AIMIA
INSPIRING LOYALTY

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

For the three and nine months ended September 30, 2011 and 2010

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

Groupe Aeroplan Inc., doing business as Aimia (together with its direct and indirect subsidiaries, where the context requires, "Aimia" or the "Corporation"), was incorporated on May 5, 2008 under the laws of Canada as a wholly-owned subsidiary of Aeroplan Income Fund (the "Fund"). It is the successor to Aeroplan Income Fund following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

The following management's discussion and analysis of financial condition and results of operations (the "MD&A") presents a discussion of the financial condition and results of operations for Aimia.

The MD&A is prepared as at November 9, 2011 and should be read in conjunction with the accompanying interim consolidated financial statements of Aimia for the nine months ended September 30, 2011 and the notes thereto, the audited consolidated financial statements of Aimia for the years ended December 31, 2010 and 2009 and the notes thereto, the annual management discussion and analysis for Aimia (the "2010 MD&A"), and Aimia's Annual Information Form and Management Information Circular, respectively dated March 22 and March 18, 2011.

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

The earnings and cash flows of Aimia are affected by certain risks. For a description of those risks, please refer to the *Risks and Uncertainties section.*

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on top accumulation partners and clients, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues, Air Canada or travel industry disruptions, airline industry changes and increased airline costs, supply and capacity costs, unfunded future redemption costs, failure to safeguard databases and consumer privacy, consumer privacy legislation, changes to loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and *future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of November 9, 2011, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.*

This MD&A contains the following sections:

GLOSSARY

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

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

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

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

"Aimia" – means Groupe Aeroplan Inc., doing business as Aimia, and where the context requires, includes its subsidiaries and affiliates;

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

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

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

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

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

"Change in Future Redemption Costs" – means the change in the estimated Future Redemption Cost liability for any quarter (for interim periods) or fiscal year (for annual reporting purposes). For purposes of this calculation, the opening balance of the Future Redemption Cost liability is revalued by retroactively applying to all prior periods the latest available Average Cost of Rewards per Loyalty Unit, experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes). It is calculated by multiplying the change in estimated unbroken Loyalty Units outstanding between periods by the Average Cost of Rewards per Loyalty Unit for the period;

"Commercial Partners" – means Accumulation Partners and Redemption Partners;

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

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

"Future Redemption Costs" – means the total estimated liability of the future costs of rewards for Loyalty Units which have been sold and remain outstanding, net of Breakage and valued at the Average Cost of Rewards per Loyalty Unit, experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes);

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

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

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

"IFRS" – means International Financial Reporting Standards;

"ISS" – means the Intelligent Shopper Solutions services, formerly known as LMG Insight and Communication (I&C);

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

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

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

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

"Nectar Italia" or the **"Nectar Italia Program"** – means the coalition loyalty program operated by our EMEA segment in Italy;

"Nectar Points" – means the points accumulated by members under the Nectar Program;

"Nectar Italia Points" – means the points accumulated by members under the Nectar Italia Program;

"Productive Capacity" – encompasses Aimia's and its subsidiaries' leading market positions and brands; strong base of members; relationship with Commercial Partners and clients; and technology and employees;

"Redemption Partners" – means Commercial Partners that offer air travel, shopping discounts or other rewards to members upon redemption of Loyalty Units;

"Total Miles" – means all redeemable miles (including Broken Miles but not Expired Miles), whether issued by Aeroplan or by Air Canada (prior to January 1, 2002) under the Aeroplan Program.

OVERVIEW

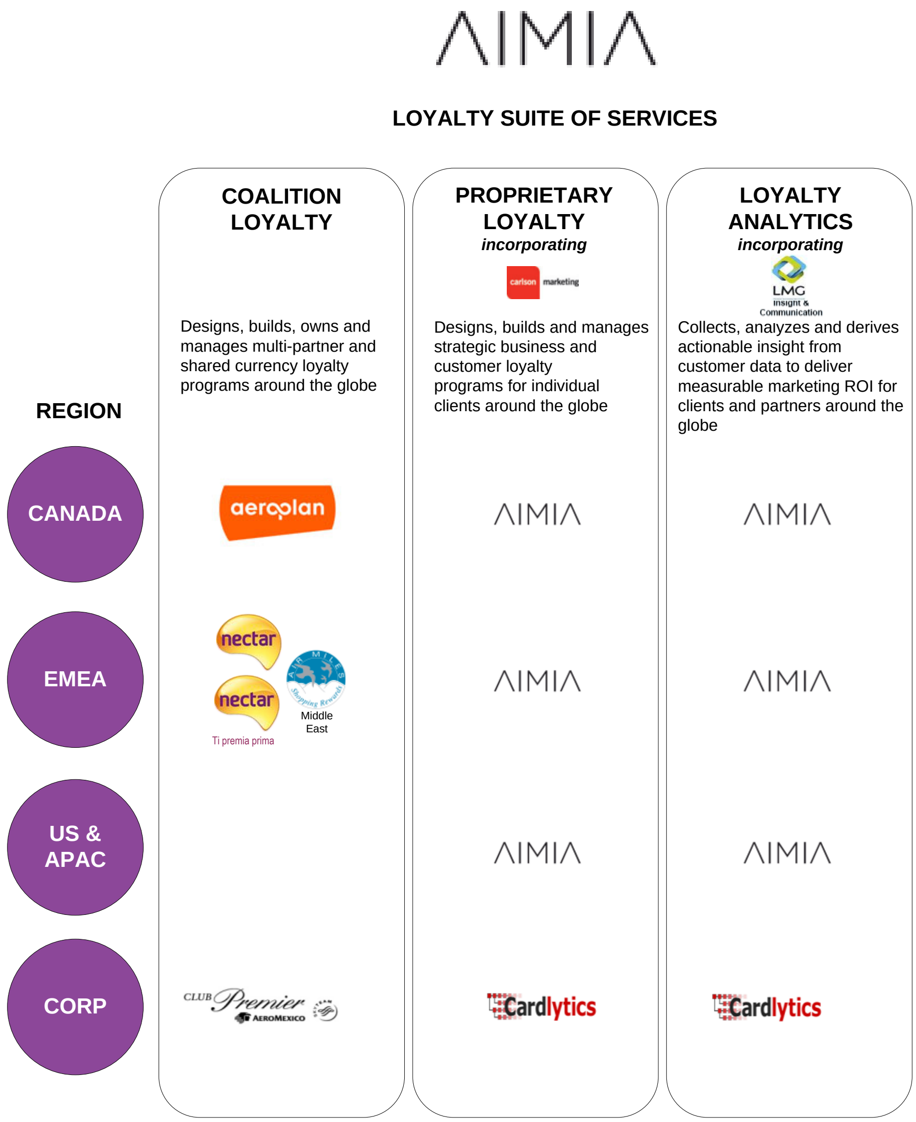
Aimia, a global leader in loyalty management, through its subsidiaries, operates in three regional business segments: Canada, the United States and Asia-Pacific ("US & APAC") and Europe, Middle-East and Africa ("EMEA'').

In Canada, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, Air Miles Middle East, the leading coalition loyalty program in the UAE, through a 60% ownership interest, and Nectar Italia, Italy's largest coalition loyalty program, through a 75% participation. Aimia's EMEA segment also provides driven insight and data analytics services in the UK and internationally to retailers and their suppliers, through its Intelligent Shopper Solutions services ("ISS'') (formerly LMG Insight & Communication or I&C). In each of the regions, Aimia provides proprietary loyalty program design, launch and operation services to its clients (formerly offered under the Carlson Marketing name). In addition, Aimia's loyalty analytics services also leverage the expertise developed by Carlson Marketing's decision sciences group, and develops analytical tools to provide services to clients globally to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment.

Aimia also holds a 28.86% interest in, and jointly controls with Grupo Aeromexico, S.A.B. de C.V., Premier Loyalty & Marketing S.A.P.I. de C.V. ("PLM"), owner and operator of Club Premier, a Mexican coalition loyalty program, and a minority interest in Cardlytics, Inc. ("Cardlytics"), a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking. These investments are reported under Corporate in the segmented information.

REGIONAL STRUCTURE AND LOYALTY SERVICES

The following chart illustrates Aimia's regional reporting structure and full suite of loyalty services as at September 30, 2011:



Notes:

- *The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.*
- *As at September 30, 2011 Aimia owned 75% of Nectar Italia, 60% of Air Miles Middle East, 28.86% of Club Premier and a minority interest in Cardlytics. All other businesses listed above are owned 100% by Aimia.*
- *Proprietary Loyalty incorporates Carlson Marketing's global loyalty marketing services.*
- *Loyalty Analytics incorporates the Intelligent Shopper Solutions (ISS) services (formerly known as LMG Insight & Communication (I&C)) and Carlson Marketing's decision sciences group. Although ISS offers services in each of the regions, for reporting purposes, its results are reported in the EMEA segment only.*
- *Through its strategic alliance, Aimia will work with Cardlytics to offer merchant-funded loyalty services for electronic banking in each of our regions. As at September 30, 2011, the investment in Cardlytics was reported in Corporate.*

STRATEGY

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

PERFORMANCE INDICATORS

OPERATING INCOME

Aimia derives its cash inflows primarily from the sale of Loyalty Units to Accumulation Partners with respect to its coalition loyalty programs, from proprietary loyalty marketing services rendered or to be rendered to customers (formerly through Carlson Marketing) and from loyalty analytics services. These inflows are referred to as "Gross Billings".

Revenue

Coalition Loyalty

A key characteristic of Aimia's multi-partner or shared currency loyalty programs business is that the gross proceeds received for the sale of Loyalty Units to partners, known as "Gross Billings from the sale of Loyalty Units", are deferred and recognized as revenue upon the redemption of Loyalty Units by the members. Based upon past experience, management anticipates that a number of Loyalty Units sold will never be redeemed by members. This is known as "Breakage". For those Loyalty Units that Aimia does not expect will be redeemed by members, Aimia recognizes revenue based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed.

Proprietary Loyalty

Aimia derives proprietary loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs on behalf of its clients. These proprietary loyalty service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized.

Other

Other revenue consists of:

- loyalty analytics service fees from analytical services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment;
- charges to coalition loyalty members for various services;
- loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks; and
- the management of Air Canada's tier membership program for its most frequent flyers.

These fees are also included in Gross Billings and are recognized as revenue when the services are rendered or on an accrual basis, in accordance with the substance of the agreements in the case of royalties.

Cost of Rewards, Direct Costs and Operating Expenses

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

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

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

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

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

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

Change in deferred revenue is calculated as the difference between Gross Billings and revenue recognized, including recognition of Breakage.

