Annual Report

2012

AIMIA

INSPIRING LOYALTY

CHAIRMAN'S LETTER

2012 was a very good year for Aimia. We extended our track record for delivering high quality financial results and Free Cash Flow. The $109 million paid out in common dividends in 2012 continued our policy of providing dividend growth that is proportionate to our cash flow generation, with a 7 per cent increase in the annual common dividend per share to $0.64. Your Board of Directors will once again conduct a review of the dividend policy in May 2013.

Our coalition programs continue to focus on driving engagement with our members even tough economic conditions and the core of the business is getting stronger. The potential and value of the businesses we bought in 2007, together with subsequent investments made in EMEA over the last few years, have begun to deliver a more robust operating performance. Our key contract renewals in this region and the further strengthening of our relationship with Sainsbury's through the formation of the i2c joint venture are a great example of the value we bring to our partners through some of the world's very best loyalty products and service offerings. The company issued $450 million of new debt in 2012, further strengthening the balance sheet; and continued to deploy that capital thoughtfully around the world. The investments we have made over the last two years in Mexico's Club Premier, Brazil's Prismah, China Rewards and Cardlytics coupled with the acquisition of Excellence in Motivation illustrate our ability to deploy capital and to diversify in faster growing parts of the world.

We are building on the strengths of our regional businesses and further harnessing the power that has driven the growth of our organization from approximately 1,500 employees at the end of 2008 to more than 4,000 employees in over 20 countries today. We remain proud of the global bench strength we have managed to assemble, with some of the most talented loyalty experts around the world, and a management team focused on achieving our strategic vision as well as ensuring we execute successfully. At the Board level too, we have added new talent. Beth Horowitz's extensive strategic expertise and international experience as well as a track record for driving success within the financial services industry as a past President and CEO of Amex Bank of Canada have brought skills and capabilities which are already proving to be of great value to the Board.

Over the last years, we have delivered a strong total return to shareholders, proof that we can make long-term investments in our business and concurrently deliver significant shareholder value. Our goal will be to continue to generate significant levels of Free Cash Flow and maximize value for our investors, while continuing to make the investments that will ensure our position as global leader in loyalty management for years to come.

On behalf of the board of directors, I would like to thank our shareholders for their confidence in us and thank our management team and employees for a great performance this past year.

Robert E. Brown

GROUP CHIEF EXECUTIVE'S LETTER

2012 was a great year for Aimia.

Aeroplan, which has traditionally been the focal point of the business for our investors, continued in to deliver strong operating leverage and a significant increase in Adjusted EBITDA in 2012. However, 18 months ago, Nectar UK hit an inflection point. In 2012, Nectar UK caught people's attention by signing an attractive new long-term agreement with the anchor partner, Sainsbury's; by launching eBay as a major accumulation partner, the third "elephant" partner to be signed by Nectar UK in less than four years; and by making a meaningful contribution to Aimia's financial results.

Going forward, Nectar UK and Aeroplan will continue to serve as both role models on which we base our thinking around coalition loyalty across the world; and important drivers of Free Cash Flow.

2012 HIGHLIGHTS

Canada

Our Canadian business delivered strong performance, contributing significantly to Aimia's Adjusted EBITDA and Free Cash Flow in 2012.

The business leveraged redemption mix improvements, effective cost management; and the realization of synergies to deliver record Adjusted EBITDA of $396 million in 2012. Over the last two years, the Canadian business has achieved tens of millions of dollars in annual savings.

Aeroplan is the core of the Canadian business and drives important value for our financial partners, Air Canada and our coalition members. The program continues to be Canada's premier coalition loyalty program offering its 4.7 million active members access to exclusive rewards and experiences through a network of over 75 accumulation partners. In 2012, approximately 2.3 million rewards were issued to members, including more than 1.6 million flights on Air Canada and Star Alliance carriers. On the financial cards side of the business, gross billings increased year-over-year and new cards acquired were up by 40 per cent.

In proprietary loyalty, we added another large financial client at the end of the year and signed a significant new contract with Husky, but that was not enough to offset reduced volumes in the financial vertical during 2012.

Over the course of 2013, investors should get more certainty around our Canadian business with the Competition Tribunal decision relating to certain credit card merchant rules, and the impact of the implementation of the seven year mileage expiry policy in Canada as the end of the year approaches, neither of which we expect will significantly affect our business; and the renewal of Aeroplan's financial card contracts, which represents a great growth opportunity for Aeroplan. Our intent is to ensure that we drive a positive long-term winning proposition that secures Aeroplan's top position in the premium credit card market for years to come.

Europe, Middle East and Africa

Our EMEA business delivered double-digit growth in the face of the challenging economy in the region, driven by strong performance in the Nectar UK program.

The UK was buoyed by the continued strength of our major partners, the terms of our new contract with Sainsbury's, which commenced on April 1, 2012 and the launch of our partnership with eBay during the year. Nectar UK points issued grew by 16 per cent and we finished the year with approximately 19 million active members in the program.

In Italy, with almost three years under our belt, Nectar Italia is still in the early stage of a coalition program's long cash generating cycle. With more than 9.5 million members having joined since its inception and a growing list of commercial partners, Nectar Italia is well-positioned for long-term growth despite falling slightly short of our growth objective for 2012 as a result of the significant deterioration of the Italian economy.

Our business in the Middle East started off the year with a renewal of its contract with HSBC and saw significant re-engagement in the program as the year progressed. This reflected positively in the region's 2012 financial performance.

Our data analytics business, Intelligent Shopper Solutions (ISS), continued to drive double digit growth in Gross Billings with existing customers. Through ISS and most recently, i2c, our important new joint venture with Sainsbury's, we are putting advanced loyalty data analytics to work for some of the world's top brands.

As a group, EMEA continues to drive operating leverage, managing costs across every business in the segment.

US & Asia Pacific

Our US and APAC segment moved back into profitability, generating positive Adjusted EBITDA in 2012.

In Asia-Pacific, Gross Billings increased due to expanded business with existing clients as well as a small contribution from a large new contract with Standard Chartered Bank.

In the US, significant progress has been made as we have refreshed management and reset the business to a lower cost structure. The new management team is focused on developing relationships with customers interested in higher value services, deploying the technology platforms that we have been investing in taking the business to the next level and driving improved margins. Recovery in the automotive and technology sectors drove stronger performance in our business loyalty services and made a solid contribution to the US and APAC financial performance in 2012.

The acquisition of Excellence in Motivation, which closed late in 2012, will serve to further enhance the future financial performance and growth profile of the US business.

We know that significant opportunities exist in the US, the largest loyalty market in the world and we have the team, the tools and the plan in place to capitalize on these.

ADVANCING OUR GLOBAL GROWTH STRATEGY

In 2012, our global expansion, a key element of Aimia's measured growth strategy, continued to play out. While some of the more mature economies, particularly Europe, sort themselves out, we are finding strategic entry points at attractive valuation levels into some of the world's fastest growing regions. Partnering with market leaders to hasten our entry and mitigate risk, we are making considerable progress in a number of important geographies.

2012 signified a turning point for one of our major investments: Mexico's Club Premier. In addition to growing organically and strengthening our foundation, our focus over the past five years has been to select investments that allow us to leverage and monetize our unparalleled knowledge and expertise in loyalty management.

Club Premier

The Club Premier program adopts and adapts the Aeroplan model to the Mexican market. In its brief two-year history, Club Premier has seen memberships grow by nearly 20 per cent. Anchored by Aeromexico, the coalition has grown to 85 commercial partners, and has captured 95 per cent of the premium credit card market through its direct earn relationships

with Banamex and American Express, together with its conversion relationships with most top retail banks in Mexico. With its robust growth profile and attractive margins, Club Premier has performed very well over its short life and our total investment has doubled in value in less than three years.

Over the last 12 months, we also progressed successfully with key initiatives in Brazil, China and Indonesia.

Brazil

In Brazil, Aimia and Multiplus have set out to transform loyalty marketing services through a joint venture company called Prismah, which leverages Aimia's expertise in proprietary loyalty and data analytics, together with Multiplus' established commercial relationships and local knowledge.

China

In China, we announced an initiative with Points International and China Rewards, which provides a gateway into this market with a high quality partner.

Indonesia

In Indonesia, we built on a small investment that Carlson Marketing made more than ten years ago to become the leader in Indonesia's rapidly expanding loyalty sector. Our business there boasts strong leadership, a great local reputation and a portfolio of blue chip clients, such as Nestle and Mazda.

With less than $10 million in these three small scale initiatives, we are establishing beachheads in many of the world's fastest growing economies without a big capital commitment upfront.

PRIORITIES AND OPPORTUNITIES IN 2013

As we think forward to 2013, we continue to balance our long-term priorities and investments with managing the business to deliver the right things for our shareholders and the business in the short-term.

Building on our expertise in data analytics continues to be a priority for us. This is an area where we already have great strength. We manage 280 million individuals' data in more than 20 countries and have analyzed over 68 billion shopping items. In addition, data analytics provides the backbone of our liability management and reward analytics capabilities. This is work we do day-to-day for our coalition programs and our proprietary clients as well as for other premium loyalty programs, such as Club Premier.

It is our view that we are leading a once-in-a-generation opportunity that is the result of the dovetailing of two factors: the consolidation of the loyalty industry together with rapid advancements in, and mass access to, mobile and digital technology.

With the global explosion of smart phones profoundly impacting the way people interact and generating vast amounts of data, the challenge is to create value around it – turning it into smart data, in service of real customer relationships, enabling us to offer our clients a fuller view of their end customer and, as importantly, to ensure that consumers get a proper value exchange for their data.

This "smart data" opportunity is shaping the way we think about the future and 2013 will be about further outlining the direction we want to take. It needs to be done while still maintaining a customer's right to privacy, which is becoming a more widely discussed topic. We treat this issue very seriously and consumer interests remain at the heart of our decision making. Through workshops held across our international employee base, we are educating the organization to continually challenge their thinking on how data is managed.

Operational efficiency and effectiveness is critical to Aimia's ongoing success. As we have entered 2013, we have made changes to the global leadership team that will allow us to build on our existing strengths.

GROUP CHIEF EXECUTIVE'S LETTER

With the appointment of David Johnston in the newly created role of Group Chief Operating Officer, we will drive the further development of the company's global operating model, building on the strengths of our regional businesses and harnessing the changes which have seen Aimia grow. This will enable us to continue on our growth trajectory, while also building innovative products and services and ensuring delivery of operational excellence across our significant global footprint. With David's promotion, we have also welcomed Jan-Pieter Lips, who formerly ran Nectar in the UK, to the Aimia Executive team. Michael Zea, recruited during 2012 to run the US business and Eric Monteiro, who has assumed a newly created role as Executive Vice-President, Global Strategy, also joined the Executive team in 2012.

With an even stronger team in place, we are well positioned to leverage the opportunities ahead of us and the strong brand we have built in order to win scale customers and execute flawlessly. The changes we have made will also give us more breadth to continue to be thoughtful about the investments that we believe will contribute to a consistent, long-term, Free Cash Flow stream for our shareholders.

AIMIA'S SOCIAL PURPOSE

Corporate social responsibility continues to be intrinsic to how the company behaves in the wider world. We have a strong commitment to creating value for the communities in which we live and work, to upholding an environmentally conscious approach to conducting and growing our business and to building a stronger global structure, which will allow us to effect greater positive change.

But 2012 also marked a turning point in our social purpose approach and we are now striving for global alignment of our local and regional initiatives in all areas of corporate social responsibility, including ethical business conduct, environmental stewardship, employee wellness, health and safety and citizenship. Our real challenge lies in our ability to make the best use of our unique skills and capabilities to help our clients thrive in a new reality, which emphasizes broader definitions of sustainability and the cultivation of the trust and reciprocity which are two fundamental principles of loyalty.

CONCLUSION

We are focused on maximizing value and have gained credibility in the market place by delivering high quality results year after year, while taking a prudent and measured approach to capital deployment.

We were delighted to see stronger operational performance across all our regions as well as a distribution from our investment in Club Premier, contributing to the record Adjusted EBITDA and net earnings we delivered in 2012. The business overall is expected to generate improved operating performance in 2013 and to deliver strong cash generation and improving returns to shareholders over the long run.

We continue to operate some of the world's leading coalition loyalty programs and to grow our business outside our existing core. We expect 2013 will be another good year provided that the economies in the regions where we do business do not worsen.

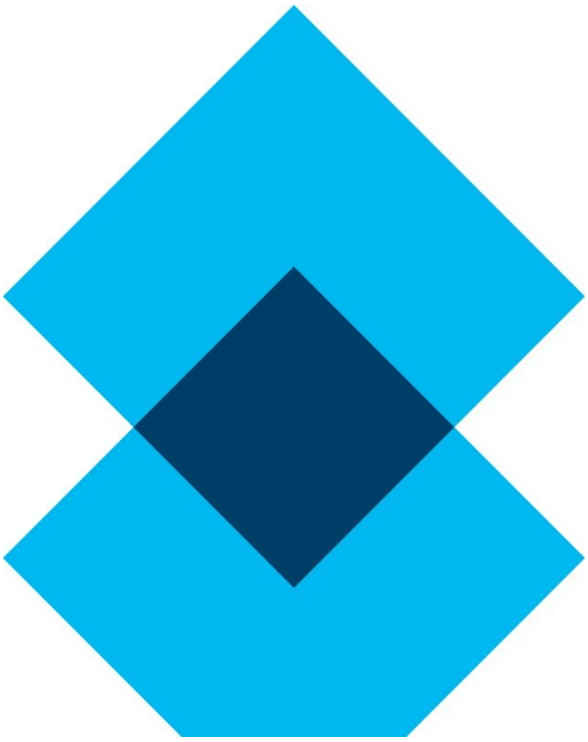
As ever, we remain dependent on our incredibly talented employees to deliver our results. Day after day – and with each new insight, they are showing clients how they will make us the global leader in loyalty management.

Rupert Duchesne

AIMIA
INSPIRING LOYALTY

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

For the years ended December 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

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

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

The MD&A is prepared as at February 27, 2013 and should be read in conjunction with the accompanying audited consolidated financial statements of Aimia for the year ended December 31, 2012 and the notes thereto.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on top Accumulation Partners and clients, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues, Air Canada or travel industry disruptions, airline industry changes and increased airline costs, supply and capacity costs, unfunded future redemption costs, failure to safeguard databases and consumer privacy, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of February 27, 2013, 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

THIS MD&A CONTAINS THE FOLLOWING SECTIONS:

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

GLOSSARY

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

"Aeroplan" - means Aimia Canada Inc. (formerly known as Aeroplan Canada Inc.);

"Aeroplan Miles" - means the miles issued by Aeroplan under the Aeroplan Program;

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

"Aimia" or the "Corporation" - means Aimia Inc., formerly known as Groupe Aeroplan Inc., and where the context requires, includes its subsidiaries and affiliates;

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

"Breakage" - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgement. Management's consolidated weighted average breakage estimate at December 31, 2012 is 17% (December 31, 2011: 18%), 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;

"EIM" - means Excellence in Motivation, Inc.;

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

"I^2C" - means Insight 2 Communication LLP;

"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;

"PLM" - means PLM Premier, S.A.P.I. de C.V., together with its predecessor Premier Loyalty & Marketing, S.A.P.I. de C.V., owner and operator of Club Premier, a Mexican coalition loyalty program;

"Prismah" - means Prismah Fidelidade S.A.;

"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.

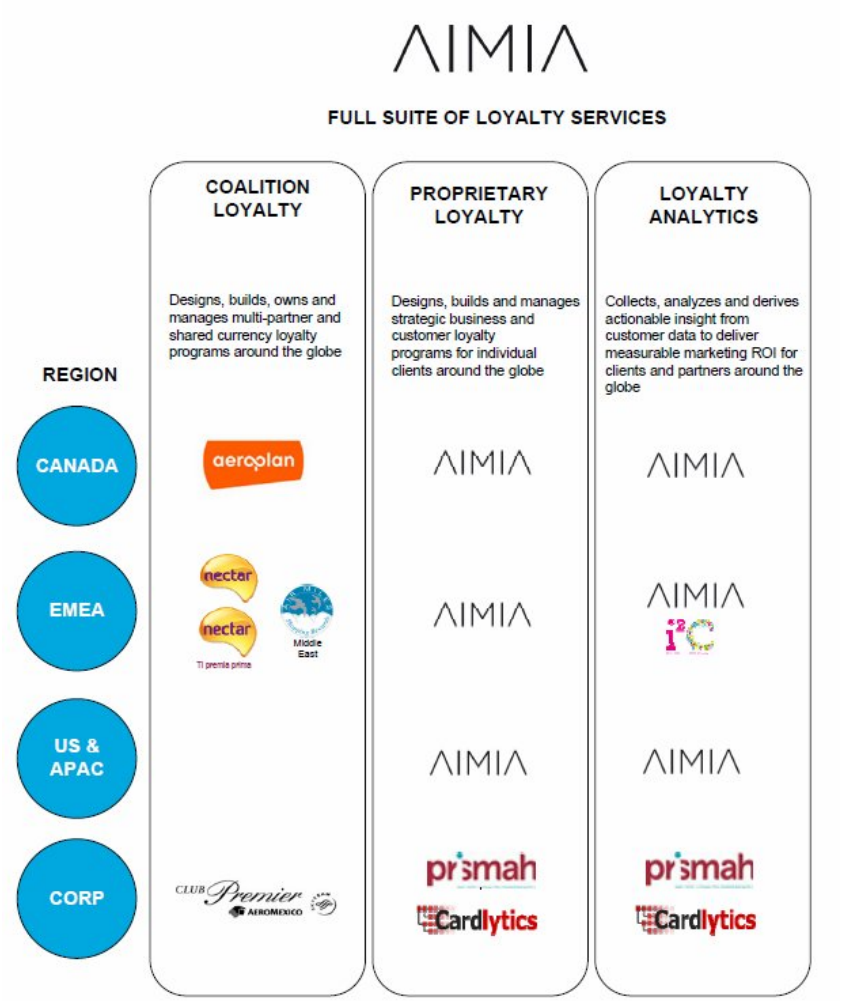
In Canada, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, Air Miles Middle East, the leading coalition loyalty program in the UAE, through a 60% ownership interest, and Nectar Italia, Italy's largest coalition loyalty program, through a 75% participation. Aimia's EMEA segment also provides data driven insight and analytics services in the UK and internationally to retailers and their suppliers, through ISS and its 50% participation in I^2C, a joint venture with Sainsbury's. Aimia's loyalty analytics group 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. In each of the regions, Aimia provides proprietary loyalty services, including loyalty program design, launch and operation. In addition, through the recent acquisition of EIM, Aimia has broadened its footprint in the United States and strengthened its product offerings for channel and employee performance improvement solutions in that region.

Aimia also holds a 48.9% interest in, and jointly controls with Grupo Aeromexico, PLM, owner and operator of Club Premier, a Mexican coalition loyalty program, a 50% interest in, and jointly controls with Multiplus S.A., Prismah, a company formed to offer loyalty services in Brazil, and a minority interest in Cardlytics, Inc. ("Cardlytics"), a US-based private company operating in transaction-driven marketing for electronic banking. These investments are reported under Corporate in the segmented information.

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

REGIONAL STRUCTURE AND LOYALTY SERVICES

The following chart illustrates Aimia's regional reporting structure and full suite of loyalty services as at December 31, 2012:



Notes:

- *The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.*
- *As at December 31, 2012 Aimia owned 75% of Nectar Italia, 60% of Air Miles Middle East, 50% of Prismah, 50% of I^2C, 48.9% of Club Premier and a minority interest in Cardlytics. All other businesses listed above are owned 100% by Aimia.*
- *Proprietary Loyalty now incorporates EIM, acquired on September 24, 2012 and reported as part of the US & APAC region.*
- *Loyalty Analytics incorporates ISS and I^2C. Although ISS offers services in each of the regions, for reporting purposes, its results are reported in the EMEA segment only. There are no results of operations for I^2C for the year ended December 31, 2012.*
- *Through its strategic alliance, Aimia works with Cardlytics to offer transaction-driven marketing services for electronic banking in each of our regions. As at December 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

Aimia's vision is to be recognized as the global leader in loyalty management. Our strategy is to deploy our expertise in building proprietary loyalty solutions, launching and managing coalition loyalty programs, creating value through loyalty analytics and driving innovation in the emerging digital, mobile and social communications spaces. We build and run loyalty programs for ourselves and for some of the world's best brands. Our experience in running loyalty programs has taught us innovative ways to unlock data and reveal hidden insights for our clients and partners. Customer data is at the heart of everything we do. We inspire customer loyalty.

Our ability to execute this strategy is grounded in our depth of people, our technology and our operational expertise. As owner-operators in the loyalty industry we have developed advanced technology platforms and operational experience which we leverage to grow profitability for our company, our partners and our clients.

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

Coalition Loyalty

Aimia's coalition loyalty experts build value for existing coalition partners, launch greenfield coalitions, partner with legacy programs to spin them off into multi-partner coalitions and deploy the full suite of loyalty services for coalition partners. Through a member and partner-centric approach, these coalitions add value to the eco-system of partners and members sustaining, enhancing and deepening the members' relationships with partners.

Proprietary Loyalty

Aimia's proprietary loyalty service experts design, launch and operate new client programs, re-launch, refresh and operate existing client programs and bring our digital, mobile and analytical expertise to bear on behalf of clients, to sustain, enhance and deepen relationships with their customers. Proprietary loyalty also creates incentive programs and business loyalty solutions that apply consumer loyalty best practices to deliver results for employees and distribution channels of our clients.

Loyalty Analytics

Aimia's loyalty analytics provides cutting-edge data analytics for coalition and proprietary clients, derive insight from program, SKU-level, third-party and other data sources and uses data to deliver unparalleled marketing ROI, transform the customer experience and build loyalty. Our analytics services include member analysis and reward, partner and liability optimization. Our ability to analyze customer data and turn that insight into highly relevant customer communications provides our clients and partners with a powerful platform to position their businesses.

Aimia's strategy is executed through the following initiatives:

- enhancing the value proposition to our partners and clients;

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

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

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

PERFORMANCE INDICATORS

OPERATING INCOME

Aimia derives its cash inflows primarily from the sale of Loyalty Units to Accumulation Partners with respect to its coalition loyalty programs, from proprietary loyalty services rendered or to be rendered to customers 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.

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

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 and impairment charges, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. Adjusted EBITDA also includes distributions and dividends received from equity-accounted investments.

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

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

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

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

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

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 equity-accounted investments 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 also includes distributions and dividends received from equity-accounted investments.

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

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

STANDARDIZED FREE CASH FLOW (“FREE CASH FLOW”)

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

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

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

For a reconciliation to cash flows from operations please refer to the *SELECTED INFORMATION AND RECONCILICATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

CAPABILITY TO DELIVER RESULTS

Aimia operates in a relatively new industry with a limited number of peers. As a result, there are few industry comparables and Productive Capacity benchmarks.

Capital Resources

Aimia generates sufficient cash flow internally to fund cash distributions, capital expenditures and to service its debt obligations. Management believes that Aimia's internally generated cash flows, combined with its ability to access external capital, provide sufficient resources to finance its cash requirements for the foreseeable future and to maintain available liquidity, as discussed in the *Liquidity and Capital Resources* section.

Non-capital Resources

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

Leading Market Position and Brands

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

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

Strong Member Bases

Aimia's coalition loyalty programs benefit from growing bases of 4.7 million and 19.0 million active members in Canada and the UK respectively. In Italy, over 9.5 million members have joined the coalition loyalty program since inception. Attractive demographics have demonstrated a strong willingness to collect Loyalty Units over other loyalty program units.

Relationship with Commercial Partners

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

Long-Term Strategic Relationship with Air Canada

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

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

Large Base of Loyalty Marketing Clients Worldwide

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

Technology

Aimia relies on a number of sophisticated systems in order to operate loyalty management platforms and contact centres, and to manage and analyze member databases and process redemption rewards. Through the use of technology, Aimia is able to offer value-added services to members, Commercial Partners and clients and increase

operational efficiencies. In addition, Aimia uses technology to provide analytical services to retailers, their suppliers and others.

