to intangible assets	**(7,552)**	(8,502)	**(15,877)**	(20,847)
Proceeds on disposal of property, plant and equipment and other intangible assets under the restructuring plan *[note 10]*	**61**	—	**1,605**	—
Realization of principal of investments in ABCP	**791**	1,518	**2,592**	7,182
Increase in cash and cash equivalent in trust or otherwise reserved	**—**	—	**(3,684)**	—
Consideration paid for acquired companies *[note 7]*	**—**	—	**(504)**	(5,211)
Cash flow related to investing activities	**(6,700)**	(6,984)	**(15,868)**	(18,876)
FINANCING ACTIVITIES				
Net change in credit facilities and other debt	**(34,612)**	(42,307)	**(78,466)**	(41,801)
Loan repayments	**—**	—	**(10,033)**	(7,887)
Proceeds from issuance of shares	**318**	401	**1,093**	1,133
Dividend paid to a non-controlling interest	**—**	(336)	**(2,078)**	(2,873)
Dividends	**—**	—	**—**	(2,939)
Cash flow related to financing activities	**(34,294)**	(42,242)	**(89,484)**	(54,367)
Effect of exchange rate changes on cash and cash equivalents	**3,152**	(346)	**(12,815)**	(1,951)
Net change in cash and cash equivalents	**10,312**	(24,675)	**36,726**	69,391
Cash and cash equivalents, beginning of the period	**206,966**	239,833	**180,552**	145,767
Cash and cash equivalents, end of the period	**217,278**	215,158	**217,278**	215,158
Supplementary information				
Income taxes paid (recovered)	**(338)**	1,409	**(8,177)**	9,917
Interest paid	**291**	9	**2,438**	2,991

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 2009 Annual Report.

Note 2 FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2009, the ICA 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 1st, 2011. The Corporation is currently assessing the requirements under these new standards.

BUSINESS COMBINATIONS

Section 1582, Business Combinations, supersedes former Section 1581, Business Combinations, and sets out recognition standards for business combinations. The section establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Section constitutes the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. The Section applies prospectively to business combinations for which the acquisition date occurs at the beginning of the first annual fiscal year beginning on or after January 1, 2011.

CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

Sections 1601 and 1602 supersede former Section 1600, Consolidated Financial Statements. Section 1601, which sets out standards for the preparation of consolidated financial statements, is effective for interim and annual consolidated financial statements related to fiscal years beginning on or after January 1st, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section, constituting the equivalent of International Accounting Standard IAS 27, Consolidated and Separate Financial Statements, is effective for interim and annual consolidated financial statements beginning on or after January 1st, 2011.

IFRS

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 1st, 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 stages: design and planning; identification of differences and development of solutions; and implementation and review. The first phase, 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 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, the Corporation is now identifying the differences between IFRS and the Corporation's accounting policies, and developing solutions.

The changeover from Canadian GAAP to IFRS is a major undertaking that may result in significant changes in financial reporting. The Corporation is not currently able to reasonably estimate the impact of the changeover to IFRS on its financial reporting, since it is still in the

process of identifying differences and preparing solutions, and has not yet selected its accounting. The key issues identified in Phase 1 were prepared using the information currently available; as a result, these issues may change in light of new facts or circumstances.

The Corporation closely monitors developments, on a regularly basis, in the standards issued by the International Accounting Standards Board and the AcSB, as well as regulatory changes made by the Canadian Securities Administrators, which could impact the amount, nature or reporting of the adoption of IFRS by the Corporation.

Note 3 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at July 31, 2010, cash and cash equivalents in trust or otherwise reserved included $260,175 [$200,396 as at October 31, 2009] 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 its credit card processor. Cash and cash equivalents in trust or otherwise reserved also include $81,476, of which $32,130 was recorded as non-current assets [$72,330 as at October 31, 2009, of which $28,476 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 half of 2010, the Corporation received $1,801 and a further $791 on July 27, 2010 in the form of principal repayments on ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets (Master Asset Vehicle 2 Eligible ["MAV2 Eligible"]) and ABCP supported solely by traditional securitized assets (Master Asset Vehicle 3 Traditional ["MAV3 Traditional"]). During the Nine-month period ended July 31, 2010, the Corporation received its share of $620 of the cash accumulated in the conduits. The notional value of the new ABCP amounted to $126,243 as at July 31, 2010 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.

MAV2 Ineligible

The Corporation holds $7,630 in ABCP supported mainly by U.S. subprime assets that have been restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets and maturing through December 2035.

MAV3 Traditional

The Corporation holds $5,303 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 2015.

VALUATION

On July 31, 2010, 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 Nine-month period ended July 31, 2010, 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 primarily by subprime assets in the U.S. (MAV2 Ineligible) and 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. The Corporation also took into account the information released by DBRS on August 11, 2009. DBRS downgraded ABCP supported by synthetic assets or a combination of synthetic and traditional securitized assets (MAV2 Eligible) from Class A-2 to BBB–. Prior to this downgrading, this class of ABCP had an A rating. 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.

