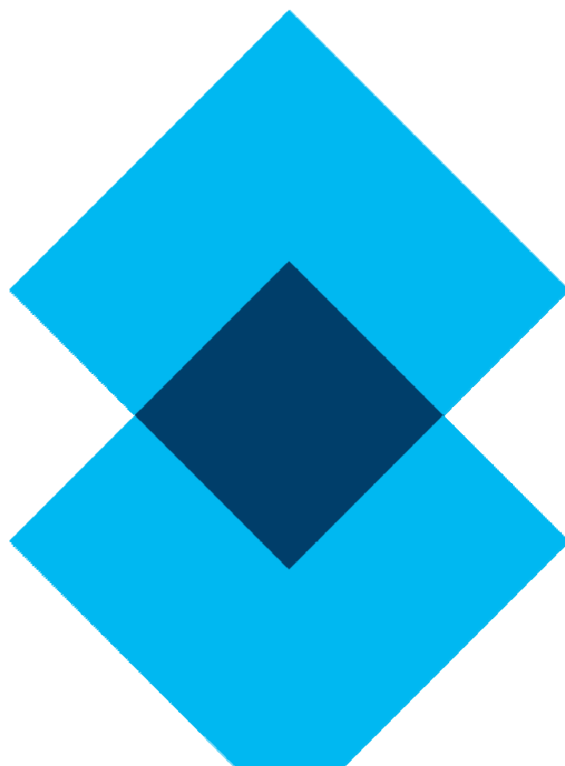
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the years ended December 31, 2011 and 2010



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

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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 February 22, 2012 and should be read in conjunction with the accompanying audited consolidated financial statements of Aimia for the year ended December 31, 2011 and the notes thereto.

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 consolidated financial statements for the year ended December 31, 2011, are presented in accordance with IFRS. The comparative periods presented, including 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 comparative information presented for the year ended December 31, 2009, has not been restated in accordance with IFRS and is presented under previous Canadian GAAP.

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, changes to coalition 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 February 22, 2012, 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.

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

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

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;

"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);

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

"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, from proprietary loyalty services, loyalty analytics services and from other 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;

"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), under the Aeroplan Program.

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

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''). Our regional structure ensures that our business leaders remain close to our clients, partners and investors, while our loyalty service streams allow us to innovate, share best practices and collaborate on client solutions across all regions and around the globe.

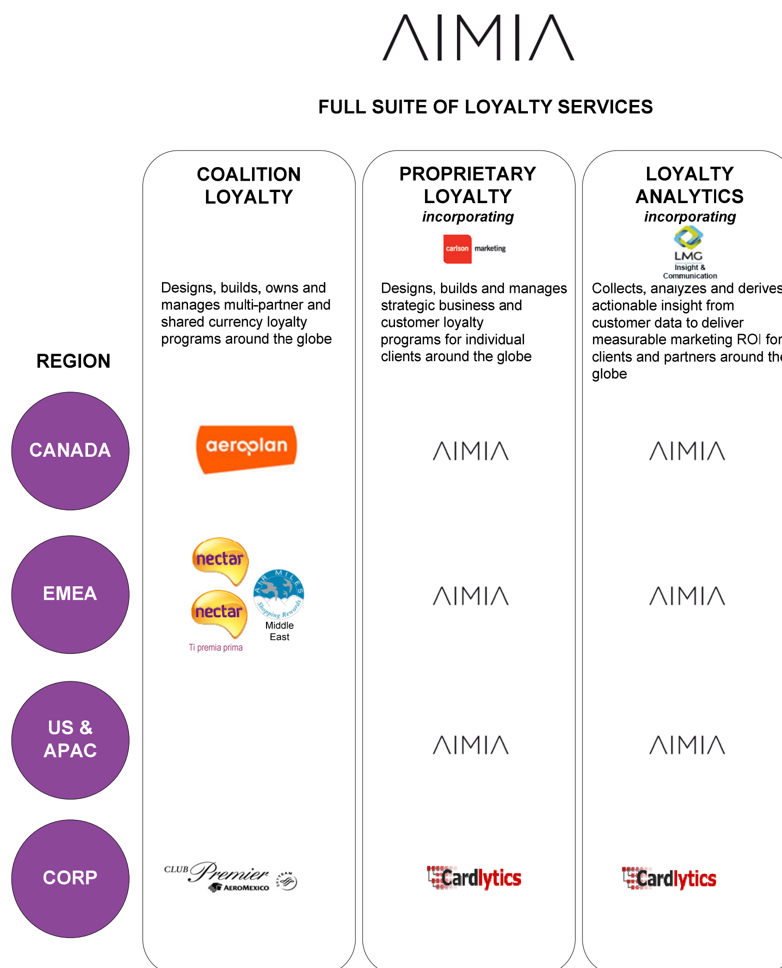
In Canada, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, Air Miles Middle East, the leading coalition loyalty program in the UAE, through a 60% ownership interest, 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 services including; loyalty program design, launch and operation 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 develop 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.

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

REGIONAL STRUCTURE AND LOYALTY SERVICES

The following chart illustrates Aimia's regional reporting structure and full suite of loyalty services as at December 31, 2011:



Notes:

- *The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.*
- *As at December 31, 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 works with Cardlytics to offer merchant-funded loyalty services for electronic banking in each of our regions. As at December 31, 2011, the investment in Cardlytics was reported in Corporate and accounted for as an available-for-sale investment.*

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

STRATEGY

Aimia's vision is to be recognized as the global leader in loyalty management by offering the full-suite of loyalty management services across our coalition, proprietary and analytics businesses. Our proven expertise in building proprietary loyalty strategies, launching and managing coalition loyalty programs, creating value through loyalty analytics and driving innovation in the emerging digital and mobile spaces is the foundation to our strategy. We build and run loyalty programs for ourselves and for some of the world's best brands. Customer data is at the heart of everything we do.

Our ability to execute this strategy is grounded in our depth of people, our technology and our operational expertise. As owner-operators in the loyalty industry we have developed advanced technology platforms and operational experience which we leverage to grow profitability for our partners and clients. Aimia's goal is to increase profitability by offering this full suite of services on a global basis.

Our strategy and full suite model is delivered through the three loyalty service streams outlined below.

Coalition Loyalty

Aimia’s coalition loyalty experts build value for existing coalition partners, launch greenfield coalitions, help legacy programs spin off into multi-partner coalitions and deploy the full suite of loyalty services for coalition partners.

Proprietary Loyalty

Aimia’s proprietary loyalty service experts design, launch and operate new client programs, re-launch, refresh and operate existing client programs and bring our digital, mobile and analytical expertise to bear on behalf of clients.

Loyalty Analytics

Aimia’s loyalty analytics provides cutting-edge data analytics for coalition and proprietary clients, derive insight from program, SKU-level, third-party and other data sources and uses data to deliver unparalleled marketing ROI, transform the customer experience and build loyalty.

Aimia's strategy is executed through the following initiatives:

- enhancing the value proposition to our partners and clients;
- increasing member engagement in the loyalty programs we own and operate by providing new accumulation opportunities and offering a wider range of redemption opportunities;
- assisting our clients in managing and evolving their proprietary loyalty programs to maximize the impact on their businesses;
- offering loyalty management services and applications that span across coalition and third-party proprietary models, from strategy to execution to optimization; and
- assisting our clients to gain unparalleled insight into consumer shopping trends from analysis of product and customer information to help them make strategic decisions.

We are also well positioned to leverage our full suite of loyalty management services to expand profitability by:

- seeking to acquire interests in existing frequent flyer programs and customer loyalty programs in existing and new geographic markets; and
- pursuing investments in strategic and synergistic acquisitions.

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 (ADJUSTED 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.

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

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 the recommendations provided in their October 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 *SELECTED INFORMATION 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

Adjusted Net Earnings provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA. Net earnings attributable to equity holders of the Corporation are adjusted to exclude Amortization of Accumulation Partners' contracts, customer relationships and technology, share of net earnings (loss) of PLM and impairment charges. Adjusted Net Earnings includes the change in deferred revenue and Change in Future Redemption Costs, net of the income tax effect and non controlling interest effect (where applicable) on these items at an entity level basis.

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 *SELECTED INFORMATION AND RECONCILICATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

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

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 *SELECTED INFORMATION AND RECONCILICATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

CAPABILITY TO DELIVER RESULTS

Aimia operates in a relatively new industry with a limited number of industry players. As a result, there is limited availability of industry comparables and Productive Capacity benchmarks.

Capital Resources

Aimia generates sufficient cash flow internally to fund cash distributions, capital expenditures and to service its debt obligations. Management believes that Aimia’s internally generated cash flows, combined with its ability to access 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.

Non-capital Resources

Aimia’s critical non-capital resources are its brands, its strong and large member bases and related data, its relationships with Commercial Partners and clients, its technology and its employees.

Leading Market Position and Brands

Aimia's leading market position and strong brands make it attractive to existing and potential Commercial Partners and clients. Management believes that its brands are associated with an attractive base of consumers in terms of household income, spending habits and loyalty program engagement.

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

Strong Member Bases

Aimia's coalition loyalty programs benefit from growing bases of over 4.6 million and 18.5 million active members in Canada and the UK respectively, and 8.5 million members who have signed up with Nectar Italia since the program's launch. Attractive demographics have demonstrated a strong willingness to collect Aimia Loyalty Units over other loyalty program units.

Relationship with Commercial Partners

Aimia has relationships with numerous Commercial Partners, including leading financial services, travel services, retailers and consumer products and services companies. The terms of these contractual arrangements typically range from 2 to 5 years and are longer with Air Canada and certain financial services partners. Management believes that Commercial Partners benefit from members’ sustained purchasing behaviour, which translates into a recurring flow of Gross Billings.

Long-Term Strategic Relationship with Air Canada

Aeroplan benefits from its unique strategic relationship with Air Canada and its affiliation with the strong Air Canada brand. Aeroplan benefits from a long-term commercial agreement for the purchase of seat capacity from Air Canada and Jazz Air Limited Partnership ("Jazz"), at attractive rates based on its status as Air Canada's largest customer. This is of great importance as travel continues to be one of the most sought after rewards under the Aeroplan Program. In addition, not only does Aeroplan have access to Air Canada's passengers for the purpose of acquiring new Aeroplan members, it also has access to Air Canada's most affluent customers through the management of its frequent flyer tier membership program. As an exclusive benefit, Aeroplan also has the ability to offer qualified members access to Air Canada's global network of Maple Leaf airport lounges.

In addition, Air Canada is one of Aeroplan's leading Commercial Partners, purchasing a high volume of Aeroplan Miles yearly for the purpose of awarding Aeroplan Miles to its customers. Aeroplan is Air Canada’s exclusive loyalty marketing provider based in Canada.

Large Base of Loyalty Marketing Clients Worldwide

Aimia’s international footprint spans the globe with presence and clients in North America, South America, Europe, Middle East and the Asia Pacific region, and in sectors as diverse as packaged goods, automotive, banking, travel, telecommunications and retail.

Technology

Aimia relies on a number of sophisticated systems in order to operate the contact centres, manage and analyze the member databases and redeem rewards (directly and through the program websites). Through the use of technology,

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

Aimia is able to increase operational efficiency, facilitate reward redemption for members and offer value-added services to Commercial Partners and clients. In addition, Aimia also provides analytical services to retailers and their suppliers.

Employees

Aimia benefits from a strong and experienced employee base in loyalty management, services and analytics, which is focused on driving growth and enhancing the franchises through value-added service offerings to members, Commercial Partners and clients.

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. A fair value gain of $3.3 million was recognized on a step basis on the completion of the second tranche of the investment.

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 valuation of the identifiable assets of PLM. The independent valuation of the intangible assets was completed during the fourth quarter of 2011. Please refer to discussion included in *Net Earnings* under the *Operating and Financial Results* section.

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

For the year ended December 31, 2011, Aimia's share of PLM's financial statement items, including the purchase price allocation adjustments, was as follows:

Statement of operations data	Year ended December 31,	
(in thousands of $)	2011 [(a)]	2010
Revenue	12,500	-
Expenses	20,200	-

(a) Includes the results from February 28, 2011 to December 31, 2011.

Statement of financial position data	December 31,	December 31,
(in thousands of $)	2011	2010
Current assets	14,800	-
Long-term assets	26,100	-
Current liabilities	14,100	-
Long-term liabilities	13,700	-

For the year ended December 31, 2011, PLM reported Gross Billings of $113.8 million.

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 cash consideration of US$23.4 million ($23.0 million). The investment in Cardlytics is reported in long-term investments and is accounted for as an available-for-sale investment, measured at fair value with changes in fair value recognized in other comprehensive income. The fair value was determined to approximate cost as at December 31, 2011.

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, 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.

2011 HIGHLIGHTS

- Gross Billings of $2,233.2 million;
- Operating income of $41.0 million;
- Net loss attributable to equity holders of the Corporation of $59.7 million;
- Loss per common share of $0.40;
- Cash flows from operations of $242.5 million;
- Adjusted EBITDA of $342.2 million;
- Adjusted net earnings of $198.2 million;
- Free cash flow of $84.1 million.

