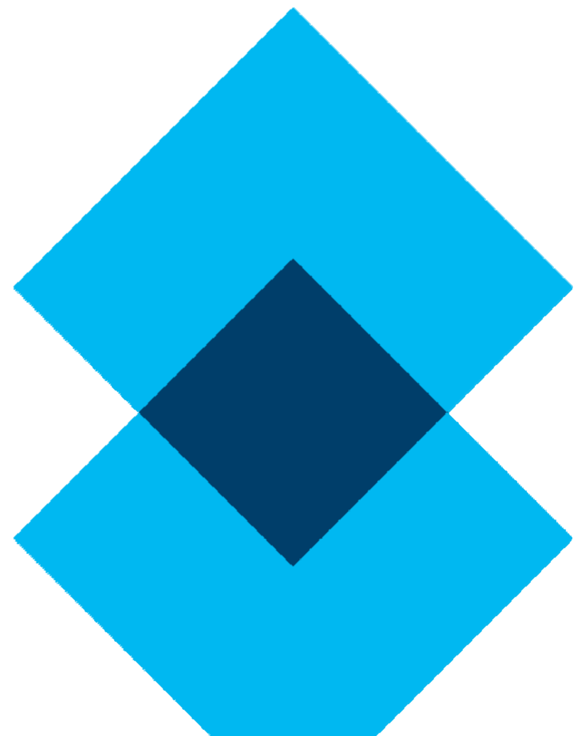
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended March 31, 2012 and 2011



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

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

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

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

The MD&A is prepared as at May 3, 2012 and should be read in conjunction with the accompanying interim consolidated financial statements of Aimia for the three months ended March 31, 2012 and the notes thereto, the audited consolidated financial statements of Aimia for the year ended December 31, 2011 and the notes thereto, the annual management discussion and analysis for Aimia (the "2011 MD&A"), and Aimia's Annual Information Form and Management Information Circular, respectively dated March 22 and March 16, 2012.

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,

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

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 May 3, 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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GLOSSARY

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

"Aeroplan" or **"Aeroplan Canada"** – means Aimia Canada Inc. (formerly known as 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;

"Aimia EMEA Limited" – formerly known as Loyalty Management Group Limited, a corporation incorporated under the laws of England and Wales;

"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. Management's consolidated weighted average breakage estimate at March 31, 2012 is 18% (March 31, 2011: 21%), and is calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs;

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

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

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

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

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

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

"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;

"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 Aeroplan 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.

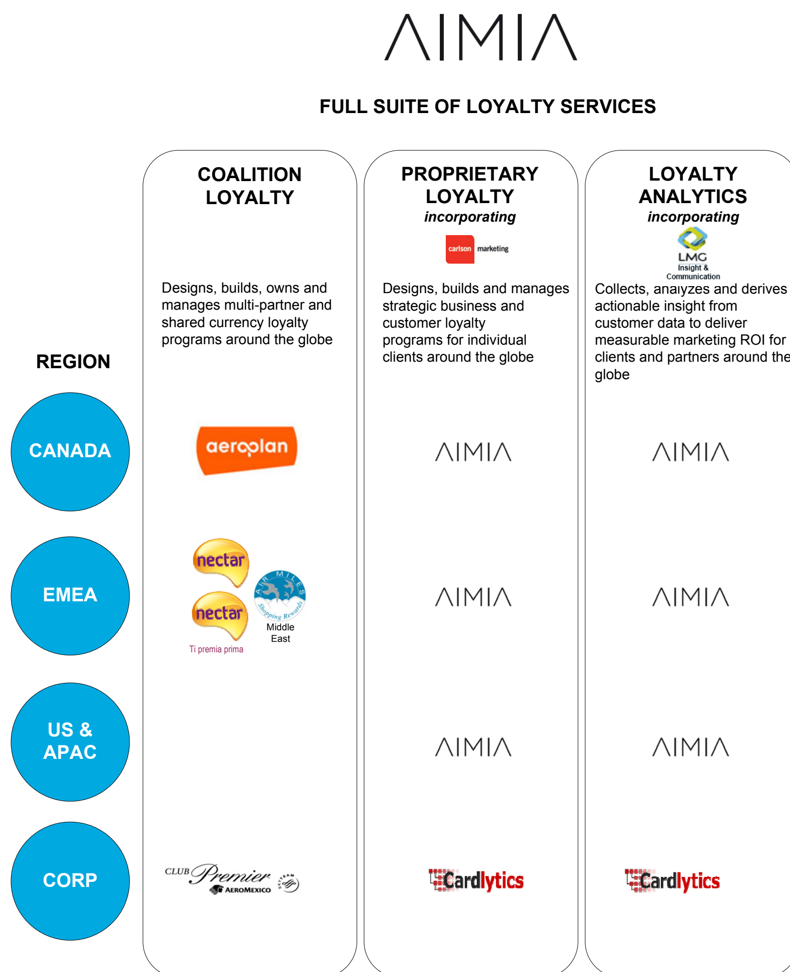
In Canada, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, Air Miles Middle East, the leading coalition loyalty program in the UAE, through a 60% ownership interest, 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 March 31, 2012:



Notes:

- *The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.*
- *As at March 31, 2012 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 March 31, 2012, 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

Please refer to the corresponding section of the 2011 MD&A to review Aimia's strategy.