Future Redemption Costs represent management's estimated future cost of rewards in respect of Loyalty Units sold which remain outstanding and unbroken at the end of any given period. Future Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Loyalty Unit redeemed for that period (cost of rewards / Loyalty Units redeemed) and applying it to the total unbroken Loyalty Units outstanding at the end of that period. As a result, Future Redemption Costs and the Change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Loyalty Unit redeemed for the period in question.

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

Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to operating income or net income in measuring performance, and is not comparable to similar measures used by other issuers. For a reconciliation to GAAP, please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

ADJUSTED NET EARNINGS

Net earnings attributable to equity holders of the Corporation adjusted for Amortization of Accumulation Partners' contracts, customer relationships and technology, Change in deferred revenue, Change in

Future Redemption Costs and the income tax effect thereon calculated at the effective income tax rate as reflected in the statement of operations, provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA.

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

STANDARDIZED FREE CASH FLOW ("FREE CASH FLOW")

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

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

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

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

CAPABILITY TO DELIVER RESULTS

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

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

On September 13, 2010, Aimia acquired an initial participation in PLM, for cash consideration of US$23.3 million ($24.1 million), including transaction costs of US$1.3 million ($1.4 million). PLM is the owner and operator of Club Premier, a Mexican coalition loyalty program. Until February 27, 2011, the investment was accounted for as an available-for-sale investment with fair value changes being recorded through other comprehensive income. Fair value was determined to approximate cost.

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

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. The proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche on the basis of management's preliminary valuation of the identifiable assets of PLM. An independent valuation of the intangible assets will be completed by the end of 2011. Please refer to discussion included in *Net Earnings* under the *Operating and Financial Results* section.

For the three and nine months ended September 30, 2011, Aimia's share of PLM's financial statement items was as follows:

Statement of operations data	Three months ended September 30,		Nine months ended September 30,	
(in millions of $)	2011	2010	2011 [(a)]	2010
	$	$	$	$
Revenue	4.1	-	7.8	-
Expenses	4.7	-	5.2	-

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

Statement of financial position data	September 30, 2011	December 31, 2010
(in millions of $)		
	$	$
Current assets	13.8	-
Long-term assets	33.0	-
Current liabilities	13.6	-
Long-term liabilities	10.4	-

For the three and nine months ended September 30, 2011, PLM reported Gross Billings of $29.1 million and $81.2 million, respectively.

INVESTMENT IN CARDLYTICS, INC.

On September 8, 2011, Aimia acquired a minority participation in Cardlytics, a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking, for a cash consideration of US$23.4 million ($23.0 million). The investment in Cardlytics is accounted in long-term investments as an available-for-sale investment and is measured at cost since the investment does not have a quoted price in an active market and its fair value cannot be reliably measured.

Should a reliable estimate of the fair value become available, the investment in Cardlytics will be measured at fair value with changes in fair value recognized in other comprehensive income.

Given that the investment was made on September 8, 2011, the fair value of the investment in Cardlytics at September 30, 2011 has been determined to approximate cost.

OPERATING AND FINANCIAL RESULTS

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

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

QUARTER HIGHLIGHTS

- Gross Billings of $541.8 million;
- Operating income of $55.3 million;
- Net earnings attributable to equity holders of the Corporation of $26.1 million;
- Earnings per common share of $0.13;
- Cash flows from operations of $138.6 million;
- Adjusted EBITDA of $104.2 million;
- Adjusted net earnings of $59.2 million;
- Free cash flow of $95.8 million.

AIMIA

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

(in thousands, except share and per share information)	Three months ended September 30,		Nine months ended September 30,		%∆	
	2011	2010	2011	2010	Q3	YTD
	$	$	$	$		
Gross Billings	**541,819**	**520,455**	**1,612,117**	**1,594,136** (h)	**4.1**	**1.1**
Gross Billings from the sale of Loyalty Units	**384,651**	**360,062**	**1,135,593**	**1,063,053**	**6.8**	**6.8**
Revenue from Loyalty Units	345,150	304,445	1,069,389	925,803	13.4	15.5
Revenue from proprietary loyalty services	128,549	133,107	404,994	443,778	(3.4)	(8.7)
Other revenue	27,713	23,960	80,839	68,075	15.7	18.7
Total revenue	501,412	461,512	1,555,222	1,437,656	8.6	8.2
Cost of rewards and direct costs	(283,733)	(322,938) (a)(i)	(909,086)	(902,934) (a)	(12.1)	0.7
Gross margin before depreciation and amortization (b)	217,679	138,574	646,136	534,722	57.1	20.8
Depreciation and amortization	(8,419)	(7,403)	(24,335)	(22,196)	13.7	9.6
Amortization of Accumulation Partners' contracts, customer relationships and technology	(23,109)	(23,228)	(69,331)	(70,008)	(0.5)	(1.0)
Gross margin	186,151	107,943 (a)(i)	552,470	442,518 (a)	72.5	24.8
Operating expenses	(130,867)	(107,297) (a)	(408,332)	(395,987) (a)	22.0	3.1
Amortization of Accumulation Partners' contracts, customer relationships and technology	23,109	23,228	69,331	70,008	(0.5)	(1.0)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**78,393**	**23,874** (a)(i)	**213,469**	**116,539** (a)	**228.4**	**83.2**
Depreciation and amortization	8,419	7,403	24,335	22,196	13.7	9.6
EBITDA (b)(d)	**86,812**	**31,277** (a)(i)	**237,804**	**138,735** (a)	**177.6**	**71.4**
Adjustments:						
Change in deferred revenue						
Gross Billings	541,819	520,455	1,612,117	1,594,136 (h)		
Revenue	(501,412)	(461,512)	(1,555,222)	(1,437,656)		
Change in Future Redemption Costs (c)	(23,000)	(33,423)	(42,042)	(94,440)		
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)						
Subtotal of Adjustments	17,407	25,520	14,853	62,040		
Adjusted EBITDA (d)	**104,219**	**56,797** (a)(i)	**252,657**	**200,775** (a)(h)	**83.5**	**25.8**
Net earnings attributable to equity holders of the Corporation	**26,066** (f)	**(11,546)** (a)(f)(i)	**66,589** (f)	**18,109** (a)(f)		
Weighted average number of shares	177,253,111	195,481,856	180,956,779	197,343,155		
Earnings per common share (e)	0.13 (f)	(0.07) (a)(f)(i)	0.32 (f)	0.05 (a)(f)		
Net earnings attributable to equity holders of the Corporation	**26,066** (f)	**(11,546)** (a)(f)(i)	**66,589** (f)	**18,109** (a)(f)	**325.8**	**267.7**
Amortization of Accumulation Partners' contracts, customer relationships and technology	23,109	23,228	69,331	70,008		
Subtotal of Adjustments (from above)	17,407	25,520	14,853	62,040		
Effective tax rate (%) (g)	-42.20%	8.11%	-42.49%	-31.70%		
Tax on adjustments at the effective rate	(7,346)	2,070	(6,311)	(19,668)		
Adjusted net earnings (d)	**59,236** (f)	**39,272** (a)(f)(i)	**144,462** (f)	**130,489** (a)(f)(h)	**50.8**	**10.7**
Adjusted net earnings per common share (e)	0.32 (f)	0.19 (a)(f)(i)	0.75 (f)	0.62 (a)(f)(h)		
Net earnings attributable to equity holders of the Corporation	26,066 (f)	(11,546) (a)(f)(i)	66,589 (f)	18,109 (a)(f)		
Earnings per common share (e)	0.13 (f)	(0.07) (a)(f)(i)	0.32 (f)	0.05 (a)(f)		
Cash flow from operations	**138,604**	**152,340**	**214,918**	**170,750**	**(9.0)**	**25.9**
Capital Expenditures	(13,779)	(12,947)	(29,734)	(31,016)		
Dividends	(29,056)	(26,686)	(84,581)	(81,402)		
Free cash flow (d)	**95,769**	**112,707**	**100,603**	**58,332**	**(15.0)**	**72.5**
Total assets	4,997,980	5,178,480	4,997,980	5,178,480		
Total long-term liabilities	1,335,740	1,648,794	1,335,740	1,648,794		
Total dividends	29,056	26,686	84,581	81,402		
Total dividends per preferred share	0.406	0.406	1.219	1.124		
Total dividends per common share	0.150	0.125	0.425	0.375		

(a) Includes the non comparable effect of a $17.4 million (£10.9 million) net charge to earnings recognized as a result of the ECJ VAT Judgment for the three and nine month periods ended September 30, 2010. Of this amount, $53.1 million (£33.4 million), representing input tax credits attributable to the period from 2002 to 2009, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

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

(c) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.

(d) A non-GAAP measurement.

(e) After deducting dividends paid on preferred shares.

(f) Interest expense for the period includes the effect of a net charge recognized as a result of the ECJ VAT Judgment amounting to $1.3 million (£0.8 million) and $3.4 million (£2.1 million) for the three and nine month periods ended September 30, 2011, respectively, compared to $6.4 million (£4.0 million) for the three and nine month periods ended September 30, 2010.

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

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

(i) Cost of rewards for the three months ended September 30, 2010 includes a non-comparable charge of $3.6 million (£2.3 million) representing input tax credits attributable to the six month period ended June 30, 2010.

SEGMENTED INFORMATION

Effective January 1, 2011, the Corporation was reorganized into three reportable and operating segments: Canada, EMEA and US & APAC.

The segments are the Corporation's strategic business units. For each of the strategic business units, the Corporation's CEO reviews internal management reports on a monthly basis. The segments have been identified on the basis of geographical regions and are aligned with the organizational structure and strategic direction of the organization.

The Canada segment derives its revenues primarily from the Aeroplan Program and from proprietary loyalty services. The US & APAC segment derives its revenues primarily from proprietary loyalty services. The EMEA segment derives its revenues primarily from loyalty programs, including the Nectar and Nectar Italia programs, operating in the United Kingdom and Italy, respectively, and from its 60% ownership interest in RMMEL, owner and operator of Air Miles Middle East. In addition, the EMEA segment generates revenues from proprietary loyalty services and loyalty analytics services, including ISS.

For the year ended December 31, 2010, the Corporation's operating segments were Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe. The change in segmentation results from a strategic decision to transition to a regional structure in order to leverage the full suite of loyalty management capabilities across the regions in order to optimize revenue and cost synergies, brands and technology. As a result, the comparative information for 2010 has been restated to conform with the new segmentation.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. There are no significant inter-segment sales. Management of other financial expenses and income tax expense is centralized and, consequently, these expenses are not allocated to the operating segments.