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

SELECTED INFORMATION AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW

	For the years ended December 31,			Year over year %∆	
(in thousands, except share and per share information)	2011[a]	2010[a]	2009[b][o]	2011 over 2010	2010 over 2009
	$	$	$		
Gross Billings	**2,233,226**	2,187,753 [l]	1,447,322	2.1	51.2
Gross Billings from the sale of Loyalty Units	**1,560,801**	1,457,751	1,363,010	7.1	7.0
Revenue from Loyalty Units	**1,433,747** [c]	1,352,802	1,352,527	6.0	0.0
Revenue from proprietary loyalty services	**567,258**	610,580	-	(7.1)	100.0
Other revenue	**114,900**	92,853	84,312	23.7	10.1
Total revenue	**2,115,905** [c]	2,056,235	1,436,839	2.9	43.1
Cost of rewards and direct costs	**(1,332,874)**	(1,295,282) [d]	(903,060)	2.9	43.4
Gross margin before depreciation and amortization [e]	**783,031** [c]	760,953	533,779	2.9	42.6
Depreciation and amortization	**(36,033)**	(32,454)	(19,280)	11.0	68.3
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(93,474)**	(90,308)	(80,246)	3.5	12.5
Gross margin	**653,524** [c]	638,191 [d]	434,253	2.4	47.0
Operating expenses	**(612,548)** [m]	(542,593) [d]	(270,489)	12.9	100.6
Amortization of Accumulation Partners' contracts, customer relationships and technology	**93,474**	90,308	80,246	3.5	12.5
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**134,450** [c][m]	185,906 [d]	244,010	(27.7)	(23.8)
Depreciation and amortization	**36,033**	32,454	19,280	11.0	68.3
Impairment of goodwill	**53,901**	-	-	100.0	0.0
EBITDA [e][g][n]	**224,384** [c]	218,360 [d]	263,290	2.8	(17.1)
Adjustments:					
Change in deferred revenue					
Gross Billings	**2,233,226**	2,187,753 [l]	1,447,322		
Revenue	**(2,115,905)** [c]	(2,056,235)	(1,436,839)		
Change in Future Redemption Costs [f]	**472** [i]	(64,344)	7,861		
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the year)					
Subtotal of Adjustments	**117,793**	67,174	18,344		
Adjusted EBITDA [g]	**342,177** [i]	285,534 [d][l]	281,634	19.8	1.4
Net earnings attributable to equity holders of the Corporation	**(59,678)** [c][j][m]	14,923 [d][j]	89,275		
Weighted average number of shares	**179,146,339**	194,748,024	199,443,084		
Earnings per common share [h]	**(0.40)** [c][j][m]	0.02 [d][j]	0.45		
Net earnings attributable to equity holders of the Corporation	**(59,678)** [c][j][m]	14,923 [d][j]	89,275	(499.9)	(83.3)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**93,474**	90,308	80,246		
Share of net loss of PLM	**4,444**	-	-		
Impairment of goodwill	**53,901**	-	-		
Adjusted EBITDA Adjustments (from above)	**117,793**	67,174	18,344		
Tax on adjustments [k]	**6,273**	(10,918)	(3,303)		
Non-controlling interests share on adjustments above	**(18,042)**	(5,314)	(2,505)		
Adjusted net earnings [g]	**198,165** [i][j]	156,173 [d][j][l]	182,057	26.9	(14.2)
Adjusted net earnings per common share [g][h]	**1.04** [i][j]	0.75 [d][j][l]	0.91		
Net earnings attributable to equity holders of the Corporation	**(59,678)** [c][j][m]	14,923 [d][j]	89,275		
Earnings per common share [h]	**(0.40)** [c][j][m]	0.02 [d][j]	0.45		
Cash flow from operations	**242,541**	268,105	288,489	(9.5)	(7.1)
Capital Expenditures	**(44,919)**	(46,877)	(23,469)		
Dividends	**(113,481)**	(107,577)	(99,988)		
Free cash flow [g]	**84,141**	113,651	165,032	(26.0)	(31.1)
Total assets	**4,931,733**	5,140,964	5,217,992		
Total long-term liabilities	**1,313,201**	1,621,735	1,618,201		
Total dividends	**113,481**	107,577	99,988		
Total dividends per preferred share	**1.625**	1.530	N/A		
Total dividends per common share	**0.575**	0.500	0.500		

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

(a) Reported under IFRS.

(b) Reported under previous Canadian GAAP

(c) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year. Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program.

(d) 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 year ended December 31, 2010. Of this amount, $53.1 million (£33.4 million), representing input tax credits attributable to the period from 2002 to 2009 (of which $5.4 million (£3.4 million) relates to 2009 and $47.7 million (£30.0 million) relates to the period from 2002 to 2008), 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) 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.

(g) A non-GAAP measurement.

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

(i) The Change in Future Redemption costs for the year ended December 31, 2011 includes the unfavourable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs amounting to $15.8 million.

(j) Interest expense for the period includes the effect of a net charge recognized as a result of the ECJ VAT Judgment amounting to $4.4 million (£2.8 million) for the year ended December 31, 2011 compared to $7.2 million (£4.5 million) for the year ended December 31, 2010.

(k) The effective tax rates, calculated as income tax expense / earnings before taxes for the period on an entity level basis, are applied to the related entity level adjustments noted above.

(l) 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.

(m) Includes a goodwill impairment charge amounting to $53.9 million related to our US Proprietary Loyalty cash-generating unit.

(n) Excludes the goodwill impairment charge.

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

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

	Three months ended December 31,				%∆
(in thousands, except share and per share information)	2011 $		2010 $		Q4
Gross Billings	**621,109**		593,617		4.6
Gross Billings from the sale of Loyalty Units	**425,208**		394,698		7.7
Revenue from Loyalty Units	**364,358**	[f]	426,999		(14.7)
Revenue from proprietary loyalty services	**162,264**		166,802		(2.7)
Other revenue	**34,061**		24,778		37.5
Total revenue	**560,683**	[f]	618,579		(9.4)
Cost of rewards and direct costs	**(423,788)**		(392,348)		8.0
Gross margin before depreciation and amortization [a]	**136,895**	[f]	226,231		(39.5)
Depreciation and amortization	**(11,698)**		(10,258)		14.0
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(24,143)**		(20,300)		18.9
Gross margin	**101,054**	[f]	195,673		(48.4)
Operating expenses	**(204,216)**	[i]	(146,606)		39.3
Amortization of Accumulation Partners' contracts, customer relationships and technology	**24,143**		20,300		18.9
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**(79,019)**	[f][i]	69,367		(213.9)
Depreciation and amortization	**11,698**		10,258		14.0
Impairment of goodwill	**53,901**		-		100.0
EBITDA [a][c][j]	**(13,420)**	[f]	79,625		(116.9)
Adjustments:					
Change in deferred revenue					
Gross Billings	**621,109**		593,617		
Revenue	**(560,683)**	[f]	(618,579)		
Change in Future Redemption Costs [b]	**42,972**	[g]	30,810		
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)					
Subtotal of Adjustments	**103,398**		5,848		
Adjusted EBITDA [c]	**89,978**	[g]	85,473		5.3
Net earnings attributable to equity holders of the Corporation	**(126,267)**	[f][h][i]	(3,186)	[h]	
Weighted average number of shares	**173,774,352**		187,291,363		
Earnings per common share [d]	**(0.74)**	[f][h][i]	(0.03)	[h]	
Net earnings attributable to equity holders of the Corporation	**(126,267)**	[f][h][i]	(3,186)	[h]	(3,863.2)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**24,143**		20,300		
Share of net loss of PLM	**10,303**		-		
Impairment of goodwill	**53,901**		-		
Adjusted EBITDA Adjustments (from above)	**103,398**		5,848		
Tax on adjustments [e]	**405**		860		
Non-controlling interests share on adjustments above	**(26,372)**		(1,246)		
Adjusted net earnings [c]	**39,511**	[f][g][h]	22,576	[h]	75.0
Adjusted net earnings per common share [c][d]	**0.21**	[f][g][h]	0.11	[h]	
Net earnings attributable to equity holders of the Corporation	**(126,267)**	[f][h][i]	(3,186)	[h]	
Earnings per common share [d]	**(0.74)**	[f][h][i]	(0.03)	[h]	
Cash flow from operations	**27,623**		97,355		(71.6)
Capital Expenditures	**(15,185)**		(15,861)		
Dividends	**(28,900)**		(26,175)		
Free cash flow [c]	**(16,462)**		55,319		(129.8)
Total assets	**4,931,733**		5,140,964		
Total long-term liabilities	**1,313,201**		1,621,735		
Total dividends	**28,900**		26,175		
Total dividends per preferred share	**0.406**		0.406		
Total dividends per common share	**0.150**		0.125		

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

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

(b) 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.

(c) A non-GAAP measurement.

(d) After deducting dividends paid on preferred shares.

(e) The effective tax rates, calculated as income tax expense / earnings before taxes for the period on an entity level basis, are applied to the related entity level adjustments noted above.

(f) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year (including $8.9 million attributable to the fourth quarter of 2011). Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program.

(g) The Change in Future Redemption costs for the quarter ended December 31, 2011 includes the unfavourable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs amounting to $15.8 million (of which $4.5 million relates to the current quarter).

(h) Includes the effect of a $1.0 million (£0.7 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment for the three months ended December 31, 2011, compared to a $0.8 million (£0.5 million) net charge to interest expense recognized during the three months ended December 31, 2010.

(i) Includes a goodwill impairment charge amounting to $53.9 million related to our US Proprietary Loyalty cash-generating unit.

(j) Excludes the goodwill impairment charge.

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

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 interest in the Air Miles Middle East program. In addition, the EMEA segment also 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, share-based compensation and income tax expense is centralized and, consequently, these expenses are not allocated to the operating segments.

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

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

(in thousands)	Year ended December 31,									
	2011	2010 [m]	2011	2010 [m]	2011	2010 [m]	2011	2010 [m]	2011	2010 [m]
Operating segments	Canada		EMEA		US & APAC		Corporate [c]		Consolidated	
	$	$	$	$	$	$	$	$	$	$
Gross Billings	1,299,492	1,248,569	571,012 [d]	502,879 [d][j]	362,722 [d]	436,305 [d][j]	-	-	2,233,226 [d]	2,187,753 [d][j]
Gross Billings from the sale of Loyalty Units	1,078,504	1,033,223	482,297	424,528	-	-	-	-	1,560,801	1,457,751
Revenue from Loyalty Units	1,102,463	956,412	331,284 [h]	396,390	-	-	-	-	1,433,747 [h]	1,352,802
Revenue from proprietary loyalty services	177,695	157,315	25,057	32,611	364,506	420,654	-	-	567,258	610,580
Other revenue	49,714	49,266	65,186	43,587	-	-	-	-	114,900	92,853
Total revenue	1,329,872	1,162,993	421,527 [h]	472,588	364,506	420,654	-	-	2,115,905 [h]	2,056,235
Cost of rewards and direct costs	725,562	665,371	383,522	386,325 [g]	223,790	243,586	-	-	1,332,874	1,295,282 [g]
Gross margin before depreciation and amortization [a]	604,310	497,622	38,005 [h]	86,263 [g]	140,716	177,068	-	-	783,031 [h]	760,953 [g]
Depreciation and amortization [b]	100,197	99,850	13,884	13,665	15,426	9,247	-	-	129,507	122,762
Gross margin	504,113	397,772	24,121 [h]	72,598 [g]	125,290	167,821	-	-	653,524 [h]	638,191 [g]
Operating expenses before share-based compensation and impairment of goodwill	223,482	207,682	137,600	107,950 [g]	150,547	176,959	41,282	38,926	552,911	531,517 [g]
Share-based compensation	-	-	-	-	-	-	5,736	11,076	5,736	11,076
Impairment of goodwill [k]	-	-	-	-	53,901	-	-	-	53,901	-
Total operating expenses	223,482	207,682	137,600	107,950 [g]	204,448	176,959	47,018	50,002	612,548	542,593 [g]
Operating income (loss)	280,631	190,090	(113,479) [h]	(35,352) [g]	(79,158)	(9,138)	(47,018)	(50,002)	40,976 [h]	95,598 [g]
Adjusted EBITDA [l]	372,642	338,105	28,168 [i]	(18,329) [g][j]	(11,615)	15,760 [j]	(47,018)	(50,002)	342,177 [i]	285,534 [g][j]
Additions to non-current assets [e]	24,056	22,655	16,455	8,690	4,408	15,532	N/A	N/A	44,919	46,877
Non-current assets [e]	3,259,974	3,331,272	459,729 [f]	450,316 [f]	43,948 [f]	106,582 [f]	N/A	N/A	3,763,651 [f]	3,888,170 [f]
Deferred revenue	1,815,595	1,845,284	412,815	265,662	14,324	16,105	N/A	N/A	2,242,734	2,127,051
Total assets	3,796,092	4,016,306	931,724	889,233	149,512	211,345	54,405	24,080	4,931,733	5,140,964

(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.

(d) Includes Gross Billings of $466.8 million in the UK and $196.3 million in the US for the year ended December 31, 2011, compared to Gross Billings of $417.5 million in the UK and $271.7 million in the US for the year ended December 31, 2010. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

(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 $408.4 million in the UK and $38.0 million in the US as of December 31, 2011, compared to non-current assets of $399.1 million in the UK and $100.8 million in the US as of December 31, 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 impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year. Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program.

(i) The Change in Future Redemption costs for the year ended December 31, 2011 includes the unfavourable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs amounting to $15.8 million.

(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) The goodwill impairment charge recorded during the year ended December 31, 2011 relates to our US Proprietary Loyalty cash-generating unit.

(l) A non-GAAP measurement.