PERFORMANCE INDICATORS

OPERATING INCOME

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

Revenue

Coalition Loyalty

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

Proprietary Loyalty

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

Other

Other revenue consists of:

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

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

Cost of Rewards, Direct Costs and Operating Expenses

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

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

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

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

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (“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 *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

ADJUSTED NET EARNINGS

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 *SUMMARY OF CONSOLIDATED OPERATING RESULTS 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 *SUMMARY OF CONSOLIDATED OPERATING RESULTS 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

For a review of these factors, please refer to the 2011 MD&A.

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the interim consolidated financial statements for the three months ended March 31, 2012, 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.

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

QUARTER HIGHLIGHTS

- Gross Billings of $536.6 million;
- Operating income of $75.1 million;
- Net earnings attributable to equity holders of the Corporation of $45.3 million;
- Earnings per common share of $0.24;
- Cash flows from operations of $31.0 million;
- Adjusted EBITDA of $88.9 million;
- Adjusted Net Earnings of $55.8 million;
- Free Cash Flow of $(10.6) million.

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

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

	Three Months Ended March 31,		%Δ
(in thousands, except share and per share information)	2012 $	2011 $	Q1
Gross Billings	**536,636**	527,880	1.7
Gross Billings from the sale of Loyalty Units	**385,984**	362,739	6.4
Revenue from Loyalty Units	**418,215**	378,852	10.4
Revenue from proprietary loyalty services	**122,457**	139,638	(12.3)
Other revenue	**27,053**	27,718	(2.4)
Total revenue	**567,725**	546,208	3.9
Cost of rewards and direct costs	**(322,396)**	(327,616)	(1.6)
Gross margin before depreciation and amortization [(a)]	**245,329**	218,592	12.2
Depreciation and amortization	**(8,462)**	(7,820)	8.2
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(20,795)**	(23,329)	(10.9)
Gross margin	**216,072**	187,443	15.3
Operating expenses	**(140,931)**	(137,981)	2.1
Amortization of Accumulation Partners' contracts, customer relationships and technology	**20,795**	23,329	(10.9)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**95,936**	72,791	31.8
Depreciation and amortization	**8,462**	7,820	8.2
EBITDA [(a)(c)]	**104,398**	80,611	29.5
Adjustments:			
Change in deferred revenue			
Gross Billings	**536,636**	527,880	
Revenue	**(567,725)**	(546,208)	
Change in Future Redemption Costs [(b)]	**15,553**	10,270	
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)			
Subtotal of Adjustments	**(15,536)**	(8,058)	
Adjusted EBITDA [(c)]	**88,862**	72,553	22.5
Net earnings attributable to equity holders of the Corporation	**45,293**	25,428	
Weighted average number of shares	**173,820,140**	185,482,236	
Earnings per common share [(d)]	**0.24**	0.12	
Net earnings attributable to equity holders of the Corporation	**45,293**	25,428	78.1
Amortization of Accumulation Partners' contracts, customer relationships and technology	**20,795**	23,329	
Share of net earnings of PLM	**(1,155)**	(6,138)	
Adjusted EBITDA Adjustments (from above)	**(15,536)**	(8,058)	
Tax on adjustments [(e)]	**6,633**	1,657	
Non-controlling interests share on adjustments above	**(223)**	(116)	
Adjusted Net Earnings [(c)]	**55,807**	36,102	54.6
Adjusted Net Earnings per common share [(c)(d)]	**0.30**	0.18	
Net earnings attributable to equity holders of the Corporation	**45,293**	25,428	
Earnings per common share [(d)]	**0.24**	0.12	
Cash flow from operations	**30,970**	(14,841)	
Capital Expenditures	**(12,656)**	(6,312)	
Dividends	**(28,905)**	(25,813)	
Free Cash Flow [(c)]	**(10,591)**	(46,966)	77.4
Total assets	**4,839,171**	5,014,085	
Total long-term liabilities	**1,316,989**	1,578,713	
Total dividends	**28,905**	25,813	
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.

(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.

SEGMENTED INFORMATION

At March 31, 2012, the Corporation had 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.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. 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.

Intercompany revenue and expenses related to the comparative period have been reclassified to conform with the presentation adopted in the current period.