Employees

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

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the audited consolidated financial statements for the years ended December 31, 2012, 2011 and 2010, 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

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

	For the years ended December 31,						%△	
(in thousands of Canadian dollars , except share and per share information)	2012		2011		2010 [i]		2012 over 2011	2011 over 2010
Gross Billings	**2,243,023**		2,233,226		2,187,753	[j]	0.4	2.1
Gross Billings from the sale of Loyalty Units	**1,628,429**		1,560,801		1,457,751		4.3	7.1
Total revenue	**2,248,918**		2,115,905	[f]	2,056,235		6.3	2.9
Cost of rewards and direct costs	**(1,300,925)**		(1,332,874)		(1,295,282)	[k]	(2.4)	2.9
Gross margin before depreciation and amortization [a]	**947,993**		783,031	[f]	760,953	[k]	21.1	2.9
Depreciation and amortization	**(38,425)**		(36,033)		(32,454)		6.6	11.0
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(87,234)**		(93,474)		(90,308)		(6.7)	3.5
Gross margin	**822,334**		653,524	[f]	638,191		25.8	2.4
Operating expenses	**(566,847)**		(612,548)	[g]	(542,593)	[k]	(7.5)	12.9
Amortization of Accumulation Partners' contracts, customer relationships and technology	**87,234**		93,474		90,308		(6.7)	3.5
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**342,721**		134,450	[f][g]	185,906	[k]	154.9	(27.7)
Depreciation and amortization	**38,425**		36,033		32,454		6.6	11.0
Impairment of goodwill	**—**		53,901		—		(100.0)	100.0
EBITDA [a][c][l]	**381,146**		224,384	[f]	218,360	[k]	69.9	2.8
Adjustments:								
Change in deferred revenue								
Gross Billings	**2,243,023**		2,233,226		2,187,753	[j]		
Revenue	**(2,248,918)**		(2,115,905)	[f]	(2,056,235)			
Change in Future Redemption Costs [b]	**11,640**		472		(64,344)			
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)								
Distribution received from an equity-accounted investment	**15,712**		—		—			
Subtotal of Adjustments	**21,457**		117,793		67,174			
Adjusted EBITDA [c]	**402,603**		342,177		285,534	[j][k]	17.7	19.8
Net earnings (loss) attributable to equity holders of the Corporation	**165,167**	[h]	(59,678)	[f][g][h]	14,923	[h][k]		
Weighted average number of shares	**173,015,589**		179,146,339		194,748,024			
Earnings (loss) per common share [d]	**0.89**	[h]	(0.40)	[f][g][h]	0.02	[h][k]		
Net earnings (loss) attributable to equity holders of the Corporation	**165,167**	[h]	(59,678)	[f][g][h]	14,923	[h][k]		
Amortization of Accumulation Partners' contracts, customer relationships and technology	**87,234**		93,474		90,308			
Share of net (earnings) loss of equity-accounted investments	**(2,917)**		4,444		—			
Impairment of goodwill	**—**		53,901		—			
Adjusted EBITDA Adjustments (from above)	**21,457**		117,793		67,174			
Tax on adjustments [e]	**(196)**		6,273		(10,918)			
Non-controlling interests share on adjustments above	**(2,252)**		(18,042)		(5,314)			
Adjusted Net Earnings [c]	**268,493**	[h]	198,165	[h]	156,173	[h][j][k]	35.5	26.9
Adjusted Net Earnings per common share [c][d]	**1.49**	[h]	1.04	[h]	0.75	[h][j][k]		
Cash flow from operations	**357,443**		242,541		268,105			
Capital expenditures	**(57,955)**		(44,919)		(46,877)			
Dividends	**(119,992)**		(113,481)		(107,577)			
Free Cash Flow [c]	**179,496**		84,141		113,651		113.3	(26.0)
Total assets	**5,246,581**		4,931,733		5,140,964			
Total long-term liabilities	**1,758,139**		1,313,201		1,621,735			
Total dividends per preferred share	**1.625**		1.625		1.530			
Total dividends per common share	**0.630**		0.575		0.500			

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 declared on preferred shares.

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

(f) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $113.3 million to revenue from Loyalty Units attributable to the years prior to 2011. Of the total adjustment, $82.0 million is attributable to the Nectar Program and $31.3 million is attributable to the Air Miles Middle East program.

(g) Includes a goodwill impairment charge of $53.9 million recorded in the fourth quarter of 2011 related to the US proprietary loyalty business.

(h) Interest expense for the years ended December 31, 2012, 2011 and 2010 includes the effect of a charge recognized as a result of the ECJ VAT Judgment amounting to $4.5 million (£2.8 million), $4.4 million (£2.8 million) and $7.2 million (£4.5 million), respectively.

(i) These figures exclude any effect attributable to the change in Breakage estimates made in the fourth quarter of 2011 in the Nectar and Air Miles Middle East programs.

(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.

(k) Includes the non comparable effect of a $17.4 million (£10.9 million) net charge to earnings recognized as a result of the ECJ VAT Judgment for the year ended December 31, 2010. Of this amount, $53.1 million (£33.4 million), representing input tax credits attributable to the period from 2002 to 2009, was charged to cost of rewards and $1.6 million (£1.0 million) to operating expenses. Operating expenses were also reduced by the reversal of a provision of $7.2 million (£4.5 million) payable to certain employees in the event of a favourable VAT outcome and by the release of the contingent consideration of $30.1 million (£19.0 million) related to the LMG acquisition following the unfavourable ECJ VAT Judgment.

(l) Excludes the goodwill impairment charge.

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

	Three Months Ended December 31,				%△
(in thousands of Canadian dollars , except share and per share information)	2012		2011		Q4
Gross Billings	**615,055**		621,109		(1.0)
Gross Billings from the sale of Loyalty Units	**429,534**		425,208		1.0
Total revenue	**678,179**		560,683	*(f)*	21.0
Cost of rewards and direct costs	**(412,651)**		(423,788)		(2.6)
Gross margin before depreciation and amortization *(a)*	**265,528**		136,895	*(f)*	94.0
Depreciation and amortization	**(12,013)**		(11,698)		2.7
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(24,831)**		(24,143)		2.8
Gross margin	**228,684**		101,054	*(f)*	126.3
Operating expenses	**(153,551)**		(204,216)	*(h)*	(24.8)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**24,831**		24,143		2.8
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**99,964**		(79,019)	*(f)(h)*	226.5
Depreciation and amortization	**12,013**		11,698		2.7
Impairment of goodwill	**—**		53,901		(100.0)
EBITDA *(a)(c)(j)*	**111,977**		(13,420)	*(f)*	934.4
Adjustments:					
Change in deferred revenue					
Gross Billings	**615,055**		621,109		
Revenue	**(678,179)**		(560,683)	*(f)*	
Change in Future Redemption Costs *(b)*	**53,504**		42,972	*(g)*	
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)					
Distribution received from an equity-accounted investment	**15,712**		—		
Subtotal of Adjustments	**6,092**		103,398		
Adjusted EBITDA *(c)*	**118,069**		89,978	*(g)*	31.2
Net earnings (loss) attributable to equity holders of the Corporation	**56,812**	*(i)*	(126,267)	*(f)(h)(i)*	
Weighted average number of shares	**172,123,799**		173,774,352		
Earnings (loss) per common share *(d)*	**0.31**	*(i)*	(0.74)	*(f)(h)(i)*	
Net earnings (loss) attributable to equity holders of the Corporation	**56,812**	*(i)*	(126,267)	*(f)(h)(i)*	
Amortization of Accumulation Partners' contracts, customer relationships and technology	**24,831**		24,143		
Share of net loss of equity-accounted investments	**374**		10,303		
Impairment of goodwill	**—**		53,901		
Adjusted EBITDA Adjustments (from above)	**6,092**		103,398		
Tax on adjustments *(e)*	**(1,377)**		405		
Non-controlling interests share on adjustments above	**(889)**		(26,372)		
Adjusted Net Earnings *(c)*	**85,843**	*(i)*	39,511	*(g)(i)*	117.3
Adjusted Net Earnings per common share *(c)(d)*	**0.48**	*(i)*	0.21	*(g)(i)*	
Cash flow from operations	**100,570**		27,623		
Capital expenditures	**(23,506)**		(15,185)		
Dividends	**(30,374)**		(28,900)		
Free Cash Flow *(c)*	**46,690**		(16,462)		383.6
Total assets	**5,246,581**		4,931,733		
Total long-term liabilities	**1,758,139**		1,313,201		
Total dividends per preferred share	**0.406**		0.406		
Total dividends per common share	**0.160**		0.150		

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 declared on preferred shares.

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

(f) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $127.1 million to revenue from Loyalty Units, with $113.3 million attributable to the years prior to 2011 and $13.8 million attributable to the first three quarters of 2011. Of the total adjustment, $89.0 million is attributable to the Nectar Program and $38.1 million is attributable to the Air Miles Middle East program.

(g) The Change in Future Redemption costs for the quarter ended December 31, 2011 includes an unfavorable impact of $11.3 million resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs attributable to the first three quarters of 2011.

(h) Includes a goodwill impairment charge of $53.9 million recorded in the fourth quarter of 2011 related to the US proprietary loyalty business.

(i) Interest expense for the three months ended December 31, 2012 and 2011 includes the effect of a charge recognized as a result of the ECJ VAT Judgment amounting to $1.1 million (£0.7 million) and $1.0 million (£0.7 million), respectively.

(j) Excludes the goodwill impairment charge.

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

SEGMENTED INFORMATION

At December 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:

	Years Ended December 31,											
(in thousands of Canadian dollars)	2012	2011[f]	2012	2011[f]	2012	2011[f]	2012	2011	2012	2011[f]	2012	2011[f]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**1,292,551**	1,300,510	**639,851** [c]	571,598 [c]	**315,205** [c]	366,502 [c]	**—**	—	**(4,584)**	(5,384)	**2,243,023** [c]	2,233,226 [c]
Gross Billings from the sale of Loyalty Units	**1,079,793**	1,078,504	**548,636**	482,297	**—**	—	**—**	—	**—**	—	**1,628,429**	1,560,801
Revenue from Loyalty Units	**1,109,523**	1,102,463	**528,359**	331,284 [g]	**—**	—	**—**	—	**—**	—	**1,637,882**	1,433,747 [g]
Revenue from proprietary loyalty services	**158,169**	177,695	**15,191**	25,057	**312,337**	364,506	**—**	—	**—**	—	**485,697**	567,258
Other revenue	**49,731**	49,714	**75,608**	65,186	**—**	—	**—**	—	**—**	—	**125,339**	114,900
Intercompany revenue	**17**	1,018	**304**	586	**4,263**	3,780	**—**	—	**(4,584)**	(5,384)	**—**	—
Total revenue	**1,317,440**	1,330,890	**619,462**	422,113 [g]	**316,600**	368,286	**—**	—	**(4,584)**	(5,384)	**2,248,918**	2,115,905 [g]
Cost of rewards and direct costs	**693,044**	726,580	**438,639**	384,108	**169,563**	224,616	**—**	—	**(321)**	(2,430)	**1,300,925**	1,332,874
Gross margin before depreciation and amortization	**624,396**	604,310	**180,823**	38,005 [g]	**147,037**	143,670	**—**	—	**(4,263)**	(2,954)	**947,993**	783,031 [g]
Depreciation and amortization [a]	**95,170**	100,197	**17,005**	13,884	**13,484**	15,426	**—**	—	**—**	—	**125,659**	129,507
Gross margin	**529,226**	504,113	**163,818**	24,121 [g]	**133,553**	128,244	**—**	—	**(4,263)**	(2,954)	**822,334**	653,524 [g]
Operating expenses before the undernoted	**225,040**	223,482	**141,995**	137,600	**138,277**	153,501	**53,260**	41,282	**(4,263)**	(2,954)	**554,309**	552,911
Share-based compensation	**—**	—	**—**	—	**—**	—	**12,538**	5,736	**—**	—	**12,538**	5,736
Impairment of goodwill [h]	**—**	—	**—**	—	**—**	53,901	**—**	—	**—**	—	**—**	53,901
Total operating expenses	**225,040**	223,482	**141,995**	137,600	**138,277**	207,402	**65,798**	47,018	**(4,263)**	(2,954)	**566,847**	612,548
Operating income (loss)	**304,186**	280,631	**21,823**	(113,479) [g]	**(4,724)**	(79,158)	**(65,798)**	(47,018)	**—**	—	**255,487**	40,976 [g]
Adjusted EBITDA [i]	**396,137**	372,642	**49,187**	28,168	**7,365**	(11,615)	**(50,086)** [j]	(47,018)	**—**	—	**402,603** [j]	342,177
Additions to non-current assets [d]	**32,269**	24,056	**18,675**	16,455	**7,011**	4,408	**2,273**	—	**N/A**	N/A	**60,228**	44,919
Non-current assets [d]	**3,190,837**	3,259,974	**468,782** [e]	459,729 [e]	**77,805** [e]	43,948 [e]	**2,156**	—	**N/A**	N/A	**3,739,580** [e]	3,763,651 [e]
Deferred revenue	**1,790,540**	1,815,595	**438,985**	412,815	**24,133**	14,324	**—**	—	**N/A**	N/A	**2,253,658**	2,242,734
Total assets	**3,883,248**	3,796,092	**998,514**	931,724	**228,291**	149,512	**136,528**	54,405	**N/A**	N/A	**5,246,581**	4,931,733

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, Prismah and Cardlytics.

(c) Includes third party Gross Billings of $525.2 million in the UK and $191.5 million in the US for the year ended December 31, 2012, compared to third party Gross Billings of $466.8 million in the UK and $196.3 million in the US for the year ended December 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, intangible assets and property and equipment.

(e) Includes non-current assets of $418.2 million in the UK and $71.1 million in the US as of December 31, 2012, compared to non-current assets of $408.4 million in the UK and $38.0 million in the US as of December 31, 2011.

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

(g) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $113.3 million to revenue from Loyalty Units attributable to the years prior to 2011. Of the total adjustment, $82.0 million is attributable to the Nectar Program and $31.3 million is attributable to the Air Miles Middle East program.

(h) The goodwill impairment charge recorded during the year ended December 31, 2011 related to the US proprietary loyalty business.

(i) A non-GAAP measurement.

(j) Adjusted EBITDA includes a distribution received from an equity-accounted investment, amounting to $15.7 million for the year ended December 31, 2012.

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

	Three Months Ended December 31,											
(in thousands of Canadian dollars)	2012	2011[f]	2012	2011[f]	2012	2011[f]	2012	2011	2012	2011[f]	2012	2011[f]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**336,232**	335,307	**177,586** [c]	172,919 [c]	**102,265** [c]	115,735 [c]	**—**	—	**(1,028)**	(2,852)	**615,055** [c]	621,109 [c]
Gross Billings from the sale of Loyalty Units	**278,780**	279,103	**150,754**	146,105	**—**	—	**—**	—	**—**	—	**429,534**	425,208
Revenue from Loyalty Units	**267,678**	291,230	**223,728**	73,128 [g]	**—**	—	**—**	—	**—**	—	**491,406**	364,358 [g]
Revenue from proprietary loyalty services	**45,314**	44,017	**4,276**	5,375	**101,858**	112,872	**—**	—	**—**	—	**151,448**	162,264
Other revenue	**12,546**	12,080	**22,779**	21,981	**—**	—	**—**	—	**—**	—	**35,325**	34,061
Intercompany revenue	**5**	298	**48**	157	**975**	2,397	**—**	—	**(1,028)**	(2,852)	**—**	—
Total revenue	**325,543**	347,625	**250,831**	100,641 [g]	**102,833**	115,269	**—**	—	**(1,028)**	(2,852)	**678,179**	560,683 [g]
Cost of rewards and direct costs	**172,597**	182,290	**182,578**	168,716	**57,529**	74,063	**—**	—	**(53)**	(1,281)	**412,651**	423,788
Gross margin before depreciation and amortization	**152,946**	165,335	**68,253**	(68,075) [g]	**45,304**	41,206	**—**	—	**(975)**	(1,571)	**265,528**	136,895 [g]
Depreciation and amortization [a]	**25,257**	24,730	**4,881**	3,727	**6,706**	7,384	**—**	—	**—**	—	**36,844**	35,841
Gross margin	**127,689**	140,605	**63,372**	(71,802) [g]	**38,598**	33,822	**—**	—	**(975)**	(1,571)	**228,684**	101,054 [g]
Operating expenses before the undernoted	**58,912**	60,418	**36,910**	34,897	**38,018**	44,136	**18,172**	12,887	**(975)**	(1,571)	**151,037**	150,767
Share-based compensation	**—**	—	**—**	—	**—**	—	**2,514**	(452)	**—**	—	**2,514**	(452)
Impairment of goodwill [i]	**—**	—	**—**	—	**—**	53,901	**—**	—	**—**	—	**—**	53,901
Total operating expenses	**58,912**	60,418	**36,910**	34,897	**38,018**	98,037	**20,686**	12,435	**(975)**	(1,571)	**153,551**	204,216
Operating income (loss)	**68,777**	80,187	**26,462**	(106,699) [g]	**580**	(64,215)	**(20,686)**	(12,435)	**—**	—	**75,133**	(103,162) [g]
Adjusted EBITDA [j]	**100,312**	98,701	**16,013**	6,176 [h]	**6,718**	(2,464)	**(4,974)** [k]	(12,435)	**—**	—	**118,069** [k]	89,978 [h]
Additions to non-current assets [d]	**12,351**	7,771	**8,964**	6,268	**2,191**	1,146	**—**	—	**N/A**	N/A	**23,506**	15,185
Non-current assets [d]	**3,190,837**	3,259,974	**468,782** [e]	459,729 [e]	**77,805** [e]	43,948 [e]	**2,156**	—	**N/A**	N/A	**3,739,580** [e]	3,763,651 [e]
Deferred revenue	**1,790,540**	1,815,595	**438,985**	412,815	**24,133**	14,324	**—**	—	**N/A**	N/A	**2,253,658**	2,242,734
Total assets	**3,883,248**	3,796,092	**998,514**	931,724	**228,291**	149,512	**136,528**	54,405	**N/A**	N/A	**5,246,581**	4,931,733

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, Prismah and Cardlytics.

(c) Includes third party Gross Billings of $148.4 million in the UK and $67.0 million in the US for the three months ended December 31, 2012, compared to third party Gross Billings of $137.6 million in the UK and $56.6 million in the US for the three months ended December 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, intangible assets and property and equipment.

(e) Includes non-current assets of $418.2 million in the UK and $71.1 million in the US as of December 31, 2012, compared to non-current assets of $408.4 million in the UK and $38.0 million in the US as of December 31, 2011.

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

(g) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $127.1 million to revenue from Loyalty Units, with $113.3 million attributable to the years prior to 2011 and $13.8 million attributable to the first three quarters of 2011. Of the total adjustment, $89.0 million is attributable to the Nectar Program and $38.1 million is attributable to the Air Miles Middle East program.

(h) The Change in Future Redemption costs for the quarter ended December 31, 2011 includes an unfavorable impact of $11.3 million resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs attributable to the first three quarters of 2011.

(i) The goodwill impairment charge recorded during the year ended December 31, 2011 related to the US proprietary loyalty business.

(j) A non-GAAP measurement.

(k) Adjusted EBITDA includes a distribution received from an equity-accounted investment, amounting to $15.7 million for the three months ended December 31, 2012.

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

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

	Years Ended December 31,		
(as a % of total revenue)	2012	2011	
Total Revenue	**100.0**	100.0	(c)
Cost of rewards and direct costs	**(57.8)**	(63.0)	
Gross margin before depreciation and amortization [a]	**42.2**	37.0	(c)
Operating expenses	**(25.2)**	(28.9)	(d)
Depreciation and amortization	**(1.7)**	(1.7)	
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**15.2**	6.4	(c)(d)

	Years Ended December 31,		
(as a % of Gross Billings)	2012	2011	
Gross Billings	**100.0**	100.0	
Total Revenue	**100.3**	94.7	(c)
Cost of rewards and direct costs	**(58.0)**	(59.7)	
Operating expenses	**(25.3)**	(27.4)	(d)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**15.3**	6.0	(c)(d)
Adjusted EBITDA [b]	**17.9** (f)	15.3	
Adjusted Net Earnings [b][e]	**12.0** (f)	8.9	
Free Cash Flow [b]	**8.0**	3.8	

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

(b) A non-GAAP measurement.

(c) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $113.3 million to revenue from Loyalty Units attributable to the years prior to 2011. Of the total adjustment, $82.0 million is attributable to the Nectar Program and $31.3 million is attributable to the Air Miles Middle East program.

(d) Includes a goodwill impairment charge of $53.9 million recorded during the fourth quarter of 2011 related to the US proprietary loyalty business.

(e) Interest expense for the years ended December 31, 2012 and 2011 includes the effect of a charge recognized as a result of the ECJ VAT Judgment amounting to $4.5 million (£2.8 million) and $4.4 million (£2.8 million), respectively.

(f) Adjusted EBITDA includes a distribution received from an equity-accounted investment, amounting to $15.7 million for the year ended December 31, 2012.

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

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

CONSOLIDATED OPERATING RESULTS

A discussion of Aimia's consolidated operating results follows. For a detailed discussion of the segmented operating results, refer to the section entitled *Segmented Operating Results*.

Gross Billings generated for the year ended December 31, 2012 amounted to $2,243.0 million compared to $2,233.2 million for the year ended December 31, 2011, representing an increase of $9.8 million or 0.4%. The increase is mostly explained by the performance of coalition loyalty programs in the EMEA region and offset in part by lower Gross Billings from proprietary loyalty services.

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.

Total Revenue generated for the year ended December 31, 2012 amounted to $2,248.9 million compared to $2,115.9 million for the year ended December 31, 2011, representing an increase of $133.0 million or 6.3%. Excluding the impact of the adjustments to the Breakage estimates recorded in the fourth quarter of 2011, related to the Nectar and Air Miles Middle East programs, total revenue increased by $19.7 million or 0.9%. The increase is mostly driven by higher revenue from Loyalty Units of $90.8 million, resulting mainly from higher redemptions in all coalition programs and an increase in other revenue of $10.4 million driven mostly by revenue from ISS services. These factors were offset in part by a decrease of $81.6 million in revenue from proprietary loyalty services explained primarily by the exit of the Qantas business, reduced volumes in the proprietary loyalty services financial vertical in Canada and a change in revenue mix toward higher margin services in the US & APAC region, all of which was partially offset by the inclusion of EIM.

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

On a consolidated basis, 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 $16.4 million for the year ended December 31, 2012.

Cost of Rewards and Direct Costs amounted to $1,300.9 million for the year ended December 31, 2012 compared to $1,332.9 million for the year ended December 31, 2011, representing a decrease of $32.0 million or 2.4%. This change is mainly attributable to decreased proprietary loyalty services direct costs and lower redemption costs in Canada, all of which are offset in part by increased redemption activity in EMEA's coalition programs.

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

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the Average Cost of Rewards per Loyalty Unit will have a significant impact on results.

On a consolidated basis, 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 $7.1 million for the year ended December 31, 2012.

Gross Margin before Depreciation and Amortization increased by 5.2 percentage-points, a direct result of the factors described above, and represented 42.2% of total revenue for the year ended December 31, 2012.

Operating Expenses amounted to $566.8 million for the year ended December 31, 2012 compared to $612.5 million for the year ended December 31, 2011, representing a decrease of $45.7 million or 7.5%. Excluding the effect of the goodwill impairment charge of $53.9 million related to the US proprietary loyalty business as well as restructuring expenses and other reorganization costs of $23.3 million incurred in the year ended December 31, 2011, operating expenses increased by $31.5 million or 5.9%. This variance is mainly driven by increased corporate expenses, the inclusion of operating expenses relating to EIM, growth activities in EMEA and offset in part by cost savings resulting from 2011 restructuring activities.