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

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

(in thousands)	Three months ended December 31,									
	2011	2010 [k]	2011	2010 [k]	2011	2010 [k]	2011	2010 [k]	2011	2010 [k]
Operating segments	Canada		EMEA		US & APAC		Corporate [c]		Consolidated	
	$	$	$	$	$	$	$	$	$	$
Gross Billings	335,009	336,337	172,762 [d]	140,343 [d]	113,338 [d]	116,937 [d]	-	-	621,109 [d]	593,617 [d]
Gross Billings from the sale of Loyalty Units	279,103	275,801	146,105	118,897	-	-	-	-	425,208	394,698
Revenue from Loyalty Units	291,230	243,548	73,128 [g]	183,451	-	-	-	-	364,358 [g]	426,999
Revenue from proprietary loyalty services	44,017	44,880	5,375	8,143	112,872	113,779	-	-	162,264	166,802
Other revenue	12,080	12,263	21,981	12,515	-	-	-	-	34,061	24,778
Total revenue	347,327	300,691	100,484 [g]	204,109	112,872	113,779	-	-	560,683 [g]	618,579
Cost of rewards and direct costs	181,992	167,155	168,559	150,052	73,237	75,141	-	-	423,788	392,348
Gross margin before depreciation and amortization [a]	165,335	133,536	(68,075) [g]	54,057	39,635	38,638	-	-	136,895 [g]	226,231
Depreciation and amortization [b]	24,730	24,879	3,727	3,015	7,384	2,664	-	-	35,841	30,558
Gross margin	140,605	108,657	(71,802) [g]	51,042	32,251	35,974	-	-	101,054 [g]	195,673
Operating expenses before share-based compensation and impairment of goodwill	60,418	55,394	34,897	36,572	42,565	41,579	12,887	9,881	150,767	143,426
Share-based compensation	-	-	-	-	-	-	(452)	3,180	(452)	3,180
Impairment of goodwill [i]	-	-	-	-	53,901	-	-	-	53,901	-
Total operating expenses	60,418	55,394	34,897	36,572	96,466	41,579	12,435	13,061	204,216	146,606
Operating income (loss)	80,187	53,263	(106,699) [g]	14,470	(64,215)	(5,605)	(12,435)	(13,061)	(103,162) [g]	49,067
Adjusted EBITDA [j]	98,701	95,584	6,176 [h]	2,733	(2,464)	217	(12,435)	(13,061)	89,978 [h]	85,473
Additions to non-current assets [e]	7,771	6,714	6,268	5,202	1,146	3,945	N/A	N/A	15,185	15,861
Non-current assets [e]	3,259,974	3,331,272	459,729 [f]	450,316 [f]	43,948 [f]	106,582 [f]	N/A	N/A	3,763,651 [f]	3,888,170 [f]
Deferred revenue	1,815,595	1,845,284	412,815	265,662	14,324	16,105	N/A	N/A	2,242,734	2,127,051
Total assets	3,796,092	4,016,306	931,724	889,233	149,512	211,345	54,405	24,080	4,931,733	5,140,964

(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.

(d) Includes Gross Billings of $137.6 million in the UK and $56.6 million in the US for the three months ended December 31, 2011, compared to Gross Billings of $114.8 million in the UK and $60.8 million in the US for the three months ended December 31, 2010. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

(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 $408.4 million in the UK and $38.0 million in the US as of December 31, 2011, compared to non-current assets of $399.1 million in the UK and $100.8 million in the US as of December 31, 2010.

(g) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year (including $8.9 million attributable to the fourth quarter of 2011). Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program.

(h) The Change in Future Redemption costs for the quarter ended December 31, 2011 includes the unfavourable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs amounting to $15.8 million (with $4.5 million relating to the current quarter).

(i) The goodwill impairment charge recorded during the three months ended December 31, 2011 relates to our US Proprietary Loyalty cash-generating unit.

(j) A non-GAAP measurement.

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

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

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

(as a % of total revenue)	Year ended December 31, 2011 %		2010 %	
Total Revenue	**100.0**	(c)	100.0	
Cost of rewards and direct costs	**(63.0)**		(63.0)	(d)
Gross margin before depreciation and amortization [(a)]	**37.0**	(c)	37.0	(d)
Operating expenses	**(28.9)**	(h)	(26.4)	(d)
Depreciation and amortization	**(1.7)**		(1.6)	
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**6.4**	(c)(h)	9.0	(d)

(as a % of Gross Billings)	Year ended December 31, 2011 %		2010 %	
Gross Billings	**100.0**		100.0	(f)
Total revenue	**94.7**	(c)	94.0	
Cost of rewards and direct costs	**(59.7)**		(59.2)	(d)
Operating expenses	**(27.4)**	(h)	(24.8)	(d)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**6.0**	(c)(h)	8.5	(d)
Adjusted EBITDA [(b)]	**15.3**	(e)	13.1	(d)(f)
Adjusted Net Earnings [(b)(g)]	**8.9**	(e)	7.1	(d)(f)
Free Cash Flow [(b)]	**3.8**		5.2	

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

(b) A non-GAAP measurement.

(c) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year. Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million is attributable to the Air Miles Middle East program.

(d) 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 year ended December 31, 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.

(e) The Change in Future Redemption costs for the year ended December 31, 2011 includes the unfavourable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs amounting to $15.8 million.

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

(g) Includes the effect of a $4.4 million (£2.8 million) net charge to interest expense recognized as a result of the ECJ VAT Judgment for the year ended December 31, 2011, compared to a $7.2 million (£4.5 million) net charge to interest expense recognized during the year ended December 31, 2010.

(h) Includes a goodwill impairment charge amounting to $53.9 million related to our US Proprietary Loyalty cash-generating unit.

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

YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010

Gross Billings generated for the year ended December 31, 2011 amounted to $2,233.2 million compared to $2,187.8 million for the year ended December 31, 2010, representing an increase of $45.4 million or 2.1%, 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 2.9% for the year. 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 year ended December 31, 2011, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2011 amounted to $1,560.8 million compared to $1,457.8 million for the year ended December 31, 2010, representing an increase of $103.0 million or 7.1%.

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 year ended December 31, 2011 increased by 4.0% in comparison to the year ended December 31, 2010, tracking above general economic indicators.

Aeroplan experienced an increase of $45.3 million in Gross Billings from the sale of Aeroplan Miles compared to the prior year resulting from increased financial partner activity due to an increase in the number of active credit cards and an increase in average consumer spend per active credit card, a positive contribution from an Aeroplan Miles conversion promotion, an increase in airline partner activity, continued growth in the retail sector and a recovery in the travel segment.

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

EMEA

Nectar UK Points issued during the year ended December 31, 2011 increased by 9.1% compared to 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 8.3% in comparison to the prior year due to a full year of operations in 2011 as the program commenced in March 2010. The benefit of a full year was partially offset by the absence of certain launch related activities that occurred in the prior year.

The EMEA segment experienced an increase of $57.8 million in Gross Billings from the sale of Loyalty Units, net of an unfavourable $1.9 million currency impact resulting from the decrease in value of foreign currencies relative to the Canadian dollar. The operational variance of $59.7 million is mainly due to a $40.2 million favourable contribution in Nectar UK from the grocery and energy sectors. Nectar Italia's Gross Billings from the sale of Loyalty Units increased by $11.4 million, compared to 2010, due to a full year of operations and an increase in members and Accumulation Partners which generated an additional $20.9 million, offset in part by the absence of certain launch related activities that occurred in the prior year which amounted to $9.5 million. Gross Billings in the Air Miles Middle East business increased by $8.1 million, mainly due to a $5.4 million contribution from anchor partner HSBC in connection with the extension of its participation in the program.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $672.4 million for the year ended December 31, 2011 compared to $730.0 million for the year ended December 31, 2010, representing a decrease of $57.6 million or 7.9%. The reduction is partially explained by the $17.4 million positive adjustment to Other Gross Billings during the year ended December 31, 2010 and the phasing out of a portion of the Visa business in the US representing $55.9 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 year ended December 31, 2011 amounted to 73.8 billion compared to 64.9 billion for the year ended December 31, 2010, representing an increase of 8.9 billion or 13.7% 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 8.4% compared to the year ended December 31, 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 year ended December 31, 2011 increased in comparison to 2010, which is consistent with members having availability of points in their accounts in excess of redemption thresholds, allowing them to engage with the program for redemption, as well as accumulation, as the program enters its second year of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS 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.

The impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of $15.5 million for the year ended December 31, 2011.

The impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of $10.1 million for the year ended December 31, 2011.

Revenue includes the following components:

Revenue from Loyalty Units, including Breakage, amounted to $1,433.7 million for the year ended December 31, 2011 compared to $1,352.8 million for the year ended December 31, 2010, representing an increase of $80.9 million or 6.0%.

The current year includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the current year. Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program. The adjustments to the Breakage estimates in the Nectar and Air Miles Middle East program reflect the expected increase in engagement and redemption levels by the programs' members based on the renewal and extension of contracts with the respective programs' anchor sponsors.

Excluding the impact of the adjustments to the Breakage estimates, revenue from Loyalty units amounted to $1,569.7 million for the year, representing an increase of $216.9 million or 16.0%. This increase is mainly attributable to:

- a favourable variance of $119.2 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 $61.2 million in the EMEA segment, net of the negative impact of foreign currencies of $0.5 million related to the translation of foreign operations. The operational variance of $61.7 million is mostly explained by increased redemptions at Nectar Italia, which had low levels of redemptions in the comparative year as it was still in the start-up phase of operations, and the result of a full year of operations. The increase is also explained by a higher number of Loyalty Units redeemed during the year 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 year ended December 31, 2011, relating to the revision of an estimate of points accrued and set aside for issuance in connection with Nectar online store related activities;
- on a consolidated basis (excluding the impact of the adjustments to the Breakage estimates described above), increased revenue recognized from Breakage of $36.5 million, driven by higher redemption activity during the current year.

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

Revenue from Proprietary Loyalty Services, which consists of consolidated revenue from businesses formerly presented as Carlson Marketing, amounted to $567.3 million for the year ended December 31, 2011 compared to $610.6 million for the year ended December 31, 2010, representing a decrease of $43.3 million or 7.1% mainly attributable to:

- a decrease of $56.1 million in the US & APAC segment largely related to the phasing out of a portion of the Visa business, representing $55.9 million, and the negative fluctuation of foreign currencies of $1.6 million related to the translation of foreign operations partially offset by increases in services with new and existing clients; and
- a decrease of $7.6 million in the EMEA segment mainly due to the exit from non-core marketing service activities; offset in part by
- an increase of $20.4 million in Canada driven by growth in the financial vertical. Revenue for the year ended December 31, 2010 was reported net of a $10.8 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 $114.9 million for the year ended December 31, 2011 compared to $92.9 million for the year ended December 31, 2010, representing an increase of $22.0 million or 23.7%, mainly driven by increased activity in the UK and international expansion of the ISS services. ISS related revenues increased by 59.8% compared to the comparative year.

Cost of Rewards and Direct Costs amounted to $1,332.9 million for the year ended December 31, 2011 compared to $1,295.3 million for the year ended December 31, 2010, representing an increase of $37.6 million or 2.9%. During the year ended December 31, 2010, a non-comparable charge of $53.1 million (£33.4 million) was recorded in cost of rewards related to the ECJ VAT Judgment, representing VAT deducted from indirect tax remittances to HMRC on member rewards attributable to the period from 2002 to 2009.

Excluding the impact of the ECJ VAT Judgment, cost of rewards and direct costs increased by $90.7 million or 7.3%. This change is mainly attributable to the following factors:

The Canada segment experienced an increase of $60.2 million in cost of rewards and direct costs mostly explained by:

- a higher volume of air and non-air redemptions for the period, representing $80.0 million; offset by
- a decrease in proprietary loyalty services direct costs of approximately $10.4 million resulting from procurement synergies achieved in non-air rewards; and
- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $9.4 million.

The EMEA segment experienced a $50.3 million increase in costs explained primarily by:

- increased redemption activity in the Nectar Program representing an additional $22.3 million to redemption expense;

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

- increased redemption activity under the Nectar Italia program accounting for approximately $24.8 million;
- additional direct costs of $5.1 million associated with the growth of the ISS services; offset by
- the positive impact of the currency fluctuation recognized on the translation of foreign currencies of $0.9 million.

The US & APAC segment experienced a decrease of $19.8 million in direct costs due mostly to the decline in revenue, partly offset by increased costs related to the change in mix of additional services with new and existing clients.

Gross Margin before Depreciation and Amortization was in line with 2010, a direct result of the factors described above, and represented 37.0% of total revenue for the year ended December 31, 2011.

Excluding the impact of the changes to the Breakage estimates in 2011 and the impact of the ECJ VAT Judgment in 2010, gross margin before depreciation and amortization was 40.8% in 2011 and 39.6% in 2010. It is composed of the following:

- Canada's gross margin before depreciation and amortization represented 45.4% of total revenue compared to 42.8% in the prior year. The gross margin improvement 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 31.2% of total revenue compared to 29.5%. The positive 1.7 percentage-points variance is due to product mix and an improvement in the Nectar redemption margin, of which 0.8 percentage-point was due to the revenue adjustment related to the online store during the current year; and
- US & APAC's gross margin before depreciation and amortization was 38.6% compared to 42.1%. 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 $612.5 million for the year ended December 31, 2011 compared to $542.6 million for 2010, representing an increase of $69.9 million or 12.9%.

The Corporation recorded a goodwill impairment charge of $53.9 million (US$53.0 million) for the year ended December 31, 2011 related to its US proprietary loyalty cash generating unit ("CGU"). The impairment charge in the US CGU relates to the prevailing weakness in the US economy which impacts consumer and marketing spending in the key business verticals where the Corporation operates. As a result of these factors, projected Gross Billings and Adjusted EBITDA have been reduced, resulting in lower projected cash flows.

As a result of the transition to a regional structure, and in order to optimize synergies, restructuring expenses and other reorganization costs amounting to $20.9 million and $2.4 million, respectively, were recorded during the year ended December 31, 2011. These costs by segment are detailed as follows:

- Canada incurred $7.8 million in restructuring expenses relating to termination benefits;

- EMEA incurred $2.9 million in restructuring expenses, of which $1.2 million relates to termination benefits and $1.7 million relates to an onerous lease. In addition, other reorganization costs of $0.5 million were incurred;
- US & APAC incurred $9.9 million in restructuring expenses, of which $7.6 million relate to termination benefits and $2.3 million relate to an onerous lease. In addition, $1.9 million were incurred in exit costs associated with the phasing out of a portion of the Visa business; and
- Corporate incurred $0.3 million in restructuring expenses relating to termination benefits.

During the year ended December 31, 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 impairment charge, restructuring expenses and other reorganization costs incurred during the year ended December 31, 2011 and the non-comparable effect of the ECJ VAT Judgment recorded during the year ended December 31, 2010, operating expenses decreased by $42.9 million or 7.4%. This variance is mainly attributable to:

- an $8.0 million increase in the Canada segment resulting mostly from increased advertising and promotional fees spending;
- a $9.4 million decrease in the EMEA segment, including a $0.9 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $8.5 million is mostly explained by savings of $20.4 million in respect to the Nectar Italia launch costs incurred during the year ended December 31, 2010 and lower headcount costs and operating expenses of $4.3 million related to the proprietary loyalty business. These items were partially offset by $7.0 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 $10.2 million associated with the growth of the EMEA segment;
- a $38.2 million decrease in the US & APAC segment, including a $3.3 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance of $34.9 million is explained by $14.4 million of migration costs incurred in 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 $13.3 million, with the remaining variance due to lower compensation costs partially offset by higher consulting and business development costs; and
- a $3.3 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 and the revision of the forfeiture estimate amounting to $3.6 million, of which $2.6 million is attributable to the current year restructuring activities; 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 year.