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)	Three months ended March 31,											
	2012	2011 [g]	2012	2011 [g]	2012	2011 [g]	2012	2011	2012	2011 [g]	2012	2011 [g]
Operating segments	Canada		EMEA		US & APAC		Corporate [b]		Eliminations		Consolidated	
	$	$	$	$	$	$	$	$	$	$	$	$
Gross Billings	313,237	319,871	143,869 [c]	120,896 [c]	80,914 [c]	87,965 [c]	-	-	(1,384)	(852)	536,636 [c]	527,880 [c]
Gross Billings from the sale of Loyalty Units	261,732	261,634	124,252	101,105	-	-	-	-	-	-	385,984	362,739
Revenue from Loyalty Units	320,483	296,172	97,732	82,680	-	-	-	-	-	-	418,215	378,852
Revenue from proprietary loyalty services	40,291	44,735	4,155	7,095	78,011	87,808	-	-	-	-	122,457	139,638
Other revenue	11,954	13,569	15,099	14,149	-	-	-	-	-	-	27,053	27,718
Intercompany revenue	9	171	80	149	1,295	532	-	-	(1,384)	(852)	-	-
Total revenue	372,737	354,647	117,066	104,073	79,306	88,340	-	-	(1,384)	(852)	567,725	546,208
Cost of rewards and direct costs	194,437	204,367	84,091	70,753	43,957	52,593	-	-	(89)	(97)	322,396	327,616
Gross margin before depreciation and amortization	178,300	150,280	32,975	33,320	35,349	35,747	-	-	(1,295)	(755)	245,329	218,592
Depreciation and amortization [a]	23,234	25,091	3,906	3,439	2,117	2,619	-	-	-	-	29,257	31,149
Gross margin	155,066	125,189	29,069	29,881	33,232	33,128	-	-	(1,295)	(755)	216,072	187,443
Operating expenses before share-based compensation	57,217	52,457	35,484	32,250	35,129	42,247	11,408	10,119	(1,295)	(755)	137,943	136,318
Share-based compensation	-	-	-	-	-	-	2,988	1,663	-	-	2,988	1,663
Total operating expenses	57,217	52,457	35,484	32,250	35,129	42,247	14,396	11,782	(1,295)	(755)	140,931	137,981
Operating income (loss)	97,849	72,732	(6,415)	(2,369)	(1,897)	(9,119)	(14,396)	(11,782)	-	-	75,141	49,462
Adjusted EBITDA [f]	97,411	88,017	4,019	3,193	1,828	(6,875)	(14,396)	(11,782)	-	-	88,862	72,553
Additions to non-current assets [d]	8,805	3,717	2,494	2,140	1,357	455	2,273	-	N/A	N/A	14,929	6,312
Non-current assets [d]	3,239,959	3,310,028	460,939 [e]	449,530 [e]	42,341 [e]	101,839 [e]	2,152	-	N/A	N/A	3,745,391 [e]	3,861,397 [e]
Deferred revenue	1,755,923	1,812,068	441,635	283,524	15,697	15,365	-	-	N/A	N/A	2,213,255	2,110,957
Total assets	3,746,746	3,934,202	889,015	840,863	142,831	197,031	60,579	41,989	N/A	N/A	4,839,171	5,014,085

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

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

(b) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the financial position and operating results of our operations in India, the investments in PLM and Cardlytics and Aimia's share of PLM's net earnings (loss).

(c) Includes Gross Billings of $119.1 million in the UK and $46.1 million in the US for the three months ended March 31, 2012, compared to Gross Billings of $99.7 million in the UK and $48.9 million in the US for the three months ended March 31, 2011. 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.

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

(e) Includes non-current assets of $409.6 million in the UK and $35.9 million in the US as of March 31, 2012, compared to non-current assets of $398.9 million in the UK and $96.4 million in the US as of March 31, 2011.

(f) A non-GAAP measurement.

(g) Intercompany revenue and expenses related to the comparative period have been reclassified to conform with the presentation adopted in the current period.

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

	Three months ended March 31,	
(as a % of total revenue)	2012	2011
	%	%
Total Revenue	**100.0**	100.0
Cost of rewards and direct costs	**(56.8)**	(60.0)
Gross margin before depreciation and amortization [(a)]	**43.2**	40.0
Operating expenses	**(24.8)**	(25.3)
Depreciation and amortization	**(1.5)**	(1.4)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**16.9**	13.3

	Three months ended March 31,	
(as a % of Gross Billings)	2012	2011
	%	%
Gross Billings	**100.0**	100.0
Total revenue	**105.8**	103.5
Cost of rewards and direct costs	**(60.1)**	(62.1)
Operating expenses	**(26.3)**	(26.1)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**17.9**	13.8
Adjusted EBITDA [(b)]	**16.6**	13.7
Adjusted Net Earnings [(b)]	**10.4**	6.8
Free Cash Flow [(b)]	**(2.0)**	(8.9)

(a) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
(b) A non-GAAP measurement.

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

QUARTER ENDED MARCH 31, 2012 COMPARED TO QUARTER ENDED MARCH 31, 2011

Gross Billings generated for the three months ended March 31, 2012 amounted to $536.6 million compared to $527.9 million for the three months ended March 31, 2011, representing an increase of $8.7 million or 1.7%, mainly as a result of the performance of the EMEA segment.

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 March 31, 2012, 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 March 31, 2012 amounted to $386.0 million compared to $362.7 million for the three months ended March 31, 2011, representing an increase of $23.3 million or 6.4%.

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 March 31, 2012 decreased by 0.5% in comparison to the three months ended March 31, 2011.