Depreciation and Amortization amounted to $38.4 million and $36.0 million for the year ended December 31, 2012 and 2011, respectively.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $87.2 million for the year ended December 31, 2012 compared to $93.5 million for the year ended December 31, 2011. The decrease is mainly attributable to the absence of amortization expense in the current year related to certain technology assets which were fully amortized at the end of 2011 offset in part by the acceleration of the amortization of certain intangible assets.

Operating Income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $342.7 million for the year ended December 31, 2012 compared to $134.5 million for the year ended December 31, 2011, representing an increase of $208.2 million or 154.9%, a direct result of the factors described above.

Net Financing Costs for the year ended December 31, 2012 consist primarily of interest revenue of $13.1 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, and a fair value gain of $0.7 million relating to the Air Canada warrants; offset by interest on long-term debt of $44.8 million, and other interest expenses of $4.5 million which relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net Earnings for the years ended December 31, 2012 and 2011 include the effect of $54.4 million and $51.4 million of current income taxes, respectively, as well as the share of net earnings (loss) of equity-accounted investments of $2.9 million and $(4.4) million, respectively. The share of net loss of equity-accounted investments for the year ended December 31, 2011 related to PLM and was driven mainly by a change in treatment of certain tax attributes and the

reversal of a previously recorded deferred tax asset, partially offset a fair value gain of $3.3 million recognized on a step basis on the completion of the second tranche of the investment.

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 $402.6 million or 17.9% (as a % of Gross Billings) for the year ended December 31, 2012, and included a distribution received from PLM of $15.7 million. Adjusted EBITDA was $342.2 million or 15.3% (as a % of Gross Billings) for the year ended December 31, 2011, and was favourably affected by the impact of $4.9 million on the period Change in Future Redemption Costs related to the revision of an estimate associated with online store activities.

Adjusted Net Earnings amounted to $268.5 million or 12.0% (as a % of Gross Billings) for the year ended December 31, 2012, compared to $198.2 million or 8.9% (as a % of Gross Billings) for the year ended December 31, 2011. Adjusted Net Earnings for the year ended December 31, 2012 included a distribution received from PLM of $15.7 million. The effective tax rate has been impacted as described under *Net Earnings.*

Free Cash Flow for the year ended December 31, 2012, amounted to $179.5 million compared to $84.1 million for the year ended December 31, 2011, mainly as a result of:

- an increase in cash from operating activities of $114.9 million, primarily due to an improvement in Gross Billings of $9.8 million, lower cost of rewards and direct costs of $32.0 million and the distribution received from PLM of $15.7 million. The favorable variance is also explained by changes to operating assets and liabilities mostly driven by inventory levels returning to normalized levels in Canada, the timing of accounts receivable collection and accounts payable payments as well as increased customer deposits resulting from changes in our banking agreements in 2011 relating to the timing of funding for prepaid card liabilities in the US; offset by
- higher capital expenditures of approximately $13.0 million; and
- increased dividends paid on common shares of $6.5 million, explained by the increase in the quarterly dividend rate paid 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

SEGMENTED OPERATING RESULTS

This section provides a discussion of each of the segment's operating results.

CANADA

Gross Billings generated for the year ended December 31, 2012 amounted to $1,292.6 million compared to $1,300.5 million for the year ended December 31, 2011, representing a decrease of $7.9 million or 0.6%.

The different Gross Billings categories were affected in the following manner:

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2012 amounted to $1,079.8 million compared to $1,078.5 million for the year ended December 31, 2011, representing an increase of $1.3 million or 0.1%. The variance is mostly explained by an increase of $19.7 million or 2.9% in financial partners activity, reflecting an increase in the number of active credit cards driven by higher promotional activity despite the lower average consumer spend per active credit card. The increase was partly offset by a decrease in airline partner activity including a reduction in accumulation at Air Canada explained mostly by changes in the accumulation grid.

Aeroplan Miles issued during the year ended December 31, 2012 increased by 0.4% in comparison to the year ended December 31, 2011.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $212.8 million for the year ended December 31, 2012 compared to $222.0 million for the year ended December 31, 2011, representing a decrease of $9.2 million or 4.2%. The decrease is primarily explained by the reduced volumes in the proprietary loyalty services financial vertical partially offset by the compensation amount of $5.5 million received from Air Canada in relation to the transfer of all pension assets and obligations related to pension benefits accrued by contact centre employees prior to 2009 transferred to Aeroplan in 2009. Please refer to the *Total Revenue* section for details explaining the remaining variance.

Redemption Activity - Under the Aeroplan Program, Total Miles redeemed for the year ended December 31, 2012 amounted to 74.2 billion compared to 73.8 billion for the year ended December 31, 2011, representing an increase of 0.4 billion or 0.5%.

Total Revenue amounted to $1,317.4 million for the year ended December 31, 2012 compared to $1,330.9 million for the year ended December 31, 2011, representing a decrease of $13.5 million or 1.0% and is mostly explained by the following:

- a decrease of $19.5 million in revenue from proprietary loyalty services primarily resulting from reduced volumes in the financial vertical; offset in part by
- an increase of $7.1 million in revenue from Loyalty Units resulting from an increase in total redemption volume and in the cumulative average selling price of an Aeroplan Mile.

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

Cost of Rewards and Direct Costs amounted to $693.0 million for the year ended December 31, 2012 compared to $726.6 million for the year ended December 31, 2011, representing a decrease of $33.6 million or 4.6%. This change is mainly attributable to the following factors:

- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $34.3 million due to the redemption mileage grid change implemented in July 2011 and redemption mix improvements;
- a decrease in proprietary loyalty services direct costs of approximately $2.1 million due to reduced volumes in the financial vertical; partially offset by
- a higher volume of air and non-air redemptions for the year, representing $2.8 million.

Gross Margin before Depreciation and Amortization increased by 2.0 percentage-points, a direct result of the factors described above, and represented 47.4% of total revenue for the year ended December 31, 2012.

Operating Expenses amounted to $225.0 million for the year ended December 31, 2012 compared to $223.5 million for the year ended December 31, 2011, representing an increase of $1.5 million or 0.7%, resulting mostly from increased compensation, administrative and information technology related costs. The increase was partially offset by restructuring expenses of $7.8 million incurred during the year ended December 31, 2011 and by decreased advertising and promotional efforts in comparison to the prior year.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $95.2 million and $100.2 million for the years ended December 31, 2012 and 2011, respectively. 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 amounted to $304.2 million for the year ended December 31, 2012 compared to $280.6 million for the year ended December 31, 2011, representing an increase of $23.6 million or 8.4%, a direct result of the factors described above.

Adjusted EBITDA amounted to $396.1 million or 30.6% (as a % of Gross Billings) for the year ended December 31, 2012. Adjusted EBITDA was $372.6 million or 28.7% (as a % of Gross Billings) for the year ended December 31, 2011.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

EMEA

Gross Billings generated for the year ended December 31, 2012 amounted to $639.9 million compared to $571.6 million for the year ended December 31, 2011, representing an increase of $68.3 million or 11.9%.

The different Gross Billings categories were affected in the following manner:

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2012 amounted to $548.6 million compared to $482.3 million for the year ended December 31, 2011, representing an increase of $66.3

million or 13.8%, net of a $5.5 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is mostly explained by a $58.2 million increase in Gross Billings from the sale of Loyalty Units in the Nectar Program, driven by the grocery, energy, and home improvement sectors, new contract terms with the program's main sponsor and the addition of new sponsors. Additionally, the variance is explained by an increase of $13.5 million in Air Miles Middle East's Gross Billings from the sale of Loyalty Units resulting mostly from new contract terms with the program's main sponsor and increased points issuance.

Nectar UK Points issued during the year ended December 31, 2012 increased by 16.1% compared to the prior year driven by higher issuance in the energy sector, strong underlying growth and increased activity in the grocery sector, as well as growth in the home improvement sector.

Nectar Italia Points issued decreased by 0.6% in comparison to the prior year, mostly due to a reduction in point issuance related to the difficult economic environment.

Air Miles Middle East Loyalty Units issued during the year ended December 31, 2012 increased by 11.4% in comparison to the prior year, mostly due to program growth driven by the new contract terms with the program's main sponsor.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $91.2 million for the year ended December 31, 2012 compared to $89.3 million for the year ended December 31, 2011, representing an increase of $1.9 million or 2.1%. The increase is primarily explained by higher Gross Billings from ISS services, which grew 13.2% compared to 2011, growth from other services and is partially offset by the exit from non-core marketing service activities. Please refer to the *Total Revenue* section for details explaining the remaining variance.

Redemption Activity in the Nectar Program increased by 10.6% compared for the year ended December 31, 2012 compared to the year ended December 31, 2011, mainly driven by an increase in the number of Nectar Points in circulation.

Total points redeemed in the Nectar Italia Program for the year ended December 31, 2012 increased significantly in comparison to the year ended December 31, 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.

Redemption activity in the Air Miles Middle East program increased significantly due to greater member participation in the scheme driven by the main sponsor's promotional activity and new contract terms.

Total Revenue amounted to $619.5 million for the year ended December 31, 2012 compared to $422.1 million for the year ended December 31, 2011, representing an increase of $197.4 million or 46.8%. Excluding the impact of the adjustments to the Breakage estimates recorded in the fourth quarter of 2011, related to the Nectar and Air Miles Middle East programs, total revenue increased by $84.1 million or 15.7% and is explained by the following:

- an increase of $83.8 million in revenue from Loyalty Units, net of the negative impact of currency fluctuation relative to foreign currencies of $5.3 million, mostly explained by increased redemptions in all three coalition

programs, and offset in part by a $4.5 million favourable revenue adjustment recorded in 2011 which pertained to the revision of an estimate of points accrued and set aside for issuance in connection with online store related activities;

- an increase of $10.4 million in other revenue is primarily driven by ISS related revenue which grew by 10.5 % compared to the year ended December 31, 2011, resulting mostly from growth in international contracts; partially offset by
- a decrease of $9.9 million in revenue from proprietary loyalty services mainly attributable to the exit from non-core marketing service activities.

Cost of Rewards and Direct Costs amounted to $438.6 million for the year ended December 31, 2012 compared to $384.1 million for the year ended December 31, 2011, representing an increase of $54.5 million or 14.2%, net of a $3.5 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is mainly attributable to the following factors:

- increased redemption activity in the Nectar Program, representing $27.1 million;
- increased redemption activity and a higher redemption cost per Loyalty Unit in the Air Miles Middle East program as per new contract terms with the program's main sponsor, representing $14.9 million; and
- increased redemption activity in the Nectar Italia program, accounting for $17.2 million; partly offset by
- a reduction in loyalty services direct costs, representing $1.2 million, driven by lower proprietary loyalty services direct costs and offset in part by an increased in direct costs resulting from increased ISS activities.

Gross Margin before Depreciation and Amortization increased by 20.2 percentage-points, a direct result of the factors described above, and represented 29.2% of total revenue for the year ended December 31, 2012. Excluding the impact of the changes to the Breakage estimates in 2011, gross margin before depreciation and amortization increased by 0.9 percentage-points compared to the prior year. The improvement was mainly driven by increased margins in the Nectar, Air Miles Middle East and Nectar Italia programs, partially offset by the impact of the revenue adjustment related to the online store in the comparable year.

Operating Expenses amounted to $142.0 million for the year ended December 31, 2012 compared to $137.6 million for the year ended December 31, 2011, representing an increase of $4.4 million or 3.2%, net of a $1.6 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is mainly explained by an increase in expenses from the underlying growth and expansion of the Nectar, Air Miles Middle East and ISS businesses, partially offset by a reduction in proprietary loyalty services costs and by $3.4 million of restructuring expenses and other reorganization costs incurred during the year ended December 31, 2011.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $17.0 million and $13.9 million for the years ended December 31, 2012 and 2011, respectively. The increase is driven by an elevated level of capital expenditures spending during the prior year in order to support the growth of the Nectar and ISS businesses.

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

Operating Income (Loss) amounted to $21.8 million for the year ended December 31, 2012 compared to $(113.5) million for the year ended December 31, 2011, representing an improvement of $135.3 million or 119.2%, a direct result of the factors described above.

Adjusted EBITDA amounted to $49.2 million or 7.7% (as a % of Gross Billings) for the year ended December 31, 2012. Adjusted EBITDA was $28.2 million or 4.9% (as a % of Gross Billings) for the year ended December 31, 2011, and included a favourable impact of $4.9 million in the Change in Future Redemption Costs in the year related to the revision of an estimate associated with online store activities.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

US & APAC

Gross Billings, consisting of proprietary loyalty service fees, amounted to $315.2 million for the year ended December 31, 2012 compared to $366.5 million for the year ended December 31, 2011, representing a decrease of $51.3 million or 14.0%, net of a $4.0 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is primarily explained by the exit of the Qantas business representing $54.3 million, a change in revenue mix towards higher margin services and the remaining phase-out of a portion of the Visa business in the US amounting to $3.3 million, all of which was partly offset by the inclusion of Gross Billings from EIM of $16.5 million and increased Gross Billings from existing clients.

Total Revenue amounted to $316.6 million for the year ended December 31, 2012 compared to $368.3 million for the year ended December 31, 2011, representing a decrease of $51.7 million or 14.0%, net of a $4.1 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is mainly attributable to the impact of the exit of the Qantas business representing $54.3 million, a change in revenue mix towards higher margin services and the remaining phase-out of a portion of the Visa business in the US amounting to $3.3 million, all of which are partly offset by the inclusion of revenue from EIM of $14.4 million and increased revenues from existing clients.

Cost of Rewards and Direct Costs amounted to $169.6 million for the year ended December 31, 2012 compared to $224.6 million for the year ended December 31, 2011, representing a decrease of $55.0 million or 24.5%, net of a $2.5 million impact of currency fluctuation recognized on translation of foreign operations. The operational variance is primarily due to the exit of the Qantas business and a change in revenue mix of services rendered to new and existing clients, partially offset by the inclusion of direct costs from EIM of $8.8 million.

Gross Margin before Depreciation and Amortization increased by 7.4 percentage-points, a direct result of the factors described above, and represented 46.4% of total revenue for the year ended December 31, 2012.

Operating Expenses amounted to $138.3 million for the year ended December 31, 2012 compared to $207.4 million for the year ended December 31, 2011, representing a decrease of $69.1 million or 33.3%. Excluding the goodwill impairment charge of $53.9 million, restructuring expenses of $9.9 million and the exit costs associated with the phasing-out of a portion of the Visa business of $1.9 million recorded during the year ended December 31, 2011,

operating expenses decreased by $3.4 million or 2.4%, net of a $1.7 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $5.1 million is mainly explained by cost savings incurred in the year from 2011 restructuring activities, partially offset by the inclusion of operating expenses relating to EIM of $5.6 million and $1.8 million of acquisition-related costs incurred during the current year in relation to EIM.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $13.5 million and $15.4 million for the years ended December 31, 2012 and 2011, respectively. The decrease is mainly explained by the acceleration of the amortization of the right to use the Carlson Marketing trade name resulting from the rebranding of the Corporation as well as a write-down related to a fulfillment platform in the fourth quarter of 2011, offset in part by the acceleration of the amortization of certain intangible assets during the fourth quarter of 2012.

Operating Income (Loss) amounted to $(4.7) million for the year ended December 31, 2012 compared to $(79.2) million for the year ended December 31, 2011, representing an improvement of $74.5 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $7.4 million or 2.3% (as a % of Gross Billings) for the year ended December 31, 2012. Adjusted EBITDA was $(11.6) million or (3.2)% (as a % of Gross Billings) for the year ended December 31, 2011.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

CORPORATE

Operating Expenses amounted to $65.8 million for the year ended December 31, 2012 compared to $47.0 million for the year ended December 31, 2011, representing an increase of $18.8 million or 39.9%. The increase is mainly explained by the growth in business and corporate development activities, including information technology initiatives, accounting for $12.0 million.

The remaining variance of $6.8 million is due to higher share-based compensation expense explained by the revaluation of share based awards resulting from the increase in share price, the increase in share based awards granted and the revision of the forfeiture estimate associated with 2011 restructuring activities.

Adjusted EBITDA amounted to $(50.1) million for the year ended December 31, 2012 compared to $(47.0) million for the year ended December 31, 2011. Adjusted EBITDA for the year ended December 31, 2012 included a distribution received from PLM of $15.7 million.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

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

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

CONSOLIDATED OPERATING RESULTS

A discussion of Aimia's consolidated operating results follows. For a detailed discussion of the segmented operating results, refer to the section entitled *Segmented Operating Results*.

Gross Billings generated for the three months ended December 31, 2012 amounted to $615.1 million compared to $621.1 million for the three months ended December 31, 2011, representing a decrease of $6.0 million or 1.0%. The decrease is mostly explained by lower Gross Billings from proprietary loyalty services in the US & APAC region and offset in part by the performance of the Nectar Program.

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.

Total Revenue generated for the three months ended December 31, 2012 amounted to $678.2 million compared to $560.7 million for the three months ended December 31, 2011, representing an increase of $117.5 million or 21.0%. Excluding the impact of the adjustments to the Breakage estimates recorded in the fourth quarter of 2011, related to the Nectar and Air Miles Middle East programs, total revenue decreased by $9.6 million or 1.4%. The decrease is mostly driven by lower revenue from proprietary loyalty services resulting from the exit of the Qantas business, partially offset by the inclusion of revenue from EIM.

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

On a consolidated basis, 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 $3.6 million for the three months ended December 31, 2012.

Cost of Rewards and Direct Costs amounted to $412.7 million for the three months ended December 31, 2012 compared to $423.8 million for the three months ended December 31, 2011, representing a decrease of $11.1 million or 2.6%. The variance is mainly explained by decreased proprietary loyalty services direct costs and lower costs of rewards in the Aeroplan Program driven by reduced redemption activity, offset in part by increased redemption activity in EMEA's coalition programs.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the Average Cost of Rewards per Loyalty Unit will have a significant impact on results.

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

On a consolidated basis, 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 $2.3 million for the three months ended December 31, 2012.

Gross Margin before Depreciation and Amortization increased by 14.8 percentage-points, a direct result of the factors described above, and represented 39.2% of total revenue for the three month period ended December 31, 2012.

Operating Expenses amounted to $153.6 million for the three months ended December 31, 2012 compared to $204.2 million for the same period in 2011, representing a decrease of $50.6 million or 24.8%. Excluding the effect of the goodwill impairment charge of $53.9 million related to the US proprietary loyalty business as well as restructuring expenses and other reorganization costs of $9.3 million incurred during the three months ended December 31, 2011, operating expenses increased by $12.6 million or 8.9%, mainly driven by increased corporate expenses and the inclusion of operating expenses from EIM, offset in part by cost savings resulting from 2011 restructuring activities.

Depreciation and Amortization amounted to $12.0 million and $11.7 million for the three months ended December 31, 2012 and 2011, respectively.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $24.8 million for the three months ended December 31, 2012 compared to $24.1 million for the same period in 2011. The increase is mainly attributable to the acceleration of the amortization of certain intangible assets during the fourth quarter of 2012, offset in part by the acceleration of the amortization of the Carlson Marketing trade name in 2011 resulting from the rebranding of the Corporation during the fourth quarter of 2011.

Operating Income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $100.0 million for the three months ended December 31, 2012 compared to $(79.0) million for the three months ended December 31, 2011, representing an increase of $179.0 million or 226.5%, a direct result of the factors described above.

Net Financing Costs for the three months ended December 31, 2012 consist primarily of interest revenue of $3.1 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, and a fair value gain of $0.6 million relating to the Air Canada warrants; offset by interest on long-term debt of $11.5 million, and other interest expenses of $1.1 million which relates to the accrual of interest payable as a result of the ECJ VAT Judgment.

Net Earnings for the three months ended December 31, 2012 and 2011 include the effect of $13.1 million and $16.8 million of current income taxes, respectively, as well as the share of net loss of equity-accounted investments of $0.4 million and $10.3 million, respectively. The share of net loss of equity-accounted investments for the three months ended December 31, 2011 related to PLM and was mainly driven by a change in treatment of certain tax attributes and the reversal of a previously recorded deferred tax asset.

Current income taxes are mostly attributable to income taxes payable by our Canadian operations. In addition, cash income taxes are also incurred in Italy due to a difference in basis of taxation (i.e. taxable income is calculated on the

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

Adjusted EBITDA amounted to $118.1 million or 19.2% (as a % of Gross Billings) for the three months ended December 31, 2012, and included a distribution received from PLM of $15.7 million. Adjusted EBITDA was $90.0 million or 14.5% (as a % of Gross Billings) for the same period in 2011, and included the unfavorable impact of $11.3 million in the change in Future Redemption Costs for the period related to the adjustments to the Breakage estimates made in the fourth quarter of 2011, which was partly offset by a $5.4 million contribution from anchor partner HSBC in connection with the extension of its participation in the Air Miles Middle East program. Excluding the impact of these adjustments, the Adjusted EBITDA for the three months ended December 31, 2011 would have been $95.9 million or 15.6% (as a % of Gross Billings).

Adjusted Net Earnings amounted to $85.8 million or 14.0% (as a % of Gross Billings) for the three months ended December 31, 2012, compared to $39.5 million or 6.4% (as a % of Gross Billings) for the three months ended December 31, 2011. Adjusted Net Earnings for the three months ended December 31, 2012 included a distribution received from PLM of $15.7 million. The effective tax rate has been impacted as described under *Net Earnings.*

Free Cash Flow for the three months ended December 31, 2012, amounted to $46.7 million compared to $(16.5) million for the three months ended December 31, 2011, mainly as a result of:

- an increase in cash from operating activities of $72.9 million, explained by lower cost of rewards and direct costs of $11.1 million and the distribution received from PLM of $15.7 million, offset in part by a reduction in Gross Billings of $6.0 million. The favorable variance is also explained by changes to operating assets and liabilities mostly driven by inventory levels returning to normalized levels in Canada, the timing of accounts receivable collection and accounts payable payments as well as increased customer deposits resulting from changes in our banking agreements in 2011 relating to the timing of funding for prepaid card liabilities in the US; offset by
- higher capital expenditures of approximately $8.3 million; and
- increased dividends paid on common shares of $1.5 million, explained by the increase in the quarterly dividend rate paid from $0.150 to $0.160 per share, partially offset by a lower number of common shares outstanding as a result of shares repurchased and cancelled under the Corporation's Normal Course Issuer Bid 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

SEGMENTED OPERATING RESULTS

This section provides a discussion of each of the segment's operating results.

CANADA

Gross Billings generated for the three months ended December 31, 2012 amounted to $336.2 million compared to $335.3 million for the three months ended December 31, 2011, representing an increase of $0.9 million or 0.3%.

The different Gross Billings categories were affected in the following manner:

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2012 amounted to $278.8 million compared to $279.1 million for the three months ended December 31, 2011, representing a decrease of $0.3 million or 0.1%. The variance is explained by the positive contribution of an Aeroplan miles conversion promotion campaign in the fourth quarter of 2011, which was not recurrent in 2012, offset in part by an increase in the number of active cards, despite the lower average consumer spend per active credit card in the financial sector, as well as an increase in the travel sector including in airline promotional activity.

Aeroplan Miles issued during the three month period ended December 31, 2012 decreased by 1.8% in comparison to the three months ended December 31, 2011.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $57.5 million for the three months ended December 31, 2012 compared to $56.2 million for the three months ended December 31, 2011, representing an increase of $1.3 million or 2.2%. Please refer to the *Total Revenue* section for details explaining the variance.

Redemption Activity - Under the Aeroplan Program, Total Miles redeemed for the three months ended December 31, 2012 amounted to 17.9 billion compared to 19.4 billion for the three months ended December 31, 2011, representing an decrease of 1.5 billion or 7.7%. The decrease is mostly explained by higher promotional activity for non-air redemptions in 2011.