Depreciation and Amortization amounted to $36.0 million and $32.5 million for the year ended December 31, 2011 and 2010, respectively. The increase is explained by higher depreciation expense in the US due to the impact of an elevated level of capital expenditures incurred during the previous year associated with the transition away from Carlson Marketing's former parent company as well as the impact of a write-down related to a fulfilment platform in the US.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $93.5 million for the year ended December 31, 2011 compared to $90.3 million for the year ended December 31, 2010. The increase is mainly attributable to the acceleration of the amortization of the right to use the Carlson Marketing trade name as it is no longer used due to the rebranding of the Corporation during the fourth quarter of 2011.

Operating Income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $134.5 million for the year ended December 31, 2011 compared to $185.9 million for the year ended December 31, 2010, representing a decrease of $51.4 million or 27.7%. Operating income for the year ended December 31, 2011 was negatively impacted by the reduction to revenue resulting from the adjustments to the Breakage estimates amounting to $136.0 million, the goodwill impairment charge of $53.9 million related to our US CGU and the restructuring expenses and other reorganization costs amounting to $23.3 million, and positively impacted by the revenue adjustment of $4.5 million related to the Nectar online store. Operating income for the year ended December 31, 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 year ended December 31, 2011 consist of interest revenue of $14.4 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 $51.8 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 $4.1 million relating to the fair value adjustment of the Air Canada warrants, and other financial expenses of $7.6 million, of which $4.4 million relates to the accrual of interest payable as a result of the ECJ VAT Judgment and $2.9 million relates mainly to a foreign exchange loss recognized on the refinancing of foreign operations.

Net Earnings include the effect of $51.4 million of current income taxes and the share of PLM's net loss of $4.4 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 share of the net loss from March to December 2011. PLM's loss was mainly driven by a change in treatment of certain tax attributes and the reversal of a previously recorded deferred tax asset. This level of earnings participation is not indicative of anticipated future results.

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Current income taxes are mostly attributable to income taxes 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 $342.2 million or 15.3% (as a % of Gross Billings) for the year ended December 31, 2011. Changes in Breakage revenue do not affect Adjusted EBITDA. However, adjustments to the Breakage estimates affect the Change in Future Redemption Costs. Adjustments to the Future Redemption Costs are applied as if the change to the Breakage rate had been in effect from the inception of the program, and therefore the Change in Future Redemption Costs only reflects the impact of the Breakage adjustment related to the current year. The impact of the adjustments to the Breakage estimates on the Change in Future Redemption Costs for the year was an increase of $15.8 million, which was partially offset by a $5.4 million contribution from anchor partner HSBC in connection with the extension of its participation in the Air Miles Middle East program. The current year Adjusted EBITDA also includes the negative impact of the restructuring expenses and other reorganization costs amounting to $23.3 million. On the other hand, Adjusted EBITDA for the current year was favourably affected by the adjustment discussed in the *Revenue from Loyalty Units* section related to the revision of an estimate associated with Nectar 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 $285.5 million or 13.1% (as a % of Gross Billings) for the year ended December 31, 2010 and included the non-comparable effect of a $17.4 million net charge recorded as a result of the ECJ VAT Judgment, which was offset by the positive effect of the $17.4 million reclassification to deferred revenue described under *Gross Billings* and *Other Gross Billings*. Of this amount, $17.0 million related to the US & APAC segment and $0.4 million to the EMEA segment. Adjusted EBITDA excludes any share of PLM's loss.

Adjusted Net Earnings amounted to $198.2 million or 8.9% (as a % of Gross Billings) for the year ended December 31, 2011, compared to $156.2 million or 7.1% (as a % of Gross Billings) for the year ended December 31, 2010. Adjusted Net Earnings for the year ended December 31, 2011 and 2010 also include the effect of the accrual of interest payable as a result of the ECJ VAT Judgment amounting to $4.4 million and $7.2 million, respectively. Adjusted Net Earnings excluded any share of PLM's loss. The effective tax rate has been impacted as described under *Net earnings*.

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

Free Cash Flow for the year ended December 31, 2011, amounted to $84.1 million compared to $113.7 million for the year ended December 31, 2010, primarily as a result of:

- a decrease in cash from operating activities of $25.6 million, mainly due to an increase of $90.7 million in cost of rewards and direct costs (excluding the non-cash impact of the ECJ VAT Judgment of $53.1 million in 2010), mostly attributable to higher redemptions in all loyalty programs, lower interest received with the absence of the Air Canada club loan of $6.2 million and higher interest paid due to the timing of payments on the long-term debt of $6.8 million. This was offset by increased Gross Billings of $62.9 million, excluding the $17.4 million non-cash reclassification related to Carlson Marketing recorded last year; lower operating expenses (excluding the non-cash restructuring costs this year and the impact of the ECJ VAT Judgment in 2010) of $27.4 million and lower cash taxes of $15.9 million due to timing of instalments. Changes in working capital accounted for the remaining variance including the funding of the prepaid card liability in our US business of $23.9 million (US$23.4) million due to changes in our banking agreements, as prepaid cards are now required to be funded upon issuance rather than redemption and the build up in inventory in our Canadian business of $28.0 million primarily due to the insourcing of our non-air rewards procurement;
- lower capital expenditures of approximately $2.0 million;
- 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 $5.2 million, explained by the increase in the quarterly dividend rate paid from $0.125 to $0.150 per share starting in 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.

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.

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

QUARTER ENDED DECEMBER 31, 2011 COMPARED TO QUARTER ENDED DECEMBER 31, 2010

Gross Billings generated for the three months ended December 31, 2011 amounted to $621.1 million compared to $593.6 million for the three months ended December 31, 2010, representing an increase of $27.5 million or 4.6%, 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 December 31, 2011, and as a result of the current economic environment, the different Gross Billings categories were affected in the following manner:

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2011 amounted to $425.2 million compared to $394.7 million for the three months ended December 31, 2010, representing an increase of $30.5 million or 7.7%.

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 December 31, 2011 increased by 1.5% in comparison to the three months ended December 31, 2010.

Aeroplan experienced an increase of $3.3 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 credit cards and the positive contribution from an Aeroplan Miles conversion promotion campaign, partly offset by decreased activity in the airline and retail sectors.

EMEA

Nectar UK Points issued during the three months ended December 31, 2011 increased by 20.1% compared to the same period in the prior year driven by strong underlying growth and an increase in promotional bonus point activity in the grocery sector along with higher issuance in the energy sector as a result of a new Accumulation Partner, British Gas.

Nectar Italia Points issued increased by 10.9% in comparison to the prior period as the program continued to grow despite the difficult economic conditions.

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

The EMEA segment experienced an increase of $27.2 million in Gross Billings from the sale of Loyalty Units, including a favourable $1.1 million currency impact resulting from the increase in value of foreign currencies relative to the Canadian dollar. The operational variance of $26.1 million is mostly explained by a $17.1 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 $3.2 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 and an increase of $5.8 million in the Air Miles Middle East business, mainly due to a $5.4 million contribution from anchor partner HSBC in connection with the extension of its participation in the program.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $195.9 million for the three months ended December 31, 2011 compared to $198.9 million for the three months ended December 31, 2010, representing a decrease of $3.0 million or 1.5%. The decrease is mostly explained by reduced proprietary loyalty services rendered during the current quarter, including the impact of the phasing out of a portion of the Visa business representing $1.1 million, offset partially by increased Gross Billings from ISS services. 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 December 31, 2011 amounted to 19.4 billion compared to 16.4 billion for the three months ended December 31, 2010, representing an increase of 3.0 billion or 18.3% driven primarily by the introduction of a new air redemption product and an increase in non-air redemptions.

Redemption activity for the Nectar Program increased by 11.0% compared to the fourth 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 December 31, 2011 increased significantly 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, as well as accumulation, as the program is now 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.

The impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of $4.9 million for three months ended December 31, 2011.

The impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of $3.3 million for the three months ended December 31, 2011.

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

Revenue includes the following components:

Revenue from Loyalty Units, including Breakage, amounted to $364.4 million for the three months ended December 31, 2011 compared to $427.0 million for the three months ended December 31, 2010, representing a decrease of $62.6 million or 14.7%.

The current quarter includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the current year (including $8.9 million attributable to the fourth quarter of 2011). Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program. The adjustments to the Breakage estimates in the Nectar and Air Miles Middle East program reflect the expected increase in engagement and redemption levels by the programs' members based on the renewal and extension of contracts with the respective programs' anchor sponsors.

Excluding the impact of the adjustments to the Breakage estimates, revenue from Loyalty units amounted to $500.4 million for the quarter, representing an increase of $73.4 million or 17.2%. This increase is mainly due to:

- a favourable variance of $38.5 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 $23.7 million in the EMEA segment, including the positive impact of foreign currencies of $1.4 million related to the translation of foreign operations. The operational variance of $22.3 million is mostly explained by increased redemptions in the Nectar and Nectar Italia programs;
- on a consolidated basis (excluding the impact of the adjustments to the Breakage estimates described above), increased revenue recognized from Breakage of $11.2 million, driven by higher redemption activity during the period.

Revenue from Proprietary Loyalty Services, which consists of consolidated revenue from businesses formerly presented as Carlson Marketing, amounted to $162.3 million for the three months ended December 31, 2011 compared to $166.8 million for the three months ended December 31, 2010, representing a decrease of $4.5 million or 2.7% mainly attributable to:

- a decrease of $0.9 million in the US & APAC segment, net of a $1.4 million impact of currency fluctuation recognized on the translation of foreign operations. The operating decrease of $2.3 million is partially attributable to the phasing out of a portion of the Visa business, representing $1.1 million;
- a decrease of $2.7 million in the EMEA segment mainly due to the exit from non-core marketing service activities; and
- a decrease of $0.9 million in Canada, primarily explained by reduced activity in the financial vertical during the current period. Revenue for the three months ended December 31, 2010 was reported 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.

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

Other Revenue amounted to $34.1 million for the three months ended December 31, 2011 compared to $24.8 million for the three months ended December 31, 2010, representing an increase of $9.3 million or 37.5%, mainly driven by increased activity in the UK and international expansion of the ISS services. ISS related revenues increased by 82.8% compared to the comparative period.

Cost of Rewards and Direct Costs amounted to $423.8 million for the three months ended December 31, 2011 compared to $392.3 million for the three months ended December 31, 2010, representing an increase of $31.5 million or 8.0%. This change is mainly attributable to the following factors:

The Canada segment experienced an increase of $14.9 million in cost of rewards and direct costs, mostly explained by:

- a higher volume of air and non-air redemptions for the quarter, representing $26.3 million; offset by
- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $0.6 million and
- a decrease in proprietary loyalty services direct costs of approximately $10.8 million resulting primarily from procurement synergies and margin improvement.

The EMEA segment experienced a $18.5 million increase in costs explained primarily by:

- increased redemption activity in the Nectar Program representing an additional $13.3 million to the redemption expense;
- increased redemption activity under the Nectar Italia program accounting for approximately $4.1 million in redemption expense; and
- the negative impact of the currency fluctuation relative to the foreign currencies of $0.8 million.

The US & APAC segment experienced a decrease of $1.9 million in direct costs mainly attributable to the revenue mix of services rendered to new and existing clients.

Gross Margin before Depreciation and Amortization decreased by 12.2 percentage-points, a direct result of the factors described above, and represented 24.4% of total revenue for the three month period ended December 31, 2011.

Excluding the impact of the changes to the Breakage estimates in 2011, gross margin before depreciation and amortization represented 39.2% of total revenue, and increase of 2.6 percentage-points compared to the same period in 2010. It is composed of the following:

- Canada's gross margin before depreciation and amortization represented 47.6% of total revenue compared to 44.4% for the same period in 2010. The gross margin improvement 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 28.7% of total revenue compared to 26.5% for the same period in 2010. The variance was mainly driven by mix and an improved redemption margin in Nectar; and

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

- US & APAC's gross margin before depreciation and amortization was 35.1% compared to 34.0% for the same period in 2010. This variance was mainly driven by the overall change in revenue mix.

Operating Expenses amounted to $204.2 million for the three months ended December 31, 2011 compared to $146.6 million for the same period in 2010, representing an increase of $57.6 million or 39.3%.

Operating expenses for the three months ended December 31, 2011 include a goodwill impairment charge of $53.9 million (US$53.0 million) related to our US proprietary loyalty CGU which is discussed in the *YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010* section.

As a result of the transition to a regional structure and in order to optimize synergies, restructuring expenses amounting to $9.3 million were recorded during the three months ended December 31, 2011. These costs by segment are detailed as follows:

- Canada incurred $3.6 million in restructuring expenses relating to termination benefits;
- US & APAC incurred $6.3 million in restructuring expenses, of which $4.0 million relates to termination benefits and $2.3 million relate to an onerous lease;
- EMEA recorded $0.9 million as a reduction to restructuring expenses, of which $0.2 million related to the release of a portion of termination benefits accrued and $0.7 million relates to the recognition of expected benefits from a sub-lease contract signed during the fourth quarter of 2011 against an onerous lease accrual; and
- Corporate incurred $0.3 million in restructuring expenses relating to termination benefits.