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

(in thousands) — **Three months ended September 30,**

Operating segments	Canada 2011	Canada 2010 (k)	EMEA 2011	EMEA 2010 (k)	US & APAC 2011	US & APAC 2010 (k)	Corporate (c) 2011	Corporate (c) 2010 (k)	Consolidated 2011	Consolidated 2010 (k)
	$	$	$	$	$	$	$	$	$	$
Gross Billings	320,839	312,424	139,783 (d)	123,542 (d)	81,197 (d)	84,489 (d)	-	-	541,819 (d)	520,455 (d)
Gross Billings from the sale of Loyalty Units	265,798	256,971	118,853	103,091	-	-	-	-	384,651	360,062
Revenue from Loyalty Units	253,315	230,453	91,835	73,991	-	-	-	-	345,150	304,444
Revenue from proprietary loyalty services	42,488	40,929	5,739	6,557	80,322	85,622	-	-	128,549	133,108
Other revenue	12,393	11,378	15,320	12,582	-	-	-	-	27,713	23,960
Total revenue	308,196	282,760	112,894	93,130	80,322	85,622	-	-	501,412	461,512
Cost of rewards and direct costs	162,034	158,819	72,241	119,251 (g)	49,458	44,868	-	-	283,733	322,938 (g)
Gross margin before depreciation and amortization (a)	146,162	123,941	40,653	(26,121) (g)	30,864	40,754	-	-	217,679	138,574 (g)
Depreciation and amortization (b)	25,297	25,057	3,423	3,447	2,808	2,127	-	-	31,528	30,631
Gross margin	120,865	98,884	37,230	(29,568) (g)	28,056	38,627	-	-	186,151	107,943 (g)
Operating expenses before share-based compensation	54,458	51,861	32,187	(3,800) (g)	33,091	45,046	9,477	10,280	129,213	103,387 (g)
Share -based compensation	-	-	-	-	-	-	1,654	3,910	1,654	3,910
Total operating expenses	54,458	51,861	32,187	(3,800) (g)	33,091	45,046	11,131	14,190	130,867	107,297 (g)
Operating income (loss)	66,407	47,023	5,043	(25,768) (g)	(5,035)	(6,419)	(11,131)	(14,190)	55,284	646 (g)
Financial expenses	-	829	1,392 (h)	6,480 (h)	(9)	-	11,952	12,905	13,335 (h)	20,214 (h)
Financial income	1,061 (i)	6,017 (i)	1,012	926	129	139	-	-	2,202 (i)	7,082 (i)
Share of net loss of PLM	-	-	-	-	-	-	(669)	-	(669)	-
Earnings (loss) before income taxes	67,468 (i)	52,211 (i)	4,663 (h)	(31,322) (g)(h)	(4,897)	(6,280)	(23,752)	(27,095)	43,482 (h)(i)	(12,486) (g)(h)(i)
Adjusted EBITDA (j)	99,562	88,860	17,140	(12,448) (g)	(1,352)	(5,425)	(11,131)	(14,190)	104,219	56,797 (g)
Additions to non-current assets (e)	7,301	6,676	4,818	1,999	1,660	4,272	N/A	N/A	13,779	12,947
Non-current assets (e)	3,272,133	3,355,792	469,715 (f)	469,361 (f)	106,229 (f)	109,343 (f)	N/A	N/A	3,848,077 (f)	3,934,496 (f)
Deferred revenue	1,828,179	1,809,984	357,446	341,685	14,146	15,789	N/A	N/A	2,199,771	2,167,458
Total assets	3,789,354	4,025,244	941,639	917,635	202,279	211,498	64,708	24,103	4,997,980	5,178,480

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

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

(c) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the investments in PLM and Cardlytics and Aimia's share of PLM's net eanings (loss).

(d) Includes Gross Billings of $116.1 million in the UK and $43.9 million in the US for the three months ended September 30, 2011, compared to Gross Billings of $102.2 million in the UK and $46.7 million in the US for the three months ended September 30, 2010.

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

(f) Includes non-current assets of $417.0 million in the UK and $100.0 million in the US as of September 30, 2011, compared to non-current assets of $415.9 million in the UK and $103.0 million in the US as of September 30, 2010.

(g) Includes the non-comparable effect of a $21.0 million (£13.2 million) net charge to earnings recognized as a result of the ECJ VAT Judgment. Of this amount, $53.1 million (£33.4 million) and $3.6 million (£2.3 million), representing input tax credits attributable to the period from 2002 to 2009 and the six months ended June 30, 2010, respectively, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

(h) Includes the effect of a $1.3 million (£0.8 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment for the three months ended September 30, 2011, compared to a $6.4 million (£4.0 million) net charge to interest expense recognized during the three months ended September 30, 2010.

(i) Includes a loss of $1.4 million relating to the fair value adjustment of the Air Canada warrants for the three months ended September 30, 2011, compared to a gain of $1.8 million for the three months ended September 30, 2010.

(j) A non-GAAP measurement.

(k) Comparative figures have been reclassified to conform with the new segmentation.

(in thousands)

Nine months ended September 30,

Operating segments	Canada 2011	Canada 2010 (l)	EMEA 2011	EMEA 2010 (l)	US & APAC 2011	US & APAC 2010 (l)	Corporate (c) 2011	Corporate (c) 2010 (l)	Consolidated 2011	Consolidated 2010 (l)
	$	$	$	$	$	$	$	$	$	$
Gross Billings	964,483	912,232	398,250 (d)	362,536 (d)(j)	249,384 (d)	319,368 (d)(j)	-	-	1,612,117 (d)	1,594,136 (d)(j)
Gross Billings from the sale of Loyalty Units	799,401	757,422	336,192	305,631	-	-	-	-	1,135,593	1,063,053
Revenue from Loyalty Units	811,233	712,864	258,156	212,939	-	-	-	-	1,069,389	925,803
Revenue from proprietary loyalty services	133,678	112,435	19,682	24,468	251,634	306,875	-	-	404,994	443,778
Other revenue	37,634	37,003	43,205	31,072	-	-	-	-	80,839	68,075
Total revenue	982,545	862,302	321,043	268,479	251,634	306,875	-	-	1,555,222	1,437,656
Cost of rewards and direct costs	543,570	498,216	214,963	236,273 (g)	150,553	168,445	-	-	909,086	902,934 (g)
Gross margin before depreciation and amortization (a)	438,975	364,086	106,080	32,206 (g)	101,081	138,430	-	-	646,136	534,722 (g)
Depreciation and amortization (b)	75,467	74,971	10,157	10,650	8,042	6,583	-	-	93,666	92,204
Gross margin	363,508	289,115	95,923	21,556 (g)	93,039	131,847	-	-	552,470	442,518 (g)
Operating expenses before share-based compensation	163,064	152,288	102,703	71,378 (g)	107,982	135,380	28,395	29,045	402,144	388,091 (g)
Share -based compensation	-	-	-	-	-	-	6,188	7,896	6,188	7,896
Total operating expenses	163,064	152,288	102,703	71,378 (g)	107,982	135,380	34,583	36,941	408,332	395,987 (g)
Operating income (loss)	200,444	136,827	(6,780)	(49,822) (g)	(14,943)	(3,533)	(34,583)	(36,941)	144,138	46,531 (g)
Financial expenses	40	2,132	3,400 (h)	6,824 (h)	-	-	39,571	40,418	43,011 (h)	49,374 (h)
Financial income	4,025 (i)	16,706 (i)	2,887	2,779	260	139	-	-	7,172 (i)	19,624 (i)
Share of net earnings of PLM	-	-	-	-	-	-	5,859	-	5,859	-
Earnings (loss) before income taxes	204,429 (i)	151,401 (i)	(7,293) (h)	(53,867) (g)(h)	(14,683)	(3,394)	(68,295)	(77,359)	114,158 (h)(i)	16,781 (g)(h)(i)
Adjusted EBITDA (k)	273,931	242,950	22,460	(20,777) (g)(j)	(9,151)	15,543 (j)	(34,583)	(36,941)	252,657	200,775 (g)(j)
Additions to non-current assets (e)	16,285	15,941	10,187	3,488	3,262	11,587	N/A	N/A	29,734	31,016
Non-current assets (e)	3,272,133	3,355,792	469,715 (f)	469,361 (f)	106,229 (f)	109,343 (f)	N/A	N/A	3,848,077 (f)	3,934,496 (f)
Deferred revenue	1,828,179	1,809,984	357,446	341,685	14,146	15,789	N/A	N/A	2,199,771	2,167,458
Total assets	3,789,354	4,025,244	941,639	917,635	202,279	211,498	64,708	24,103	4,997,980	5,178,480

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

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

(c) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the investments in PLM and Cardlytics and Aimia's share of PLM's net eanings (loss).

(d) Includes Gross Billings of $329.2 million in the UK and $139.7 million in the US for the nine months ended September 30, 2011, compared to Gross Billings of $302.7 million in the UK and $210.9 million in the US for the nine months ended September 30, 2010.

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

(f) Includes non-current assets of $417.0 million in the UK and $100.0 million in the US as of September 30, 2011, compared to non-current assets of $415.9 million in the UK and $103.0 million in the US as of September 30, 2010.

(g) Includes the non-comparable effect of a $17.4 million (£10.9 million) net charge to earnings recognized as a result of the ECJ VAT Judgment. Of this amount, $53.1 million (£33.4 million), representing input tax credits attributable to the period from 2002 to 2009, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

(h) Includes the effect of a $3.4 million (£2.1 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment for the nine months ended September 30, 2011, compared to a $6.4 million (£4.0 million) net charge to interest expense recognized during the nine months ended September 30, 2010.

(i) Includes a loss of $3.6 million relating to the fair value adjustment of the Air Canada warrants for the nine months ended September 30, 2011, compared to a gain of $2.3 million for the nine months ended September 30, 2010.

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

(k) A non-GAAP measurement.

(l) Comparative figures have been reclassified to conform with the new segmentation.