Total Revenue amounted to $325.5 million for the three months ended December 31, 2012 compared to $347.6 million for the three months ended December 31, 2011, representing a decrease of $22.1 million or 6.4% and is mostly explained by the following:

- a decrease of $23.6 million in revenue from Loyalty Units, including Breakage, resulting mostly from a decrease in total redemption volume; offset in part by
- an increase of $1.0 million in revenue from proprietary loyalty services mostly due to new business.

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

Cost of Rewards and Direct Costs amounted to $172.6 million for the three months ended December 31, 2012 compared to $182.3 million for the three months ended December 31, 2011, representing a decrease of $9.7 million or 5.3%. This change is mainly attributable to the following factors:

- a lower volume of air and non-air redemptions for the quarter, representing $13.5 million;
- a lower redemption cost per Aeroplan Mile redeemed in the aggregate amount of $3.7 million due to redemption mix improvements; partly offset by
- an increase in proprietary loyalty services direct costs of approximately $7.5 million due mostly to the timing of volume rebates.

Gross Margin before Depreciation and Amortization decreased by 0.6 percentage-points, a direct result of the factors described above, and represented 47.0% of total revenue for the three month period ended December 31, 2012.

Operating Expenses amounted to $58.9 million for the three months ended December 31, 2012 compared to $60.4 million for the same period in 2011, representing a decrease of $1.5 million or 2.5%, resulting mostly from restructuring expenses of $3.6 million incurred during the fourth quarter of 2011, lower marketing and promotional efforts offset in part by increased information technology related costs and administrative costs .

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $25.3 million and $24.7 million for the three months ended December 31, 2012 and 2011, respectively.

Operating Income amounted to $68.8 million for the three months ended December 31, 2012 compared to $80.2 million for the same period in 2011, representing a decrease of $11.4 million or 14.2%, a direct result of the factors described above.

Adjusted EBITDA amounted to $100.3 million or 29.8% (as a % of Gross Billings) for the three months ended December 31, 2012. Adjusted EBITDA was $98.7 million or 29.4% (as a % of Gross Billings) for the same period in 2011.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

EMEA

Gross Billings generated for the three months ended December 31, 2012 amounted to $177.6 million compared to $172.9 million for the three months ended December 31, 2011, representing an increase of $4.7 million or 2.7%.

The different Gross Billings categories were affected in the following manner:

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2012 amounted to $150.8 million compared to $146.1 million for the three months ended December 31, 2011, representing an increase of $4.7 million or 3.2%, net of a $3.0 million currency impact resulting from the change in value of foreign

currencies relative to the Canadian dollar. The operational variance of $7.7 million is mostly explained by a $12.6 million increase in Gross Billings from the sale of Loyalty Units in the Nectar Program, driven by the grocery and energy sectors, new sponsor billings and from the ongoing benefit of the new contract terms with the program's main sponsor, partially offset by reduction of $4.7 million in Gross Billings from the sale of Loyalty Units in the Nectar Italia Program driven mostly by lower promotional bonus point activity in the current period and difficult economic conditions. Gross Billings from the sale of Loyalty Units in the Air Miles Middle East program remained stable compared to the same period in the prior year, with the increase resulting from new contract terms with the program's main sponsor and increased points issuance being offset by a $5.4 million contribution received during the fourth quarter of 2011 from anchor partner HSBC in connection with the extension of its participation in the program.

Nectar UK Points issued during the three months ended December 31, 2012 increased by 9.9% compared to the same period in the prior year driven by higher issuance in the grocery and energy sector, as well as growth from new sponsors.

Air Miles Middle East Loyalty Units issued during the three months ended December 31, 2012 increased by 18.7% in comparison to the comparative period, mostly due to program growth due to new contract terms with the program's main sponsor.

Nectar Italia Points issued during the three months ended December 31, 2012 decreased by 20.3% in comparison to the same period in 2011, mostly due to a decrease in promotional bonus point activity during the current period and difficult economic conditions.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $26.8 million for the three months ended December 31, 2012 and December 31, 2011, with the increase in Gross Billings from ISS services and other marketing services being fully offset by reduced Gross Billings from proprietary loyalty services. Please refer to the *Total Revenue* section for details explaining the remaining variance.

Redemption Activity - Redemption activity in the Nectar Program increased by 7.9% compared to the same quarter of 2011, mainly driven by an increase in the number of Nectar Points in circulation.

Total points redeemed in the Nectar Italia Program for the three months ended December 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.

Redemption activity in the Air Miles Middle East program increased significantly due to greater member participation in the scheme driven by the main sponsor's promotional activity and new contract terms.

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

Total Revenue amounted to $250.8 million for the three months ended December 31, 2012 compared to $100.6 million for the three months ended December 31, 2011, representing an increase of $150.2 million or 149.2%. Excluding the impact of the adjustments to the Breakage estimates recorded in the fourth quarter of 2011, related to the Nectar and Air Miles Middle East programs, total revenue increased by $23.1 million or 10.1% and is explained by the following:

- an increase of $23.5 million in revenue from Loyalty Units, including Breakage, net of the negative impact of currency fluctuation relative to foreign currencies of $3.3 million, mostly explained by increased redemptions in all three coalition programs; and
- an increase of $0.8 million in other revenue driven by growth in other marketing services; offset in part by
- a decrease of $1.1 million in revenue from proprietary loyalty services mainly attributable to the exit from non-core marketing service activities.

Cost of Rewards and Direct Costs amounted to $182.6 million for the three months ended December 31, 2012 compared to $168.7 million for the three months ended December 31, 2011, representing an increase of $13.9 million or 8.2%, net of a $2.1 million impact of currency fluctuation recognized on the translation of foreign operations. This operational variance of $16.0 million is mainly attributable to the following factors:

- increased redemption activity in the Nectar Program, representing $8.4 million;
- increased redemption activity and a higher redemption cost per Loyalty Unit in the Air Miles Middle East program as per new contract terms with the program's main sponsor, representing $3.4 million;
- increased redemption activity in the Nectar Italia Program, representing $2.8 million; and
- increase in direct costs amounting to $1.4 million relating to ISS and other marketing services offset in part by reduced proprietary services related costs.

Gross Margin before Depreciation and Amortization increased by 94.8 percentage-points, a direct result of the factors described above, and represented 27.2% of total revenue for the three month period ended December 31, 2012. Excluding the impact of the changes to the Breakage estimates recorded in the three months ended December, 2011, gross margin before depreciation and amortization increased by 1.3 percentage-points compared to the three months ended December 31, 2011, mainly driven by increased margins in the Nectar, Air Miles Middle East and Nectar Italia programs.

Operating Expenses amounted to $36.9 million for the three months ended December 31, 2012 compared to $34.9 million for the same period in 2011, representing an increase of $2.0 million or 5.8%, net of a $0.9 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is mainly explained by increases in expenses from the underlying growth and expansion of the Nectar, Air Miles Middle East and ISS businesses.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $4.9 million and $3.7 million for the three months ended December 31, 2012 and 2011, respectively. The increase is driven by higher capital expenditures spending during the prior year to support the growth of the Nectar and ISS businesses.

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

Operating Income (Loss) amounted to $26.5 million for the three months ended December 31, 2012 compared to $(106.7) million for the same period in 2011, representing an improvement of $133.2 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $16.0 million or 9.0% (as a % of Gross Billings) for the three months ended December 31, 2012. Adjusted EBITDA was $6.2 million or 3.6% (as a % of Gross Billings) for the same period in 2011, and included the unfavorable impact of $11.3 million in the change in Future Redemption Costs for the period related to the adjustments to the Breakage estimates made in the fourth quarter of 2011, which was partly offset by a $5.4 million contribution from anchor partner HSBC in connection with the extension of its participation in the Air Miles Middle East program. Excluding the impact of these adjustments, the Adjusted EBITDA for the three months ended December 31, 2011 would have been $12.1 million or 7.2% (as a % of Gross Billings).

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

US & APAC

Gross Billings, consisting of proprietary loyalty service fees, amounted to $102.3 million for the three months ended December 31, 2012 compared to $115.7 million for the three months ended December 31, 2011, representing a decrease of $13.4 million or 11.6%, including a $1.3 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is primarily explained by the exit of the Qantas business representing $25.7 million partially offset by the inclusion of Gross Billings from EIM of $16.5 million.

Total Revenue amounted to $102.8 million for the three months ended December 31, 2012 compared to $115.3 million for the three months ended December 31, 2011, representing a decrease of $12.5 million or 10.8%, including a $1.4 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is primarily explained by the exit of the Qantas business representing $25.7 million partially offset in part by the inclusion of revenues from EIM of $14.4 million.

Cost of Rewards and Direct Costs amounted to $57.5 million for the three months ended December 31, 2012 compared to $74.1 million for the three months ended December 31, 2011, representing a decrease of $16.6 million or 22.3%, including a $0.6 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance is primarily due to the exit of the Qantas business and a change in revenue mix of services rendered to new and existing clients, partially offset in part by the inclusion of direct costs from EIM of $8.8 million.

Gross Margin before Depreciation and Amortization increased by 8.4 percentage-points, a direct result of the factors described above, and represented 44.1% of total revenue for the three month period ended December 31, 2012.

Operating Expenses amounted to $38.0 million for the three months ended December 31, 2012 compared to $98.0 million for the same period in 2011, representing a decrease of $60.0 million or 61.2%. Excluding the goodwill impairment charge of $53.9 million as well as restructuring expenses of $6.3 million recorded during the three months ended December 31, 2011, operating expenses increased by $0.2 million or 0.5%, driven mostly the inclusion of

operating expenses for EIM of $5.6 million and the impact of foreign currencies of $0.6 million related to the translation of foreign operations, offset partly by cost savings resulting from 2011 restructuring activities.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $6.7 million and $7.4 million for the three months ended December 31, 2012 and 2011, respectively. The decrease is mainly explained by the acceleration of the amortization of the right to use the Carlson Marketing trade name resulting from the rebranding of the Corporation as well as a write-down related to a fulfillment platform in the fourth quarter of 2011, offset in part by the acceleration of the amortization of certain intangible assets during the fourth quarter of 2012.

Operating Income (Loss) amounted to $0.6 million for the three months ended December 31, 2012 compared to $(64.2) million for the same period in 2011, representing an improvement of $64.8 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $6.7 million or 6.6% (as a % of Gross Billings) for the three months ended December 31, 2012. Adjusted EBITDA was $(2.5) million or (2.1)% (as a % of Gross Billings) for the same period in 2011.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

CORPORATE

Operating Expenses amounted to $20.7 million for the three months ended December 31, 2012 compared to $12.4 million for the same period in 2011, representing an increase of $8.3 million or 66.4%, mainly attributable to higher share-based compensation expense of $3.0 million explained by a $2.6 million favorable impact related to the revision of the forfeiture estimate associated with 2011 restructuring activities and to an increase in share based awards granted. The remaining variance is mainly attributable to an increase in business and corporate development activities, including information technology initiatives.

Adjusted EBITDA amounted to $(5.0) million for the three months ended December 31, 2012 compared to $(12.4) million for the three months ended December 31, 2011. Adjusted EBITDA for the three months ended December 31, 2012 included a distribution received from PLM of $15.7 million.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS* section for additional information on this measure.

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended December 31, 2012.

	2012				2011			
(in thousands of Canadian Dollars, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3 [g]	Q2 [g]	Q1 [g]
Gross Billings	**615,055**	537,030	554,302	536,636	621,109	541,819	542,418	527,880
Gross Billings from the sale of Loyalty Units	**429,534**	398,885	414,026	385,984	425,208	384,651	388,203	362,739
Revenue	**678,179**	498,781	504,233	567,725	560,683 [d]	501,412	507,602	546,208
Cost of rewards and direct costs	**(412,651)**	(285,978)	(279,900)	(322,396)	(423,788)	(283,733)	(297,737)	(327,616)
Gross margin before depreciation and amortization [a]	**265,528**	212,803	224,333	245,329	136,895 [d]	217,679	209,865	218,592
Operating expenses	**(153,551)**	(131,301)	(141,064)	(140,931)	(204,216) [e]	(130,867)	(139,484)	(137,981)
Depreciation and amortization	**(12,013)**	(9,407)	(8,543)	(8,462)	(11,698)	(8,419)	(8,096)	(7,820)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**99,964**	72,095	74,726	95,936	(79,019) [d][e]	78,393	62,285	72,791
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(24,831)**	(20,788)	(20,820)	(20,795)	(24,143)	(23,109)	(22,893)	(23,329)
Operating income (loss)	**75,133**	51,307	53,906	75,141	(103,162) [d][e]	55,284	39,392	49,462
Net earnings (loss) attributable to equity holders of the Corporation	**56,812**	28,210	34,852	45,293	(126,267) [d][e]	26,066	15,095	25,428
Adjusted EBITDA [b]	**118,069** [h]	93,604	102,001	88,862	89,978 [f]	104,219	76,854	72,553
Net earnings (loss) attributable to equity holders of the Corporation	**56,812**	28,210	34,852	45,293	(126,267) [d][e]	26,066	15,095	25,428
Earnings (loss) per common share [c]	**0.31**	0.15	0.19	0.24	(0.74) [d][e]	0.13	0.07	0.12
Free Cash Flow [b]	**46,690**	99,556	43,841	(10,591)	(16,462)	95,769	51,800	(46,966)

(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 declared 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 $127.1 million to revenue from Loyalty Units, with $113.3 million attributable to the years prior to 2011 and $13.8 million attributable to the first three quarters of 2011. Of the total adjustment, $89.0 million is attributable to the Nectar Program and $38.1 million is attributable to the Air Miles Middle East program.

(e) Includes a goodwill impairment charge amounting to $53.9 million recorded during the fourth quarter of 2011 related to the US proprietary loyalty business.

(f) The Change in Future Redemption costs for the quarter ended December 31, 2011 includes the unfavorable impact resulting from the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs attributable to the first three quarters of 2011 amounting to $11.3 million.

(g) These figures do not include any effect related to the change in Breakage estimates made during the fourth quarter of 2011 in the Nectar and Air Miles Middle East programs.

(h) Adjusted EBITDA includes a distribution received from an equity-accounted investment, amounting to $15.7 million for the three months ended December 31, 2012.

FINANCING STRATEGY

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

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2012, Aimia had $498.0 million of cash and cash equivalents, $28.3 million of restricted cash, $42.5 million of short-term investments and $313.3 million of long-term investments in bonds, for a total of $882.1 million. Approximately $46.4 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to April 2013 and $313.3 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between September 2014 and June 2020. The Aeroplan Miles redemption reserve described under *Redemption Reserve* is included in 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.

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

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

	Years Ended December 31,	
(in thousands of Canadian dollars)	2012	2011
Cash and cash equivalents, beginning of period	**202,147**	**538,580**
Cash from operating activities	357,443	242,541
Cash used in investing activities	(131,304)	(243,730)
Cash from (used in) financing activities	66,659	(338,532)
Translation adjustment related to cash	3,031	3,288
Cash and cash equivalents, end of period	**497,976**	**202,147**

OPERATING ACTIVITIES

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

Cash flows from operating activities were $357.4 million for the year ended December 31, 2012 compared to $242.5 million for the year ended December 31, 2011.

The favourable variance of $114.9 million for the year ended December 31, 2012 compared to the year ended December 31, 2011 is mostly due to an improvement in Gross Billings of $9.8 million, lower cost of rewards and direct costs of $32.0 million and the distribution received from PLM of $15.7 million. Additionally, the favorable variance is explained by changes to operating assets and liabilities mostly driven by inventory levels returning to normalized levels in Canada, the timing of accounts receivable collection and accounts payable payments as well as increased customer deposits resulting from changes in our banking agreements in 2011 relating to the timing of funding for prepaid card liabilities in the US business.

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 took 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 $43.6 million (£27.1 million) will be released to the Corporation upon ratification by the UK Supreme Court of the ECJ VAT Judgment.

Upon settlement, based on accrued balances as at December 31, 2012, the net cash outflow is expected to be $48.3 million (£29.9 million), including the receipt of accrued interest on the cash held in escrow amounting to $1.3 million (£0.8 million) to date.

INVESTING ACTIVITIES

Investing activities for the year ended December 31, 2012 reflect proceeds of $63.8 million from a note receivable due from a major Accumulation Partner which matured and was collected by Aimia on July 2, 2012. Investing activities reflect proceeds from short-term investments amounting to $17.7 million and long-term investments made of $40.3 million.

The activities for the year ended December 31, 2012 also include the additional 20% equity participation in PLM made for cash consideration of $87.7 million as well as the investment in Prismah which amounted to $3.4 million.

In addition, investing activities for the year ended December 31, 2012 include a payment made of $16.3 million, net of cash acquired of $3.4 million, related to the acquisition of EIM. Also, an amount of $5.5 million was placed in escrow during the year ended December 31, 2012, of which $0.7 million was released during the fourth quarter of 2012. Refer to the *Acquisition of Excellence in Motivation, Inc.* section for additional information.

Capital expenditures for the year ended December 31, 2012, amounted to $58.0 million. Anticipated capital expenditures for 2013 are expected to approximate $70.0 million.

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

FINANCING ACTIVITIES

Financing activities generated cash in the amount of $66.7 million for the year ended December 31, 2012.

Cash from financing activities for the year ended December 31, 2012 related primarily to the payment of common and preferred dividends amounting to $120.0 million. Financing activities for the year ended December 31, 2012 also reflect the repurchase of common shares in the amount of $24.2 million as described under the *CAPITAL STOCK* section, as well as the payment of financing costs in the amount of $5.2 million, of which $2.2 million was paid during the fourth quarter of 2012.

In addition, on the April 23, 2012 maturity date, the Senior Secured Notes Series 1 in the amount of $200.0 million were repaid with funds drawn from the revolving facility. On May 17, 2012, Aimia issued the Senior Secured Notes Series 4 in the principal amount of $250.0 million. The proceeds from the notes were used on May 23, 2012 to repay the funds drawn on the revolving facility on April 23, 2012, with the balance used for general corporate purposes. On November 22, 2012, Aimia issued the Senior Secured Notes Series 5 in the principal amount of $200.0 million. The proceeds from the notes were used to finance the acquisition of the additional 20% equity participation in PLM and for

general corporate purposes. Also, an amount of $40.0 million was repaid on the revolving facility during the year ended December 31, 2012.

For the year ended December 31, 2012, $3.4 million was received by the Corporation upon the exercise of stock options and an amount of $2.7 million was invested by a minority shareholder in an Indian subsidiary during the year ended December 31, 2012.

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 2013 fiscal year of $191.5 million, including $121.5 million in respect of anticipated cash dividends to its common and preferred shareholders and approximately $70.0 million 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.

REDEMPTION RESERVE

Aeroplan maintains the Aeroplan 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. At December 31, 2012, the Reserve amounted to $300.0 million and was included in long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At December 31, 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 December 31, 2012, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 31.7% of the consolidated Future Redemption Cost liability or $419.0 million.

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 $1,321.0 million.

CREDIT FACILITIES AND LONG-TERM DEBT

The following is a summary of Aimia's authorized and outstanding revolving facility and Senior Secured Notes:

(in thousands of Canadian dollars)	Authorized at December 31, 2012	Drawn at December 31, 2012	Drawn at December 31, 2011
Revolving facility [(a)]	300,000	—	40,000
Senior Secured Notes Series 1 [(b)]	N/A	—	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
Senior Secured Notes Series 4 [(e)]	N/A	250,000	—
Senior Secured Notes Series 5 [(f)]	N/A	200,000	—
Unamortized transaction costs [(g)]	N/A	(6,874)	(3,322)
		793,126	**586,678**
Less: current portion [(b)]		—	200,000
Total		**793,126**	**386,678**

(a) On April 13, 2012, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by two years to April 23, 2016. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $24.1 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 1, in the principal amount of $200.0 million, matured on April 23, 2012 and were repaid with funds drawn from the revolving facility.

(c) On September 2, 2009, Aimia issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. These notes bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014.

(d) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. These notes bear interest at 6.95% per annum, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017.

(e) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of $250.0 million. These notes bear interest at 5.60% per annum, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019. The proceeds from the notes issued were used to repay the funds drawn on the revolving facility and for general corporate purposes.

(f) On November 22, 2012, Aimia issued Senior Secured Notes Series 5 in the principal amount of $200.0 million. These notes bear interest at 4.35% per annum, payable semi-annually in arrears on January 22nd and July 22nd of each year, commencing January 22, 2013, and mature on January 22, 2018. The proceeds from the notes issued were used to finance the acquisition of the additional 20% equity participation in PLM and for general corporate purposes.

(g) Long-term debt is presented net of unamortized transaction costs.

Each of the Senior Secured Notes Series 2, 3, 4 and 5 are secured by certain present and future undertakings, property and assets of the Corporation and certain of its subsidiaries and rank equally and pari passu, including with respect to security interest, with all other present and future unsubordinated debt of the Corporation, and are subject to compliance with certain affirmative and negative covenants.

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

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

Ratio	Result	Test
Leverage	2.10	≤ 2.75
Debt service [(a)]	(0.19)	≤ 2.00
Interest coverage	10.76	≥ 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.

ACQUISITION OF EXCELLENCE IN MOTIVATION, INC.

On September 24, 2012, Aimia acquired EIM, a privately-owned U.S. based full-service channel and employee performance improvement and business loyalty solutions provider, by purchasing all outstanding common shares for a total purchase price of $27.0 million (US$27.7 million). This included an amount of $3.1 million (US$3.2 million) of deferred compensation, of which $1.1 million (US$1.1 million) was part of cash held in escrow, payable to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time. The deferred compensation was excluded from the purchase price and will be accrued on a straight line basis over the vesting period as compensation expense in the general and administrative expenses of Aimia's consolidated financial statements.

The acquisition was made to further advance Aimia's position as a full-suite loyalty management company delivering world-class channel, employee and customer solutions across all verticals, industries, geographies and channels for consumer and business to business brands.

In order to complete the transaction, Aimia incurred $1.8 million (US$1.9 million) of acquisition-related costs which have been included in general and administrative expenses.

For the period between September 25, 2012 and December 31, 2012, EIM's revenue of $14.4 million and loss before income taxes of $1.2 million have been included in Aimia's consolidated financial statements of operations. The loss

before income taxes includes $0.3 million of integration costs and $0.4 million of deferred compensation costs which are reflected in general and administrative expenses.

Pro-forma revenue reflecting the acquisition as of January 1, 2012 would have been approximately $54.0 million.

Given the timing of the acquisition and as permitted under IFRS, a provisional estimate of the purchase price allocation and fair values of intangible assets was performed as of September 30, 2012. The final allocation was completed during the fourth quarter of 2012.

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

The table below details the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration at September 24, 2012				
(in thousands)	As previously reported in US$	As previously reported in $	Adjustments in $ [f]	Final purchase price allocation in $
Cash	19,777	19,242	—	19,242
Contingent consideration [a]	1,514	1,473	—	1,473
Consideration payable [b]	3,006	2,925	(34)	2,891
Other consideration payable	250	243	—	243
Deferred compensation [c]	3,158	3,072	(9)	3,063
Total consideration	**27,705**	**26,955**	**(43)**	**26,912**
Deferred compensation [c]	(3,158)	(3,072)	9	(3,063)
Total consideration to allocate	**24,547**	**23,883**	**(34)**	**23,849**

Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	4,322	(881)	3,441
Restricted cash	5,607	(895)	4,712
Accounts receivable	18,324	(1,191)	17,133
Prepaid expenses	4,975	(1,579)	3,396
Property and equipment	829	377	1,206
Software and technology	3,028	377	3,405
Customer relationships	—	18,100	18,100
Other intangible assets [d]	—	461	461
Accounts payable and accrued liabilities	(6,132)	1,474	(4,658)
Customer deposits	(28,329)	4,993	(23,336)
Deferred revenue	(10,808)	(1,308)	(12,116)
Deferred income taxes	(118)	(4,784)	(4,902)
Total identifiable net assets (liabilities)	**(8,302)**	**15,144**	**6,842**
Goodwill [e]	32,185	(15,178)	17,007
Total	**23,883**	**(34)**	**23,849**

(a) Amount held in escrow on September 24, 2012, net of deferred compensation of US$0.4 million ($0.4 million), payable upon the achievement of a performance target in 2013. The amount represents the fair value of the consideration on the acquisition date, and as determined by management is equal to the maximum consideration payable. As of December 31, 2012, the contingent consideration was included in other long-term liabilities.