Excluding the effect of the restructuring expenses and the goodwill impairment charge recorded during the fourth quarter of 2011, operating expenses decreased by $5.6 million or 3.8%. This variance is mainly attributable to:

- a $1.4 million increase in Canada resulting mostly from increased advertising and promotional spending;
- a $0.8 million decrease in EMEA, net of the $0.3 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $1.1 million is mainly explained by the favourable timing of brand spending, partly offset by an increase in expenses from the underlying growth and expansion of the Nectar, Nectar Italia and ISS businesses;
- a $5.3 million decrease in the US & APAC segment, net of a $1.2 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $6.5 million is mainly explained by $4.3 million of migration costs incurred in the fourth 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 $3.0 million, and lower compensation costs offset by higher consulting and business development costs; and
- a $0.9 million decrease in the corporate segment mainly attributable to lower share-based compensation expense resulting from the favourable impact of the revision of the forfeiture estimate amounting to $3.6 million, of which $2.6 million is attributable to the current year restructuring activities, and to reduced

consulting fees; 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 $11.7 million and $10.3 million for the three months ended December 31, 2011 and 2010, respectively. The increase was mainly attributable to a write-down related to a fulfilment platform in the US.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $24.1 million for the three months ended December 31, 2011 compared to $20.3 million for the same period in 2010. The increase is mainly attributable to the acceleration of the amortization of the right to use the Carlson Marketing trade name as it is no longer used due to the rebranding of the Corporation during the fourth quarter of 2011.

Operating Income (Loss), excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $(79.0) million for the three months ended December 31, 2011 compared to $69.4 million for the three months ended December 31, 2010, representing a decrease of $148.4 million or 213.9%. Operating loss for the three months ended December 31, 2011 was negatively impacted by the reduction in revenue resulting from the adjustments to the Breakage estimates amounting to $136.0 million, the goodwill impairment charge of $53.9 million related to our US proprietary loyalty CGU and the restructuring expenses amounting to $9.3 million.

Net Financing Costs for the three months ended December 31, 2011 consist of interest revenue of $3.7 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 $12.2 million, a loss of $0.6 million relating to the fair value adjustment of the Air Canada warrants, and other financial expenses of $4.2 million, of which $1.0 million relates to the accrual of interest payable as a result of the ECJ VAT Judgment and $2.9 million relates mainly to a foreign exchange loss recognized on the refinancing of foreign operations.

Net Earnings include the effect of $16.8 million of current income taxes and the share of PLM's net loss of $10.3 million. PLM's loss was mainly driven by a change in treatment of certain tax attributes and the reversal of a previously recorded deferred tax asset.

Current income taxes are mostly attributable to income taxes 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.

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Adjusted EBITDA amounted to $90.0 million or 14.5% (as a % of Gross Billings) for the three months ended December 31, 2011. Adjusted EBITDA was $85.5 million or 14.4% (as a % of Gross Billings) for the same period in 2010. Changes in Breakage revenue do not affect Adjusted EBITDA. However, adjustments to the Breakage estimates affect the Change in Future Redemption Costs. Adjustments to the Future Redemption Costs are applied as if the change to the new breakage rate had been in effect from the inception of the program, and therefore the Change in Future Redemption Costs only reflects the impact of the Breakage adjustments related to the current year. The impact of the adjustments to the Breakage estimates on the Change in Future Redemption Costs for the quarter was an increase of $15.8 million (of which $4.5 million relates to the quarter), which was partially offset by a $5.4 million contribution from anchor partner HSBC in connection with the extension of its participation in the Air Miles Middle East program. The current quarter Adjusted EBITDA also includes the negative impact of the restructuring expenses amounting to $9.3 million. Adjusted EBITDA excludes any share of PLM's loss.

Adjusted Net Earnings amounted to $39.5 million or 6.4% (as a % of Gross Billings) for the three months ended December 31, 2011, compared to $22.6 million or 3.8% (as a % of Gross Billings) for the three months ended December 31, 2010. Adjusted Net Earnings for the three months ended December 31, 2011 and 2010 also includes the effect of the accrual of interest payable as a result of the ECJ VAT Judgment amounting to $1.0 million and $0.8 million, respectively. Adjusted Net Earnings excludes any share of PLM's loss. The effective tax rate has been impacted as described under *Net earnings.*

Free Cash Flow for the three months ended December 31, 2011, amounted to $(16.5) million compared to $55.3 million for the three months ended December 31, 2010, mainly as a result of:

- a decrease in cash from operating activities of $69.7 million, primarily due to an increase of $31.4 million in cost of rewards and direct costs, attributable to higher redemptions in all loyalty programs; offset by growth in Gross Billings of $27.5 million; with changes in working capital accounting for the remaining variance; including the funding of prepaid card liability in our US business of $23.9 million (US$23.4) million due to changes in our banking agreements, and the build up in inventory in our Canadian business of $28.0 million primarily due to the insourcing of our non-air rewards procurement;
- lower capital expenditures of approximately $0.7 million;
- increased dividends paid on common shares of $2.7 million, explained by the increase in the quarterly dividend rate 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.

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended December 31, 2011.

	2011				2010			
(in thousands, except per share amounts)	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 [j] $	Q1 [j] $
Gross Billings	**621,109**	541,819	542,418	527,880	593,617	520,455	555,734 [h]	517,947
Gross Billings from the sale of Loyalty Units	**425,208**	384,651	388,203	362,739	394,698	360,062	364,722	338,269
Revenue	**560,683** [d]	501,412	507,602	546,208	618,579	461,512	467,885	508,259
Cost of rewards and direct costs	**(423,788)**	(283,733)	(297,737)	(327,616)	(392,348)	(322,938) [g]	(274,256)	(305,740)
Gross margin before depreciation and amortization [a]	**136,895** [d]	217,679	209,865	218,592	226,231	138,574 [g]	193,629	202,519
Operating expenses	**(204,216)** [i]	(130,867)	(139,484)	(137,981)	(146,606)	(107,297) [g]	(142,101)	(146,589)
Depreciation and amortization	**(11,698)**	(8,419)	(8,096)	(7,820)	(10,258)	(7,403)	(7,166)	(7,627)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**(79,019)** [d][i]	78,393	62,285	72,791	69,367	23,874 [g]	44,362	48,303
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(24,143)**	(23,109)	(22,893)	(23,329)	(20,300)	(23,228)	(23,812)	(22,968)
Operating income (loss)	**(103,162)** [d][i]	55,284	39,392	49,462	49,067	646 [g]	20,550	25,335
Net earnings (loss) attributable to equity holders of the Corporation	**(126,267)** [d][e][i]	26,066 [e]	15,095 [e]	25,428 [e]	(3,186) [e]	(11,546) [e][g]	11,236	18,419
Adjusted EBITDA [b]	**89,978** [f]	104,219	76,854	72,553	85,473	56,797 [g]	89,528 [h]	55,836
Net earnings (loss) attributable to equity holders of the Corporation	**(126,267)** [d][e][i]	26,066 [e]	15,095 [e]	25,428 [e]	(3,186) [e]	(11,546) [e][g]	11,236	18,419
Earnings (loss) per common share [c]	**(0.74)** [d][e][i]	0.13 [e]	0.07 [e]	0.12 [e]	(0.03) [e]	(0.07) [e][g]	0.04	0.08
Free cash flow [b]	**(16,462)**	95,769	51,800	(46,966)	55,319	112,707	11,664	(66,039)

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

(b) A non-GAAP measurement.

(c) After deducting dividends paid on preferred shares.

(d) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $136.0 million to revenue from Loyalty Units, with $113.3 million being attributable to prior years and $22.7 million to the 2011 year (including $8.9 million attributable to the fourth quarter of 2011). Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million is attributable to the Air Miles Middle East program.

(e) 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), $1.3 million (£0.8 million) and $1.0 million (£0.7 million) for the three month periods ended September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011, September 30, 2011 and December 31, 2011, respectively.

(f) The Change in Future Redemption costs for the quarter ended December 31, 2011 includes the unfavourable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs amounting to $15.8 million (of which $4.5 million relates to the current quarter).

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

(i) Includes a goodwill impairment charge amounting to $53.9 million related to our US Proprietary Loyalty cash-generating unit.

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

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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 December 31, 2011, Aimia had $202.1 million of cash and cash equivalents, $15.1 million of restricted cash, $58.4 million of short-term investments and $279.7 million of long-term investments in bonds, for a total of $555.3 million. Approximately $32.1 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to March 2012 and $309.9 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 of $)	Year ended December 31,	
	2011	2010
Cash and cash equivalents, beginning of year	**538,580**	**609,848**
Cash from operating activities	242,541	268,105
Cash used in investing activities	(243,730)	(99,079)
Cash used in financing activities	(338,532)	(224,309)
Translation adjustment related to cash	3,288	(15,985)
Cash and cash equivalents, end of year	**202,147**	**538,580**

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 $242.5 million for the year ended December 31, 2011 compared to $268.1 million for the year ended December 31, 2010. The unfavourable variance for the year compared to last year and excluding the non-cash impact of the ECJ VAT Judgment and restructuring costs, is mainly attributable to an

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increased use of working capital (including the funding of prepaid card liability in our US business of $23.9 million (US$23.4) million, due to changes in our banking agreements; and the build up in inventory in our Canadian business of $28.0 million, primarily due to the insourcing of our non-air rewards procurement; higher redemptions in all loyalty programs; lower interest income received; and higher cash interest paid, offset by higher Gross Billings; lower operating expenses; and lower cash income taxes paid. For the comparative year of 2010, accounts receivable and provisions included the impact of an accrual related to the ECJ VAT Judgment. Consequently, the changes in working capital presented for the 2010 included the impact of these accruals. Please refer to the *Free Cash Flow* section for more information on variances in cash flows from operations.

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 $42.8 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 December 31, 2011, the net cash outflow is expected to be $38.5 million (£24.4 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 year ended December 31, 2011 reflect the additional investment in PLM, which amounted to $11.8 million.

Short-term investments made for the year ended December 31, 2011, amounted to $28.3 million. Long-term investments made during the year ended December 31, 2011, amounted to $158.8 million, and included the investment in Cardlytics of $23.0 million.

Capital expenditures for the year ended December 31, 2011, amounted to $44.9 million. Capital expenditures for 2012, which include expenditures associated with software development initiatives launched in fiscal 2011, are expected to approximate $55.0 million.

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FINANCING ACTIVITIES

For the year ended December 31, 2011, financing activities used cash in the amount of $338.5 million.

Cash used in financing activities for the year ended December 31, 2011 was primarily related to the payment of common and preferred dividends in the amount of $113.5 million and the repurchase of common shares in the amount of $166.2 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 $40.0 million of the amount of $50.0 million drawn during the third quarter remained outstanding at December 31, 2011. In relation to the refinancing of the Corporation's credit facilities, $1.0 million was disbursed as transaction costs during the year. An amount of $2.2 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 2012 fiscal year of $170.5 million, including $115.5 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 revolver or accordion feature under the credit 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

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date, Aeroplan has never accessed the funds held in the Reserve. At December 31, 2011, the Reserve amounted to $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 December 31, 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 December 31, 2011, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 29.0% 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 $1,368.0 million.

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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 December 31, 2011, $40.0 million was drawn and $260.0 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 December 31, 2011	Drawn at December 31, 2011	Drawn at December 31, 2010	Drawn at January 1, 2010
	$	$	$	$
Revolving facility *(a)*	300,000	40,000	-	140,000
Term facility *(b)*	-	-	100,000	300,000
Senior Secured Notes Series 1 *(c)*	N/A	200,000	200,000	200,000
Senior Secured Notes Series 2 *(d)*	N/A	150,000	150,000	150,000
Senior Secured Notes Series 3 *(e)*	N/A	200,000	200,000	-
Prepaid interest *(f)*	N/A	-	(259)	(709)
Unamortized transaction costs *(f)*	N/A	(3,322)	(5,838)	(9,183)
		586,678	643,903	780,108
Less: current portion *(c)*		200,000	-	-
Total		**386,678**	**643,903**	**780,108**

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%.

Amounts owed under the revolving facility at January 1, 2010 were repaid in January 2010 with proceeds generated from the issuance of the Preferred Shares, Series 1.

At December 31, 2011, amounts borrowed under the revolving facility were in the form of prime loans, bearing an interest rate of 4.25%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $13.3 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) On April 23, 2009 and April 30, 2009, Aimia issued Senior Secured Notes Series 1 in the principal amount of $175.0 million and $25.0 million, respectively. These notes 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) On September 2, 2009, Aimia issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. These notes 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) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. These notes bear interest at 6.95%, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017. The proceeds from the notes issued were used to repay a portion of the term facility, with the authorized availability being reduced by the amount of the payment.

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

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

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	1.75	≤ 2.75
Debt service [(a)]	0.18	≤ 2.00
Interest coverage	7.99	≥ 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

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the 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 $1,060.8 million at December 31, 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.

Management has calculated that the cumulative effect of a 1% change in Breakage in each individual program would have a consolidated impact on revenue and earnings before income taxes of $114.8 million for the period in which the change occurred, with $96.4 million relating to prior years and $18.4 million relating to the current year.

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

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

VAT Litigation

(in thousands)	VAT Provision
	$
Balance at January 1, 2010	**-**
Provision recorded during the year	136,572
Provision used during the year	-
Provision reversed during the year	-
Foreign exchange translation adjustment	(3,567)
Balance at December 31, 2010	**133,005**
Provision recorded during the year	12,341
Provision used during the year	-
Provision reversed during the year	-
Foreign exchange translation adjustment	2,402
Balance at December 31, 2011	**147,748**

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.

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

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of $133.0 million (£85.7 million) was recorded in provisions at December 31, 2010 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of $63.9 million (£41.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, was also recorded in accounts receivable. Of the net amount, $62.1 million (£39.0 million) (of which $9.0 million (£5.6 million) related to the year ended December 31, 2010, and $53.1 million (£33.4 million) related to the period from 2002 to 2009) was charged to cost of rewards during 2010. In addition, $1.6 million (£1.0 million) and $7.2 million (£4.5 million) were charged to general and administrative expenses and interest expense, respectively.

In addition, an accrual in the amount of $7.2 million (£4.5 million), payable to certain employees in the event of a favourable outcome, was reversed into earnings, reducing general and administrative expenses during the year ended December 31, 2010.