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 2.24% [weighted average rate of 1.9%], depending on the type of series. These future cash flows were discounted, according to the type of series, over 6.5-year periods using discount rates ranging from 6.8% to 46.9% [weighted average rate of 13.2%], which factor in liquidity.

As a result of this new valuation, on July 31, 2010, the Corporation recognized an additional $3,901 writedown in respect of its investments in ABCP ($1,493 reversal of its provision for impairment of investments in ABCP for the nine-month period ended July 31, 2010). These adjustments do not take into account any additional amount of the Corporation's share of the estimated cash accumulated in the conduits.The ABCP investment portfolio had a fair value of $69,682 and the provision for impairment totalled $56,561, representing 44.8% of the notional value of $126,243.

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 $3,600 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 Loss (gain) on investments in ABCP in the consolidated statement of income (loss):

(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, 2008	143,500	(56,905)	86,595	
Adjustment related to January 21, 2009 restructuring plan implementation	(1,759)	—	(1,759)	1,759
Writedown of investments in ABCP	—	(48)	(48)	48
Share of estimated cash receivable	—	1,655	1,655	(1,655)
Share of cash accumulated in conduits	—	—	—	(4,745)
Principal repayments	(5,664)	—	(5,664)	—
Remeasurement of options related to repayment of revolving credit facilities	—	—	—	(400)
Balance as at April 30, 2009; impact on results for six-month period ended April 30, 2009	136,077	(55,298)	80,779	(4,993)
Writedown in notional value of ABCP	—	(7,303)	(7,303)	7,303
Principal repayments	(1,518)	—	(1,518)	—
Share of estimated cash receivable	—	(1,655)	(1,655)	—
Remeasurement of options related to repayment of revolving credit facilities	—	—	—	(400)
Balance as at July 31, 2009; impact on results for nine-month period ended July 31, 2009	134,559	(64,256)	70,303	1 910
Writedown in notional value of ABCP	(4,844)	4,844	—	—
Reversal of provision	—	1,358	1,358	(1,358)
Principal repayments	(880)	—	(880)	—
Share of estimated cash receivable	—	620	620	(620)
Balance as at October 31, 2009; impact on results for year ended October 31, 2009	128,835	(57,434)	71,401	(68)
Reversal of provision	—	5,394	5,394	(5,394)
Principal repayments	(1,801)	—	(1,801)	—
Share of cash accumulated in conduits	—	(620)	(620)	—
Balance as at April 30, 2010; impact on results for six-month period ended April 30, 2010	127,034	(52,660)	74,374	(5,394)
Writedown of investments in ABCP	—	(3,901)	(3,901)	3,901
Principal repayments	(791)	—	(791)	—
Balance as at July 31, 2010; impact on results for nine-month period ended July 31, 2010	**126,243**	**(56,561)**	**69,682**	**(1,493)**

The balance of investments in ABCP as at July 31, 2010 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	(8,221)	26,194
Class A-2	63,894	(27,608)	36,286
Class B	11,598	(9,728)	1,870
Class C	3,403	(3,211)	192
	113,310	(48,768)	64,542
MAV2 Ineligible	7,630	(7,624)	6
MAV3 Traditional	5,303	(169)	5,134
	126,243	**(56,561)**	**69,682**

Note 5 INVESTMENTS AND OTHER ASSETS

	As at July 31, 2010 $	As at October 31, 2009 $
Investment in Caribbean Investments B.V.	**65,146**	66,347
Deferred costs, unamortized balance	**1,839**	2,234
Sundry	**175**	192
Other investments	**116**	118
	67,276	68,891

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

	$
Balance as at October 31, 2009	66,347
Share of net income	2,241
Translation adjustment	(3,442)
Balance as at July 31, 2010	65,146

Note 6 LONG-TERM DEBT

	As at July 31, 2010 $	As at October 31, 2009 $
Loan secured by aircraft amounting to US$20,000 [US$26,667 as at October 31, 2009]	**20,580**	28,730
Drawdowns under the revolving term credit facilities maturing from 2010 to 2012	**—**	77,963
Other	**488**	991
	21,068	107,684
Less :current portion	**14,169**	24,576
	6,899	83,108

Note 7 OTHER LIABILITIES

	As at July 31, 2010 $	As at October 31, 2009 $
Accrued benefit liabilities	**18,156**	17,050
Deferred lease inducements	**15,658**	12,739
Non-controlling interest	**7,445**	7,754
Deferred gains on options related to repayment of revolving credit facilities	**1,050**	4,200
	42,309	41,743

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:

	Nine months ended July 31, 2010	
	Number of shares	**Amount ($)**
Balance at beginning of period	37,728,799	216,236
Issued from treasury	74,018	951
Exercise of options	23,733	142
Balance at end of period	37,826,550	217,329

As at July 31, 2010, the number of Class A Shares and Class B Shares amounted to 1,018,365 and 36,808,185, respectively.

B) OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2009	1,101,140	18.31
Granted	682,570	12.25
Exercised	(23,733)	5.99
Cancelled	(22,240)	22.39
Balance as at July 31, 2010	1,737,737	16.04
Options exercisable as at July 31, 2010	677,448	21.43

C) EARNINGS PER SHARE

Earnings per share and the diluted earnings per share were computed as follows:

	Quarters ended July 31		Nine months ended July 31	
	2010	2009	2010	2009
(in thousands of dollars, except per share amounts)	$	$	$	$
Numerator				
Income attributable to voting shareholders	**20,925**	30,991	**13,251**	43,741
Interest on debentures that may be settled in voting shares	**—**	33	**—**	98
Income used to calculate diluted earnings per share	**20,925**	31,024	**13,251**	43,839
Denominator				
Weighted average number of outstanding shares	**37,904**	32,792	**37,782**	32,743
Stock options	**313**	30	**253**	24
Debentures that may be settled in voting shares	**—**	293	**4**	321
Adjusted weighted average number of outstanding shares used in computing diluted income per share	**38,217**	33,115	**38,039**	33,088
Earnings per share				
Basic	**0.55**	0.95	**0.35**	1.34
Diluted	**0.55**	0.94	**0.35**	1.32

In computing diluted earnings per share for the three-month and Nine-month periods ended July 31, 2010, 544,805 stock options were excluded from the computation of diluted earnings per share because the exercise price on these options exceeded the average price of the Corporation's share for the respective periods.

In computing diluted earnings per share for the three-month and Nine-month periods ended July 31, 2009, 1,017,755 stock options were excluded from the computation of diluted earnings per share because the exercise price on these options exceeded the average price of the Corporation's share for the respective periods.

Note 9 ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the accumulated other comprehensive income were as follows for the three-month and Nine-month periods ended July 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	12,594	(17,417)	(4,823)
Balance as at April 30, 2010	(4,449)	(20,987)	(25,436)
Change during the period	2,211	3,038	5,249
Balance as at July 31, 2010	**(2,238)**	**(17,949)**	**(20,187)**

Changes in the accumulated other comprehensive income were as follows for the three-month and Nine-month periods ended July 31, 2009:

	Cash flow hedges $	Cumulative translation adjustment $	Accumulated other comprehensive income (loss) $
Accumulated other comprehensive income (loss)			
Balance as at October 31, 2008	72,479	9,644	82,123
Change during the period	(57,010)	(6,605)	(63,615)
Balance as at April 30, 2009	15,469	3,039	18,508
Change during the period	(33,257)	(6,853)	(40,110)
Balance as at July 31, 2009	**(17,788)**	**(3,814)**	**(21,602)**

Note 10 GAIN ON DISPOSAL OF ASSETS UNDER THE RESTRUCTURING PLAN

On September 24, 2009, the Corporation announced a restructuring plan to make structural changes to its distribution network in France. Under these structural changes, an administrative centre and some agencies were closed, while other agencies will be closed and sold. For the third quarter, the Corporation reported a $76 gain ($1,036 for the nine month period) on disposal of assets earnmarked for sale under the restructuring plan, comprising mainly of gains on the sale of agencies for which no restructuring charge had been recognized.

Note 11 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.

	Three months ended July 31, 2010			Nine months ended July 31, 2010		
				Americas $	Europe $	Total $
Revenues	544,063	323,281	**867,344**	2,087,609	632,683	**2,720,292**
Operating expenses	517,482	295,921	**813,403**	2,051,869	618,693	**2,670,562**
	26,581	**27,360**	**53,941**	**35,740**	**13,990**	**49,730**
Property, plant and equipment, goodwill and other intangible assets [1]				**142,805**	**106,630**	**249,435**

	Three months ended July 31, 2009			Nine months ended July 31, 2009		
				Americas $	Europe $	Total $
Revenues	478,089	341,265	819,354	2,131,725	693,960	2,825,685
Operating expenses	472,949	319,218	792,167	2,086,417	681,449	2,767,866
	5,140	22,047	27,187	45,308	12,511	57,819
Property, plant and equipment, goodwill and other intangible assets [2]				164,064	119,003	283,067

[1] As at July 31, 2010
[2] As at October 31, 2009

Note 12 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 2009 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 $469 as at July 31, 2010. 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 $1,018 as at July 31, 2010. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2010, no amounts had been accrued with respect to the above-mentioned agreements.

SECURITY FACILITY

In addition, since May 5, 2010, 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 July 31, 2010, this credit facility was undrawn.