(b) Amount held in escrow on September 24, 2012, net of deferred compensation of US$0.7 million ($0.7 million), to cover any payment resulting from working capital adjustments and potential indemnifications claims. On December 24, 2012, following the completion of the working capital audit, an amount of US$0.7 million ($0.7 million) was released from escrow, of which US$0.1 million ($0.1 million), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition if certain conditions are met and US$0.5

million ($0.5 million) was remitted to the selling shareholders. As of December 31, 2012, the consideration payable was included in other long-term liabilities.

(c) Includes an amount of US$1.1 million ($1.1 million) which was part of the cash held in escrow on September 24, 2012.

(d) Represents non-competition restrictions agreed to by certain of the selling shareholders, pursuant to the acquisition agreement.

(e) The goodwill is mainly attributable to the talent of EIM's workforce and the synergies expected to be achieved from integrating its operations. The goodwill is not tax deductible.

(f) The adjustments are the results of the completion of the working capital audit as well as the independent valuation of the intangibles assets completed during the fourth quarter of 2012.

EQUITY-ACCOUNTED INVESTMENTS

(in thousands of Canadian dollars)	December 31, 2012	December 31, 2011
Investment in PLM Premier, S.A.P.I. de C.V.	107,830	31,407
Investment in Prismah Fidelidade S.A.	2,024	—
Total	**109,854**	31,407

A) INVESTMENT IN PLM PREMIER, 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. An independent valuation of the intangible assets was completed during the fourth quarter of 2011.

On December 17, 2012, Aimia received a distribution of US$15.9 million ($15.7 million) from PLM. On the same date, following the receipt of the distribution, Aimia acquired an additional 20% equity participation in PLM for cash consideration of US$89.1 million ($87.7 million), including transaction costs of US$1.1 million ($1.1 million). The third

tranche of the investment was accounted on a step basis. The independent valuation of the intangible assets of the third tranche was completed during the fourth quarter of 2012.

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. The proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche on the basis of management's valuation of the identifiable assets of PLM. 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	Years Ended December 31,	
(in thousands of Canadian dollars)	2012	2011 [(a)]
Revenue	**28,814**	12,500
Expenses	**24,444**	20,200

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

Statement of financial position data	December 31,	December 31,
(in thousands of Canadian dollars)	2012 [(a)]	2011
Current assets	**46,184**	14,800
Long-term assets	**162,051**	26,100
Current liabilities	**62,481**	14,100
Long-term liabilities	**49,796**	13,700

(a) Reflects the additional 20% equity participation, made on December 17, 2012, accounted for on a step-up basis.

PLM reported Gross Billings of $43.8 million and $152.1 million for the three and twelve months ended December 31, 2012, respectively, compared to $33.7 million and $119.8 million for the three and twelve months ended December 31, 2011, respectively.

B) INVESTMENT IN PRISMAH FIDELIDADE S.A.

On September 14, 2012, Aimia invested in Prismah, a company formed to offer loyalty services in Brazil, for cash consideration of US$3.5 million ($3.4 million). The investment resulted in Aimia holding an equity interest of 50%

subject to joint control with Multiplus S.A., and is accounted under the equity method. Aimia's share of Prismah's net loss for the period between September 15, 2012 and December 31, 2012 was $1.5 million.

INVESTMENT IN CARDLYTICS, INC.

On September 8, 2011, Aimia acquired a minority participation in Cardlytics, a US-based private company operating in transaction-driven marketing for electronic banking, for cash consideration of US$23.4 million ($23.0 million). The investment in Cardlytics is reported in long-term investments and is accounted for as an available-for-sale investment, measured at fair value with changes in fair value recognized in other comprehensive income. The fair value was determined to approximate cost as at December 31, 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 $1,092.2 million at December 31, 2012.

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 $134.6 million for the period in which the change occurred, with $115.2 million relating to prior years and $19.4 million relating to the current year.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

VAT Litigation

(in thousands of Canadian dollars)	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 year	8,761
Provision used during the year	—
Provision reversed during the year	—
Foreign exchange translation adjustment	2,947
Balance at December 31, 2012	**159,456**

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 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 took place on October 24 and October 25, 2012. A decision is expected within three months.

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of $159.5 million (£99.0 million) was recorded in provisions at December 31, 2012 (December 31, 2011: $147.7 million (£93.5 million)) representing input tax credits relating to the supply of goods claimed historically and to date, and interest and

penalties. An amount of $66.3 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 at December 31, 2012 (December 31, 2011: $65.0 million (£41.2 million)).

For the years ended December 31, 2012 and December 31, 2011, $4.3 million (£2.7 million) and $7.9 million (£5.0 million), respectively, have been recorded in cost of rewards and $4.5 million (£2.8 million) and $4.4 million (£2.8 million), respectively, have been recorded in interest expense.

At this time, the provision represents management's best estimate. The ECJ provided for potential relief to mitigate a portion of the increase in the cost base resulting from the ECJ VAT Judgment which will require further discussion with HMRC. Given that the case was 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 $43.6 million (£27.1 million) will be released to the Corporation upon ratification by the UK Supreme Court of the ECJ VAT Judgment.

Upon settlement, based on accrued balances as at December 31, 2012, the net cash outflow is expected to be $48.3 million (£29.9 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 December 31, 2012, Aimia's maximum exposure under such guarantees was estimated to amount to $159.3 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 ruling 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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 12% of Gross Billings for the years ended December 31, 2012 and 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 $223.6 million for 2013. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the year ended December 31, 2012, 38% of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 40% for the year ended December 31, 2011.

CONTACT CENTRE EMPLOYEES

As a result of the termination of the General Services Agreement dated May 13, 2005, effective January 1, 2005 between Air Canada and Aeroplan (the “GSA”), all obligations under the GSA, including the special payments in respect of pension plans in which the assigned employees under the GSA participated have ceased.

In June 2009, the Corporation implemented a defined benefit pension plan as a result of the termination of the GSA and the transfer of the contact centre agents. As part of the transfer of the employees, 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.

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales and service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from the Office of the Superintendant of Financial Institutions ("OSFI") which is expected to occur within 18 to 24 months of the agreement date. As such, as of December 31, 2012, the financial statements do not reflect assets and obligations in relation to this plan. The transfer is not expected to result in Aeroplan assuming a material unfunded pension plan obligation on the basis of the most recent actuarial valuation report.

Pursuant to the agreement, Air Canada agreed to pay Aeroplan a compensation amount of $5.5 million in exchange for the transfer of the pension plan assets and obligations relating to the transferred employees. On June 18, 2012, the compensation amount was received and recorded in deferred revenue. A letter of credit in the corresponding amount was issued by Aeroplan in favour of Air Canada as security for the compensation amount. The letter of credit

will expire upon the transfer of the plan assets to Aeroplan. On November 23, 2012, the amount was contributed to Aeroplan's defined benefit pension plan.

On December 13, 2012, Aeroplan reached a three-year agreement with CAW Local 2002 that represents Aeroplan contact centre employees, retroactively effective on November 15, 2012. The collective agreement was ratified by 72% of voters after union meetings held in Montreal and Vancouver on December 18, 2012 .

CPSA

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

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As at December 31, 2012, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

(in millions of Canadian dollars)	Total	2013	2014	2015	2016	2017	Thereafter
Contractual Obligations							
Operating leases [(a)]	112.2	15.0	14.2	14.2	10.4	7.8	50.6
Technology infrastructure and other	37.9	22.4	12.3	2.8	0.4	—	—
Marketing support and other	93.0	18.9	21.2	13.6	12.1	12.1	15.1
Long-term debt [(b)]	1,022.2	45.6	198.5	36.6	36.6	229.6	475.3
Purchase obligation under the CPSA	3,192.0	425.6	425.6	425.6	425.6	425.6	1,064.0
Contractual Obligations	**4,457.3**	**527.5**	**671.8**	**492.8**	**485.1**	**675.1**	**1,605.0**
Commitments							
Letters of Credit and Surety Bonds	31.2	25.7	5.5	—	—	—	—
Commitments	**31.2**	**25.7**	**5.5**	**—**	**—**	**—**	**—**
Total Contractual Obligations and Commercial Commitments	**4,488.5**	**553.2**	**677.3**	**492.8**	**485.1**	**675.1**	**1,605.0**

(a) Includes an obligation totaling $52.1 million in relation to Aimia's new office located in Montreal.

(b) Includes interest on the Revolving Facility, and Senior Secured Notes Series 2, 3, 4 and 5 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 December 31, 2012, Aimia complied with all such covenants.

DIVIDENDS

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

	2012 [(a)]		2011 [(b)]	
(in thousands of Canadian dollars, except per-share amounts)	Amount	Per common share	Amount	Per common share
March	26,102	0.150	23,010	0.125
June	27,546	0.160	26,909	0.150
September	27,561	0.160	26,253	0.150
December	27,570	0.160	26,096	0.150
Total	**108,779**	**0.630**	**102,268**	**0.575**

(a) On May 3, 2012, the Board of Directors of Aimia approved an increase to the common share dividend from $0.150 to $0.160 per share per quarter.

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

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2012 and 2011 were as follows:

	2012		2011	
(in thousands of Canadian dollars, except per-share amounts)	Amount	Per preferred share	Amount	Per preferred share
March	2,803	0.40625	2,803	0.40625
June	2,803	0.40625	2,803	0.40625
September	2,803	0.40625	2,803	0.40625
December	2,804	0.40625	2,804	0.40625
Total	**11,213**	**1.62500**	**11,213**	**1.62500**

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 February 27, 2013, the Board of Directors of Aimia declared quarterly dividends of $0.16 per common share and $0.40625 per preferred share, payable on March 29, 2013.

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

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 May 15, 2012, Aimia repurchased and cancelled 1,961,900 common shares for total cash consideration of $24.2 million. Share capital was reduced by $17.2 million and the remaining $7.0 million was accounted for as reduction of contributed surplus.

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. No shares were repurchased during the period from May 16, 2012 to December 31, 2012.

At December 31, 2012, Aimia had 172,257,314 common shares and 6,900,000 preferred shares issued and outstanding for an aggregate amount of $1,683.5 million. In addition, there were 5,861,266 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

CAPITAL DISCLOSURES

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

Aimia's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;

- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

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

The total capital as at December 31, 2012 and December 31, 2011 is calculated as follows:

	December 31,	
(in thousands of Canadian dollars)	2012	2011
Cash and cash equivalents	(497,976)	(202,147)
Short-term investments	(42,479)	(58,372)
Long-term investments in corporate and government bonds	(313,250)	(279,737)
Long-term debt (including current portion)	793,126	586,678
Share Capital	1,683,456	1,695,642
Contributed surplus	1,218,427	1,222,061
Deficit	(1,539,968)	(1,583,109)
Total capital	**1,301,336**	1,381,016

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

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

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

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

terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Aimia is in compliance with all such covenants.

Aimia has also established the Reserve, which at December 31, 2012 amounted to $300.0 million and is included in long-term investments. The amount held in the Reserve, as well as the types of securities in which it may be invested, are based upon policies established by management. This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities. To date, Aimia has not used any of the funds held in the Reserve. Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of operations.

FINANCIAL INSTRUMENTS

Aimia's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments in corporate and government bonds, investments in equity instruments (not subject to significant influence), Air Canada warrants, forward exchange contract, accounts payable and accrued liabilities, contingent consideration payable and long-term debt.

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

INTEREST RATE RISK

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

At December 31, 2012, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
(in thousands of Canadian dollars)	2012	2011
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**568,797**	275,593
Credit facilities	**—**	(40,000)

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

For the year ended December 31, 2012, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments and credit facilities would have an impact of approximately $5.7 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2011.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2012, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2012, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

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

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2012, Aimia had issued Senior Secured Notes in the amount of $800.0 million maturing at various dates through May 17, 2019. In addition, Aimia had authorized and available credit facility of $300.0 million under its revolving facility, maturing on April 23, 2016. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace credit facilities as they

come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately $24.7 million (of which $24.1 million were issued against the revolving facility) at December 31, 2012 issued as security in the normal course of business.

At December 31, 2012, maturities of the financial liabilities are as follows:

(in thousands of Canadian dollars)	Total	2013	2014	2015	2016	2017	Thereafter
Long-term debt including interest	1,022,204	45,554	198,450	36,600	36,600	229,650	475,350
Accounts payable and accrued liabilities [(a)]	380,547	380,547	—	—	—	—	—
Contingent consideration payable	1,509	—	1,509	—	—	—	—
Total	**1,404,260**	**426,101**	**199,959**	**36,600**	**36,600**	**229,650**	**475,350**

(a) Includes the forward exchange contract described in *Note 30* of Aimia's audited consolidated financial statements for the year ended December 31, 2012.

CURRENCY RISK

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

At December 31, 2012, Aimia held net financial assets denominated in pound sterling of approximately £54.1 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $0.9 million in the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2011.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts receivable, note receivable and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments.

The fair value of the borrowings is estimated as being the quoted market value for the publicly traded debt securities, while the fair value of borrowings under the revolving facility is estimated to be their drawn amount, since the borrowings bear interest at floating rates, and are typically drawn in the form of Bankers' Acceptances with a short-term maturity or prime loans. The fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

Aimia’s long-term investments in corporate and government bonds and long-term debt, which are measured at amortized cost, and the fair value thereof, are as set out in the following table.

	December 31, 2012		December 31, 2011	
(in thousands of Canadian dollars)	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	313,250	325,671	309,933	322,462
Long-term debt	793,126	841,366	586,678	616,421

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

		December 31,	
(in thousands of Canadian dollars)	Hierarchy	2012	2011
Financial assets			
Air Canada warrants	Level 2	**1,072**	328
Investments in equity instruments	Level 3	**23,702**	22,998
Financial liabilities			
Contingent consideration payable	Level 3	**1,509**	—
Forward exchange contract	Level 2	**180**	—

The fair value of the Air Canada warrants and the forward exchange contract amounted to $1.1 million and $(0.2) million, respectively, as of December 31, 2012.

The fair value of the investments in equity instruments is based on the discounted cash flow analysis used to value the initial investment, adjusted to reflect changes to budgeted cash flows and key assumptions used in the analysis between the initial investment date and December 31, 2012. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at December 31, 2012, the fair value of investments in equity instruments were determined to approximate cost.

The fair value of the contingent consideration payable was determined on the basis of the maximum consideration payable.

EARNINGS (LOSS) PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted to $0.89 and $(0.40) for the years ended December 31, 2012 and December 31, 2011, respectively. Earnings per share are calculated after dividends on preferred shares.

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). On June 28, 2012, the IASB amended the transition guidance relating to IFRS 10, IFRS 11 and IFRS 12 limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements

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

IFRS 11, Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures*, and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements since Aimia already accounts for its participations in PLM and Prismah, classified as joint ventures, 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 participations in PLM and Prismah. The Corporation will apply the standard for accounting periods beginning on or after January 1, 2013.

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 will apply the amended standard for accounting periods beginning on or after January 1, 2013.

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 and the elimination of the option to recognize actuarial gains and losses in profit and loss. Actuarial gains and losses, renamed 'remeasurements', need to be recognized immediately in OCI. This change is consistent with the Corporation's current accounting policy. The revised standard also requires the immediate recognition of past service costs when those occur and the disaggregation of defined benefit cost into components. The impact related to this change at the Corporation's transition date, January 1, 2012, will be an increase in the accrued benefit obligation of $4.5 million and a corresponding reduction in retained earnings representing the unrecognized unvested past service cost accumulated at the transition date relating to other employee future benefits. The revision also requires that the computation of the annual expense for a funded benefit plan be based on the application of the discount rate to the net defined benefit asset or liability as opposed to the expected return on plan assets. The Corporation does not anticipate that these amendments will have a significant impact on its consolidated statement of operations and statement of comprehensive income for the year ended December 31, 2012.

The amendments are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation will apply the amended standard for accounting periods beginning on or after January 1, 2013.

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 will apply the amended standard for accounting periods beginning on or after January 1, 2013.

F. In December 2011, the IASB amended IAS 32- *Financial Instruments*: Presentation, to clarify certain requirements for offsetting financial assets and liabilities. This amendment is required for accounting periods beginning on or after January 1, 2014. In addition, in May 2012, as part of the annual improvement publication, an additional amendment was issued by the IASB clarifying the treatment of income tax relating to distributions and transaction costs. This amendment is required for accounting periods beginning on or after January 1, 2013. At this time, the Corporation does not anticipate that these amendments will have an impact on its consolidated financial statements as it already complies with the proposed amendments to the standard.

CRITICAL ACCOUNTING ESTIMATES

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

The significant accounting policies are described in *Note 2* to the December 31, 2012 audited consolidated financial statements. The policies which Aimia believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

Aimia derives its cash inflows primarily from the sale of "Loyalty Units", which are defined as the miles, points or other loyalty program reward units issued under the respective programs operated by Aimia's subsidiaries, to their respective Accumulation Partners and from services rendered or to be rendered to customers, which are referred to as Gross Billings. Loyalty Units issued for promotional purposes, at a discount or no value, are also included in Gross Billings at their issue price. These Gross Billings are deferred and recognized as revenue upon the redemption of

Loyalty Units. Revenue recognized per Loyalty Unit redeemed is calculated, on a weighted average basis, separately for each program. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage represents the estimated Loyalty Units that are not expected to be redeemed by members. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis.

This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool.

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2012 is 17% (December 31, 2011: 18%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2012.

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

In addition, Aimia derives proprietary loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These proprietary loyalty service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or in accordance with the substance of the agreements in the case of royalties. Other revenue also includes loyalty analytics service fees from analytical services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment. These loyalty analytics service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. Direct costs consist of those costs directly attributable to the delivery of proprietary loyalty and loyalty analytics services and include reward fulfillment, technology, commissions and in certain cases labour.

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

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

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

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

The average remaining amortization period of individually significant Accumulation Partners' contracts is 18.0 years as at December 31, 2012. The amortization period reflects contract terms and renewals.

Other intangibles, which include non-competition restrictions agreed to by the vendors, pursuant to certain acquisition agreements, and the right to use proprietary intangible assets, are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

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

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

- the expected usage of the asset and whether the asset could be managed efficiently by another management team;
- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- technical, technological, commercial or other types of obsolescence;
- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- expected actions by competitors or potential competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the ability and intention to reach such a level;
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- whether the useful life of the asset is dependent on the useful life of other assets of the entity.

TRADE NAMES AND GOODWILL

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

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

Acquisitions

Aimia measures goodwill as the fair value of the consideration transferred including, when elected, the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. Aimia elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

INCOME TAXES

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

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

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

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

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

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

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

An evaluation of the design and effectiveness of the operation of Aimia's disclosure controls and procedures has been conducted by management, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2012, Aimia's disclosure controls and procedures, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

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

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above. Based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting, as defined by National Instrument 52-109, was effective as at December 31, 2012.

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.

There has been no change in Aimia's internal control over financial reporting that occurred during the year ended December 31, 2012 that has materially affected, or is reasonable likely to materially affect, Aimia's internal control over financial reporting.

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

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

RISKS AND UNCERTAINTIES

The results of operations and financial condition of Aimia are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of Management. The following section summarizes certain of the major risks and uncertainties that could materially affect our future business results going forward. The risks described below may not be the only risks faced by Aimia. Other risks which currently do not exist or which are deemed immaterial may surface and have a material adverse impact on Aimia's results of operations and financial condition.

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Dependency on Top Accumulation Partners and Clients

Aimia's top three Accumulation Partners were responsible for 50% of Gross Billings for the year ended December 31, 2012. A decrease in sales of Loyalty Units to any significant Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings and revenue. The success of our coalition programs is dependent to a large extent on our relationships with certain key anchor partners. There is no assurance that contracts with Aimia's principal Accumulation Partners, including anchor partners, will be renewed on similar terms, or at all when they expire.

The Aeroplan Program derives a significant portion of its Gross Billings from its agreements with Canadian Imperial Bank of Commerce ("CIBC"), Air Canada and Amex Bank of Canada ("AMEX").

Aeroplan and CIBC are parties to a credit card agreement dated April 16, 2003, as amended (the "CIBC Agreement"), pursuant to which CIBC administers various Visa and other products through which Aeroplan members can accumulate Aeroplan Miles from the credit cards and other spending. In exchange, Aeroplan receives revenue for the Aeroplan Miles credited to participating CIBC cardholders' accounts based on the value of the purchases charged to such cards. The CIBC Agreement has a term expiring at the end of 2013, unless renewed on mutual agreement of the parties. The Corporation has engaged in a renewal process with CIBC. To ensure that we are maximizing value for shareholders, members and partners we have also extended the process to include other major Canadian financial institutions. There can be no assurance that Aeroplan and CIBC will be able to agree on acceptable renewal terms. If the CIBC Agreement is not renewed, the Corporation currently believes that Aeroplan could enter into an agreement with another party on acceptable terms.

The CPSA expires on June 29, 2020, subject to four automatic renewals of five years each, unless either party provides written notice to the other of its intention not to renew at least 12 months prior to the expiry of the initial term or the then current renewal term. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada

under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could lead in a significant reduction in Gross Billings.

Aeroplan and AMEX are parties to certain agreements dated as of January 1, 2004, as amended (the "AMEX Agreement") pursuant to which AMEX administers various American Express products through which Aeroplan members can accumulate Aeroplan Miles from their card spending. In exchange, Aimia Canada receives revenue for the Aeroplan Miles credited to participating AMEX cardholders' accounts based on the value of the purchases charged to such cards. The AMEX Agreement has a term expiring at the beginning of 2014, unless renewed on mutual agreement of the parties. The Corporation is pursuing renewal discussions with AMEX. There can be no assurance that the parties will be able to agree on mutually acceptable renewal terms. If the AMEX Agreement is not renewed, the Corporation currently believes that Aeroplan could pursue arrangements with another party on acceptable terms.

The Nectar Program derives a significant portion of its Gross Billings from its founding coalition partner, Sainsbury's. The commercial agreements governing the participation of Sainsbury's as an Accumulation Partner and Redemption Partner in the Nectar Program expire in 2019, unless renewed by the parties.

The Nectar Italia Program derives a significant portion of its Gross Billings from its agreements with Simply Sma Stores and Auchan Hypermarkets and the Air Miles Middle East program derives a significant portion of its Gross Billings from its founding coalition partner, HSBC. The commercial agreements relating to the participation of these anchor partners in the respective coalition loyalty programs are long-term in nature (i.e. at least two years in length), with early exit rights in the case of HSBC.

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

Conflicts of Interest

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

Greater Than Expected Redemptions for Rewards

A significant portion of our profitability is based on estimates of the number of Loyalty Units that will never be redeemed by the member base. The percentage of Loyalty Units that are not expected to be redeemed is known as

"Breakage" in the loyalty industry. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool. Management's consolidated weighted average Breakage estimate at December 31, 2012 is 17% (December 31, 2011: 18%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2012. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards become available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability. Management believes that the estimates, methodologies, judgments and assumptions made in the preparation of the Corporation's financial statements, including those relating to the treatment of Breakage, are reasonable based upon the information available and reliance on subject matter experts. However, there can be no assurance that applicable tax or other regulatory authorities will agree with such estimates, judgments and assumptions.

Regulatory Matters

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

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

(a) Privacy and PIPEDA

In Canada, we are subject to the *Privacy Act* and the *Personal Information Protection and Electronic Documents Act* (PIPEDA). PIPEDA sets out rules for how private sector organizations may collect, use or disclose personal information in the course of commercial activities. In addition, the federal government introduced the

Safeguarding Canadians' Personal Information Act on September 29, 2011. This legislation includes provisions that would clarify an individuals' consent to the collection, use or disclosure of their personal information.