For the year ended December 31, 2011, $7.9 million (£5.0 million) has been recorded in cost of rewards and $4.4 million (£2.8 million) has been recorded in interest expense.

At December 31, 2011, $147.7 million (£93.5 million) was recorded in provisions and $65.0 million (£41.2 million) was recorded in accounts receivable.

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 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.

For more information on the estimated net cash movement upon settlement of the ECJ VAT Judgment, refer to *Operating Activities* in the *LIQUIDITY AND CAPITAL RESOURCES* section.

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 December 31, 2011, Aimia's maximum

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

exposure under such guarantees was estimated to amount to $156.5 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 and a decision is anticipated imminently.

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% of Gross Billings for the years ended December 31, 2011 and 2010. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $221.4 million for 2012. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the years ended December 31, 2011 and 2010, 40% and 37% 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).

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

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.

LOAN RECEIVABLE FROM AIR CANADA AND AIR CANADA WARRANTS

On July 29, 2009, Aeroplan, with a syndicate of other lenders, including GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc., entered into an agreement to provide financing to Air Canada ("Air Canada Club Loan"), pursuant to which Aeroplan advanced $150.0 million to the airline.

On August 3, 2010, Air Canada repaid $156.3 million, representing all amounts outstanding and accrued to the date of repayment owed under the Air Canada Club Loan, in advance of its maturity. Of this amount, $6.3 million was recorded in interest income which included $4.8 million of accrued interest and a $1.5 million prepayment charge.

In connection with the Air Canada Club Loan, Air Canada issued warrants to the lenders to purchase Air Canada Class A or Class B variable voting shares. Upon closing, Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each, exercisable at any time and expiring in four years. In addition, Aeroplan was entitled to receive its pro rata share of additional warrants, representing up to an aggregate five percent of the total issued common stock of Air Canada at the time of issuance, in the event that Air Canada did not grant additional security over certain assets within 90 days of closing. The security was not granted within the 90 day period and on October 19, 2009, Aeroplan received 1,250,000 additional warrants in connection with the Air Canada Club Loan. The additional warrants received have an exercise price of $1.44 each and are exercisable at any time and expire four years from the date of grant, consistent with the warrants granted by Air Canada upon closing of the Air Canada Club Loan.

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 $0.3 million at December 31, 2011 and $4.5 million and $1.1 million at December 31 and January 1, 2010 respectively.

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

In consideration of the foregoing, Aeroplan and Air Canada agreed to certain mutually beneficial commercial arrangements, none of which related to the pricing of Aeroplan Miles or the cost of reward travel seats.

CPSA

On August 4, 2010, as provided for in the existing CPSA between the parties, Aeroplan and Air Canada reached agreement relating to fixed capacity redemption rates, to be paid by Aeroplan, in connection with airline seat redemptions, for the period beginning January 1, 2011, through to December 31, 2013. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As at December 31, 2011, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

(in millions)	Total	2012	2013	2014	2015	2016	Thereafter
	$	$	$	$	$	$	$
Contractual Obligations							
Operating leases	52.8	12.0	11.4	8.9	8.5	5.1	6.9
Technology infrastructure and other	60.4	28.1	20.0	10.8	1.5	-	-
Marketing support and other	66.2	20.5	19.1	17.1	9.5	-	-
Long-term debt [(a)]	714.9	236.4	27.4	216.3	13.9	13.9	207.0
Purchase obligation under the CPSA	3,648.2	429.2	429.2	429.2	429.2	429.2	1,502.2
Contractual Obligations	**4,542.5**	**726.2**	**507.1**	**682.3**	**462.6**	**448.2**	**1,716.1**
Commitments							
Letters of Credit and Surety Bonds	19.0	14.8	4.2	-	-	-	-
Commitments	**19.0**	**14.8**	**4.2**	**-**	**-**	**-**	**-**
Total Contractual Obligations and Commercial Commitments	**4,561.5**	**741.0**	**511.3**	**682.3**	**462.6**	**448.2**	**1,716.1**

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.

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

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 formulae. At December 31, 2011, Aimia complied with all such covenants.

DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2011 and 2010 were as follows:

(in thousands of $, except per share amounts)	2011		2010	
Amount	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	23,882	0.125
December	26,096	0.150	23,372	0.125
	102,268	**0.575**	**97,017**	**0.500**

(a) On May 25, 2011, the Board of Directors of Aimia approved an increase to the common share dividend from $0.125 to $0.150 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2011 and 2010 were as follows:

(in thousands of $, 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
December	2,804	0.406	2,804	0.406
	11,213	**1.625**	**10,560**	**1.530**

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.

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

On February 22, 2012, the Board of Directors of Aimia has declared quarterly dividends of $0.15 per common share and $0.40625 per preferred share, payable on March 30, 2012.

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 December 31, 2011, pursuant to the NCIB, amounted to 6,262,800 for total cash consideration of $75.8 million. Share capital was reduced by $55.1 million, and the remaining $20.7 million was accounted for as a reduction of contributed surplus.

At December 31, 2011, Aimia had 173,817,381 common shares and 6,900,000 preferred shares issued and outstanding for an aggregate amount of $1,695.6 million. In addition, there were 4,004,069 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

CAPITAL DISCLOSURES

Aimia's capital consists of cash and cash equivalents, short-term investments, long-term investments in corporate and government bonds, long-term debt and total equity attributable to the equity holders of the Corporation (excluding accumulated other comprehensive income).

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

Aimia's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

In managing its capital structure, Aimia monitors performance throughout the year to ensure anticipated cash dividends, working capital requirements and maintenance capital expenditures are funded from operations, available cash on deposit and, where applicable, bank borrowings. Aimia manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, Aimia may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

The total capital as at December 31, 2011 and December 31, 2010 is calculated as follows:

(in thousands)	December 31,	
	2011	2010
	$	$
Cash and cash equivalents	(202,147)	(538,580)
Short-term investments	(58,372)	-
Long-term investments in corporate and government bonds	(279,737)	(176,922)
Long-term debt (including current portion)	586,678	643,903
Share Capital	1,695,642	1,807,497
Contributed surplus	1,222,061	1,269,282
Deficit	(1,583,109)	(1,408,260)
Total capital	**1,381,016**	**1,596,920**

Aimia monitors capital using a number of financial metrics including but not limited to:

- the leverage ratio, defined as debt to adjusted earnings before interest, taxes, depreciation and amortization, adjusted for changes in deferred revenue and future redemption costs (Adjusted EBITDA);
- the debt service ratio, defined as debt to operating cash flows; and

- the interest coverage ratio, defined as Adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

Aimia uses Adjusted EBITDA and Adjusted Net Earnings as measurements to monitor operating performance. Free cash flow is used as an indicator of financial performance. These measures, as presented, are not recognized for financial statement presentation purposes under IFRS, and do not have a standardized meaning. Therefore, they are not likely to be comparable to similar measures presented by other public entities.

Aimia is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, 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 formulae. Aimia is in compliance with all such covenants.

Aimia has also established the Reserve, which at December 31, 2011 amounted to $300.0 million and is 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 upon policies established by management.. This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities. To date, Aimia has not used any of the funds held in the Reserve. 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 operations.

FINANCIAL INSTRUMENTS

Aimia’s financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments in corporate and government bonds, investment in Cardlytics, Air Canada warrants, note receivable, accounts payable and accrued liabilities and long-term debt.

Aimia, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Aimia is exposed to fluctuations in interest rates with respect to cash and cash equivalents, restricted cash, short-term investments (excluding investments in bonds with a remaining maturity of less than twelve months), and borrowings under the terms of the outstanding credit facilities, all of which bear interest at variable rates and are held or borrowed in the form of short-term deposits, Bankers’ Acceptances and prime loans.

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

At December 31, 2011, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

(in thousands)	December 31,	
	2011	2010
	$	$
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	275,593	551,162
Credit facilities	(40,000)	(100,000)

For the year ended December 31, 2011, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments and credit facilities would have an impact of approximately $2.4 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2010.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2011, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments and note receivable.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2011, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

With respect to accounts receivable and the note receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. In addition, Aimia is directly affected by the financial and operational strength of Air Canada. In order to manage its exposure to credit risk and assess credit quality, Aimia reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Aimia have been negligible.

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

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2011, Aimia had drawn $40.0 million against its revolving facility, maturing on April 23, 2014, with $260.0 million remaining authorized and available. Aimia also had issued Senior Secured Notes in the amount of $550.0 million maturing at various dates through January 26, 2017. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately $13.8 million (of which $13.3 million were issued against the revolving facility) at December 31, 2011 issued as security in the normal course of business.

At December 31, 2011, maturities of the financial liabilities are as follows:

(in thousands)	Total	2012	2013	2014	2015	2016	Thereafter
	$	$	$	$	$	$	$
Long-term debt including interest	714,926	236,450	27,450	216,276	13,900	13,900	206,950
Accounts payable and accrued liabilities	382,130	382,130	-	-	-	-	-
Total	**1,097,056**	**618,580**	**27,450**	**216,276**	**13,900**	**13,900**	**206,950**

CURRENCY RISK

Aimia is exposed to currency risk on its foreign operations which are denominated in a currency other than the Canadian dollar, mainly the pound sterling, and as such, is subject to fluctuations as a result of foreign exchange rate variations.

At December 31, 2011, Aimia held net financial assets denominated in pound sterling of approximately £40.1 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $0.6 million in the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2010.

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

FINANCIAL INSTRUMENTS – CARRYING AMOUNTS AND FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

(in thousands of $)	December 31,			
	2011		2010	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Loans and receivables:				
Cash and cash equivalents, restricted cash and short-term investments (excluding current portion of investments in bonds)	245,397	245,397	551,162	551,162
Accounts receivable (excluding Air Canada warrants)	382,495	382,495	350,594	350,594
Note receivable	61,611	61,611	57,379	57,379
Held to maturity:				
Investments in corporate bonds (including current portion)	309,933	322,462	176,922	175,737
Available-for-sale:				
Investment in Cardlytics	22,998	22,998	-	-
Fair value through profit and loss:				
Air Canada warrants	328	328	4,461	4,461
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	382,130	382,130	330,052	330,052
Long-term debt	586,678	616,421	643,903	680,495

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts receivable, note receivable, and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. The fair value of the borrowings of approximately $616.4 million is estimated as being the quoted market value for the publicly traded debt securities, while the fair value of borrowings under the revolving facility is estimated to be their drawn amount, since the borrowings bear interest at floating rates, and are typically drawn in the form of Bankers' Acceptances with a short-term maturity or prime loans.

The fair value of investments in corporate and government bonds approximates $322.5 million and is based on the quoted market price of the investments.

Fair Value Hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of the Air Canada warrants, accounted for at fair value through profit and loss and classified as level 2, amounted to $0.3 million as of December 31, 2011.

The investment in Cardlytics is accounted for as available-for-sale and classified as level 3. The fair value of the investment is based on the discounted cash flow analysis used to value the initial investment, adjusted to reflect changes to budgeted cash flows and key assumptions used in the analysis between the initial investment date and December 31, 2011. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at December 31, 2011, the fair value of the investment in Cardlytics was determined to approximate cost.

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

EARNINGS (LOSS) PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted to $(0.40) and $0.02 for the year ended December 31, 2011 and December 31, 2010, respectively. 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 December 31, 2011 audited consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS 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 IFRS has affected Aimia's financial position, financial performance and cash flows, please refer to *Note 32* of the December 31, 2011 audited 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, 2015, 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. These amendments are 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 these amendments.

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. These amendments are 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 these amendments.

E. In December 2011, the IASB amended IFRS 7 - *Financial Instruments*, to incorporate additional disclosure requirements related to offsetting financial assets and financial liabilities. These amendments are required to be applied for accounting periods beginning on or after January 1, 2013. The Corporation anticipates that the adoption of these amendments will result in additional disclosure requirements related to the

Corporation's netting arrangements with Air Canada. The Corporation has not yet determined whether it will early adopt these amendments.

F. In December 2011, the IASB amended IAS 32- *Financial Instruments*: Presentation, to clarify certain requirements for offsetting financial assets and liabilities. These amendments are required for accounting periods beginning on or after January 1, 2014. At this time, the Corporation does not anticipate that these amendments will have an impact on its consolidated financial statements as it already complies with the proposed amendments to the standard.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with the International Financial Reporting Standards ("IFRS") requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Management has identified the areas, discussed below, which it believes are the most subject to judgments, often requiring the need to make estimates about the effects of matters that are inherently uncertain and may change significantly in subsequent periods.

The significant accounting policies are described in *Note 2* to the December 31, 2011 audited consolidated financial statements. The policies which Aimia believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

Aimia derives its cash inflows primarily from the sale of "Loyalty Units", which are defined as the miles, points or other loyalty program reward units issued under the respective programs operated by Aimia's subsidiaries, to their respective Accumulation Partners and from services rendered or to be rendered to customers, which are referred to as Gross Billings. Loyalty Units issued for promotional purposes, at a discount or no value, are also included in Gross Billings at their issue price. These Gross Billings are deferred and recognized as revenue upon the redemption of Loyalty Units. Revenue recognized per Loyalty Unit redeemed is calculated, on a weighted average basis, separately for each program. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage represents the estimated Loyalty Units that are not expected to be redeemed by members. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of the different programs it

operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool.

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2011 is 18% (December 31, 2010: 21%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2011, assisted by an expert review, and taking into account renewed and extended agreements with anchor sponsors Sainsbury's and HSBC. The impact of the adjustments to the Breakage estimates of the Nectar and Air Miles Middle East programs for the year ended December 31, 2011 was a reduction to revenue and earnings before income taxes of $136.0 million, with $113.3 million relating to prior years and $22.7 million relating to the current year. Of the total adjustment, $95.2 million is attributable to the Nectar program and $40.8 million to the Air Miles Middle East program.

In limited circumstances, Aimia may sell Loyalty Units directly to members. Revenue from these sales to members is recognized at the time the member redeems Loyalty Units for rewards.