Aeroplan experienced an increase of $0.1 million in Gross Billings from the sale of Aeroplan Miles compared to the same period in the prior year resulting from an increase of $7.6 million or 4.8% in financial partners activity, reflecting an increase in the number of active credit cards and in the average consumer spend per active credit card, offset by a reduction in accumulation at Air Canada.

EMEA

Nectar UK Points issued during the three months ended March 31, 2012 increased by 22.5% compared to the same period in the prior year driven by higher issuance in the energy sector as a result of a new Accumulation Partner, British Gas, strong underlying growth and an increase in promotional bonus point activity in the grocery sector as well as growth in the home improvement sector.

Nectar Italia Points issued increased by 19.6% in comparison to the prior period mostly due to program growth, the increased use of bonus points by grocery sector partners and the introduction of a new retail partner.

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

The EMEA segment experienced an increase of $23.1 million in Gross Billings from the sale of Loyalty Units, net of an unfavourable $0.7 million currency impact resulting from the increase in value of foreign currencies relative to the Canadian dollar. The operational variance of $23.8 million is mostly explained by a $19.8 million increase in Gross Billings from the sale of Loyalty Units in the Nectar Program, driven by the energy, grocery and home improvement sectors and an increase of $3.3 million in Nectar Italia's Gross Billings from the sale of Loyalty Units resulting mostly from the program's growth.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $150.7 million for the three months ended March 31, 2012 compared to $165.1 million for the three months ended March 31, 2011, representing a decrease of $14.4 million or 8.7%. The decrease is primarily explained by the loss of the Qantas business representing $4.7 million, the remaining phase-out of a portion of the Visa business in the US amounting to $3.3 million, the reduced performance in the financial vertical in Canada representing $4.5 million and the exit from non-core marketing service activities in EMEA. These factors were partially offset by an increase in Gross Billings from ISS services, which grew 23.3% compared to the same period in 2011. 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 March 31, 2012 amounted to 21.4 billion compared to 19.9 billion for the three months ended March 31, 2011, representing an increase of 1.5 billion or 7.5% driven primarily by the continued popularity of a new air redemption product, the mileage grid change implemented in 2011 and the volume of non-air redemptions.

Redemption activity for the Nectar Program increased by 15.3% compared to the first quarter of 2011, 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 March 31, 2012 increased significantly in comparison to the same period of 2011, consistent with members having availability of points in their accounts in excess of redemption thresholds, allowing them to engage with the program for redemption, and the program's growth.

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 $4.2 million for three months ended March 31, 2012.

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 $2.5 million for the three months ended March 31, 2012.

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 $418.2 million for the three months ended March 31, 2012 compared to $378.9 million for the three months ended March 31, 2011, representing an increase of $39.3 million or 10.4%. This increase is mainly due to:

- a favourable variance of $20.0 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 $17.0 million in the EMEA segment, net of a $0.6 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $17.6 million is mostly explained by increased redemptions in the Nectar and Nectar Italia programs;
- on a consolidated basis, increased revenue recognized from Breakage of $2.3 million, driven by higher redemption activity during the period, partially offset by the impact of the adjustments to the Breakage estimates in the Nectar and Air Miles Middle East programs made during the fourth quarter of 2011. The change in the Breakage estimates was applied prospectively. If revenue recognized from Breakage in the comparative period had been calculated using current breakage estimates, the variance would have been an increase of $6.5 million.

Revenue from Proprietary Loyalty Services, which consists of consolidated revenue from businesses formerly presented as Carlson Marketing, amounted to $122.5 million for the three months ended March 31, 2012 compared to $139.6 million for the three months ended March 31, 2011, representing a decrease of $17.1 million or 12.3% mainly attributable to:

- a decrease of $9.8 million in the US & APAC segment, net of a $3.0 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $12.8 million is mainly attributable to the impact of the loss of the Qantas business representing $4.7 million, the remaining phase-out of a portion of the Visa business in the US amounting to $3.3 million, with the remaining variance explained by a change in revenue mix towards higher margin services;
- a decrease of $2.9 million in the EMEA segment mainly due to the exit from non-core marketing service activities; and
- a decrease of $4.4 million in Canada, primarily explained by reduced performance in the financial vertical.

Other Revenue amounted to $27.1 million for the three months ended March 31, 2012 compared to $27.7 million for the three months ended March 31, 2011, representing a decrease of $0.6 million or 2.4%. ISS related revenue was flat compared to the three months ended March 31, 2011 resulting mostly from timing as the comparative period included the recognition of implementation fee revenue.

Cost of Rewards and Direct Costs amounted to $322.4 million for the three months ended March 31, 2012 compared to $327.6 million for the three months ended March 31, 2011, representing a decrease of $5.2 million or 1.6%. This change is mainly attributable to the following factors:

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

The Canada segment experienced a decrease of $9.9 million in cost of rewards and direct costs, mostly explained by:

- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $20.2 million;
- a decrease in proprietary loyalty services direct costs of approximately $3.3 million due to reduced performance in the financial sector; partially offset by
- a higher volume of air and non-air redemptions for the quarter, representing $13.6 million.