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

(as a % of total revenue)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	%	%	%	%
Total Revenue	**100.0**	**100.0**	**100.0**	**100.0**
Cost of rewards and direct costs	(56.6)	(70.0) [(a)(f)]	(58.5)	(62.8) [(a)]
Gross margin before depreciation and amortization [(b)]	43.4	30.0 [(a)(f)]	41.5	37.2 [(a)]
Operating expenses	(26.1)	(23.2) [(a)]	(26.3)	(27.5) [(a)]
Depreciation and amortization	(1.7)	(1.6)	(1.6)	(1.5)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	15.6	5.2 [(a)(f)]	13.7	8.1 [(a)]

(as a % of Gross Billings)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	%	%	%	%
Gross Billings	**100.0**	**100.0**	**100.0**	**100.0** [(e)]
Total revenue	92.5	88.7	96.5	90.2
Cost of rewards and direct costs	(52.4)	(62.0) [(a)(f)]	(56.4)	(56.6) [(a)]
Operating expenses	(24.2)	(20.6) [(a)]	(25.3)	(24.8) [(a)]
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	14.5	4.6 [(a)(f)]	13.2	7.3 [(a)]
Adjusted EBITDA [(d)]	19.2	10.9 [(a)(f)]	15.7	12.6 [(a)(e)]
Adjusted Net Earnings (Loss) [(d)]	10.9 [(c)]	7.5 [(a)(c)(f)]	9.0 [(c)]	8.2 [(a)(c)(e)]
Free Cash Flow [(d)]	17.7	21.7	6.2	3.7

(a) Includes the non-comparable effect of a $17.4 million (£10.9 million) net charge to earnings recognized as a result of the ECJ VAT Judgment for the three and nine month periods ended September 30, 2010. Of this amount, $53.1 million (£33.4 million), representing input tax credits attributable to the period from 2002 to 2009, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

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

(c) Interest expense for the period includes the effect of a net charge recognized as a result of the ECJ VAT Judgment amounting to $1.3 million (£0.8 million) and $3.4 million (£2.1 million) for the three and nine month periods ended September 30, 2011, respectively, compared to $$6.4 million (£4.0 million) for the three and nine month periods ended September 30, 2010.

(d) A non-GAAP measurement.

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

(f) Cost of rewards for the three months ended September 30, 2010 includes a non-comparable charge of $3.6 million (£2.3 million) representing input tax credits attributable to the six month period ended June 30, 2010.

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

Gross Billings generated for the three months ended September 30, 2011 amounted to $541.8 million compared to $520.5 million for the three months ended September 30, 2010, representing an increase of $21.3 million or 4.1%, mainly as a result of the performance of the Canada and EMEA segments.

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

- Gross Billings were positively affected by increased financial partner activity due to an increase in the number of active cards and an increase in average consumer spend per active credit card, an increase in airline partner activity, continued growth in the retail sector and a recovery in the travel segment;
- Gross Billings generated from retail partners continued to be positively affected by the grocery sector. Specifically, in the UK, the strong ties of the Nectar Program to the grocery sector had a positive impact on Gross Billings despite the economic recession, as did the program's partnership in the energy sector; and
- Gross Billings generated from proprietary loyalty services were negatively impacted primarily by the phasing out of a portion of the Visa business in the US, approximating $5.8 million.

Gross Billings from the Sale of Loyalty Units generated for the three months ended September 30, 2011 amounted to $384.7 million compared to $360.1 million for the three months ended September 30, 2010, representing an increase of $24.6 million or 6.8%.

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

Canada

Aeroplan Miles issued during the three month period ended September 30, 2011 increased by 3.3% in comparison to the three months ended September 30, 2010, tracking above general economic indicators.

Aeroplan experienced an increase of $8.8 million in Gross Billings from the sale of Aeroplan Miles compared to the same period in the prior year resulting from increased financial partner activity due to an increase in the number of active cards and an increase in average consumer spend per active credit card, an increase in airline partner activity, continued growth in the retail sector and a recovery in the travel segment.

EMEA

Nectar UK Points issued during the three month period ended September 30, 2011 increased by 17.0% compared to the same period in the prior year driven by strong underlying growth and greater bonusing activity in the grocery sector and higher issuance in the energy sector as a result of a new Accumulation Partner, British Gas.

Nectar Italia Points issued increased by 10.1% in comparison to the prior period as the program is in its second year of operations.

The EMEA segment experienced an increase of $15.8 million in Gross Billings from Loyalty Units, net of an unfavourable $2.2 million currency impact resulting from the decrease in value of foreign currencies relative to the Canadian dollar. The operational variance of $18.0 million is mostly explained by a $15.4 million increase in Gross Billings from the sale of Loyalty Units in the Nectar Program driven by the grocery and energy sectors and an increase of $1.5 million in Nectar Italia's Gross Billings from the sale of Loyalty Units resulting from the program's growth in its second year of operations.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $157.2 million for the three months ended September 30, 2011 compared to $160.4 million for the three months ended September 30, 2010, representing a decrease of $3.2 million or 2.0%. The decrease is mostly explained by the phasing out of a portion of the Visa business in the US representing $5.8 million. Please refer to the *Revenue* section for details explaining the remaining variance.

Redemption activity – Under the Aeroplan Program, Total Miles redeemed for the three months ended September 30, 2011 amounted to 17.0 billion compared to 15.5 billion for the three months ended September 30, 2010, representing an increase of 1.5 billion or 9.7% driven primarily by the introduction of a new air redemption product and an increase in non-air redemptions.

Redemption activity for the Nectar Program increased by 7.2% compared to the third quarter of 2010, mainly driven by an increase in the number of Nectar Points in circulation.

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

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the average unit redemption cost or selling price of a Loyalty Unit will have a significant impact on results.

Revenue includes the following components:

Revenue from Loyalty Units, including Breakage, amounted to $345.2 million for the three months ended September 30, 2011 compared to $304.4 million for the three months ended September 30, 2010, representing an increase of $40.8 million or 13.4%. This increase is mainly attributable to:

- a favourable variance of $18.7 million in the Canada segment explained by an increase in total redemption volume and an increase in the cumulative average selling price of an Aeroplan Mile;
- a favourable variance of $15.2 million in the EMEA segment, net of the negative impact of foreign currencies of $1.4 million related to the translation of foreign operations. The operational variance of $16.6 million is explained mainly by increased redemptions at Nectar Italia, which had low levels of redemptions in the prior period as it was still in the start-up phase, and increased redemptions at the Nectar program in the UK. In addition, a favourable revenue adjustment amounting to $4.5 million was recorded in the current quarter relating to the revision of an estimate of points accrued and set aside for issuance in connection with online store related activities;
- on a consolidated basis, increased revenue recognized from Breakage of $6.9 million, net of the unfavourable fluctuation of foreign currencies of $0.3 million related to the translation of foreign operations. The operational variance of $7.2 million reflects the higher redemption activity during the current period.

Revenue from proprietary loyalty services, which consists of consolidated revenue from businesses formerly presented as Carlson Marketing, amounted to $128.5 million for the three months ended September 30, 2011 compared to $133.1 million for the three months ended September 30, 2010, representing a decrease of $4.6 million or 3.4% mainly attributable to:

- a decrease of $5.3 million in the US & APAC segment related mostly to the phasing out of a portion of the Visa business, representing $5.8 million, and the negative fluctuation of foreign currencies of $0.7 million related to the translation of foreign operations partially offset by increases in services with new and existing clients; and
- a decrease of $0.8 million in the EMEA segment resulting from reduced activity in the UK and in the Middle East; offset in part by
- an increase of $1.5 million in Canada, primarily explained by the fact that revenue for the three months ended September 30, 2010 was net of a $2.7 million acquisition accounting fair value adjustment relating to deferred revenue which was fully amortized by the end of the 2010 year. Excluding the impact of the 2010 adjustment, revenue from proprietary loyalty services decreased by $1.2 million, primarily explained by reduced activity in the financial vertical during the current period.

Other revenue amounted to $27.7 million for the three months ended September 30, 2011 compared to $24.0 million for the three months ended September 30, 2010, representing an increase of $3.7 million or 15.7%, mainly driven by increased activity in the UK, and international expansion of the ISS services. ISS related revenues increased by 23.1% compared to the prior period.

Cost of rewards and direct costs amounted to $283.7 million for the three months ended September 30, 2011 compared to $322.9 million for the three months ended September 30, 2010, representing a decrease of $39.2 million or 12.1%. This change is mainly attributable to the following factors:

The Canada segment experienced an increase of $3.2 million in cost of rewards and direct costs mostly explained by:

- a higher volume of air and non-air redemptions for the quarter, representing $12.7 million; offset by
- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $6.0 million and
- a decrease in proprietary loyalty services direct costs of approximately $3.5 million resulting primarily from a lower volume of services rendered during the current period.

The EMEA segment experienced a $47.0 million decrease in costs explained primarily by:

- the additional expense recorded during the third quarter of 2010 relating to the ECJ VAT Judgment of $56.7 million (£35.7 million) in the Nectar Program due to VAT deducted from indirect tax remittances to HMRC on member rewards, of which $53.1 million (£33.4 million) is attributable to the period from 2002 to 2009 and $3.6 million (£2.3 million) to the first six months of 2010;
- the positive impact of the currency fluctuation relative to the foreign currencies of $0.8 million; partly offset by
- increased redemption activity in the Nectar Program representing an additional $3.7 million to the redemption expense; and
- increased redemption activity under the Nectar Italia program accounting for approximately $6.0 million in redemption expense.

The US & APAC segment experienced an increase of $4.6 million in direct costs mainly attributable to the revenue mix of services rendered to new and existing clients.

Gross margin before depreciation and amortization increased by 13.4 percentage-points, a direct result of the factors described above, and represented 43.4% of total revenue at the end of the three month period ended September 30, 2011. It is composed of the following:

- Canada's gross margin before depreciation and amortization represented 47.4% of total revenue compared to 43.8%. The 3.6 percentage-points increase is attributable to lower unit costs due to redemption mix improvements, higher volume rebates and synergies from non-air rewards;
- EMEA's gross margin before depreciation and amortization represented 36.0% of total revenue compared to (28.0%). The variance was mainly driven by the adverse impact of the ECJ VAT Judgment on the prior period representing 60.9 percentage-points along with the revenue adjustment related to the online store representing 2.7 percentage-points in the current period; and
- US & APAC's gross margin before depreciation and amortization was 38.4% compared to 47.6%. This variance was mainly driven by the overall change in revenue mix as well as the negative impact of currency fluctuation recognized on the translation of foreign operations.

Operating expenses amounted to $130.9 million for the three months ended September 30, 2011 compared to $107.3 million for the same period in 2010, representing an increase of $23.6 million or 22.0%.

As a result of the transition to a regional structure, restructuring expenses amounting to $2.6 million were recorded in the three months ended September 30, 2011. These costs by segment are detailed as follows:

- Canada incurred $0.8 million in restructuring expenses relating to termination benefits; and
- US & APAC incurred $1.8 million in restructuring expenses relating to termination benefits.

During the three months ended September 30, 2010, EMEA's operating expenses were positively impacted by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment and by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome. Those items were offset partially by a $1.6 million (£1.0 million) provision recorded during the same period following the negative outcome of the ECJ VAT Judgment.