In addition, Aimia derives proprietary loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. 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 revenue, which consists of charges to 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, is also included in Gross Billings and is recognized as revenue when the services are rendered or on an accrual basis, in accordance with the substance of the agreements in the case of royalties. Other revenue also includes 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. These loyalty analytics service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. 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.

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

ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, SOFTWARE AND TECHNOLOGY AND OTHER INTANGIBLES

Accumulation Partners' contracts, customer relationships and other intangibles are considered long-lived assets with finite lives.

Accumulation Partners' contracts and customer relationships are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, typically 5 – 25 years.

The average remaining amortization period of individually significant Accumulation Partners' contracts is 18.9 years as at December 31, 2011.

Other intangibles, which include the rights to use the Carlson Marketing trade name (fully amortized as of December 31, 2011) and non-competition restrictions agreed to by the vendor, pursuant to the acquisition agreement, are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

Software and technology are recorded at cost less accumulated impairment losses and amortized using the straight-line method over 3 to 7 years. Internally generated software under development includes costs paid to third parties such as consultants' fees, other costs directly attributable to preparing the assets for their intended use and borrowing costs on qualifying assets for which the commencement date for capitalization is more than one year after development starts. Amortization will commence upon completion of development once the software is available for use.

TRADE NAMES AND GOODWILL

Trade names, which are considered intangible assets with indefinite lives, are recorded at cost less accumulated impairment losses, and are not amortized but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the trade names may be impaired. These intangible assets have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate cash flows.

Many factors are considered in determining the useful life of an intangible asset, including:

- the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- technical, technological, commercial or other types of obsolescence;
- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;

- expected actions by competitors or potential competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition and it is measured net of accumulated impairment losses. Goodwill is not amortized, but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the goodwill may be impaired.

Acquisitions

Aimia measures goodwill as the fair value of the consideration transferred including, when elected, the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

Aimia elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities incurred by Aimia in connection with a business combination are expensed as incurred.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of Aimia’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

Goodwill that forms part of the carrying amount of the investment in the jointly controlled entity accounted for using the equity method is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in the jointly controlled entity is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs that include goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis beyond the highest of:

- the fair value less costs to sell; and
- value in use of the individual asset, if determinable.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

INCOME TAXES

Income tax expense includes current and deferred tax and is recognized in earnings except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Aimia provides for deferred income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement carrying values and the tax base of assets and liabilities, using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax

entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within Aimia have been designed to provide reasonable assurance that all relevant information is identified to the Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

An evaluation of the design and effectiveness of the operation of Aimia’s disclosure controls and procedures has been conducted by management, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2011, Aimia’s disclosure controls and procedures, as defined by National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), to provide reasonable assurance regarding the reliability of Aimia’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above. Based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting, as defined by National Instrument 52-109, was effective as at December 31, 2011.

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.

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

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.

There has been no change in Aimia's internal control over financial reporting that occurred during the year ended 2011, including the conversion to IFRS, that has materially affected, or is reasonable likely to materially affect, Aimia's internal control over financial reporting.

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.

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

MEASURING OUR PERFORMANCE AGAINST 2011 GUIDANCE

On February 24, 2011, Aimia issued guidance for the year ending December 31, 2011, which guidance was updated on August 10, 2011 with respect to target Gross Billings growth range for the EMEA region. A comparison of Aimia's actual reported results for the year ended December 31, 2011 against the guidance issued for such year is presented below:

Guidance[1] Issued February 24, 2011, as Updated	Comparison to Actual Results[1]
Consolidated Guidance for the Year Ending December 31, 2011	
Consolidated Gross Billings[2] growth between 4% and 6%.	Aimia's Gross Billings growth rate was 3.1%. As noted in our 2011 Outlook update on November 10, 2011, we expected to achieve the low end of the guidance provided there was no further deterioration in the Corporation's key markets. Despite the EMEA region recording stronger than anticipated fourth quarter results, the Corporation did not achieve the guidance due to softness in the Canadian region, mainly related to lower airline sector activity in the fourth quarter and lower credit card spending than expected. The US region also reported lower than anticipated Gross Billings, mainly due to the overall weakness in the economy.
Consolidated Adjusted EBITDA between $355 and $365 million.	Aimia reported consolidated Adjusted EBITDA of $342.2 million. Adjusted EBITDA was unfavourably impacted by the Breakage estimate adjustments related to the renewal and extension of agreements with two anchor sponsors in our EMEA business segment for $15.8 million, offset by the $5.4 million contribution by one of the sponsors related to the extension. In addition, the Corporation completed additional restructuring activities in the fourth quarter that amounted to $9.3 million, which were not originally planned when the guidance was provided. Excluding the impact of these items, the Corporation would have met the target Adjusted EBITDA range.
Consolidated Free Cash Flow[3] between $190 and $210 million.	Aimia reported Free Cash Flow of $197.6 million. Free Cash Flow would have been above the high end of the range had the US & APAC segment not had to fund prepaid card liabilities in the amount of $23.9 million due to changes in our banking agreements.
Capital expenditures to approximate $55 million.	Aimia reported capital expenditures of $44.9 million. Capital expenditures were lower than planned due to certain projects slipping into 2012.
Current income tax rate is anticipated to approximate 30% in Canada, and the Corporation expects no significant cash income taxes will be incurred in the rest of its foreign operations.	Aimia recorded a current tax rate of 27.7% in Canada and 17.0% in Italy. Cash taxes in other foreign operations were not significant.

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

Guidance[1] Issued February 24, 2011, as Updated	Comparison to Actual Results[1]
Business Segment Guidance for the Year Ending December 31, 2011	
Canada Gross Billings growth between 4% and 6%	Canada reported Gross Billings growth of 4.1%.
EMEA[4] Gross Billings growth between 9% and 11%.	EMEA's Gross Billings growth rate was 14.2%. Gross Billings were better than expected due to a very strong fourth quarter in the Nectar program, with points issued in the quarter up 20.1% over the comparative period, due principally to strong underlying growth and an increase in promotional bonus point activity in the grocery sector along with higher issuance in the energy sector as a result of a new Accumulation Partner.
US & APAC[4] Gross Billings growth between negative 10% and 7%.	Gross Billings for the US & APAC region were down 9.3%.
Average Cost of Rewards per Aeroplan Mile Redeemed is not expected to exceed 0.95 cents.	Average Cost of Rewards per Aeroplan Mile Redeemed was reported at 0.87 cents.
Carlson Marketing (as per old segmentation) is expected to generate Adjusted EBITDA margins of between 6% and 8% excluding the impact of costs associated with the phasing out a portion of the Visa business in the US and restructuring costs related to the creation of the Aimia regional structure.	The Adjusted EBITDA margin for Carlson Marketing (as per old segmentation), which includes all of Aimia's proprietary loyalty businesses, was 7.6%.

1. The 2011 guidance and reported results exclude the effects of fluctuations in currency exchange rates, where applicable. For US & APAC, the regional guidance of Gross Billings growth and comparison to actual results was based in US dollars.
2. The 2010 results used to calculate the target range growth rate exclude the $17.4 million positive accounting adjustment relating to the reclassification of customer deposits to deferred revenue recorded in the second quarter of 2010.
3 Free Cash Flow before dividends.
4. Year over year reduction in Gross Billings reflects the full year impact of $55.9 million (US$54 million) resulting from the phasing out of a portion of the overall Visa business in the US. The 2010 results used to calculate the target range growth rate exclude the $0.4 million (EMEA) and $17.0 million (US & APAC) positive accounting adjustments relating to the reclassification of customer deposits to deferred revenue recorded in the second quarter of 2010.

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. The following section summarizes certain of the major risks and uncertainties that could materially affect our future business results going forward. The risks described below 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.

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

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Dependency on Top Accumulation Partners and Clients

Aimia's top three Accumulation Partners were responsible for 49% of Gross Billings for the year ended December 31, 2011. A decrease in sales of Loyalty Units to any significant Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings and revenue. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could result in a significant reduction in Gross Billings. There is no assurance that contracts with Aimia's principal Accumulation Partners will be renewed on similar terms, or at all when they expire.

Aimia's proprietary loyalty services clients are generally able to reduce marketing spending or cancel projects on short notice at their discretion. It is possible that such clients could reduce spending in comparison with historical patterns, or they could reduce future spending. A significant reduction in marketing spending by Aimia's proprietary loyalty service's largest clients, or the loss of several large clients, if not replaced by new accounts or an increase in business from other clients, could adversely affect our proprietary loyalty service revenues and impact Aimia's results of operations and financial condition.

Conflicts of Interest

Aimia's businesses provide services to a number of clients who are competitors in various industries. Our ability to retain existing, and attract new, Accumulation Partners and clients may be limited by perceptions of conflicts of interest arising out of other relationships. If we are unable to adequately manage multiple client relationships and avoid potential conflicts of interests, there could be an impact on our results of operations and financial condition.

Greater Than Expected Redemptions for Rewards

A significant portion of our profitability is based on estimates of the number of Loyalty Units that will never be redeemed by the member base. The percentage of Loyalty Units that are not expected to be redeemed is known as "Breakage" in the loyalty industry. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool. Management's consolidated weighted average Breakage estimate at December 31, 2011 is 18% (December 31, 2010: 21%), calculated based on the total Loyalty Units outstanding under the

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

Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2011, assisted by an expert review, and taking into account renewed and extended agreements with anchor sponsors Sainsbury's and HSBC. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards become available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability.

Regulatory Matters

Aimia's businesses are subject to several types of regulation, including legislation relating to privacy, telemarketing, consumer protection, competition, advertising and sales, and lotteries, gaming and publicity contests. In addition, an increasing number of laws and regulations pertain to the Internet, including in relation to liability for information retrieved from or transmitted over the Internet and online content regulation. Moreover, the applicability to the Internet to existing laws governing personal privacy, intellectual property ownership and infringement and other issues continues to be uncertain and is developing.

Aimia closely monitors and regularly participates in dialogues with the appropriate governmental departments to ensure that we are constantly apprised of the current status of global regulatory matters that could have a material impact on Aimia's business in the short or long term, including the following:

(a) Privacy and PIPEDA

In Canada, we are subject to the *Privacy Act* and the *Personal Information Protection and Electronic Documents Act* (PIPEDA). PIPEDA sets out rules for how private sector organizations may collect, use or disclose personal information in the course of commercial activities. In addition, the federal government introduced the *Safeguarding Canadians' Personal Information Act* on September 29, 2011. This legislation includes provisions that would clarify an individuals' consent to the collection, use or disclosure of their personal information.

The enactment of new, or amendments to existing, legislation or industry regulations relating to consumer privacy issues and/or marketing, in Canada and in any of the markets where Aimia conducts business, including regulations associated with PIPEDA, may materially impact our relationships with members and our Commercial Partners. Any such legislation or industry regulations could place restrictions upon the collection and use of information and could adversely affect our ability to deliver loyalty marketing services.

(b) Payments in Canada

The voluntary Code of Conduct for the Credit and Debit Industry in Canada was introduced by the Federal Minister of Finance in 2010 in response to pressures from retailers demanding better control and transparency over their costs associated with accepting electronic payments at the point of sale and in particular the

differentiated cost of accepting “premium” card products vs "standard" card products. At the same time, a Task Force for the Payments Systems Review was formed. The Task Force was designed to review the safety, soundness and efficiency of the Canadian payments system and to submit its final report with recommendations to the Minister of Finance by the end of 2011. To date, it is unknown how the government might change the current Canadian payment system in response to the findings of the Task Force. Any downward change in the interchange rates of credit cards could lead to a decrease in revenue for credit card companies and, as a result, could materially impact our commercial agreement with certain of our financial institution Commercial Partners.

(c) Canadian Competition Bureau

On December 15, 2010 the Canadian Competition Bureau filed an application with the Competition Tribunal to strike down what it considers restrictive and anti-competitive rules that Visa and MasterCard impose on merchants who accept their credit cards, such as rules that prohibit merchants from applying a surcharge to a purchase made by a credit card and the ‘honour all cards’ rule, which requires that a merchant who agrees to accept one of Visa’s or MasterCard's credit cards must also accept all credit cards offered by that company, including cards that impose higher costs on merchants, such as premium cards associated with loyalty rewards. If the Competition Bureau's action is successful, merchants would have the ability to charge an additional fee at the point of sale every time a consumer uses their credit card to make a purchase. In addition, merchants would no longer be required to accept all credit cards from a given payments processor. Hearings are scheduled to begin in May, 2012. The outcome of this action is not determinable at this time. However, if the Competition Bureau is successful with its claim then it could have a significant impact on our operations and financial condition given the importance of Aeroplan Canada's relationships with financial card providers.

(d) Bill 24 – Quebec Consumer Protection Act

The Quebec Minister of Justice tabled Bill 24 in the Quebec National Assembly on June 8, 2011, the main purpose of which is to combat consumer debt overload and modernize consumer credit rules. Bill 24, in its current state, introduces new rules to prohibit offering a product or a service to incite a consumer to apply for a new financial product (i.e. credit card). Based on the interpretation of the rules by the *Office de la protection du consommateur*, an issuer could not offer bonus loyalty rewards to a new consumer for signing up to a certain type of credit card. While the applicability of provincial consumer protection legislation to federally regulated banks is being contested in court by the banks, hearings are expected to start/continue in 2012. The outcome of the legislative and judicial process with respect to Bill 24 may impact how we work with our financial institution Commercial Partners.

Retail Market/Economic Conditions

The markets for the services that Aimia's businesses offer may contract or continue to contract and this could negatively impact growth and profitability. Loyalty and database marketing strategies are relatively new to retailers, and there can be no guarantee that merchants will continue to use these types of marketing strategies. In addition,

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Gross Billings and marketing revenues are dependent on levels of consumer spend with Accumulation Partners and clients, and any slowdown or reduction in consumer activity may have an impact on our business.

Industry Competition

Competition in the loyalty marketing industry is intense. New and existing competitors may target Accumulation Partners, clients and members, as well as draw rewards from Redemption Partners. The continued attractiveness of Aimia's businesses will depend in large part on their ability to remain affiliated with existing Commercial Partners and clients or add new partners, that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. Many of our current competitors may have greater financial, technical, marketing and other resources. We cannot ensure that we will be able to compete successfully against current and potential competitors, including in connection with technological advancements by such competitors.