The EMEA segment experienced a $13.3 million increase in costs explained primarily by:

- increased redemption activity in the Nectar Program, representing $7.8 million;
- increased redemption activity under the Nectar Italia program, accounting for $6.4 million; partially offset by
- the positive impact of the currency fluctuation relative to the foreign currencies of $0.3 million.

The US & APAC segment experienced a decrease of $8.6 million in direct costs mainly attributable to the revenue mix of services rendered to new and existing clients.

Gross Margin before Depreciation and Amortization increased by 3.2 percentage-points, a direct result of the factors described above, and represented 43.2% of total revenue for the three month period ended March 31, 2012. It is composed of the following:

- Canada's gross margin before depreciation and amortization represented 47.8% of total revenue compared to 42.4% for the same period in 2011. The gross margin improvement is attributable to lower unit costs due to the mileage grid change implemented in 2011 and redemption mix improvements;
- EMEA's gross margin before depreciation and amortization represented 28.2% of total revenue compared to 32.0% for the same period in 2011. The variance was mainly driven by the impact of the change in Breakage estimates in 2011, representing 2.9 percentage-points; and
- US & APAC's gross margin before depreciation and amortization was 44.6% compared to 40.5% for the same period in 2011. This variance is mainly driven by the overall change in revenue mix.

Operating Expenses amounted to $140.9 million for the three months ended March 31, 2012 compared to $138.0 million for the same period in 2011, representing an increase of $2.9 million or 2.1%. This variance is mainly attributable to:

- a $4.8 million increase in Canada resulting mostly from increased compensation costs and consulting fees partially offset by the timing of advertising and promotional efforts and lower information technology costs;
- a $3.2 million increase in EMEA, net of the $0.2 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $3.4 million is mainly explained by the timing of brand spending and an increase in expenses from the underlying growth and expansion of the Nectar, Nectar Italia and ISS businesses, partially offset by a reduction in proprietary loyalty services costs;

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

- a $7.1 million decrease in the US & APAC segment, net of a $1.0 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $8.1 million is mainly explained by restructuring expenses of $1.4 million, exit costs of $1.9 million associated with the phasing-out of a portion of the Visa business incurred during the first quarter of 2011, and cost savings of $4.2 million in the current period resulting from 2011 restructuring activities; and
- a $2.6 million increase in the corporate segment mainly attributable to higher share-based compensation expense resulting from the impact of the revaluation of share based awards, increased compensation costs due to higher headcount, and to increased costs associated with business development activities during the current period; partially offset by reduced consulting fees.

Depreciation and Amortization amounted to $8.5 million and $7.8 million for the three months ended March 31, 2012 and 2011, respectively.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $20.8 million for the three months ended March 31, 2012 compared to $23.3 million for the same period in 2011. The decrease is mainly attributable to the absence of amortization expense in the current period related to certain technology assets which were fully amortized at the end of 2011.

Operating Income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $95.9 million for the three months ended March 31, 2012 compared to $72.8 million for the three months ended March 31, 2011, representing an increase of $23.1 million or 31.8%.

Net Financing Costs for the three months ended March 31, 2012 consist of interest revenue of $3.5 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, and foreign exchange gain of $0.4 million; offset by interest on long-term debt of $12.1 million, and other financial expenses of $1.2 million, of which $1.1 million relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net Earnings for the three months ended March 31, 2012 and 2011 include the effect of $19.6 million and $14.5 million of current income taxes, respectively, as well as the share of PLM's net earnings of $1.2 million and $6.1 million, respectively. The share of PLM's net earnings for the three months ended March 31, 2011 included a fair value gain of $3.3 million recognized on a step basis on the completion of the second tranche of the investment as well as the recognition of a deferred tax asset, which was subsequently reversed during the fourth quarter of 2011.

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.

Adjusted EBITDA amounted to $88.9 million or 16.6% (as a % of Gross Billings) for the three months ended March 31, 2012. Adjusted EBITDA was $72.6 million or 13.7% (as a % of Gross Billings) for the same period in 2011. Applying the current Breakage estimates to calculate the Change in Future Redemption Costs for the three months ended March 31, 2011, the Adjusted EBITDA would have been $69.2 million or 13.1% (as a % of Gross Billings). Adjusted EBITDA excludes any share of PLM's earnings.

Adjusted Net Earnings amounted to $55.8 million or 10.4% (as a % of Gross Billings) for the three months ended March 31, 2012, compared to $36.1 million or 6.8% (as a % of Gross Billings) for the three months ended March 31, 2011. Adjusted Net Earnings excludes any share of PLM's earnings. The effective tax rate has been impacted as described under *Net earnings.*

Free Cash Flow for the three months ended March 31, 2012, amounted to $(10.6) million compared to $(47.0) million for the three months ended March 31, 2011, mainly as a result of:

- an increase in cash from operating activities of $45.8 million, primarily due to working capital, which is mostly driven by the timing of accounts receivables collection contributing $28.7 million and inventory returning to more normalized levels explaining $15.7 million. Additionally, the variance is explained by an improvement in Gross Billings of $8.8 million and lower cost of rewards and direct costs of $5.2 million offset in part by higher cash taxes of $5.7 million, mainly due to the timing of payments in the Canadian operations; with other changes in working capital and net interest accounting for the remaining variance;
- higher capital expenditures of approximately $6.3 million;
- increased dividends paid on common shares of $3.1 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 March 31, 2012.