Excluding the effect of the restructuring expenses incurred during the third quarter of 2011 and the non-comparable effect of the ECJ VAT Judgment recorded during the third quarter of 2010, operating expenses decreased by $14.7 million or 10.3%. This variance is mainly attributable to:

- a $1.8 million increase in Canada resulting mostly from increased advertising and promotional spending offset in part by lower professional and administrative fees;
- a $0.3 million increase in the EMEA segment mostly explained by higher infrastructure and delivery costs of $2.4 million related to the growth of the ISS services and incremental administrative costs of $1.5 million associated with the growth of the EMEA segment, offset in part by savings of $1.9 million in respect to Nectar Italia launch related costs incurred in the third quarter of 2010, lower headcount costs of $0.6 million related to the proprietary loyalty business and the positive impact of currency fluctuation of $0.8 million recognized on the translation of foreign operations;
- a $13.8 million decrease in the US & APAC segment, including a $2.2 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mainly explained by $4.5 million of migration costs incurred in the third quarter of 2010 to separate from Carlson Marketing's former parent company, cost savings in the current period related to the transition away from the former parent of $4.0 million, lower compensation costs and outsourcing

expenses related to the change in revenue mix of $0.8 million and lower other administrative expenses; and

- a $3.0 million decrease in the corporate segment mainly attributable to lower consulting fees and lower share-based compensation expense resulting from the favourable impact of the revaluation of the share-based awards; partially offset by additional costs associated with the rebranding of the Corporation and business development activities during the current period.

Depreciation and amortization amounted to $8.4 million and $7.4 million for the three months ended September 30, 2011 and 2010, respectively.

Amortization of Accumulation Partners' contracts, customer relationships and technology amounted to $23.1 million for the three months ended September 30, 2011 compared to $23.2 million for the same period in 2010.

Operating income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $78.4 million for the three months ended September 30, 2011 compared to $23.9 million for the three months ended September 30, 2010, representing an increase of $54.5 million or 228.4%. Operating income for the third quarter of 2010 was negatively impacted by the recognition of a net charge of $21.0 million resulting from the ECJ VAT Judgment.

Net financing costs for the three months ended September 30, 2011 consist of interest revenue of $3.6 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds; offset by interest on long-term debt of $12.0 million, a loss of $1.4 million relating to the fair value adjustment of the Air Canada warrants, and other interest expense of $1.3 million which relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net earnings include the effect of $17.2 million of current income taxes and the share of net loss of PLM of $0.7 million.

Current income taxes are mostly attributable to income tax payable by our Canadian operations. In addition, cash income taxes are also incurred in Italy due to a difference in basis of taxation (i.e. taxable income is calculated on the basis of Gross Billings rather than redemption activity). Consistent with the prior year, future income tax recoveries, related mostly to our international tax structures and foreign operations, have not been recognized and are lower in magnitude than would otherwise have been expected as a result of not recording the tax benefit arising from start-up accounting losses and operating tax losses incurred in Italy and the US, respectively. Consequently, the future income tax expense, which is primarily related to the Canadian operations, is not offset by future income tax recoveries available in our foreign operations, resulting in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA amounted to $104.2 million or 19.2% (as a % of Gross Billings) for the three months ended September 30, 2011. Adjusted EBITDA in EMEA for the current period was favourably affected by the adjustment discussed in the *Revenue from Loyalty Units* section related to the revision of an estimate associated with online store activities, as points previously accrued and set aside for issuance will not be issued. The favourable impact on the current period Change in Future Redemption Costs amounted to $4.9 million. Adjusted EBITDA was $56.8 million or 10.9% (as a % of Gross Billings) for the three months ended September 30, 2010 and includes the non-comparable effect of a $21.0 million net charge recorded as a result of the ECJ VAT Judgment. Adjusted EBITDA excludes any share of net earnings related to PLM.

Adjusted Net Earnings amounted to $59.2 million or 10.9% (as a % of Gross Billings) for the three months ended September 30, 2011; compared to $39.3 million or 7.5% (as a % of Gross Billings), for the three months ended September 30, 2010. Adjusted Net Earnings for the three months ended September 30, 2011 and 2010 also include the effect of the accrual of interest payable as a result of the

ECJ VAT Judgment amounting to $1.3 million and $6.4 million, respectively. Adjusted Net Earnings for the current period also includes the share of net loss of PLM of $0.7 million. The effective tax rate has been impacted as described under *Net earnings*.

Free Cash Flow for the three months ended September 30, 2011, amounted to $95.8 million compared to $112.7 million for the three months ended September 30, 2010, mainly as a result of:

- a decrease in cash from operating activities of $13.7 million, mainly due to an increase of $17.5 million in cost of rewards and direct costs (excluding the impact of the ECJ VAT Judgment), attributable to higher redemptions in all loyalty programs, lower interest income received of $4.4 million, higher cash income taxes of $2.9 million, offset by growth in Gross Billings of $21.3 million and lower operating expenses (excluding the impact of the ECJ VAT Judgment) of $9.9 million; with changes in non-cash working capital accounting for the remaining variance;
- higher capital expenditures of approximately $0.8 million;
- increased dividends paid on common shares of $2.4 million, explained by the increase in dividends paid from $0.125 to $0.150 per share, partially offset by a lower number of common shares outstanding as a result of shares repurchased and cancelled under the Corporation's NCIB program.

Adjusted EBITDA, Adjusted Net Earnings, and ***Free Cash Flow*** are non-GAAP measures. Please refer to the *PERFORMANCE INDICATORS* section for additional information on these measures.

NINE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2010

Gross Billings generated for the nine months ended September 30, 2011 amounted to $1,612.1 million compared to $1,594.1 million for the nine months ended September 30, 2010, representing an increase of $18.0 million or 1.1%, mainly as a result of the performance of the Canada and EMEA segments. The increase was partially offset by a $17.4 million positive adjustment to Gross Billings in the second quarter of 2010, which related to a reclassification of deferred revenue amounts which were previously included in customer deposits. Excluding the effect of the reclassification, Gross Billings increased by 2.2% for the period. Gross Billings were also negatively affected by the phasing out of a portion of the Visa business in the US.

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

- Gross Billings were positively affected by an increase in the number of active cards and an increase in average consumer spend per active credit card, an increase in airline partner activity, continued growth in the retail sector and a recovery in the travel segment;
- Gross Billings generated from retail partners continued to be positively affected by the grocery sector. Specifically, in the UK, the strong ties of the Nectar Program to the grocery sector had a positive impact on Gross Billings despite the economic recession; and
- Gross Billings generated from proprietary loyalty services were negatively impacted primarily by the phasing out of a portion of the Visa business in the US, approximating $54.8 million, but partly offset by growth from the financial sector in Canada.

Gross Billings from the Sale of Loyalty Units generated for the nine months ended September 30, 2011 amounted to $1,135.6 million compared to $1,063.1 million for the nine months ended September 30, 2010, representing an increase of $72.5 million or 6.8%.

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

Canada

Aeroplan Miles issued during the nine month period ended September 30, 2011 increased by 5.0% in comparison to the nine months ended September 30, 2010, tracking above general economic indicators.

Aeroplan experienced an increase of $42.0 million in Gross Billings from the sale of Aeroplan Miles compared to the same period in the prior year resulting from increased financial partner activity due to an increase in the number of active cards and an increase in average consumer spend per active credit card, an increase in airline partner activity, continued growth in the retail sector and a recovery in the travel segment.

EMEA

Nectar UK Points issued during the nine month period ended September 30, 2011 increased by 7.6% compared to the same period in the prior year, due to growth in the grocery sector and higher issuance in the energy sector as a result of a new Accumulation Partner, British Gas.

Nectar Italia Points issued increased by 7.2% in comparison to the prior period due to a full nine months of operations compared to the prior year which commenced in March 2010. The benefit of a full nine months was partially offset by the absence of certain launch related activities that occurred in the prior year.

The EMEA segment experienced an increase of $30.6 million in Gross Billings from the sale of Loyalty Units, net of an unfavourable $3.0 million currency impact resulting from the decrease in value of foreign currencies relative to the Canadian dollar. The operational variance of $33.6 million is mainly due to a $23.2 million positive variance in Nectar UK from the grocery and energy sectors, which more than offset the impact of former Accumulation Partners. Nectar Italia's Gross Billings from the sale of Loyalty Units increased by $8.2 million, compared to 2010, due to a full nine months of operations and an increase in members and Accumulation Partners which generated an additional $17.7 million, offset in part by the absence of certain launch related activities that occurred in the prior year which amounted to $9.5 million.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $476.5 million for the nine months ended September 30, 2011 compared to $531.1 million for the nine months ended September 30, 2010, representing a decrease of $54.6 million or 10.3%. The decrease is partially explained by a $17.4 million positive adjustment to Other Gross Billings during the nine month period ended September 30, 2010 and the phasing out of a portion of the Visa business in the US representing $54.8 million, partly offset by growth from the financial sector in Canada. Please refer to the *Revenue* section for details explaining the remaining variance.

Redemption activity – Under the Aeroplan Program, Total Miles redeemed for the nine months ended September 30, 2011 amounted to 54.4 billion compared to 48.5 billion for the nine months ended September 30, 2010, representing an increase of 5.9 billion or 12.2% driven primarily by the introduction of a new air redemption product and an increase in non-air redemptions.

Redemption activity for the Nectar Program increased by 6.2% compared to the nine months ended September 30, 2010, mainly driven by an increase in the number of Nectar Points in circulation and the continued popularity of online rewards.

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

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the average unit redemption cost or selling price of a Loyalty Unit will have a significant impact on results.

Revenue includes the following components:

Revenue from Loyalty Units, including Breakage, amounted to $1,069.4 million for the nine months ended September 30, 2011 compared to $925.8 million for the nine months ended September 30, 2010, representing an increase of $143.6 million or 15.5%. This increase is mainly attributable to:

- a favourable variance of $80.6 million in the Canada segment explained by an increase in total redemption volume, a higher proportion of Aeroplan Miles redeemed during the period under the Aeroplan Program, and an increase in the cumulative average selling price of an Aeroplan Mile;
- a favourable variance of $37.8 million in the EMEA segment, net of the negative impact of foreign currencies of $1.2 million related to the translation of foreign operations. The operational variance of $39.0 million is mostly explained by increased redemptions at Nectar Italia due to a full nine months of operations and a higher number of Loyalty Units redeemed during the period under the Nectar UK and Air Miles Middle East programs. In addition, a favourable revenue adjustment amounting to $4.5 million was recorded for the nine months ended September 30, 2011, relating to the revision of an estimate of points accrued and set aside for issuance in connection with online store related activities;
- on a consolidated basis, increased revenue recognized from Breakage of $25.2 million, net of the unfavourable fluctuation of foreign currencies of $0.6 million related to the translation of foreign operations. The operational variance of $25.8 million reflects the higher redemption activity during the current period.