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

(b) Payments in Canada

The voluntary Code of Conduct for the Credit and Debit Industry in Canada was introduced by the Federal Minister of Finance in 2010 in response to pressures from retailers demanding better control and transparency over their costs associated with accepting electronic payments at the point of sale and in particular the differentiated cost of accepting "premium" card products vs "standard" card products. At the same time, a Task Force for the Payments Systems Review was formed. The Task Force was designed to review the safety, soundness and efficiency of the Canadian payments system and to submit its final report with recommendations to the Minister of Finance by the end of 2011. In 2012, the Canadian Government announced the creation of the FinPay committee to further review and provide recommendations to the Department of Finance on the Canadian payments eco-system. Aimia will work with the FinPay advisory committee to provide input on the future of the payments eco-system. Any downward change in the interchange rates of credit cards could lead to a decrease in revenue for credit card companies and, as a result, could materially impact our commercial agreement with certain of our financial institution Commercial Partners.

(c) Canadian Competition Bureau

On December 15, 2010 the Canadian Competition Bureau filed an application with the Competition Tribunal to strike down what it considers to be restrictive and anti-competitive rules imposed by Visa and MasterCard on merchants who accept their credit cards. The claim specifically targets rules prohibiting merchants from applying a surcharge to payments made by a credit card (the "No Surcharge Rule"), as well as rules requiring merchants to accept all types of credit cards from a given credit card network, regardless of fee structure and interchange rate (the "Honour All Cards Rule").

Should the Tribunal grant the order sought by the Commissioner of Competition, merchants would have the ability to charge an additional fee at the point of sale every time consumers make a payment using their credit card. In addition, merchants would no longer be bound by the Honour All Cards rule, which currently guarantees that premium cards associated with loyalty rewards will be honoured anywhere a Visa or MasterCard network is present, in spite of the higher costs they represent for merchants.

Hearings were held in May and June, 2012. While the Competition Tribunal is not bound by statutory deadlines to render its reasons, a decision can be expected in the first half of 2013. The decision would be subject to

appeal before the Canadian Federal Court of Justice. The outcome of this action is not determinable at this time. Should the Competition Commissioner's action be ultimately successful, the impact on our operations and financial condition could be significant, in light of the importance of Aeroplan's relationships with credit card providers for the operation of the Aeroplan Program.

Retail Market/Economic Conditions

The markets for the services that Aimia's businesses offer may contract or continue to contract and this could negatively impact growth and profitability. Loyalty and database marketing strategies are relatively new to retailers, and there can be no guarantee that merchants will continue to use these types of marketing strategies. In addition, Gross Billings and marketing revenues are dependent on levels of consumer spend with Accumulation Partners and clients, and any slowdown or reduction in consumer activity may have an impact on our business.

Industry Competition

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

Air Canada Liquidity Issues

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

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

The bankruptcy or insolvency of Air Canada could lead to a termination or renegotiation of the CPSA. Upon such a renegotiation, Aimia may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aimia would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the

routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aimia would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers.

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

Air Canada or Travel Industry Disruptions

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

Airline Industry Changes and Increased Airline Costs

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

The airline industry has been subject to a number of increasing costs over the last several years, including increases in the cost of fuel and insurance, and increased airport user fees and air navigation fees. In addition, new and proposed legislation have been considered or adopted concerning carbon emissions emanating from the airline industry, including the setting of emissions allowances and charging aircraft operators for a certain percentage of

these allowances. These increased costs may be passed on to consumers, increasing the cost of redeeming Aeroplan Miles for air travel rewards. This may negatively impact consumer incentive to participate in the Aeroplan Program.

Supply and Capacity Costs

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

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

Unfunded Future Redemption Costs

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

Failure to Safeguard Databases and Consumer Privacy

As part of our coalition and proprietary loyalty programs and in connection with the activities of Aimia's proprietary loyalty and loyalty analytics businesses, member databases are maintained for our programs and those of our clients. These databases contain member information including account transactions. Although we have established rigorous security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of

member data. If we were to experience a security breach, our reputation may be negatively affected and an increased number of members in our loyalty programs may opt out from receiving marketing materials. The use of loyalty marketing services by partners and clients could decline in the event of any publicized compromise of security. Any public perception that we released consumer information without authorization could subject our businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members, clients and partners. In addition, any unauthorized release of member information, or any public perception that member information was released without authorization, could lead to legal claims from consumers or regulatory enforcement actions.

Changes to Coalition Loyalty Programs

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

Seasonal Nature of the Business, Other Factors and Prior Performance

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

Nectar's Gross Billings from the Nectar Program are seasonal with fourth quarter gross billings typically higher than the preceding quarters, as a result of the impact of Christmas shopping. Gross Billings for the other quarters are broadly similar. Redemption activity in the Nectar Program is more seasonal than Gross Billings. More than 40% of all redemptions for the Nectar Program in the last three years have taken place during the fourth quarter, as a result of members redeeming for gifts and other rewards prior to Christmas. Consequently, operating results for any one quarter may not be necessarily indicative of operating results for an entire year.

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

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

Foreign Operations

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

Legal Proceedings

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

Reliance on Key Personnel

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

Labour Relations

Aeroplan's contact center employees are unionized. The collective agreement for these employees is effective from November 15, 2012 and will expire on November 14, 2015. No strikes or lock-outs may lawfully occur during the term of the collective agreement, nor during the negotiations of its renewal until a number of pre-conditions have been satisfied. There can be no assurance that the collective agreement will be renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Aeroplan's contact center service or otherwise adversely affect the ability of Aeroplan to conduct its operations, any of which could have an adverse effect on our business, operations and financial condition.

Pension Liability

The transfer of over 800 contact centre employees from Air Canada to Aeroplan was fully effected on June 14, 2009. As part of the transfer of the employees, 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.

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales & service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from the Office of the Superintendant of Financial Institutions ("OSFI") which is expected to occur within 18 to 24 months of the agreement date. As such, as of December 31, 2012, the financial statements do not reflect assets and obligations in relation to this plan.

The funding requirements of the defined benefit pension plan resulting from valuations of its assets and liabilities, depends on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from our current estimates and could require us to make contributions in the future and, therefore, could have a negative effect on our liquidity and results of operations.

Technological Disruptions and Inability to use Third-Party Software

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

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

Failure to Protect Intellectual Property Rights

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

litigation may be time-consuming and expensive and could result in the diversion of time and resources. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

RISKS RELATED TO AIMIA

Interest Rate and Currency Fluctuations

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

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

Leverage and Restrictive Covenants in Current and Future Indebtedness

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

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

Aimia may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Aimia is unable to refinance

these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Aimia's financial position, which may result in a reduction or suspension of payments of dividends to Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of Aimia to pay dividends.

Uncertainty of Dividend Payments

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

Managing Growth

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

Credit Ratings

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

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

MEASURING OUR PERFORMANCE AGAINST 2012 GUIDANCE

On February 22, 2012, Aimia issued guidance for the year ending December 31, 2012, which was updated on September 20, 2012 and subsequently updated on November 8, 2012. A comparison of Aimia's actual reported results for the year ended December 31, 2012 against the guidance issued and updated for such year is presented below:

Guidance[1] Issued February 22, 2012, as Updated	Comparison to Actual Results[1]
Consolidated Guidance for the Year Ending December 31, 2012	
Gross Billings[1] growth between 3% and 5%.	Aimia's Gross Billings growth[1] rate was 2.3%. As noted in our update on November 8, 2012, we expected to achieve the low end of the guidance provided there was robust credit card spending in Canada during the holiday season. The Canadian region did not get the holiday season credit card spending performance it expected and the EMEA region experienced negative growth in Nectar Italia in the fourth quarter due to the weak economic conditions in Italy. For the year, Gross Billings were lower than expected due to lower airline accumulation at Air Canada, and weakness in consumer spending per credit card in the Aeroplan Program, weakness in Nectar Italia due to the poor economy and the delay in the Standard Chartered Bank rollout in Asia Pacific, offset in part by a strong performance in the Nectar Program.
Adjusted EBITDA[2] between $370 and $380 million.	Aimia reported consolidated Adjusted EBITDA of $402.6 million. As noted in our update on November 8, 2012, we expected to achieve the high end of the guidance. Adjusted EBITDA was favourably impacted by the improved gross margins and operating leverage in Canada as a result of lower redemption costs due to redemption mix changes and synergy related benefits, improved economics coming out of our partner renewals in EMEA, together with increased promotional activity and the impact of new partners in the Nectar Program. The US and APAC region performed better than expected due to improved margins. Lastly, the amount of the PLM distribution was greater than we expected.
Consolidated Free Cash Flow[2 3] between $220 and $240 million.	Aimia reported Free Cash Flow of $299.5 million. As noted in our update on November 8, 2012, we expected to achieve the high end of the guidance. Free Cash Flow came in stronger than expected due to higher Adjusted EBITDA than expected and the timing of working capital which favourably impacted Free Cash Flow by $50 million.
Capital expenditures to approximate $55 million.	Aimia reported capital expenditures of $58 million. Capital expenditures were slightly higher than planned due to the timing of projects closing into 2012.
Current income tax rate is anticipated to approximate 27% in Canada, and 17% in Italy. The Corporation expects no significant cash income taxes will be incurred in the rest of its foreign operations.	Aimia recorded a current tax rate of 26.2% in Canada and 28.0% in Italy. Cash taxes in other foreign operations were not significant.

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

Guidance[1] Issued February 22, 2012, as Updated	Comparison to Actual Results[1]
Business Segment Guidance for the Year Ending December 31, 2012	
Canada Gross Billings growth between 1% and 2%	Canada reported Gross Billings growth of -0.6%. Updated guidance was based on achieving robust credit card spending during the holiday season. The Canadian region did not get the holiday season credit card spending performance it expected. For the year, Gross Billings were lower than expected due to lower airline accumulation at Air Canada and weakness in consumer spending per card in the Aeroplan Program.
EMEA Gross Billings[1] growth between 11% and 13%.	EMEA's Gross Billings[1] growth rate was 12.9%. For the year, points issued in the Nectar Program grew 16.1% over the comparative period due principally to high issuance in the energy sector, strong underlying growth and increased activity in the grocery sector. Air Miles Middle East points issuance grew 11.4% and ISS Gross Billings were up 13.2%, offset by poorer performance in Nectar Italia due to the weakened economy.
US & APAC Gross Billings[1] growth between -9% and -7%.	Gross Billings[1] for the US & APAC region were down 5.7%, slightly better than expected mainly due to growth in Gross Billings from existing clients.
Other Guidance for the Year Ending December 31, 2012	
Nectar Italia Gross Billings greater than €60 million	Nectar Italia Gross Billings came in below guidance at €56.2 due to the poor economic environment in Italy which translated into lower than expected base accumulation and bonusing with our major partners.

Notes:

1. The 2012 guidance and reported results exclude the effects of fluctuations in currency exchange rates, where applicable. The target growth rates are based on 2011 reported Gross Billings, excluding $40 million related to Qantas. Due to an earlier exit than planned, the impact of Qantas on 2012 Gross Billings versus 2011 Gross Billings was $54 million versus the original guidance of $40 million. The client loss has a negligible impact on 2012 Adjusted EBITDA. The guidance and the comparison to actual results excludes EIM Gross Billings of $16.5 million.

2. The Adjusted EBITDA and Free Cash Flow guidance included an assumption of planned incremental operating expenses in business development activities, principally in the U.S., India and Brazil, technology platform related expenditures that are operating in nature and additional brand related expenses associated with our new branding, which in total approximated $20 million in 2012.

3. Free Cash Flow before dividends.

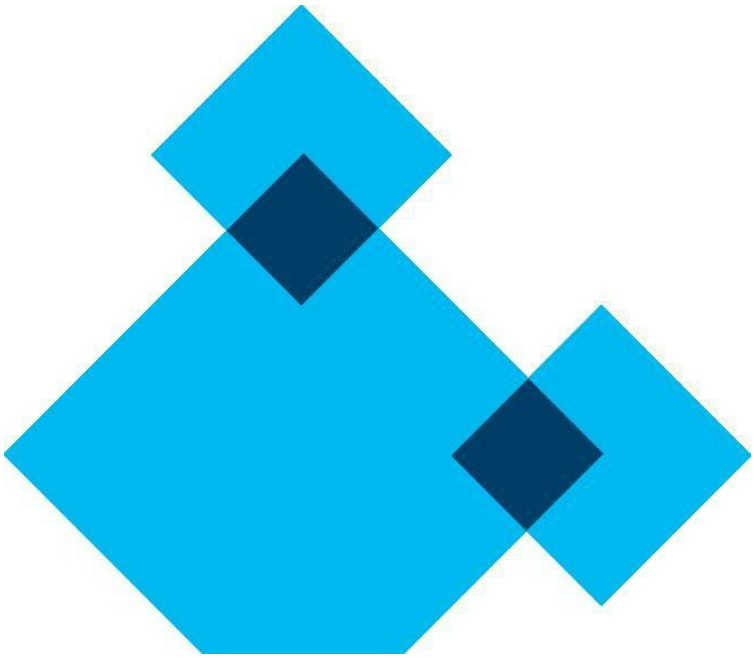
ADDITIONAL INFORMATION

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”.

AIMIA
INSPIRING LOYALTY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011



AIMIA
INSPIRING LOYALTY

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Aimia Inc. are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, which are now International Financial Reporting Standards ("IFRS"). The consolidated financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgement.

In fulfilling its responsibilities, management of the corporation has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the financial statements. The Board of Directors reviews and approves the corporation's consolidated financial statements.

February 27, 2013

(signed) "Rupert Duchesne"

RUPERT DUCHESNE
Group Chief Executive

(signed) "David L. Adams"

DAVID L. ADAMS
Executive Vice President and Chief Financial Officer

February 27, 2013

Independent Auditor's Report

To the Shareholders of
Aimia Inc.

We have audited the accompanying consolidated financial statements of Aimia Inc. and its subsidiaries, which comprise the consolidated statement for financial position as at December 31, 2012 and 2011 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aimia Inc. and its subsidiaries as at December 31, 2012 and 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A113048

AIMIA

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except share and per share amounts)		For the years ended December 31, 2012	2011
Revenue	Notes 2 & 27	**$ 2,248,918**	$ 2,115,905
Cost of sales			
Cost of rewards and direct costs	Notes 11 & 18	**1,300,925**	1,332,874
Depreciation and amortization		**38,425**	36,033
Amortization of accumulation partners' contracts, customer relationships and technology		**87,234**	93,474
		1,426,584	1,462,381
Gross margin		**822,334**	653,524
Operating expenses			
Selling and marketing expenses		**408,338**	406,007
General and administrative expenses	Notes 3 & 16	**158,509**	152,640
Impairment of goodwill	Note 14	**—**	53,901
		566,847	612,548
Operating income		**255,487**	40,976
Financial income	Note 7	**13,785**	10,268
Financial expenses	Notes 7 & 18	**(50,049)**	(59,378)
Net financing costs		**(36,264)**	(49,110)
Share of net earnings (loss) of equity-accounted investments	Note 4	**2,917**	(4,444)
Earnings (loss) before income taxes		**222,140**	(12,578)
Income tax expense			
Current	Note 22	**(54,444)**	(51,354)
Deferred	Note 22	**(1,037)**	(13,019)
		(55,481)	(64,373)
Net earnings (loss) for the year		**$ 166,659**	$ (76,951)
Net earnings (loss) attributable to:			
Equity holders of the Corporation		**165,167**	(59,678)
Non-controlling interests		**1,492**	(17,273)
Net earnings (loss) for the year		**$ 166,659**	$ (76,951)
Weighted average number of shares		**173,015,589**	179,146,339
Earnings (loss) per common share			
Basic and fully diluted	Note 8	**$ 0.89**	$ (0.40)

AIMIA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)		For the years ended December 31, 2012	2011
Net earnings (loss) for the year		**$ 166,659**	$ (76,951)
Other comprehensive income (loss)			
Foreign currency translation adjustments on consolidation of foreign subsidiaries		**4,430**	7,562
Defined benefit plans actuarial losses, net of tax	Note 32	**(5,222)**	(2,594)
Variation of the minimum funding requirement liability for the defined benefit plan, net of tax	Note 32	**3,188**	904
		2,396	5,872
Comprehensive income (loss) for the year		**$ 169,055**	$ (71,079)
Comprehensive income (loss) attributable to:			
Equity holders of the Corporation		**167,530**	(54,072)
Non-controlling interests		**1,525**	(17,007)
Comprehensive income (loss) for the year		**$ 169,055**	$ (71,079)

AIMIA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31,	December 31,
(in thousands of Canadian dollars)		2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	Note 2	**$ 497,976**	$ 202,147
Restricted cash	Note 2	**28,342**	15,074
Short-term investments	Note 2	**42,479**	58,372
Accounts receivable	Notes 9 & 18	**386,073**	382,823
Inventories	Note 2	**15,671**	41,965
Prepaid expenses		**41,105**	29,144
Note receivable	Note 10	**—**	61,611
		1,011,646	791,136
Long-term assets			
Cash held in escrow	Notes 3 & 6	**48,549**	42,804
Long-term investments	Notes 2 & 5	**336,952**	302,735
Equity-accounted investments	Note 4	**109,854**	31,407
Property and equipment	Notes 13 & 14	**23,444**	16,142
Intangible assets	Notes 3 & 14	**1,708,709**	1,761,906
Goodwill	Notes 3 & 14	**2,007,427**	1,985,603
		$ 5,246,581	$ 4,931,733
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	Notes 15, 16 & 30	**$ 380,547**	$ 382,130
Income taxes payable		**3,427**	1,083
Provisions	Note 18	**159,456**	147,748
Customer deposits		**76,056**	38,195
Deferred revenue	Note 17	**1,541,554**	1,557,869
Current portion of long-term debt	Note 19	**—**	200,000
		2,161,040	2,327,025
Long-term liabilities			
Long-term debt	Note 19	**793,126**	386,678
Pension and other long-term liabilities	Notes 20 & 21	**36,919**	31,003
Deferred income taxes	Note 22	**215,990**	210,655
Deferred revenue	Note 17	**712,104**	684,865
		3,919,179	3,640,226
Total equity attributable to equity holders of the Corporation	Note 25	**1,337,279**	1,305,561
Non-controlling interests	Note 31	**(9,877)**	(14,054)
Total equity		**1,327,402**	1,291,507
		$ 5,246,581	$ 4,931,733
Contingencies and commitments	Notes 23 & 26		

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

The accompanying notes are an integral part of these consolidated financial statements.

AIMIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2011 and 2012		Common shares outstanding	Share capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Contributed surplus	Total attributable to the equity holders of the corporation	Non-controlling interests	Total equity
(In thousands of Canadian dollars, except share amounts)									
Balance, December 31, 2010		186,788,979	$ 1,807,497	$ (1,408,260)	$ (36,329)	$ 1,269,282	$ 1,632,190	$ 2,953	$ 1,635,143
Total comprehensive income (loss) for the year									
Net loss for the year				(59,678)			(59,678)	(17,273)	(76,951)
Other comprehensive income (loss):									
Foreign currency translation adjustments on consolidation of foreign subsidiaries					7,296		7,296	266	7,562
Defined benefit plans actuarial losses, net of tax	Note 32			(2,594)			(2,594)		(2,594)
Variation of minimum funding requirement liability for the defined benefit plan, net of tax	Note 32			904			904		904
Total comprehensive income (loss) for the year		—	—	(61,368)	7,296	—	(54,072)	(17,007)	(71,079)
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options	Note 25	224,505	2,851			(628)	2,223		2,223
Common shares repurchased	Note 25	(13,223,531)	(116,091)			(50,151)	(166,242)		(166,242)
Quarterly dividends, common and preferred	Note 24			(113,481)			(113,481)		(113,481)
Shares released (held by) stock-based compensation plans	Note 25	27,428	1,385			(1,385)	—		—
Accretion related to other stock-based compensation plans	Note 25					4,943	4,943		4,943
Total contributions by and distributions to owners		(12,971,598)	(111,855)	(113,481)	—	(47,221)	(272,557)	—	(272,557)
Balance, December 31, 2011		**173,817,381**	**$ 1,695,642**	**$ (1,583,109)**	**$ (29,033)**	**$ 1,222,061**	**$ 1,305,561**	**$ (14,054)**	**$ 1,291,507**
Total comprehensive income (loss) for the year									
Net earnings for the year				**165,167**			**165,167**	**1,492**	**166,659**
Other comprehensive income (loss):									
Foreign currency translation adjustments on consolidation of foreign subsidiaries					**4,397**		**4,397**	**33**	**4,430**
Defined benefit plans actuarial losses, net of tax	Note 32			**(5,222)**			**(5,222)**		**(5,222)**
Variation of minimum funding requirement liability for the defined benefit plan, net of tax	Note 32			**3,188**			**3,188**		**3,188**
Total comprehensive income (loss) for the year		**—**	**—**	**163,133**	**4,397**	**—**	**167,530**	**1,525**	**169,055**
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options	Note 25	**321,833**	**4,383**			**(995)**	**3,388**		**3,388**
Common shares repurchased	Note 25	**(1,961,900)**	**(17,233)**			**(6,975)**	**(24,208)**		**(24,208)**
Quarterly dividends, common and preferred	Note 24			**(119,992)**			**(119,992)**		**(119,992)**
Investment from non-controlling interest	Note 31						**—**	**2,652**	**2,652**
Shares released (held by) stock-based compensation plans	Note 25	**80,000**	**664**			**(664)**	**—**		**—**
Accretion related to other stock-based compensation plans	Note 25					**5,000**	**5,000**		**5,000**
Total contributions by and distributions to owners		**(1,560,067)**	**(12,186)**	**(119,992)**	**—**	**(3,634)**	**(135,812)**	**2,652**	**(133,160)**
Balance, December 31, 2012		**172,257,314**	**$ 1,683,456**	**$ (1,539,968)**	**$ (24,636)**	**$ 1,218,427**	**$ 1,337,279**	**$ (9,877)**	**$ 1,327,402**

The accompanying notes are an integral part of these consolidated financial statements.

AIMIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)		For the years ended December 31, 2012	2011
CASH FLOWS FROM (USED IN)			
Operating activities			
Net earnings (loss) for the year		**$ 166,659**	$ (76,951)
Adjustments for:			
Depreciation and amortization		**125,659**	129,507
Stock-based compensation	Note 25	**12,538**	5,736
Share of net (earnings) loss of equity-accounted investments	Note 4	**(2,917)**	4,444
Net financing costs	Note 7	**36,264**	49,110
Income tax expense	Note 22	**55,481**	64,373
Impairment of goodwill	Note 14	**—**	53,901
Changes to operating assets and liabilities	Note 32	**22,976**	99,278
Other		**5,094**	(5,914)
		255,095	400,435
Cash generated from operating activities		**421,754**	323,484
Interest received		**15,693**	12,398
Distribution received from an equity-accounted investment	Note 4	**15,712**	—
Interest paid		**(44,068)**	(48,046)
Income taxes paid		**(51,648)**	(45,295)
Net cash from operating activities		**357,443**	242,541
Investing activities			
Acquisition of Excellence in Motivation, Inc., net of cash acquired	Note 3	**(16,329)**	—
Cash held in escrow	Note 6	**(4,802)**	—
Investments in equity-accounted investments	Note 4	**(91,115)**	(11,771)
Short-term investments	Note 2	**17,703**	(28,287)
Long-term investments	Notes 2 & 5	**(40,343)**	(158,753)
Note receivable	Note 10	**63,810**	—
Additions to property, equipment, software and technology		**(57,955)**	(44,919)
Additions to other intangible assets		**(2,273)**	—
Net cash used in investing activities		**(131,304)**	(243,730)
Financing activities			
Quarterly dividends	Note 24	**(119,992)**	(113,481)
Investment from non-controlling interest	Note 31	**2,652**	—
Issuance of common shares	Note 25	**3,388**	2,223
Repurchase of common shares	Note 25	**(24,208)**	(166,242)
Borrowings of long-term debt	Note 19	**650,000**	150,000
Repayment of long-term debt	Note 19	**(440,000)**	(210,000)
Financing costs	Note 19	**(5,181)**	(1,032)
Net cash from (used in) financing activities		**66,659**	(338,532)
Net change in cash and cash equivalents		**292,798**	(339,721)
Translation adjustment related to cash		**3,031**	3,288
Cash and cash equivalents, beginning of year		**202,147**	538,580
Cash and cash equivalents, end of year	Note 2	**$ 497,976**	$ 202,147

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

THESE NOTES CONTAIN THE FOLLOWING SECTIONS:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

1. STRUCTURE OF THE CORPORATION

Aimia Inc. ("Aimia" or the "Corporation"), formerly known as Groupe Aeroplan Inc., was incorporated on May 5, 2008 under the *Canada Business Corporations Act* and is the successor to Aeroplan Income Fund, following the completion of the reorganization of Aeroplan Income Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

The registered and head office of Aimia is located at 5100 de Maisonneuve Blvd. West, Montreal, Québec, Canada, H4A 3T2.