	2012	2011				2010		
(in thousands, except per share amounts)	Q1 $	Q4 $	Q3 [g] $	Q2 [g] $	Q1 [g] $	Q4 [g] $	Q3 [g] $	Q2 [g][i] $
Gross Billings	**536,636**	621,109	541,819	542,418	527,880	593,617	520,455	555,734 [j]
Gross Billings from the sale of Loyalty Units	**385,984**	425,208	384,651	388,203	362,739	394,698	360,062	364,722
Revenue	**567,725**	560,683 [d]	501,412	507,602	546,208	618,579	461,512	467,885
Cost of rewards and direct costs	**(322,396)**	(423,788)	(283,733)	(297,737)	(327,616)	(392,348)	(322,938) [h]	(274,256)
Gross margin before depreciation and amortization [a]	**245,329**	136,895 [d]	217,679	209,865	218,592	226,231	138,574 [h]	193,629
Operating expenses	**(140,931)**	(204,216) [e]	(130,867)	(139,484)	(137,981)	(146,606)	(107,297) [h]	(142,101)
Depreciation and amortization	**(8,462)**	(11,698)	(8,419)	(8,096)	(7,820)	(10,258)	(7,403)	(7,166)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**95,936**	(79,019) [d][e]	78,393	62,285	72,791	69,367	23,874 [h]	44,362
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(20,795)**	(24,143)	(23,109)	(22,893)	(23,329)	(20,300)	(23,228)	(23,812)
Operating income (loss)	**75,141**	(103,162) [d][e]	55,284	39,392	49,462	49,067	646 [h]	20,550
Net earnings (loss) attributable to equity holders of the Corporation	**45,293**	(126,267) [d][e]	26,066	15,095	25,428	(3,186)	(11,546) [h]	11,236
Adjusted EBITDA [b]	**88,862**	89,978 [f]	104,219	76,854	72,553	85,473	56,797 [h]	89,528 [j]
Net earnings (loss) attributable to equity holders of the Corporation	**45,293**	(126,267) [d][e]	26,066	15,095	25,428	(3,186)	(11,546) [h]	11,236
Earnings (loss) per common share [c]	**0.24**	(0.74) [d][e]	0.13	0.07	0.12	(0.03)	(0.07) [h]	0.04
Free Cash Flow [b]	**(10,591)**	(16,462)	95,769	51,800	(46,966)	55,319	112,707	11,664

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

(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 fourth quarter of 2011.

(g) These figures do not include any effect related to the change in Breakage estimates made during the fourth quarter of 2011.

(h) 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.

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

(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.

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 March 31, 2012, Aimia had $179.8 million of cash and cash equivalents, $17.4 million of restricted cash, $52.9 million of short-term investments and $280.7 million of long-term investments in bonds, for a total of $530.8 million. Approximately $37.8 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to July 2012 and $311.5 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 $)	Three months ended March 31,	
	2012	2011
Cash and cash equivalents, beginning of period	**202,147**	**538,580**
Cash (used in) from operating activities	30,970	(14,841)
Cash used in investing activities	(10,574)	(144,569)
Cash used in financing activities	(43,504)	(83,900)
Translation adjustment related to cash	720	66
Cash and cash equivalents, end of period	**179,759**	**295,336**

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 $31.0 million for the three months ended March 31, 2012 compared to $(14.8) million for the same period in 2011. The favourable variance for the period is mainly attributable to working capital, which is mostly driven by the timing of accounts receivable collection, contributing $28.7 million, and inventory returning to more normalized levels, explaining $15.7 million. Additionally, the variance is explained by an improvement in Gross Billings and lower cost of rewards and directs costs offset by higher cash taxes and other changes in working capital. Please refer to the *Free Cash Flow* section for more information.

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 $43.2 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 March 31, 2012, the net cash outflow is expected to be $40.8 million (£25.6 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 during the three months ended March 31, 2012 reflect the proceeds received from short-term investments, amounting to $6.7 million, and long-term investments made amounting to $2.3 million.

Capital expenditures for the three months ended March 31, 2012, amounted to $12.7 million. Anticipated capital expenditures for 2012, which include expenditures associated with software development initiatives launched in fiscal 2011, are expected to approximate $55.0 million.

Additions to other intangibles assets for the three months ended March 31, 2012 amounted to $2.3 million and represented the right to use proprietary intangible assets.

FINANCING ACTIVITIES

For the three months ended March 31, 2012, financing activities used cash in the amount of $43.5 million.

Cash used in financing activities for the three months ended March 31, 2012 was primarily related to the payment of common and preferred dividends in the amount of $28.9 million and the repurchase of common shares in the amount of $3.0 million as described under the *CAPITAL STOCK* section. In addition, an amount of $15.0 million was repaid on the revolving facility during three months ended March 31, 2012.