Revenue from proprietary loyalty services, which consists of consolidated revenue from businesses formerly presented as Carlson Marketing, amounted to $405.0 million for the nine months ended September 30, 2011 compared to $443.8 million for the nine months ended September 30, 2010, representing a decrease of $38.8 million or 8.7% mainly attributable to:

- a decrease of $55.2 million in the US & APAC segment largely related to the phasing out of a portion of the Visa business, representing $54.8 million, and the negative fluctuation of foreign currencies of $3.3 million related to the translation of foreign operations partially offset by increases in services with new and existing clients; and
- a decrease of $4.8 million in the EMEA segment resulting from reduced activity in the UK and in the Middle East; offset in part by
- an increase of $21.2 million in Canada driven by growth in the financial vertical. Revenue for the nine months ended September 30, 2010 was reported net of a $8.1 million acquisition accounting fair value adjustment relating to deferred revenue which was fully amortized by the end of the 2010 year.

Other revenue amounted to $80.9 million for the nine months ended September 30, 2011 compared to $68.1 million for the nine months ended September 30, 2010, representing an increase of $12.8 million or 18.7%, mainly driven by increased activity in the UK, and international expansion of the ISS services. ISS related revenues increased by 50.2% compared to the comparative period.

Cost of rewards and direct costs amounted to $909.1 million for the nine months ended September 30, 2011 compared to $902.9 million for the nine months ended September 30, 2010, representing an increase of $6.2 million or 0.7%. This change is mainly attributable to the following factors:

The Canada segment experienced an increase of $45.4 million in cost of rewards and direct costs mostly explained by:

- a higher volume of air and non-air redemptions for the period, representing $53.5 million;
- an increase in the proportionate allocation of the total air redemptions of Aeroplan Miles issued under the Aeroplan Program, representing a total of $4.2 million; and
- an increase in proprietary loyalty services direct costs of approximately $0.4 million resulting from a higher volume of services rendered during the current period; partially offset by
- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $12.7 million.

The EMEA segment experienced a $21.3 million decrease in costs explained primarily by:

- the additional expense recorded during the third quarter of 2010 related to the ECJ VAT Judgment of $53.1 million (£33.4 million) in the Nectar Program due to VAT deducted from indirect tax remittances to HMRC on member rewards attributable to the period from 2002 to 2009;
- the positive impact of the currency fluctuation relative to the foreign currencies of $1.5 million; partly offset by
- increased redemption activity in the Nectar Program representing an additional $8.9 million to redemption expense;
- increased redemption activity under the Nectar Italia program accounting for approximately $20.4 million; and
- additional direct costs of $3.9 million associated with the growth of the ISS services.

The US & APAC segment experienced a decrease of $17.9 million in direct costs due mostly to the decline in revenue and partly offset by increased costs related to the mix of additional services with new and existing clients.

Gross margin before depreciation and amortization increased by 4.3 percentage-points, a direct result of the factors described above, and represented 41.5% of total revenue at the end of the nine month period ended September 30, 2011. It is composed of the following:

- Canada's gross margin before depreciation and amortization represented 44.7% of total revenue compared to 42.2%. The 2.5 percentage-points increase is attributable to lower unit costs due to redemption mix improvements, higher volume rebates and synergies from non-air rewards;
- EMEA's gross margin before depreciation and amortization represented 33.0% of total revenue compared to 12.0%. The variance was mainly driven by the adverse impact of the ECJ VAT Judgment on the nine month period ended September 30, 2010 representing 19.8 percentage-points along with the revenue adjustment related to the online store representing 1.0 percentage-point in the current period; and
- US & APAC's gross margin before depreciation and amortization was 40.2% compared to 45.1%. The variance is mainly driven by the overall change in revenue mix as well as the negative impact of currency fluctuation recognized on the translation of foreign operations.

Operating expenses amounted to $408.3 million for the nine months ended September 30, 2011 compared to $396.0 million for the same period in 2010, representing an increase of $12.3 million or 3.1%.

As a result of the transition to a regional structure, restructuring expenses and other reorganization costs amounting to $11.6 million and $2.4 million, respectively, were recorded in the nine months ended September 30, 2011. These costs by segment are detailed as follows:

- Canada incurred $4.2 million in restructuring expenses relating to termination benefits;
- EMEA incurred $3.8 million in restructuring expenses, of which $1.5 million relate to termination benefits and $2.3 million relate to an onerous lease. In addition, other reorganization costs of $0.5 million were incurred; and
- US & APAC incurred $3.6 million in restructuring expenses which relate to termination benefits and $1.9 million in exit costs associated with the phasing out of a portion of the Visa business.

During the nine months ended September 30, 2010, EMEA's operating expenses were positively impacted by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment and by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome. Those items were offset partially by a $1.6 million (£1.0 million) provision recorded during the same period following the negative outcome of the ECJ VAT Judgment.

Excluding the effect of the restructuring expenses and other reorganization costs incurred during the nine month period ended September 30, 2011 and the non-comparable effect of the ECJ VAT Judgment recorded during the third quarter of 2010, operating expenses decreased by $37.4 million or 8.7%. This variance is mainly attributable to:

- a $6.5 million increase in the Canada segment resulting mostly from increased advertising and promotional spending offset in part by lower professional and administrative fees;
- a $8.7 million decrease in the EMEA segment, including a $0.6 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $8.1 million is mostly explained by savings of $20.4 million in respect to the Nectar Italia launch costs incurred during the nine months ended September 30, 2010 and lower headcount costs and operating expenses of $2.4 million related to the proprietary loyalty business. These items were partially offset by $8.9 million composed of higher infrastructure and delivery costs related to the growth of the ISS services and the ramp-up of the Nectar Italia business. In addition, the overall decrease was offset by incremental administrative costs of $5.2 million associated with the growth of the EMEA segment;
- a $32.9 million decrease in the US & APAC segment, including a $4.9 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance of $28.0 million is explained by $10.1 million of migration costs incurred in the prior period of 2010 to separate from Carlson Marketing's former parent company, cost savings in the current period related to the transition away from the former parent of $9.9 million and lower compensation costs and outsourcing expenses related to the change in revenue mix of $7.0 million; and
- a $2.3 million decrease in the corporate segment mainly attributable to lower consulting fees, lower share-based compensation expense resulting from the favourable impact of the revaluation of the share-based awards; partially offset by increased compensation costs due to higher headcount and additional costs associated with the rebranding of the Corporation and business development activities during the current period

Depreciation and amortization amounted to $24.3 million and $22.2 million for the nine months ended September 30, 2011 and 2010, respectively.

Amortization of Accumulation Partners' contracts, customer relationships and technology amounted to $69.3 million for the nine months ended September 30, 2011 compared to $70.0 million for the same period in 2010.

Operating income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $213.5 million for the nine months ended September 30, 2011 compared to $116.5 million for the nine months ended September 30, 2010, representing an increase of $97.0 million or 83.2%. Operating income for the third quarter of 2010 was negatively impacted by the recognition of a net charge of $17.4 million resulting from the ECJ VAT Judgment.

Net financing costs for the nine months ended September 30, 2011 consist of interest revenue of $10.8 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds; offset by interest on long-term debt of $39.6 million, which includes $1.5 million of deferred transaction costs written off as a result of the refinancing of the credit facilities, a loss of $3.6 million relating to the fair value adjustment of the Air Canada warrants, and other interest expense of $3.4 million, which relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net earnings include the effect of $34.5 million of current income taxes and the share of net earnings of PLM of $5.9 million which incorporates a fair value gain of $3.3 million, recognized on a step basis on the second tranche investment, as well as the earnings portion from March to September 2011. This level of earnings participation is not indicative of anticipated future quarter results.

Current income taxes are mostly attributable to income tax payable by our Canadian operations. In addition, cash income taxes are also incurred in Italy due to a difference in basis of taxation (i.e. taxable income is calculated on the basis of Gross Billings rather than redemption activity). Consistent with the prior year, future income tax recoveries, related mostly to our international tax structures and foreign operations, have not been recognized and are lower in magnitude than would otherwise have been expected as a result of not recording the tax benefit arising from start-up accounting losses and operating tax losses incurred in Italy and the US, respectively. Consequently, the future income tax expense, which is primarily related to the Canadian and UK operations, is not offset by future income tax recoveries available in our foreign operations, resulting in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA amounted to $252.7 million or 15.7% (as a % of Gross Billings) for the nine months ended September 30, 2011. Adjusted EBITDA in EMEA for the current period was favourably affected by the adjustment discussed in the *Revenue from Loyalty Units* section related to the revision of an estimate associated with online store activities, as points previously accrued and set aside for issuance will not be issued. The favourable impact on the current period Change in Future Redemption Costs amounted to $4.9 million. Adjusted EBITDA was $200.8 million or 12.6% (as a % of Gross Billings) for the nine months ended September 30, 2010 and includes the non-comparable effect of a $17.4 million net charge recorded as a result of the ECJ VAT Judgment. Adjusted EBITDA excludes any share of net earnings related to PLM.

Adjusted Net Earnings amounted to $144.5 million or 9.0% (as a % of Gross Billings) for the nine months ended September 30, 2011; compared to $130.5 million or 8.2% (as a % of Gross Billings), for the nine months ended September 30, 2010. Adjusted Net Earnings for the nine months ended September 30, 2011 and 2010 also include the effect of the accrual of interest payable as a result of the ECJ VAT Judgment amounting to $3.4 million and $6.4 million, respectively. Adjusted Net Earnings for the current period also includes the share of net earnings of PLM of $5.9 million. The effective tax rate has been impacted as described under *Net earnings*.

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

Free Cash Flow for the nine months ended September 30, 2011, amounted to $100.6 million compared to $58.3 million for the nine months ended September 30, 2010, mainly as a result of:

- an increase in cash from operating activities of $44.2 million, due to increased Gross Billings of $35.4 million excluding the $17.4 million non-cash reclassification related to Carlson Marketing recorded in the same period last year; lower operating expenses (excluding the impact of the ECJ VAT Judgment) of $21.6 million and lower cash taxes of $16.7 million due to timing of instalments. This was offset by an increase of $59.3 million in cost of rewards and direct costs (excluding the impact of the ECJ VAT Judgment), mainly attributable to higher redemptions in all loyalty programs, lower interest received with the absence of the Air Canada club loan and higher interest paid due to the timing of payments on the long-term debt with changes in non-cash working capital accounting for the remaining variance;

- increased dividends paid on the preferred shares of $0.7 million as a result of the timing of the issuances of the shares in 2010 and increased dividends paid on common shares of $2.5 million, explained by the increase in dividends paid from $0.125 to $0.15 per share during the second quarter of 2011, partially offset by a lower number of common shares outstanding as the result of shares repurchased and cancelled under the Corporation's NCIB program;
- lower capital expenditures of approximately $1.3 million for the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010.