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, a premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, a coalition loyalty program in the United Kingdom, Air Miles Middle East, a coalition loyalty program in the UAE, through a 60% ownership interest, and Nectar Italia, a coalition loyalty program in Italy, through a 75% participation. Aimia's EMEA segment also provides data driven insight and analytics services in the UK and internationally to retailers and their suppliers, through its Intelligent Shopper Solutions services ("ISS") and its 50% participation in Insight 2 Communication LLP ("I^2C"), a joint venture with Sainsbury's. Aimia's loyalty analytics group 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. In each of the regions, Aimia provides proprietary loyalty services, including loyalty program design, launch and operation. In addition, through the recent acquisition of Excellence in Motivation, Inc. ("EIM"), Aimia has broadened its footprint in the United States and strengthened its product offerings for channel and employee performance improvement solutions in that region.

Aimia also holds a 48.9% interest in, and jointly controls with Grupo Aeromexico, S.A.B. de C.V., PLM Premier, S.A.P.I. de C.V. (together with its predecessor Premier Loyalty & Marketing, S.A.P.I. de C.V., "PLM"), owner and operator of Club Premier, a Mexican coalition loyalty program, a 50% interest in, and jointly controls with Multiplus S.A., Prismah Fidelidade S.A. ("Prismah"), a company formed to offer loyalty services in Brazil, and a minority interest in Cardlytics, Inc. ("Cardlytics"), a US-based private company operating in transaction-driven marketing for electronic banking. These investments are reported under Corporate in the segmented information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all Aimia entities.

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on February 27, 2013.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following balance sheet items:

- Air Canada warrants (included in accounts receivable) are measured at fair value;
- Investment in Cardlytics is measured at fair value;
- Forward exchange contract is measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- Accrued pension benefit liability is recognized as the net total of the fair value plan assets, less the present value of the defined benefit obligation;
- Contingent consideration in relation to the EIM acquisition is measured at fair value *(Notes 3 and 20)*.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported as assets, liabilities, income and expenses in the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they occur and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

- Revenue recognition and cost of rewards and direct costs *(Note 2)*.

Information about assumptions and estimation uncertainties described below with a significant risk of resulting in material adjustments within the next year are included within the following notes:

- Breakage *(Notes 2 and 17)*;
- Income Taxes *(Notes 2 and 22)*;
- Impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital *(Notes 2 and 14)*;
- Provisions *(Note 18)*;
- Contingent Liabilities *(Note 23)*.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Corporation. Subsidiaries' financial statements are included in the consolidated financial statements from the date of commencement of control until the date that control ceases. Subsidiaries' accounting policies have been changed, when necessary, to align with the policies adopted by Aimia.

These consolidated financial statements include the accounts of the Corporation and the accounts of its subsidiaries. All inter-company balances and transactions have been eliminated.

Investments in Associates and Joint Ventures

Associates are entities over which the Corporation has significant influence. Joint ventures are entities where the Corporation has the ability to exercise joint control as established by a contractual agreement. These investments are accounted for using the equity method and are initially recognized at cost. The Corporation's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation's share of the income and expenses and equity movements of equity accounted investees, after aligning with the accounting policies of the Corporation, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When the Corporation's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term

investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

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

This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool.

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2012 is 17% (December 31, 2011: 18%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2012.

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

In addition, Aimia derives proprietary loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These proprietary loyalty service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as

revenue when the services are rendered or in accordance with the substance of the agreements in the case of royalties. Other revenue also includes loyalty analytics service fees from analytical services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment. These loyalty analytics service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. Direct costs consist of those costs directly attributable to the delivery of proprietary loyalty and loyalty analytics services and include reward fulfillment, technology, commissions and in certain cases labour.

EMPLOYEE FUTURE BENEFITS

Defined Benefit Plan for Aeroplan Contact Centre Employees

The cost of pension benefits earned by contact centre employees under the defined benefit pension plan is actuarially determined using the projected unit credit method prorated on service, market interest rates, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

For the funded defined benefit plan, the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset in the balance sheet, taking into account any unrecognized past service cost. However, any excess of assets is recognized only to the extent that it represents a future economic benefit which is available in the form of refunds from the plan or reductions in future contributions to the plan. When these criteria are not met, such excess is not recorded but is disclosed in the notes. Impacts of minimum funding requirements in relation to past service are considered when determining pension obligations.

The cost of the other future employee benefits consisting of post-employment, life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, is actuarially determined using the projected unit credit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation.

The discount rate on the benefit obligation is equal to the yield at the measurement date on high quality corporate bonds that have maturity dates approximating the terms of Aimia's obligations.

The expected return on plan assets is based on the long-term expected rate of return on plan assets and the fair value of the plan assets. It is reasonably possible that management's estimate of the long-term rate of return may change as management continues to assess future investments and strategies and as a result of changes in financial markets.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in earnings.

The Corporation recognizes all actuarial gains and losses arising from the defined benefit plan, post-retirement benefits, and adjustments resulting from minimum funding requirements, immediately in other comprehensive income, and reports them in retained earnings. Actuarial gains and losses arising from other future post-employment benefits are recognized immediately as an expense.

Defined Contribution

Substantially all Aimia employees, excluding the Aeroplan contact centre agents, participate in the Corporation's various defined contribution pension plans, which provide pension benefits based on the accumulated contributions and fund earnings. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay such an amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Termination Benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to providing termination benefits as a result of an offer made.

LEASE PAYMENTS

All of the Corporation's leases are operating leases. The leased assets are not recognized in the Corporation's statement of financial position since the Corporation does not assume substantially all risks and rewards of ownership of the leased assets.

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Liabilities for onerous leases are recognized when the Corporation believes that unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

INCOME TAXES

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

GOVERNMENT ASSISTANCE

Research and development tax credits received and receivable from the Canadian Federal and Québec Provincial governments are accounted for as government assistance and are recognized by the Corporation when there is a reasonable assurance that the entity will comply with relevant conditions and that the tax credits will be received. The tax credits are recognized as a reduction of the related expense or cost of the asset acquired that they are intended to compensate. The Corporation has recognized an amount of $0.8 million as a reduction of selling and marketing expenses for the year ended December 31, 2012 (2011: $1.4 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in foreign currencies are translated into each of Aimia's entities' functional currency at rates of exchange in effect at the date of the balance sheet. Gains and losses are included in income for the year. Non-monetary assets, non-monetary liabilities, revenues and expenses arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

FOREIGN OPERATIONS

All of Aimia's foreign operations have a functional currency different from the presentation currency. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the average rates for the year. Translation gains or losses are recognized in other comprehensive income and included in accumulated other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to earnings as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation adjustments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Aimia has classified its financial instruments as follows:

	Classification				
Financial instrument	Fair value through profit and loss	Loans and receivables	Available-for-sale	Held-to-maturity	Other financial liabilities
Measured at amortized cost					
Cash and cash equivalents, restricted cash, short-term investments		X			
Accounts receivable [(a)]		X			
Note receivable		X			
Long-term investments in corporate and government bonds				X	
Accounts payable and accrued liabilities [(b)]					X
Long-term debt					X
Measured at fair value					
Investments in equity instruments [(c)]			X		
Air Canada warrants	X				
Forward exchange contract	X				
Contingent consideration payable	X				

(a) Excluding Air Canada warrants.

(b) Excluding the forward exchange contract.

(c) These investments are not subject to significant influence.

Financial assets classified as fair value through profit and loss are measured at fair value with changes in those fair values recognized in non-operating income. Financial assets classified as held-to-maturity, loans and receivables, or other financial liabilities, are measured at amortized cost using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in other comprehensive income.

Aimia may, from time to time, enter into forward exchange contracts and currency swaps to manage the risk associated with acquisitions of foreign assets in order to mitigate the impact of currency fluctuations. Under Aimia's practices, derivative financial instruments are used only for risk management purposes and are not entered into for speculative purposes. Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in non-operating income (expense).

For financial instruments measured at amortized cost, transaction costs or fees, premiums or discounts earned or incurred are recorded, at inception, net against the fair value of the financial instrument and amortized in non-operating income (expense).

Impairment of Financial Assets (Including Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in earnings and reflected in an allowance account against receivables or other financial assets. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

Transaction Costs

Transaction costs related to financial assets classified as fair value through profit and loss are expensed as incurred. Transaction costs related to held-to-maturity financial assets, loans and receivables and other liabilities are considered as part of the carrying value of the asset or liability and are then amortized over the expected life of the

instrument using the effective interest rate method. Transaction costs related to available-for-sale assets are capitalized on initial recognition. If the available-for-sale asset has fixed or determinable payments, the transaction costs are amortized to net income using the effective interest method. If the available-for-sale financial asset does not have fixed or determinable payments, the transaction costs are recognized in net income when the asset is derecognized or becomes impaired.

Financial Income and Expenses

Financial income includes interest income on cash equivalents, short term investments, loans and notes receivable, and long-term investments in corporate and government bonds. Interest income is recognized as it accrues in earnings, using the effective interest method. Financial income also includes the gain or loss related to the fair value adjustment of the Air Canada warrants and dividends received or receivable from available-for-sale equity investments.

Financial expenses include interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets and other interest and bank charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

SHARE CAPITAL

Common shares and preferred shares that are not redeemable or are redeemable only at the Corporation's option are classified as equity. Incremental costs directly attributable to the issue of common and preferred shares and share options are recognized as a deduction from equity, net of any tax effects.

Dividends payable by Aimia to its common and preferred shareholders, which are determined at the discretion of the Board of Directors and in accordance with the terms of each series of preferred shares (*Notes 24 and 25*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within equity.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from share capital for the shares' assigned value, any excess being allocated to contributed surplus to the extent that contributed surplus was created by a net excess of proceeds over cost on cancellation or resale of shares of the same class, and any discount being assigned to contributed surplus. Repurchased shares are cancelled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds in current operating bank accounts, term deposits and fixed income securities with an original term to maturity of three months or less. The weighted average effective interest rate earned on cash and cash equivalents held at December 31, 2012 was 0.4% (2011: 0.1%). At December 31, 2012 and 2011, cash and cash equivalents consisted of funds in current operating bank accounts.

RESTRICTED CASH

Restricted cash represents amounts held in trust as required by statute for travel programs in Ontario and Québec, and contractual obligations requiring the segregation of cash for purposes of fulfillment obligations in connection with certain loyalty programs managed by the Corporation.

SHORT-TERM INVESTMENTS

Short-term investments consist of fixed income securities with an original term to maturity of less than one year and greater than three months. Short-term investments also include investments in corporate and government bonds with a remaining term to maturity of less than one year. The weighted average effective interest rate earned on short-term investments held at December 31, 2012 was 0.5% (2011: 1.5%).

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market. These bonds have a remaining term to maturity varying between 1.7 years and 7.4 years and yield an effective interest rate of 3.03% at December 31, 2012 (2011: 3.12%).

Long-term investments also include investments in equity instruments (*Note 5*).

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined principally using average cost and specific identification methods. Inventories consist mainly of merchandise on hand required to fulfill redemptions for various loyalty and marketing programs.

For the year ended December 31, 2012, cost of rewards and direct costs included cost of merchandise of $202.2 million (2011: $240.1 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated impairment losses and amortized over their estimated useful lives, using the straight-line method, as follows:

Furniture, fixtures and equipment	3 to 10 years
Computer hardware	3 years
Leasehold improvements	Over the lesser of the term of the lease or 15 years

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

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

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

The average remaining amortization period of individually significant Accumulation Partners' contracts is 18.0 years as at December 31, 2012. The amortization period reflects contract terms and renewals.

Other intangibles, which include non-competition restrictions agreed to by the vendors, pursuant to certain acquisition agreements, and the right to use proprietary intangible assets, are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

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

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

- the expected usage of the asset and whether the asset could be managed efficiently by another management team;
- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- technical, technological, commercial or other types of obsolescence;

- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- expected actions by competitors or potential competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the ability and intention to reach such a level;
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- whether the useful life of the asset is dependent on the useful life of other assets of the entity.

TRADE NAMES AND GOODWILL

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

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

Acquisitions

Aimia measures goodwill as the fair value of the consideration transferred including, when elected, the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. Aimia elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of Aimia's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the

asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

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

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

PROVISIONS

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of the time value of money is material, provisions are determined by discounting the best estimate of expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

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STOCK-BASED COMPENSATION PLANS

Omnibus Plan

The Omnibus Plan was established in order to attract and/or retain employees. Vesting conditions vary at the time of grant but are typically time and performance based, with shares, which are held in a trust for the benefit of the eligible employees, vesting at the end of the third calendar year following the year of grant. Aimia purchases the shares on the secondary market, which are accounted for as an acquisition of treasury shares. Dividends declared by Aimia on any shares granted under this plan, may be invested in additional shares, which will vest concurrently with the shares granted. Forfeited shares and accumulated dividends thereon accrue to Aimia. The trust is consolidated with Aimia's financial statements. The fair value of Aimia's shares, at the grant date, is charged to earnings as compensation expense over the vesting period, with a corresponding increase to equity. Aimia's cost of the shares held is presented as a reduction of share capital. Effective June 25, 2008, except for outstanding commitments to certain individuals, the Omnibus Plan was replaced by the Aimia Long-Term Incentive Plan.

Deferred Share Unit Plan

The Deferred Share Unit Plan (the “DSU Plan”) has been established as a means of compensating directors and designated employees of Aimia and of promoting share ownership and alignment with the shareholders' interests. Directors of Aimia are automatically eligible to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to DSUs at the Board of Directors' discretion. To date, DSUs granted to designated employees vest over 4 years or immediately, while those granted to directors vest immediately. DSUs are paid out in cash upon termination of service.

Upon termination of service, DSU Plan participants are entitled to receive for each DSU credited to their account, a payment in cash equivalent to the value on the date of termination of service of an Aimia common share and accrued dividends from the time of grant.

The fair value of DSUs, at the date of grant to DSU Plan participants, is recognized as compensation expense over the vesting period, with a credit to accounts payable and accrued liabilities and other long-term liabilities. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any changes in the fair value of the liability are recognized as compensation expense in earnings.

Long-Term Incentive Plan

The Aimia Long-Term Incentive Plan (the “Plan”), which upon the Fund's conversion to a corporation effectively replaced the Initial Long-Term Incentive Plan, the On-Going Long-Term Incentive Plan, and the Omnibus Plan, was established to provide an opportunity for officers, senior executives and other employees of Aimia and its subsidiaries

to participate in the successful growth and development of Aimia. Stock options and/or performance share units ("PSUs") may be granted to eligible employees. These grants are established annually on the basis of a percentage of each participant's annual base salary in addition to other qualitative and quantitative criteria. The maximum number of shares reserved and available for grant and issuance under the Plan is limited to 9,998,440 common shares. The vesting conditions of options and PSUs issued, may include time and performance criteria, and are determined at the time of grant. In the case of options, the option term cannot exceed ten years, whereas the vesting period of PSUs shall end no later than December 31 of the calendar year which is three years after the calendar year in which the award is granted. The fair value of stock options, at the date of grant to the eligible employees, is recognized as compensation expense and a credit to contributed surplus over the applicable vesting period using the graded method of amortization. The fair value of PSUs, at the date of grant to PSU participants, is recognized as compensation expense over the vesting period using the graded method of amortization, with a credit to accounts payable and accrued liabilities and other long-term liabilities. In addition, PSUs are fair valued at the end of every reporting period. All awards are made at the discretion of the Board of Directors and are subject to board approval, as are any performance vesting criteria and targets that apply to awards made. The amount recognized as an expense is adjusted for forfeitures to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

When the stock options are exercised, the Corporation issues new shares. The proceeds received, net of any directly attributable transaction costs together with the related portion previously recorded in contributed surplus, are credited to share capital.

EARNINGS PER COMMON SHARE

Earnings per common share are calculated by dividing the earnings attributable to common share holders of the Corporation by the weighted average number of common shares outstanding for the period. Shares held under the various stock-based compensation plans reduce the weighted average diluted number of Aimia's outstanding shares from the date they are contributed into the respective plans.

Diluted earnings per common share are determined using the treasury stock method to evaluate the dilutive effects of stock options, convertible instruments and equivalents, when applicable.

SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Aimia's other segments. All operating segments' operating results are reviewed regularly by Aimia's CEO to make decisions about the allocation of resources to the respective segments and assess their individual performance (*Note 27*).

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Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items include mainly head office expenses, share-based compensation, long-term debt and holding company or corporate income tax assets and liabilities.

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). On June 28, 2012, the IASB amended the transition guidance relating to IFRS 10, IFRS 11 and IFRS 12 limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

   The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. IFRS 10 replaces

SIC-12 - *Consolidation - Special Purpose Entities*, and parts of IAS 27 - *Consolidated and Separate Financial Statements*. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

IFRS 11, Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures*, and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements since Aimia already accounts for its participations in PLM and Prismah, classified as joint ventures, 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 participations in PLM and Prismah. The Corporation will apply the standard for accounting periods beginning on or after January 1, 2013.

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 will apply the amended standard for accounting periods beginning on or after January 1, 2013.

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 and the elimination of the option to recognize actuarial gains and losses in profit and loss. Actuarial gains and losses, renamed 'remeasurements', need to be recognized immediately in OCI. This change is consistent with the Corporation's current accounting policy. The revised standard also requires the immediate recognition of past service costs when those occur and the disaggregation of defined benefit cost into components. The impact related to this change at the Corporation's transition date, January 1, 2012, will be an increase in the accrued benefit obligation of $4.5 million and a corresponding reduction in retained earnings representing the unrecognized unvested past service cost accumulated at the transition date relating to other employee future benefits. The revision also requires that the computation of the annual expense for a funded benefit plan be based on the application of the discount rate to the net defined benefit asset or liability as opposed to the expected return on plan assets. The Corporation does not anticipate that these amendments will have a significant impact on its consolidated statement of operations and statement of comprehensive income for the year ended December 31, 2012.

The amendments are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation will apply the amended standard for accounting periods beginning on or after January 1, 2013.

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 will apply the amended standard for accounting periods beginning on or after January 1, 2013.

F. In December 2011, the IASB amended IAS 32- *Financial Instruments*: Presentation, to clarify certain requirements for offsetting financial assets and liabilities. This amendment is required for accounting periods beginning on or after January 1, 2014. In addition, in May 2012, as part of the annual improvement

publication, an additional amendment was issued by the IASB clarifying the treatment of income tax relating to distributions and transaction costs. This amendment is required for accounting periods beginning on or after January 1, 2013. 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.

3. ACQUISITION OF EXCELLENCE IN MOTIVATION, INC.

On September 24, 2012, Aimia acquired EIM, a privately-owned U.S. based full-service channel and employee performance improvement and business loyalty solutions provider, by purchasing all outstanding common shares for a total purchase price of $27.0 million (US$27.7 million). This included an amount of $3.1 million (US$3.2 million) of deferred compensation, of which $1.1 million (US$1.1 million) was part of cash held in escrow *(Note 6)*, payable to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time. The deferred compensation was excluded from the purchase price and will be accrued on a straight line basis over the vesting period as compensation expense in the general and administrative expenses of Aimia's consolidated financial statements.

The acquisition was made to further advance Aimia's position as a full-suite loyalty management company delivering world-class channel, employee and customer solutions across all verticals, industries, geographies and channels for consumer and business to business brands.

In order to complete the transaction, Aimia incurred $1.8 million (US$1.9 million) of acquisition-related costs which have been included in general and administrative expenses.

For the period between September 25, 2012 and December 31, 2012, EIM's revenue of $14.4 million and loss before income taxes of $1.2 million have been included in Aimia's consolidated financial statements of operations. The loss before income taxes includes $0.3 million of integration costs and $0.4 million of deferred compensation costs which are reflected in general and administrative expenses.

Pro-forma revenue reflecting the acquisition as of January 1, 2012 would have been approximately $54.0 million.

Given the timing of the acquisition and as permitted under IFRS, a provisional estimate of the purchase price allocation and fair values of intangible assets was performed as of September 30, 2012. The final allocation was completed during the fourth quarter of 2012.

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The table below details the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date, including adjustments related to the final purchase price allocation:

Consideration at September 24, 2012				
	As previously reported in US$	As previously reported in $	Adjustments in $ [f]	Final purchase price allocation in $
Cash	19,777	19,242	—	19,242
Contingent consideration [a]	1,514	1,473	—	1,473
Consideration payable [b]	3,006	2,925	(34)	2,891
Other consideration payable	250	243	—	243
Deferred compensation [c]	3,158	3,072	(9)	3,063
Total consideration	**27,705**	**26,955**	**(43)**	**26,912**
Deferred compensation [c]	(3,158)	(3,072)	9	(3,063)
Total consideration to allocate	**24,547**	**23,883**	**(34)**	**23,849**

Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	4,322	(881)	3,441
Restricted cash	5,607	(895)	4,712
Accounts receivable	18,324	(1,191)	17,133
Prepaid expenses	4,975	(1,579)	3,396
Property and equipment	829	377	1,206
Software and technology	3,028	377	3,405
Customer relationships	—	18,100	18,100
Other intangible assets [d]	—	461	461
Accounts payable and accrued liabilities	(6,132)	1,474	(4,658)
Customer deposits	(28,329)	4,993	(23,336)
Deferred revenue	(10,808)	(1,308)	(12,116)
Deferred income taxes	(118)	(4,784)	(4,902)
Total identifiable net assets (liabilities)	**(8,302)**	**15,144**	**6,842**
Goodwill [e]	32,185	(15,178)	17,007
Total	**23,883**	**(34)**	**23,849**

(a) Amount held in escrow on September 24, 2012, net of deferred compensation of US$0.4 million ($0.4 million), payable upon the achievement of a performance target in 2013 (*Note 6*). The amount represents the fair value of the consideration on the acquisition date, and as determined by management is equal to the maximum consideration payable. As of December 31, 2012, the contingent consideration was included in other long-term liabilities (*Note 20*).

(b) Amount held in escrow on September 24, 2012, net of deferred compensation of US$0.7 million ($0.7 million), to cover any payment resulting from working capital adjustments and potential indemnifications claims (*Note 6*). On December 24, 2012, following the completion of the working capital audit, an amount of US$0.7 million ($0.7 million) was released from escrow, of which US$0.1 million ($0.1 million), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition if certain conditions are met and US$0.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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million ($0.5 million) was remitted to the selling shareholders. As of December 31, 2012, the consideration payable was included in other long-term liabilities (*Note 20*).

(c) Includes an amount of US$1.1 million ($1.1 million) which was part of the cash held in escrow on September 24, 2012.

(d) Represents non-competition restrictions agreed to by certain of the selling shareholders, pursuant to the acquisition agreement.