Air Canada Liquidity Issues

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its recent public filings, Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results including risks related to economic and geopolitical conditions, pension plan funding, market volatility in the price of fuel, labour costs and labour relations, foreign exchange and interest rates and increased competitive pressures, as well as risks relating to restrictive terms under its financing, credit card processing and other arrangements.

There can be no assurance that Air Canada will continue to achieve sustainable profitability in the future or to meet its financial liabilities and other contractual obligations as they become due. If Air Canada is unable to meet its financial liabilities and other contractual obligations as they become due, or to conclude arrangements to secure additional liquidity should it be unable to do so, it may be required to commence proceedings under applicable creditor protection legislation.

The bankruptcy or insolvency of Air Canada could lead to a termination or renegotiation of the CPSA. Upon such a renegotiation, Aimia may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aimia would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aimia would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers.

The bankruptcy or insolvency of Air Canada could also lead certain Accumulation Partners to attempt to renegotiate certain terms of their commercial relationships with Aeroplan. Depending on the results of any such negotiation, Aimia's gross proceeds from the sale of Aeroplan Miles could be negatively affected.

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Air Canada or Travel Industry Disruptions

Aeroplan members' strong demand for air travel creates a significant dependency on Air Canada in particular and the airline industry in general. Any disruptions or other material adverse changes in the airline industry, whether domestic or international, affecting Air Canada or a Star Alliance member airline, could have a material adverse impact on the business. This could manifest itself in Aeroplan's inability to fulfill member's flight redemption requests or to provide sufficient accumulation opportunities. As a result of airline or travel services industry disruption, such as those which resulted from the terrorist attacks on September 11, 2001, or as might result from political instability, other terrorist acts or war, from epidemic diseases, environmental conditions and factors, such as those arising from volcanic eruptions or other natural phenomena, or from increasingly restrictive security measures, such as restrictions on the content of carry-on baggage, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel. Consequently, members might forego redeeming miles for air travel and therefore might not participate in the Aeroplan Program to the extent they previously did which could adversely affect revenue from the Aeroplan Program. A reduction in member use of the Aeroplan Program could impact Aeroplan's ability to retain its current Commercial Partners and members and to attract new Commercial Partners and members.

Airline Industry Changes and Increased Airline Costs

Air travel rewards remain the most desirable reward for consumers under the Aeroplan Program. An increase in low cost carriers and the airline industry trend which has major airlines offering low cost fares may negatively impact the incentive for consumers of air travel services to book flights with Air Canada or participate in the Aeroplan Program. Similarly, any change which would see the benefits of Star Alliance reduced either through Air Canada's, or, to a lesser extent, another airline's withdrawal from Star Alliance, or the dissolution of Star Alliance, could also have a negative impact since Aeroplan's members would lose access to the existing portfolio of international reward travel. In addition, the growth or emergence of other airline alliance groups could have a negative impact on Aeroplan by reducing traffic on Air Canada and Star Alliance member airlines.

The airline industry has been subject to a number of increasing costs over the last several years, including increases in the cost of fuel and insurance, and increased airport user fees and air navigation fees. In addition, new and proposed legislation have been considered or adopted concerning carbon emissions emanating from the airline industry, including the setting of emissions allowances and charging aircraft operators for a certain percentage of these allowances. These increased costs may be passed on to consumers, increasing the cost of redeeming Aeroplan Miles for air travel rewards. This may negatively impact consumer incentive to participate in the Aeroplan Program.

Supply and Capacity Costs

Costs may increase as a result of supply arrangements with Air Canada and other suppliers for our coalition loyalty programs. Aeroplan may not be able to satisfy its members if the seating capacity made available to Aeroplan by Air Canada, Jazz Air LP and Star Alliance member airlines or other non-air rewards from other suppliers are inadequate to meet their redemption demands at specific prices.

If, upon the renegotiation of the rates charged to Aeroplan under the CPSA, which takes place every three years based on agreed-to metrics (which most recently occurred in 2010) or upon the expiry of the CPSA, Aeroplan is unable to negotiate new rates or a replacement agreement with Air Canada on similarly favourable terms, or if Air Canada sharply reduces its seat capacity, Aeroplan may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA or to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers on certain routes.

Unfunded Future Redemption Costs

In the coalition loyalty program model, Gross Billings are derived from the sale of Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a Loyalty Unit is sold as most of the costs are incurred on the redemption thereof. Based on historical data, the estimated period between the issuance of a Loyalty Unit and its redemption is currently 30 months for the Aeroplan Program and 15 months for the Nectar Program; however, Aeroplan and Nectar have no control over the timing of the redemption or the number of units redeemed. Aeroplan and Nectar currently use proceeds from Gross Billings (which are deferred for accounting purposes) in the fiscal year from the issuance of the unit to pay for the redemption costs incurred in the year. As a result, if Aeroplan or Nectar were to cease to carry on business, or if redemption costs incurred in a given year were in excess of the revenues received in the year from the issuance of the Loyalty Units, they would face unfunded Future Redemption Costs, which could increase the need for working capital and, consequently, affect the payment of dividends to Shareholders.

Failure to Safeguard Databases and Consumer Privacy

As part of our coalition and proprietary loyalty programs and in connection with the activities of Aimia's proprietary loyalty and loyalty analytics businesses, member databases are maintained for our programs and those of our clients. These databases contain member information including account transactions. Although we have established rigorous security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If we were to experience a security breach, our reputation may be negatively affected and an increased number of members in our loyalty programs may opt out from receiving marketing materials. The use of loyalty marketing services by partners and clients could decline in the event of any publicized compromise of security.

Any public perception that we released consumer information without authorization could subject our businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members, clients and partners. In addition, any unauthorized release of member information, or any public perception that member information was released without authorization, could lead to legal claims from consumers or regulatory enforcement actions.

Changes to Coalition Loyalty Programs

From time to time we may make changes to our coalition loyalty programs that may not be well received by certain segments of the membership and may affect their level of engagement. In addition, these members may choose to seek such legal and other recourses as available to them, which if successful, could have a negative impact on results of operations and /or reputation.

Seasonal Nature of the Business, Other Factors and Prior Performance

Aeroplan has historically experienced lower Gross Billings from the sale of Aeroplan Miles in the first and second quarters of the calendar year and higher Gross Billings from the sale of Aeroplan Miles in the third and fourth quarters of the calendar year. In addition, Aeroplan has historically experienced greater redemptions and therefore costs for rewards, in the first and second quarters of the calendar year and lower redemptions and related costs for rewards in the third and fourth quarters of the calendar year. This pattern results in significantly higher operating cash flow and margins in the third and fourth quarters for each calendar year compared to the first and second quarters. This pattern may however vary in future years as the degree of seasonality evolves over time.

Nectar's Gross Billings from the Nectar Program are seasonal with fourth quarter gross billings typically higher than the preceding quarters, as a result of the impact of Christmas shopping. Gross Billings for the other quarters are broadly similar. Redemption activity in the Nectar Program is more seasonal than Gross Billings. More than 45% of all redemptions for the Nectar Program in the last three years have taken place during the fourth quarter, as a result of members redeeming for gifts and other rewards prior to Christmas. Consequently, operating results for any one quarter may not be necessarily indicative of operating results for an entire year.

Demand for travel rewards is also affected by factors such as economic conditions, war or the threat of war, fare levels and weather conditions. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

The proprietary loyalty business also fluctuates seasonally, with award redemptions typically higher around the Christmas shopping season, and business loyalty events typically occurring during the spring and fall.

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Foreign Operations

A significant portion of Aimia's Gross Billings is generated outside Canada. We expect Gross Billings from outside Canada to continue to represent a significant portion of Aimia's consolidated Gross Billings in the foreseeable future. As a result, we are subject to the risks of doing business internationally, including changes in foreign laws and regulations and general changes in economic and geopolitical conditions.

Legal Proceedings

From time to time, Aimia becomes involved in various claims and litigation as a result of carrying on its business. Please see *"Contingent Liabilities and Guarantees"*. Our businesses are susceptible to various claims and litigation, including class action claims, in the course of operating their business or with respect to the interpretation of existing agreements. Any future claims or litigation could also have a material adverse effect on our business and results from operations.

Reliance on Key Personnel

Aimia's success depends on the abilities, experience, industry knowledge and personal efforts of senior Management and other key employees, including the ability to retain and attract skilled employees. The loss of the services of such key personnel could have a material adverse effect on our business, financial condition or future prospects. Aimia's growth plans may also put additional strain and demand on senior Management and key employees and produce risks in both productivity and retention levels. In addition, we may not be able to attract and retain additional qualified Management as needed in the future.

Labour Relations

Aeroplan Canada's contact center employees are unionized. The collective agreement for these employees is effective from November 15, 2009 and will expire on November 14, 2012. No strikes or lock-outs may lawfully occur during the term of the collective agreement, nor during the negotiations of its renewal until a number of pre-conditions have been satisfied. There can be no assurance that the collective agreement will be renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Aeroplan Canada's contact center service or otherwise adversely affect the ability of Aeroplan Canada to conduct its operations, any of which could have an adverse effect on our business, operations and financial condition.

Pension Liability

The transfer of over 800 contact centre employees from Air Canada to Aeroplan Canada was fully effected on June 14, 2009. As part of the transfer of the employees, Aeroplan Canada 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. 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. The funding requirements of the defined benefit pension plan resulting from valuations of its assets and liabilities, depends on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from our current estimates and could require us to make contributions in the future and, therefore, could have a negative effect on our liquidity and results of operations.

Technological Disruptions and Inability to use Third-Party Software

Aimia's ability to protect the data and contact centres of our coalition loyalty programs and those of our clients against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any damage to data and contact centres, any failure of telecommunication links that interrupts operations or any impairment of the ability to use licensed software could adversely affect the ability to meet our Commercial Partners', clients' and members' needs and their confidence in utilizing our services or programs in the future.

In addition, proper implementation and operation of technology initiatives is fundamental to the ability to operate a profitable business. We continuously invest in new technology initiatives to remain competitive, and our continued ability to invest sufficient amounts to enhance technology will affect our ability to operate successfully.

Failure to Protect Intellectual Property Rights

Third parties may infringe or misappropriate our trademarks or other intellectual property rights or may challenge the validity of trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. The actions that are taken to protect trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect intellectual property rights, trade secrets or determine the validity and scope of the proprietary rights of others. Aimia cannot ensure that we will be able to prevent infringement of intellectual property rights or misappropriation of proprietary information. Any infringement or misappropriation could harm any competitive advantage that we currently derive or may derive from proprietary rights. Third parties may assert infringement claims against our businesses. Any such claims and any resulting litigation could result in significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive and could result in the diversion of time and resources. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

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RISKS RELATED TO AIMIA

Interest Rate and Currency Fluctuations

Aimia may be exposed to fluctuations in interest rates under its borrowings. Increases in interest rates may have an adverse effect on the earnings.

Aimia's results are sensitive to fluctuations in the Canada/U.S. dollar exchange rate and to the exchange rate from pound sterling (GBP) to Canadian dollars. Aeroplan Canada incurs expenses in U.S. dollars for such items as air, car rental and hotel rewards issued to redeeming Aeroplan members, while a substantial portion of its revenues are generated in Canadian dollars. A significant deterioration of the Canadian dollar relative to the U.S. dollar would increase the costs of Aimia. Substantially all of Aimia EMEA's revenues and expenses are denominated in pounds sterling (GPB) rendering its results and their impact on Aimia's consolidated statements sensitive to fluctuations in the Canadian dollar exchange rate. Aimia US & APAC's activities are located in the United States and the Asia Pacific region. Financial results are sensitive to the changing value of the Canadian dollar and foreign operations are sensitive to the fluctuations of other currencies, including the United States dollar, British pound sterling and the Australian dollar.

Leverage and Restrictive Covenants in Current and Future Indebtedness

The ability of Aimia to pay dividends, make distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the credit facilities). The degree to which Aimia is leveraged has important consequences to Shareholders, including: (i) Aimia's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) certain borrowings will be at variable rates of interest, which exposes Aimia to the risk of increased interest rates; and (iv) Aimia may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

In addition, the credit facilities contain a number of financial and other restrictive covenants that require Aimia to meet certain financial ratios and financial condition tests and limit the ability to enter into certain transactions. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities, including any possible hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of Aimia would be sufficient to repay in full that indebtedness.

Aimia may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Aimia is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Aimia's financial position, which may result

in a reduction or suspension of payments of dividends to Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of Aimia to pay dividends.

Uncertainty of Dividend Payments

Payment of dividends are dependent upon operating cash flows generated by Subsidiaries of Aimia, financial requirements of Aimia and the satisfaction of solvency tests on the payment of dividends pursuant to the Canada Business Corporations Act.

Managing Growth

We regularly review potential acquisitions of businesses we believe may be complementary to ours. As part of any acquisition we conduct customary due diligence with the goal of identifying and evaluating material risks. Notwithstanding our review, we may be unsuccessful in identifying all such risks or realizing the intended synergies of any given acquisition and our results of operations and financial condition could be adversely impacted. In addition, our inability to effectively manage growth could have a material adverse impact on our business, operations and prospects.

Credit Ratings

Aimia has been assigned issuer credit ratings of BBB with a stable trend by DBRS and BBB- by S&P. The Notes have also been assigned credit ratings of BBB with a stable trend by DBRS and BBB- by S&P. There can be no assurance that the credit ratings assigned to Aimia and the Notes will remain in effect for any given period of time or that the ratings will not be withdrawn or revised by either or both of the rating agencies at any time. The interest rate payable pursuant to Aimia's credit facilities and the Notes will be subject to adjustment from time to time if any of DBRS or S&P downgrade (or subsequently upgrade) their ratings. Additionally, Aimia's access to capital markets could be adversely affected by changes to the debt credit ratings assigned by independent rating agencies such as DBRS and S&P.

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”.