Adjusted EBITDA, Adjusted Net Earnings, and ***Free Cash Flow*** are non-GAAP measures. Please refer to the *PERFORMANCE INDICATORS* section for additional information on these measures.

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended September 30, 2011.

(in thousands, except per share amounts)	2011 [a]			2010 [a]				2009 [b]
	Q3	Q2	Q1	Q4	Q3	Q2 [i]	Q1 [i]	Q4 [i]
	$	$	$	$	$	$	$	$
Gross Billings	**541,819**	**542,418**	**527,880**	**593,617**	**520,455**	**555,734** [c]	**517,947**	**386,698**
Gross Billings from the sale of Loyalty Units	**384,651**	**388,203**	**362,739**	**394,698**	**360,062**	**364,722**	**338,269**	**363,048**
Revenue	**501,412**	**507,602**	**546,208**	**618,579**	**461,512**	**467,885**	**508,259**	**424,852**
Cost of rewards and direct costs	(283,733)	(297,737)	(327,616)	(392,348)	(322,938) [d]	(274,256)	(305,740)	(279,698)
Gross margin before depreciation and amortization [e]	217,679	209,865	218,592	226,231	138,574 [d]	193,629	202,519	145,154
Operating expenses	(130,867)	(139,484)	(137,981)	(146,606)	(107,297) [d]	(142,101)	(146,589)	(75,239)
Depreciation and amortization	(8,419)	(8,096)	(7,820)	(10,258)	(7,403)	(7,166)	(7,627)	(4,722)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	78,393	62,285	72,791	69,367	23,874 [d]	44,362	48,303	65,193
Amortization of Accumulation Partners' contracts, customer relationships and technology	(23,109)	(22,893)	(23,329)	(20,300)	(23,228)	(23,812)	(22,968)	(19,967)
Operating income (loss)	55,284	39,392	49,462	49,067	646 [d]	20,550	25,335	45,226
Net earnings (loss) attributable to equity holders of the Corporation	**26,066** [f]	**15,095** [f]	**25,428** [f]	**(3,186)** [f]	**(11,546)** [d][f]	**11,236**	**18,419**	**20,545**
Adjusted EBITDA [g]	104,219	76,854	72,553	85,473	56,797 [d]	89,528 [c]	55,836	69,553
Adjusted net earnings [g]	59,236 [f]	41,553 [f]	44,020 [f]	16,624 [f]	39,272 [d][f]	65,210 [c]	41,303	40,319
Net earnings (loss) attributable to equity holders of the Corporation	**26,066** [f]	**15,095** [f]	**25,428** [f]	**(3,186)** [f]	**(11,546)** [d][f]	**11,236**	**18,419**	**20,545**
Earnings (loss) per common share [h]	0.13 [f]	0.07 [f]	0.12 [f]	(0.03) [f]	(0.07) [d][f]	0.04	0.08	0.10
Free cash flow [g]	95,769	51,800	(46,966)	55,319	112,707	11,664	(66,039)	79,168

(a) Reported under IFRS.

(b) Reported under previous Canadian GAAP.

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

(d) Includes the non-comparable effect of a $21.0 million (£13.2 million) net charge to earnings recognized as a result of the ECJ VAT Judgment. Of this amount, $53.1 million (£33.4 million) and $3.6 million (£2.3 million), representing input tax credits attributable to the period from 2002 to 2009 and the six months ended June 30, 2010, respectively, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

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

(f) Includes the effect of a net charge to interest expense recognized as a result of the ECJ VAT Judgment representing $6.4 million (£4.0 million), $0.8 million (£0.5 million), $1.0 million (£0.6 million), $1.0 million (£0.7 million) and $1.3 million (£0.8 million) for the three month periods ended September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011 and September 30, 2011, respectively.

(g) A non-GAAP measurement.

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

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

FINANCING STRATEGY

Aimia generates sufficient cash flow internally to fund cash dividends, capital expenditures and to service its debt obligations. Management believes that Aimia's internally generated cash flows, combined with its ability to access undrawn credit facilities and external capital, provide sufficient resources to finance its cash requirements for the foreseeable future and to maintain available liquidity, as discussed in the *LIQUIDITY AND CAPITAL RESOURCES* section. Dividends are expected to continue to be funded from internally generated cash flows.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2011, Aimia had $255.3 million of cash and cash equivalents, $14.9 million of restricted cash, $41.7 million of short-term investments and $276.5 million of long-term investments in bonds, for a total of $588.4 million. Approximately $19.7 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to November 2011 and $306.8 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between September, 2012 and June, 2020. The Aeroplan Canada Miles redemption reserve described under *Redemption Reserve* is included in short-term investments and long-term investments. Aimia's cash and cash equivalents, restricted cash, short-term investments and long-term investments in bonds are not invested in any asset-backed commercial paper.

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

(in thousands)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Cash and cash equivalents, beginning of period	**192,935**	**541,131**	**538,580**	**609,848**
Cash from operating activities	138,604	152,340	214,918	170,750
Cash used in investing activities	(43,336)	111,383	(207,360)	81,533
Cash used in financing activities	(42,125)	(115,656)	(299,098)	(168,287)
Translation adjustment related to cash	9,214	(621)	8,252	(5,267)
Cash and cash equivalents, end of period	**255,292**	**688,577**	**255,292**	**688,577**

OPERATING ACTIVITIES

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

Cash flows from operating activities were $138.6 million and $214.9 million for the three and nine months ended September 30, 2011 compared to $152.3 million and $170.8 million for the three and nine months ended September 30, 2010, respectively. The unfavourable variance for the three months ended September 30, 2011 compared to the same period last year is mainly attributable to higher redemptions in all loyalty programs, lower interest income received and higher cash income taxes paid. For the comparable three month period of 2010, accounts receivable and provisions included the impact of an accrual related to the ECJ VAT Judgment. Consequently, the changes in non-cash working capital presented for the 2010 three month period included the impact of these accruals. The favourable variance for the nine months ended September 30, 2011 compared to the same period of 2010 was primarily attributable to improved sources of working capital, lower cash taxes offset by lower interest received due to the absence of the Air Canada club loan in the current period. Please refer to the *Free Cash Flow* section for more information on cash flow from operation variances.

The ECJ VAT Judgment has not yet affected cash flows from operating activities as the amounts have not been settled. This will likely occur once the UK Supreme Court renders judgment based on the guidance of the ECJ and the settlement process is agreed to with HMRC, which is anticipated to take place subsequent to the hearing which is scheduled to take place on October 24 and 25, 2012.

Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow of $44.0 million (£27.1 million) will be released to the Corporation upon ratification by the UK Supreme Court of the ECJ VAT Judgment.

Upon settlement, based on accrued balances as at September 30, 2011, the net cash outflow is expected to be $36.2 million (£22.3 million), including the receipt of accrued interest on the cash held in escrow amounting to $1.3 million (£0.8 million) to date.

INVESTING ACTIVITIES

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

Short-term investments made for the three and nine months ended September 30, 2011, amounted to $4.3 million and $11.0 million, respectively. Long-term investments made for the three and nine months ended September 30, 2011, amounted to $25.3 million and $154.9 million, respectively, and include the investment in Cardlytics of $23.0 million.

Capital expenditures for the three and nine months ended September 30, 2011, amounted to $13.8 million and $29.7 million, respectively. Capital expenditures for 2011, which are primarily related to expenditures associated with software development initiatives launched in fiscal 2011, are expected to approximate $55.0 million. However, given the year to date capital spending, some of the projects planned for 2011 may slip into 2012.

FINANCING ACTIVITIES

For the three and nine months ended September 30, 2011, financing activities used cash of $42.1 million and $299.1 million, respectively.

Cash used in financing activities for the nine months ended September 30, 2011, was primarily related to the payment of common and preferred dividends in the amount of $84.6 million and the repurchase of common shares in the amount of $165.4 million as described under the *CAPITAL STOCK* section. In addition, an amount of $150.0 million was drawn under the revolving facility, of which $100.0 million was drawn on May 6, 2011 to fully repay the outstanding amount under the term facility and $50.0 million was drawn during the third quarter for corporate purposes. The funds drawn on May 6, 2011 under the revolving facility were subsequently repaid with cash on hand during the second quarter, while the amount of $50.0 million drawn during the third quarter remained outstanding as of September 30, 2011. Related to the refinancing of the Corporation's credit facilities, $1.0 million was disbursed as transaction costs during the period. An amount of $1.9 million was received by the Corporation upon the exercise of stock options.

The dividend policy is subject to the discretion of the Board of Directors of Aimia and may vary depending on, among other things, Aimia's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the Canada Business Corporations Act (the "CBCA") for the declaration of dividends and other conditions existing at such future time. The preferred shares bear a 6.5% annual cumulative dividend or $0.40625 per preferred share per quarter.

LIQUIDITY

Aimia anticipates that total capital requirements for the 2011 fiscal year of $169.4 million, including $114.4 million in respect of anticipated cash dividends to its common and preferred shareholders and approximately $55.0 million of capital expenditures, will be funded from operations, available cash on deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

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

REDEMPTION RESERVE

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

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

Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of business. Management reviews the adequacy of the Reserve periodically and may adjust the level of the Reserve depending upon the outcome of this review.

At September 30, 2011, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 34.8% of the consolidated Future Redemption Cost liability.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $1,322.0 million.

CREDIT FACILITIES AND LONG-TERM DEBT

On May 6, 2011, Aimia concluded an amendment to its existing credit facilities with its lending syndicate, resulting in the settlement of the old credit facilities and new borrowings under the new credit facility. As of September 30, 2011, $50.0 million was drawn and $250.0 million remained authorized and available under the revolving facility.

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

(in thousands)	**Authorized at September 30, 2011**	**Drawn at September 30, 2011**	**Drawn at December 31, 2010**
	$	**$**	**$**
Revolving facility *[(a)]*	300,000	50,000	-
Term facility *[(b)]*	-	-	100,000
Senior Secured Notes Series 1 *[(c)]*	N/A	200,000	200,000
Senior Secured Notes Series 2 *[(d)]*	N/A	150,000	150,000
Senior Secured Notes Series 3 *[(e)]*	N/A	200,000	200,000
Prepaid interest *[(f)]*	N/A	(100)	(259)
Unamortized transaction costs *[(f)]*	N/A	(3,707)	(5,838)
		596,193	643,903
Less: current portion *[(c)]*		200,000	-
Total		**396,193**	**643,903**

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

At September 30, 2011, amounts borrowed under the revolving facility were in the form of Bankers' Acceptances with a 30-day term and an interest rate of 3.48%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $13.9 million. This amount reduces the available credit under the revolving facility.