An amount of $0.7 million was received by the Corporation upon the exercise of stock options. In addition, an amount of $2.7 million was invested by a minority shareholder in an Indian subsidiary.

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 $174.8 million, including $119.8 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.

On April 23, 2012, the Senior Secured Notes Series 1 in the amount of $200.0 million were repaid with funds drawn from the additional revolving facility. Refer to *Credit Facilities and Long-Term Debt* for more information.

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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. At March 31, 2012, 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 March 31, 2012, 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 March 31, 2012, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 32.3% 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 $1,284.0 million.

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CREDIT FACILITIES AND LONG-TERM DEBT

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 March 31, 2012	Drawn at March 31, 2012	Drawn at December 31, 2011
	$	$	$
Revolving facility [(a)]	300,000	25,000	40,000
Senior Secured Notes Series 1 [(b)]	N/A	200,000	200,000
Senior Secured Notes Series 2 [(c)]	N/A	150,000	150,000
Senior Secured Notes Series 3 [(d)]	N/A	200,000	200,000
Prepaid interest [(e)]	N/A	(38)	-
Unamortized transaction costs [(e)]	N/A	(2,899)	(3,322)
		572,063	**586,678**
Less: current portion [(b)]		200,000	200,000
Total		**372,063**	**386,678**

(a) The revolving facility matures on April 23, 2014, and depending on the Corporation's credit ratings, bears interest at rates ranging between Canadian prime rate plus 0.75% to 2.00% and the Bankers' Acceptance and LIBOR rates plus 1.75% to 3.00%.

At March 31, 2012, amounts borrowed under the revolving facility were in the form of Bankers' Acceptances with a 30-day term, bearing an interest rate of 3.48%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $17.7 million. This amount reduces the available credit under the revolving facility.

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

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

(d) The Senior Secured Notes Series 3 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.

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

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

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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	1.68	≤ 2.75
Debt service [(a)]	0.19	≤ 2.00
Interest coverage	8.44	≥ 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.

On April 13, 2012, Aimia concluded an amendment to its existing credit facilities with its lending syndicate. The Corporation extended the term of its existing $300.0 million revolving facility by two years to April 23, 2016. In addition, the Corporation obtained an additional revolving facility, in an amount not to exceed $200.0 million, for any term it may request, not extending beyond the new maturity date.

On April 23, 2012, the Senior Secured Notes Series 1 in the amount of $200.0 million were repaid with funds drawn from the additional revolving facility, with a term maturing on April 13, 2013.

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

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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.

Aimia's share of PLM's financial statement items, including the purchase price allocation adjustments, was as follows:

Statement of operations data	Three months ended March 31,	
(in thousands of $)	2012	2011 [(a)]
Revenue	6,414	600
Expenses (income)	5,259	(2,200)

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

Statement of financial position data	March 31,	December 31,
(in thousands of $)	2012	2011
Current assets	19,909	14,800
Long-term assets	25,642	26,100
Current liabilities	18,063	14,100
Long-term liabilities	13,517	13,700

For the three months ended March 31, 2012 and 2011, PLM reported Gross Billings of $32.1 million and $24.2 million, respectively.

INVESTMENT IN CARDLYTICS, INC.

On September 8, 2011, Aimia acquired a minority participation in Cardlytics, a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking, for 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 March 31, 2012 and December 31, 2011.

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 $1,020.4 million at March 31, 2012.

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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 $120.0 million for the period in which the change occurred, with $115.0 million relating to prior years and $5.0 million relating to the current period.

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PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

VAT Litigation

(in thousands)	VAT Provision
	$
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**
Provision recorded during the period	1,864
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	1,343
Balance at March 31, 2012	**150,955**

Aimia EMEA Limited (formerly Loyalty Management Group Limited) 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).

Aimia EMEA Limited 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. Aimia EMEA Limited, in turn, appealed to the Court of Appeal, which issued a judgment in favour of Aimia EMEA Limited on October 5, 2007 requiring the refund of the assessed amount and confirming Aimia EMEA Limited'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

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October 7, 2010, the ECJ ruled against Aimia EMEA Limited and in favour of HMRC. The case has been referred back to the UK Supreme Court for judgment based on the guidance of the ECJ. The hearing is scheduled to take place on October 24 and October 25, 2012.

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of $151.0 million (£94.7 million) has been recorded in provisions at March 31, 2012 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of $65.7 million (£41.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, has also been recorded in accounts receivable.

For the three months ended March 31, 2012, $0.8 million (£0.5 million) has been recorded in cost of rewards and $1.1 million (£0.7 million) has been recorded in interest expense.

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

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

Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow of $43.2 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 March 31, 2012, the net cash outflow is expected to be $40.8 million (£25.6 million), including the receipt of accrued interest on the cash held in escrow amounting to $1.3 million (£0.8 million) to date.