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

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

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

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

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

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

The continued availability of the credit facilities is subject to Aimia's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

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

Ratio	Result	Test
Leverage	1.76	≤ 2.75
Debt service [(a)]	0.04	≤ 2.00
Interest coverage	6.97	≥ 3.00

(a) This ratio takes into account Aimia's net debt, calculated as long-term debt less cash, restricted cash, short-term investments and long-term investments in corporate and government bonds.

MEASUREMENT UNCERTAINTY

Air Canada Miles Issued Prior To January 1, 2002

In accordance with the CPSA, Air Canada is responsible for the cost of the redemption for air rewards of up to a maximum of 112.4 billion Air Canada Miles accumulated by members prior to January 1, 2002. The full 112.4 billion of Air Canada Miles have now been redeemed and as a result, Aimia is required to honour any obligations resulting from the redemption of Air Canada Miles.

The maximum potential redemption cost of meeting this obligation, if all 4.4 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to $39.6 million at September 30, 2011, which will be charged to cost of rewards once they are incurred, as the Air Canada Miles are redeemed over time.

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

Loyalty Units Issued On Or After January 1, 2002

In addition, Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued after December 31, 2001 for which the Breakage revenue has been recognized or deferred and for which no liability has been recorded. The maximum potential redemption cost for such Loyalty Units is estimated to be $1,121.9 million at September 30, 2011.

The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

On a consolidated basis, management estimates that a 1% change in Breakage would have a total impact on revenue and earnings before income taxes of $114.4 million for the period in which the change occurred, with $101.2 million relating to prior years and $13.2 million relating to the current nine month period.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

VAT Litigation

(in thousands)	VAT Provision
	$
Balance at January 1, 2010	**-**
Provision recorded during the period	136,572
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	(3,567)
Balance at January 1, 2011	**133,005**
Provision recorded during the period	8,902
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	6,411
Balance at September 30, 2011	**148,318**

LMG has been in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the VAT treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed, and paid an assessed amount of £13.8 million ($27.1 million).

LMG appealed to the VAT and Duties Tribunal, which ruled in its favour. HMRC then appealed to the High Court which found in favour of HMRC. LMG, in turn, appealed to the Court of Appeal, which issued a judgment in favour of LMG on October 5, 2007 requiring the refund of the assessed amount and confirming LMG's eligibility to deduct input tax credits in the future. As a result of this event, an amount receivable of £13.8 million ($27.1 million) was recorded in the accounts at December 31, 2007 and subsequently collected in January 2008.

HMRC appealed the Court of Appeal's decision to the House of Lords which granted leave to appeal in order to facilitate a reference to the European Court of Justice ("ECJ"). The case was heard on January 21, 2010. On October 7, 2010, the ECJ ruled against LMG and in favour of HMRC. The case has been referred back to the UK Supreme Court for judgment based on the guidance of the ECJ. The hearing is scheduled to take place on October 24 and October 25, 2012.

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of $148.3 million (£91.4 million) has been recorded in provisions as of September 30, 2011 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of $66.8 million (£41.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, has also been recorded in accounts receivable.

For the three and nine months ended September 30, 2011, $1.8 million (£1.1 million) and $5.5 (£3.5 million), respectively, have been recorded in cost of rewards and $1.3 million (£0.8 million) and $3.4 million (£2.1 million), respectively, have been recorded in interest expense.

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

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

CONTINGENT LIABILITIES AND GUARANTEES

Aimia has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors or officers are sued as a result of their services. The directors and officers are covered by directors' and officers' liability insurance.

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At September 30, 2011, Aimia's maximum exposure under such guarantees was estimated to amount to $158.4 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

On July 2, 2009, Aimia was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. No class action has yet been filed. This motion is the first procedural step before any such action can be instituted. Petitioners seek court permission to sue Aeroplan on behalf of program members in Canada to obtain reinstatement of expired miles, reimbursement of any amounts already expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member, all in relation to changes made to the Aeroplan program concerning accumulation and expiry of Aeroplan Miles as announced on October 16, 2006.

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

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

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

TRANSACTIONS WITH AIR CANADA

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

Air Canada is one of Aimia's largest Accumulation Partners, representing 12% and 13% of Gross Billings for the three and nine months ended September 30, 2011, respectively, compared to 12% and 12% for the three months and nine months ended September 30, 2010, respectively. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $215.3 million for 2011. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the three and nine months ended September 30, 2011, 41% and 45% respectively of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 35% and 41% for each of the three and nine months ended September 30, 2010.

CONTACT CENTRE EMPLOYEES

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

As a result of the termination of the General Services Agreement ("GSA"), all obligations under the agreement, including the special payments in respect of pension plans in which the assigned employees under the GSA participated, as described in the December 31, 2008 financial statements, have ceased.

Aeroplan has determined, supported by independent legal counsel, that it does not have to assume Air Canada's existing pension liability to the transferred employees, and that it remains the responsibility of Air Canada. Air Canada has notified Aeroplan that it disagrees with Aeroplan's position. The outcome of the resolution of this disagreement is unknown at this time and no amount has been quantified. Accordingly, no provision for a liability has been recorded in the financial statements.

AIR CANADA WARRANTS

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

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

The total fair value of the 2,500,000 warrants amounted to $0.9 million at September 30, 2011 and $4.5 million and $1.1 million at December 31 and January 1, 2010 respectively.

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

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

(in millions)	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Contractual Obligations							
Operating leases	58.7	3.7	13.7	12.2	8.6	8.4	12.1
Technology infrastructure and other	50.5	7.1	21.8	13.7	6.7	1.2	-
Marketing support and other	75.8	7.0	21.0	20.0	18.0	9.8	-
Long-term debt [(a)]	734.4	9.3	236.5	27.5	226.3	13.9	220.9
Purchase obligation under the CPSA	3,563.1	11.8	417.8	417.8	417.8	417.8	1,880.1
Contractual Obligations	**4,482.5**	**38.9**	**710.8**	**491.2**	**677.4**	**451.1**	**2,113.1**
Commitments							
Letters of Credit and Surety Bonds	19.8	0.8	14.8	4.2	-	-	-
Commitments	**19.8**	**0.8**	**14.8**	**4.2**	**-**	**-**	**-**
Total Contractual Obligations and Commercial Commitments	**4,502.3**	**39.7**	**725.6**	**495.4**	**677.4**	**451.1**	**2,113.1**

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

Marketing support amounts represent maximum obligations in connection with the Corporation's undertakings to promote the loyalty programs it operates.

Under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulas. At September 30, 2011, Aimia complied with all such covenants.

DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the nine months ended September 30, 2011 and 2010 were as follows:

(in thousands, except per share amounts)	2011		2010	
	Amount	**Amount per common share** [(a)]	**Amount**	**Amount per common share**
	$	**$**	**$**	**$**
March	23,010	0.125	24,999	0.125
June	26,909	0.150	24,764	0.125
September	26,253	0.150	23,883	0.125
	76,172	0.425	73,646	0.375

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

Quarterly dividends declared to preferred shareholders of Aimia during the nine months ended September 30, 2011 and 2010 were as follows:

(in thousands, except per share amounts)	2011		2010	
	Amount	**Amount per preferred share**	**Amount**	**Amount per preferred share**
	$	**$**	**$**	**$**
March	2,803	0.406	2,150	0.312
June	2,803	0.406	2,803	0.406
September	2,803	0.406	2,803	0.406
	8,409	1.219	7,756	1.124

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

CAPITAL STOCK

NORMAL COURSE ISSUER BID

On May 11, 2010, the Corporation received approval from the Toronto Stock Exchange and announced its intention to repurchase up to 5,000,000 of its issued and outstanding common shares during the period from May 14, 2010 to no later than May 13, 2011, through a Normal Course Issuer Bid ("NCIB") program. On August 11, 2010, the Corporation subsequently received approval from the Toronto Stock Exchange to increase the number of common shares that it could repurchase under the NCIB from 5,000,000 to 19,983,631, during the period from May 14, 2010 to no later than May 13, 2011.

From May 14 to December 31, 2010, Aimia repurchased and cancelled 13,022,900 common shares for total cash consideration of $142.5 million. Share capital was reduced by $113.9 million and the remaining $28.6 million was accounted for as a reduction of contributed surplus.

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

On May 12, 2011, the Corporation received approval from the Toronto Stock Exchange and announced the renewal of its NCIB to repurchase up to 18,001,792 of its issued and outstanding common shares during the period from May 16, 2011 to no later than May 13, 2012. Total common shares repurchased and cancelled during the period from May 16, 2011 to September 30, 2011, pursuant to the NCIB, amounted to 6,184,800 for total cash consideration of $74.9 million. Share capital was reduced by $54.4 million, and the remaining $20.5 million was accounted for as a reduction of contributed surplus.

At September 30, 2011, Aimia had 173,841,480 common shares and 6,900,000 preferred shares issued and outstanding for an aggregate amount of $1,694.5 million. In addition, there were 4,332,631 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

Subsequent to September 30, 2011, Aimia repurchased and cancelled 78,000 common shares for total cash consideration of $0.9 million, pursuant to the NCIB.

EARNINGS (LOSS) PER COMMON SHARE

Aimia’s earnings per share attributable to the equity holders of the Corporation amounted to $0.13 and $(0.07) for the three months ended September 30, 2011 and September 30, 2010, respectively, and $0.32 and $0.05 for the nine months ended September 30, 2011 and September 30, 2010. Earnings per share are calculated after dividends on preferred shares.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF IFRS

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

In preparing its opening IFRS balance sheet, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with previous Canadian GAAP. For detailed explanation of how the transition from previous Canadian GAAP to IFRSs has affected Aimia’s financial position, financial performance and cash flows, please refer to *Note 21* of the September 30, 2011 unaudited interim consolidated financial statements of Aimia.

FUTURE ACCOUNTING CHANGES

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

A) International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

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

The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements

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

IFRS 11, Joint Arrangements

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

IFRS 12, Disclosure of Interests in Other Entities

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

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

Amendments to Other Standards

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that management believes are reasonable based upon the information available. These estimates, judgements and assumptions affect the application of accounting policies and the amounts reported as assets, liabilities income and expenses. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Significant estimates made in the preparation of the consolidated financial statements include those used in accounting for breakage, income taxes, provisions, the determination of amortization period for long-lived assets, the impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital, the carrying value of financial instruments recorded at fair value and contingencies.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The Audit, Finance and Risk Committee reviewed this MD&A, and the consolidated financial statements, and the Board of Directors of Aimia approved these documents prior to their release.

RISKS AND UNCERTAINTIES

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

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

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

ADDITIONAL INFORMATION

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