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 March 31, 2012, Aimia's maximum

exposure under such guarantees was estimated to amount to $156.0 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. The motion was heard on May 9 and 10, 2011 and Aeroplan was added as a potential defendant. In a judgment dated March 6, 2012, the Superior Court of Quebec authorized the motion for the petitioner to bring a class action.

This motion was the first procedural step before any such action can be instituted. The petitioner's class action lawsuit on behalf of Aeroplan Program members in Canada seeks to obtain reinstatement of expired Aeroplan 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 next step in the process is for the petitioner to publish a notice of the judgment authorizing the class action and to file and serve the claim on the merits. Management does not expect a hearing on the merits for at least two years.

Although management has identified a strong defence to this class action lawsuit, the likelihood and amount of any potential loss cannot be reasonably estimated at this time. Consequently, no provision for a liability has been included in these financial statements. If the ultimate resolution of this class action lawsuit differs from the Corporation's assessment and assumptions, a material adjustment to the financial position and results of operations could result.

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, 2012.

Air Canada is one of Aimia's largest Accumulation Partners, representing 13% of Gross Billings for the three months ended March 31, 2012 compared to 14% for the three months ended March 31, 2011. 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 three months ended March 31, 2012 and 2011, 45% and 48% respectively of total

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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).

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.

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.

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SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As at March 31, 2012, 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	63.2	9.8	12.3	10.0	9.7	6.3	15.1
Technology infrastructure and other	53.5	20.5	20.7	10.8	1.5	-	-
Marketing support and other	116.2	19.3	23.2	21.3	13.5	12.0	26.9
Long-term debt [(a)]	684.9	222.5	26.6	201.0	13.9	13.9	207.0
Purchase obligation under the CPSA	3,503.4	284.4	429.2	429.2	429.2	429.2	1,502.2
Contractual Obligations	**4,421.2**	**556.5**	**512.0**	**672.3**	**467.8**	**461.4**	**1,751.2**
Commitments							
Letters of Credit and Surety Bonds	23.5	13.2	6.3	4.0	-	-	-
Commitments	**23.5**	**13.2**	**6.3**	**4.0**	**-**	**-**	**-**
Total Contractual Obligations and Commercial Commitments	**4,444.7**	**569.7**	**518.3**	**676.3**	**467.8**	**461.4**	**1,751.2**

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

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

Under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. At March 31, 2012, Aimia complied with all such covenants.

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DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the three months ended March 31, 2012 and 2011 were as follows:

(in thousands of $, except per share amounts)	2012		2011 [(a)]	
	Amount	Amount per common share	Amount	Amount per common share
March	26,102	0.150	23,010	0.125

(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 three months ended March 31, 2012 and 2011 were as follows:

(in thousands of $, except per share amounts)	2012		2011	
	Amount	Amount per preferred share	Amount	Amount per preferred share
March	2,803	0.406	2,803	0.406

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.

On May 3, 2012, the Board of Directors of Aimia approved an increase to the annual common share dividend from $0.60 to $0.64 per share and declared quarterly dividends of $0.16 per common share and $0.40625 per preferred share, payable on June 29, 2012.

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CAPITAL STOCK

NORMAL COURSE ISSUER BID

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 15, 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.

From January 1 to March 31, 2012, Aimia repurchased and cancelled 480,000 common shares for total cash consideration for $5.9 million, of which $3.0 million was paid during the period. Share capital was reduced by $4.2 million and the remaining $1.7 million was accounted for as reduction of contributed surplus.

At March 31, 2012, Aimia had 173,410,208 common shares and 6,900,000 preferred shares issued and outstanding for an aggregate amount of $1,692.3 million. In addition, there were 5,964,693 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

Subsequent to March 31, 2012, Aimia repurchased and cancelled 1,481,900 common shares for total cash consideration of $18.3 million, pursuant to the NCIB. In addition, on May 3, 2012, Aimia received approval from the Toronto Stock Exchange and announced the renewal of its NCIB to repurchase up to 17,179,599 of its issued and outstanding common shares during the period from May 16, 2012 to no later than May 15, 2013.

EARNINGS PER COMMON SHARE

Aimia's earnings per share attributable to the equity holders of the Corporation amounted to $0.24 and $0.12 for the three months ended March 31, 2012 and March 31, 2011, respectively. Earnings per share are calculated after dividends on preferred shares.

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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 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.

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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

Please refer to *Note 2* of the December 31, 2011 audited consolidated financial statements of Aimia and the corresponding section of the 2011 MD&A to review Aimia's 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.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation has adopted disclosure controls and procedures that were designed by the CEO and CFO, with management's assistance, in order to provide reasonable assurance that they are made aware of material information. The Corporation has also adopted internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. During the interim period ended on March 31, 2012, there were no changes in the Corporation's internal controls over financial reporting that have significantly affected, or are reasonably likely to significantly affect, Aimia's internal controls over financial reporting.

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

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

RISKS AND UNCERTAINTIES

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

For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding sections in the *2011 MD&A* and *Aimia's Annual Information Form* dated March 22, 2012.

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

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

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 16, 2012, is available on SEDAR at www.sedar.com or on Aimia's website at www.aimia.com under "Investors".