(e) The goodwill is mainly attributable to the talent of EIM's workforce and the synergies expected to be achieved from integrating its operations. The goodwill is not tax deductible.

(f) The adjustments are the results of the completion of the working capital audit as well as the independent valuation of the intangibles assets completed during the fourth quarter of 2012.

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4. EQUITY-ACCOUNTED INVESTMENTS

	December 31, 2012	December 31, 2011
Investment in PLM Premier, S.A.P.I. de C.V.	107,830	31,407
Investment in Prismah Fidelidade S.A.	2,024	—
Total	**109,854**	31,407

A) INVESTMENT IN PLM PREMIER, 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. An independent valuation of the intangible assets was completed during the fourth quarter of 2011.

On December 17, 2012, Aimia received a distribution of US$15.9 million ($15.7 million) from PLM. On the same date, following the receipt of the distribution, Aimia acquired an additional 20% equity participation in PLM for cash consideration of US$89.1 million ($87.7 million), including transaction costs of US$1.1 million ($1.1 million). The third tranche of the investment was accounted on a step basis. The independent valuation of the intangible assets of the third tranche was completed during the fourth quarter of 2012.

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. The proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche on the basis of management's valuation of the identifiable assets of PLM.

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

Statement of operations data	Years Ended December 31,	
	2012	2011 [(a)]
Revenue	**28,814**	12,500
Expenses	**24,444**	20,200

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

Statement of financial position data	December 31,	December 31,
	2012 [(a)]	2011
Current assets	**46,184**	14,800
Long-term assets	**162,051**	26,100
Current liabilities	**62,481**	14,100
Long-term liabilities	**49,796**	13,700

(a) Reflects the additional 20% equity participation, made on December 17, 2012, accounted for on a step-up basis.

B) INVESTMENT IN PRISMAH FIDELIDADE S.A.

On September 14, 2012, Aimia invested in Prismah, a company formed to offer loyalty services in Brazil, for cash consideration of US$3.5 million ($3.4 million). The investment resulted in Aimia holding an equity interest of 50% subject to joint control with Multiplus S.A., and is accounted under the equity method. Aimia's share of Prismah's net loss for the period between September 15, 2012 and December 31, 2012 was $1.5 million.

5. LONG-TERM INVESTMENTS

	December 31,	December 31,
	2012	2011
Investments in equity instruments [(a)]	23,702	22,998
Investment in corporate and government bonds *(Note 12)*	313,250	279,737
Total	**336,952**	302,735

(a) Includes a minority participation in Cardlytics, a US-based private company operating in transaction-driven marketing for electronic banking, acquired on September 8, 2011 for cash consideration of US$23.4 million ($23.0 million). The investment in Cardlytics is reported in long-term investments and is accounted for as an available-for-sale investment, measured at fair value with changes in fair value recognized in other comprehensive income. The fair value was determined to approximate cost as at December 31, 2012 and December 31, 2011.

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6. CASH HELD IN ESCROW

A) ACQUISITION OF LMG

Cash held in escrow, in the amount of $43.6 million (£27.1 million), represents contingent consideration related to the December 2007 acquisition of Aimia EMEA Limited (formerly Loyalty Management Group Limited or LMG). Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow will be released to the Corporation upon ratification of the ECJ VAT Judgment by the United Kingdom Supreme Court (*Note 18*).

B) ACQUISITION OF EIM *(NOTE 3)*

On September 24, 2012, pursuant to the acquisition agreement, an amount of $5.5 million (US$5.7 million) was placed in escrow, representing $3.6 million (US$3.8 million) to cover working capital adjustments and potential indemnification claims, and a contingent consideration of $1.9 million (US$1.9 million) payable upon the achievement of a performance target in 2013. Of the total amount of cash held in escrow, $1.1 million (US$1.1 million), or 20.1%, represents deferred compensation payable to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time.

On December 24, 2012, as a result of the completion of the working capital audit, an amount of US$710,000 was released from escrow. Of this amount, US$43,000 was released to Aimia as an adjustment to the original targeted working capital. Of the remaining amount, US$134,000 (20.1% of the residual amount), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time, and US$533,000 was released to the selling shareholders.

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7. FINANCIAL INCOME AND EXPENSES

	Years Ended December 31,	
	2012	2011
Interest income on loans and receivables	(3,683)	(5,670)
Interest income on investments in bonds	(9,358)	(8,731)
Unrealized fair value (gain) loss on Air Canada warrants	(744)	4,133
Financial income	**(13,785)**	(10,268)
Interest on long-term debt	44,846	51,758
Other financial expenses	5,203	7,620
Financial expenses	**50,049**	59,378
Net financing costs	**36,264**	49,110

8. EARNINGS (LOSS) PER COMMON SHARE

	Years Ended December 31,	
	2012	2011
Net earnings (loss) attributable to equity holders of the Corporation	**165,167**	(59,678)
Less: Dividends declared on preferred shares	**(11,213)**	(11,213)
Net earnings (loss) attributable to common shareholders	**153,954**	(70,891)
Weighted average number of basic and diluted common shares	**173,015,589**	179,146,339
Earnings (loss) per common share – Basic and fully diluted	**$ 0.89**	$ (0.40)

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9. ACCOUNTS RECEIVABLE

As at	December 31, 2012	December 31, 2011
Trade receivables	296,393	285,222
Other receivables (*Note 18*)	88,608	97,273
Air Canada warrants (*Note 11*)	1,072	328
Total	**386,073**	382,823

10. NOTE RECEIVABLE

This unsecured, non-interest bearing loan, in the principal amount of £40.0 million, which has been discounted using an effective interest rate of 6%, due from a major Accumulation Partner, matured on July 1, 2012 and was collected on July 2, 2012.

11. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Air Canada and two other major Accumulation Partners account for a significant percentage of Gross Billings. Since Aimia's revenues are recognized based on redemptions by members as opposed to the issuance of Loyalty Units to members by the Accumulation Partners, the information on major customers is based on total Gross Billings, which include proceeds from the sale of Loyalty Units and services rendered or to be rendered. Gross Billings for each Accumulation Partner represent the contracted amounts received or receivable from Accumulation Partners and customers during each period. Air Canada and the other Accumulation Partners accounted for a significant percentage of Gross Billings as follows:

		Years Ended December 31,	
	Operating segment	2012	2011
		%	%
Air Canada	Canada	12	12
Accumulation Partner A	Canada	25	25
Accumulation Partner B	EMEA	13	12

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CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

Air Canada, including other Star Alliance Partners, is Aimia's largest Redemption Partner. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total cost of rewards and direct costs is as follows:

	Years Ended December 31,	
	2012	2011
	%	%
Air Canada (and other Star Alliance Partners)	38	40

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aimia Canada Inc. (formerly Aeroplan Canada Inc., operator of the Aeroplan Program and wholly-owned subsidiary of Aimia) ("Aeroplan") and airlines other than Air Canada (Star Alliance Partners). Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada. The following is a summary of the relevant financial terms of the most significant agreements.

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2012, Aeroplan is required to purchase reward travel seats amounting to approximately $425.6 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

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AIR CANADA WARRANTS

In connection with the July 29, 2009 Air Canada club loan, which was repaid on August 3, 2010, Air Canada issued warrants to the lenders to purchase Air Canada Class A or Class B variable voting shares. Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each on July 29, 2009 and 1,250,000 warrants with an exercise price of $1.44 each on October 19, 2009, exercisable at any time and expiring four years from the date of grant.

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

The total fair value of the 2,500,000 warrants amounted to $1.1 million at December 31, 2012 and $0.3 million at December 31, 2011.

12. REDEMPTION RESERVE

Aeroplan maintains the Aeroplan 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. At December 31, 2012, the Reserve amounted to $300.0 million and was included in long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At December 31, 2012, the Reserve was invested in corporate, federal and provincial bonds.

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13. PROPERTY AND EQUIPMENT

As at	December 31, 2012			December 31, 2011		
	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment
Cost	**32,083**	**17,533**	**49,616**	23,726	12,532	36,258
Accumulated depreciation	**19,570**	**6,602**	**26,172**	15,671	4,445	20,116
Net carrying amount	**12,513**	**10,931**	**23,444**	8,055	8,087	16,142

Additions to furniture, fixtures and computer hardware amounted to $7.7 million for the year ended December 31, 2012 (2011: $5.9 million). Additions to leasehold improvements amounted to $4.5 million for the year ended December 31, 2012 (2011: $5.8 million).

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14. PROPERTY AND EQUIPMENT, LONG-LIVED INTANGIBLES AND GOODWILL

	Property and Equipment	Accumulation Partners' Contracts and Customer Relationships	Software and Technology	Trade Names	Other Intangibles [d]	Goodwill [e]
Year ended December 31, 2011						
Opening net carrying amount	8,993	1,338,421	111,239	386,948	9,704	2,032,865
Additions - Internally generated	—	—	36,676	—	—	—
Additions - Purchased	11,743	—	—	—	—	—
Depreciation and amortization expense [a] [b]	(4,793)	(74,810)	(44,972) [f]	—	(4,932)	—
Impairment charge [c]	—	—	—	—	—	(53,901)
Exchange differences	199	1,013	501	2,064	54	6,639
Closing net carrying amount	**16,142**	**1,264,624**	**103,444**	**389,012**	**4,826**	**1,985,603**
At December 31, 2011						
Cost	36,258	1,608,552	276,418	389,012	13,409	1,985,603
Accumulated depreciation and amortization	20,116	343,928	172,974	—	8,583	—
Closing Net carrying amount	**16,142**	**1,264,624**	**103,444**	**389,012**	**4,826**	**1,985,603**
Year ended December 31, 2012						
Opening net carrying amount	16,142	1,264,624	103,444	389,012	4,826	1,985,603
Additions - Internally generated	—	—	39,697	—	—	—
Additions - Purchased	12,192	—	—	—	2,273	—
Additions - Business combination	1,206	18,100	3,405	—	461	17,007
Depreciation and amortization expense [a] [b]	(6,245)	(75,142)	(39,444)	—	(4,828)	—
Exchange differences	149	(14)	411	2,169	(285)	4,817
Closing net carrying amount	**23,444**	**1,207,568**	**107,513**	**391,181**	**2,447**	**2,007,427**
At December 31, 2012						
Cost	49,616	1,627,528	301,669	391,181	9,344	2,007,427
Accumulated depreciation and amortization	26,172	419,960	194,156	—	6,897	—
Closing Net carrying amount	**23,444**	**1,207,568**	**107,513**	**391,181**	**2,447**	**2,007,427**

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

(b) Depreciation and amortization expense is included in cost of sales in the consolidated statement of operations.

(c) Impairment charge is included in operating expenses in the consolidated statement of operations.

(d) Includes non-competition restrictions agreed to by the vendors, pursuant to the certain acquisition agreements, and the right to use proprietary intangible assets. Other intangibles included the rights to use the Carlson Marketing trade name which were fully amortized as of December 31, 2011.

(e) The closing net carrying amounts at December 31, 2012 and 2011 were net of accumulated impairment losses since January 1, 2010 of $52.8 million (US$53.0 million) and $53.9 million (US$53.0 million), respectively.

(f) Includes a write-down of $2.8 million related to a fulfillment platform in the US region.

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GOODWILL AND TRADE NAMES

For the purpose of impairment testing, goodwill is allocated to Aimia's operating divisions which represent the lowest level within Aimia at which goodwill is monitored for internal management purposes, and is lower in the hierarchy than Aimia's operating segments.

The aggregate carrying amounts of goodwill and trade names allocated by CGU or group of CGUs are as follows:

As at	December 31,	
	2012	2011
Goodwill		
Canada		
Aeroplan	1,675,842	1,675,842
Canada Proprietary Loyalty	15,888	15,888
EMEA		
EMEA group of CGUs [(a)]	285,245	280,576
US & APAC		
US Proprietary Loyalty [(b)]	30,452	13,297
APAC Proprietary Loyalty	—	—
Total	**2,007,427**	**1,985,603**
Trade Names		
Aeroplan	275,000	275,000
EMEA group of CGUs	116,181	114,012
Total	**391,181**	**389,012**

(a) For the year ended December 31, 2011, EMEA's CGUs were Groupe Aeroplan Europe group of CGUs and EMEA Proprietary Loyalty. As a result of the regional reorganisation initiatives that took place in 2011, the Proprietary Loyalty CGU in EMEA was fully integrated with the EMEA region in 2012. As such, for the year ended December 31, 2012, goodwill was monitored for internal purposes and tested for impairment at the regional level.

(b) Includes an amount of $17.4 million (US$17.5 million) related to EIM which was acquired on September 24, 2012 (Note 3).

The recoverable amounts of Aimia's cash-generating units for the year ended December 31, 2012 were based on a fair value less costs to sell calculation.

Fair value less costs to sell was determined by using an average of the discounted future cash flows generated from the continuing use of the units and a market approach derived using a multiplication of earnings. The calculation of the discounted future cash flows was based on the following key assumptions:

- Pre-tax cash flows were projected based on past experience, actual operating results, the 2013 budget and management's projections for 2014 to 2015.
- Other key assumptions applied in the discounting of future cash flows include a terminal growth rate and pre-tax discount rate. Rates were applied to each CGU based on the economic indicators within the region

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and specific risks related to the respective businesses within these CGUs. The rates assumed for each CGU are presented in the following table:

Segments	Canada		EMEA	US & APAC	
Cash-Generating Units	Aeroplan	Canada Proprietary Loyalty	EMEA Group of CGUs [(a)]	US Proprietary Loyalty	APAC Proprietary Loyalty
	%	%	%	%	%
2012 Assumptions					
Terminal Growth Rate	2.5	2.5	2.5	2.5	3.0
Discount Rate	13.0	17.5	17.3	19.8	19.1
2011 Assumptions					
Terminal Growth Rate	2.5	2.5	2.5	2.5	3.0
Discount Rate [(b)]	13.8	17.2	16.7	20.0	18.3

(a) For the year ended December 31, 2011, EMEA's CGUs were Groupe Aeroplan Europe group of CGUs and EMEA Proprietary Loyalty. The terminal growth rate used in 2011 for Groupe Aeroplan Europe group of CGUs and EMEA Proprietary Loyalty CGU was 2.5% while the pre-tax discount rate applied for Groupe Aeroplan Europe group of CGUs and EMEA Proprietary Loyalty CGU was 20.3% and 22.0%, respectively.

(b) For the year ended December 31, 2011, the value in use method was used to determine the recoverable amounts of Aimia's cash generating units. For the purposes of comparability with the current year's assumptions, the discount rates have been presented on an after tax basis in conformity with the fair value less costs to sell methodology.

The key assumptions for the market approach include:

- EBITDA projected on the basis of past experience, actual operating results and the 2013 budget;
- Multipliers were determined on the basis of historical and publicly available information of comparable companies.

Based on the results of the impairment testing conducted in 2012, the carrying amounts of the units were determined to be lower than their recoverable amounts and no impairment losses were recognized.

On the basis of the impairment testing for 2011, the Corporation recorded an impairment charge of $53.9 million (US $53.0 million) for the year ending December 31, 2011. This charge related to the impairment of goodwill in the US Proprietary Loyalty CGU. The impairment charge in the US Proprietary Loyalty CGU primarily related to the prevailing weakness in the US economy which impacted consumer and marketing spending in the key business verticals where the Corporation operates. As a result of these factors, projected Gross Billings and Adjusted EBITDA had been reduced, resulting in lower projected cash flows.

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15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2012	December 31, 2011
Trade payables and redemption accruals	249,981	245,106
Non-trade payables and other accrued expenses	128,355	124,164
Restructuring liabilities (*Note 16*)	2,211	12,860
Total	**380,547**	382,130

16. RESTRUCTURING LIABILITIES

The restructuring activities undertaken since January 1, 2011 are primarily the result of the Corporation's first quarter 2011 transition to a regional structure in order to leverage the full suite of loyalty management capabilities it possesses across the organization. The objective is to replicate the strengths from each business and roll them out in each of the regions in order to optimize revenue and cost synergies, brands and technology.

Included in accounts payable and accrued liabilities are restructuring costs of $2.2 million as at December 31, 2012 (December 31, 2011: $12.9 million). Restructuring expenses (net of reversals), are included in general and administrative expenses.

	Termination benefits	Onerous leases	Total
Balance at December 31, 2010	**—**	**—**	**—**
Liability recorded during the year	17,166	4,648	21,814
Liability reversed during the year	(220)	(719)	(939) *(a)*
Payments made during the year	(7,288)	(723)	(8,011)
Foreign exchange translation adjustment	(6)	2	(4)
Balance at December 31, 2011	**9,652**	**3,208**	**12,860**
Liability recorded during the year	775	—	775
Liability reversed during the year	(489)	—	(489)
Payments made during the year	(9,160)	(1,690)	(10,850)
Foreign exchange translation adjustment	(58)	(27)	(85)
Balance at December 31, 2012	**720**	**1,491**	**2,211**

(a) Includes a reduction to the onerous lease accrual of $0.7 million to reflect the expected benefits from a sub-lease contract signed in the fourth quarter of 2011.

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Restructuring expenses (reversals) incurred during the years ended December 31, 2012 and 2011 for each segment are presented below:

	Year Ended December 31, 2012			Year Ended December 31, 2011		
Segment	Liability recorded	Liability reversed	Net expense (reversal)	Liability recorded	Liability reversed	Net expense (reversal)
Canada	**—**	**—**	**—**	7,800	—	7,800
EMEA	**—**	**—**	**—**	3,836	(939) *(a)*	2,897
US & APAC	**775**	**(489)**	**286**	9,918	—	9,918
Corporate	**—**	**—**	**—**	260	—	260
Total	**775**	**(489)**	**286**	21,814	(939)	20,875

(a) Includes a reduction to the onerous lease accrual of $0.7 million to reflect the expected benefits from a sub-lease contract signed in the fourth quarter of 2011.

17. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Other		Total	
As at	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Opening balance	**2,192,798**	2,063,056	**49,936**	63,995	**2,242,734**	2,127,051
Loyalty Units issued – Gross Billings	**1,628,429**	1,560,801	**—**	—	**1,628,429**	1,560,801
Other – Gross Billings	**—**	—	**614,594**	672,425	**614,594**	672,425
Revenue recognized	**(1,637,882)**	(1,433,747)	**(611,036)**	(682,158)	**(2,248,918)**	(2,115,905)
Deferred revenue assumed on the acquisition of EIM	**—**	—	**12,116**	—	**12,116**	—
Foreign currency and other adjustments	**4,699**	2,688	**4**	(4,326)	**4,703**	(1,638)
Ending balance	**2,188,044**	2,192,798	**65,614**	49,936	**2,253,658**	2,242,734
Represented by:						
Current portion *(a)*	**1,485,001**	1,511,953	**56,553**	45,916	**1,541,554**	1,557,869
Long-term	**703,043**	680,845	**9,061**	4,020	**712,104**	684,865

(a) The current portion is management's best estimate of the amount to be recognized in the next twelve months, based on historical trends.

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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 $1,092.2 million at December 31, 2012.

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 $134.6 million for the period in which the change occurred, with $115.2 million relating to prior years and $19.4 million relating to the current year.

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18. PROVISIONS

VAT LITIGATION *(NOTE 6)*

	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 year	8,761
Provision used during the year	—
Provision reversed during the year	—
Foreign exchange translation adjustment	2,947
Balance at December 31, 2012	**159,456**

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 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 took place on October 24 and October 25, 2012. A decision is expected within three months.

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Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of $159.5 million (£99.0 million) was recorded in provisions at December 31, 2012 (December 31, 2011: $147.7 million (£93.5 million)) representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of $66.3 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 at December 31, 2012 (December 31, 2011: $65.0 million (£41.2 million)).

For the years ended December 31, 2012 and December 31, 2011, $4.3 million (£2.7 million) and $7.9 million (£5.0 million), respectively, have been recorded in cost of rewards and $4.5 million (£2.8 million) and $4.4 million (£2.8 million), respectively, have been recorded in interest expense.

At this time, the provision represents management's best estimate. The ECJ provided for potential relief to mitigate a portion of the increase in the cost base resulting from the ECJ VAT Judgment which will require further discussion with HMRC. Given that the case was 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.

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19. LONG-TERM DEBT

The following is a summary of Aimia's authorized and outstanding revolving facility and Senior Secured Notes:

	Authorized at December 31, 2012	Drawn at December 31, 2012	Drawn at December 31, 2011
Revolving facility [(a)]	300,000	—	40,000
Senior Secured Notes Series 1 [(b)]	N/A	—	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
Senior Secured Notes Series 4 [(e)]	N/A	250,000	—
Senior Secured Notes Series 5 [(f)]	N/A	200,000	—
Unamortized transaction costs [(g)]	N/A	(6,874)	(3,322)
		793,126	**586,678**
Less: current portion [(b)]		—	200,000
Total		**793,126**	**386,678**

(a) On April 13, 2012, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by two years to April 23, 2016. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $24.1 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 1, in the principal amount of $200.0 million, matured on April 23, 2012 and were repaid with funds drawn from the revolving facility.

(c) On September 2, 2009, Aimia issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. These notes bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014.

(d) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. These notes bear interest at 6.95% per annum, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017.

(e) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of $250.0 million. These notes bear interest at 5.60% per annum, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019. The proceeds from the notes issued were used to repay the funds drawn on the revolving facility and for general corporate purposes.

(f) On November 22, 2012, Aimia issued Senior Secured Notes Series 5 in the principal amount of $200.0 million. These notes bear interest at 4.35% per annum, payable semi-annually in arrears on January 22nd and July 22nd of each year, commencing January 22, 2013, and mature on January 22, 2018. The proceeds from the notes issued were used to finance the acquisition of the additional 20% equity participation in PLM (*Note 4*) and for general corporate purposes.

(g) Long-term debt is presented net of unamortized transaction costs.

Each of the Senior Secured Notes Series 2, 3, 4 and 5 are secured by certain present and future undertakings, property and assets of the Corporation and certain of its subsidiaries and rank equally and pari passu, including with

respect to security interest, with all other present and future unsubordinated debt of the Corporation, and are subject to compliance with certain affirmative and negative covenants.

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

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

Ratio	Result	Test
Leverage	2.10	≤ 2.75
Debt service [(a)]	(0.19)	≤ 2.00
Interest coverage	10.76	≥ 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.

20. PENSION AND OTHER LONG-TERM LIABILITIES

As at	December 31, 2012	December 31, 2011
Pension and other future benefits obligations (*Note 21*)	**18,132**	21,397
Share-based compensation liability	**9,785**	5,406
Contingent consideration payable related to the acquisition of EIM *(Note 3)*	**1,509**	—
Consideration payable related to the acquisition of EIM *(Note 3)*	**2,680**	—
Other	**4,813**	4,200
Total	**36,919**	31,003

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21. EMPLOYEE BENEFITS

Total employee benefit expenses, including salary and wages, pension costs, share-based compensation, termination and other benefits, for the year ended December 31, 2012 amounted to $342.4 million (2011: $328.6 million).

Employee Share Purchase Plan

The employee share purchase plan allows eligible employees to invest up to 5% of their salary for the purchase of Aimia's common shares on the secondary market. The corporate yearly contribution is charged to earnings as compensation expense over the period. For the years ended December 31, 2012 and 2011, Aimia's contributions to the plan were not significant.

DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit accounting practices, amounted to $7.0 million for the year ended December 31, 2012 (2011: $5.9 million).

DEFINED BENEFIT PLAN

As a result of the termination of the General Services Agreement dated May 13, 2005, effective January 1, 2005 between Air Canada and Aeroplan (the “GSA”), all obligations under the GSA, including the special payments in respect of pension plans in which the assigned employees under the GSA participated have ceased.

In June 2009, the Corporation implemented a defined benefit pension plan as a result of the termination of the GSA and the transfer of the contact centre agents. The following table summarizes the information related to the defined benefit pension plan, which provides benefits upon retirement, termination or death based on the member's years of service and final average earnings for a specified period, and other employee benefits consisting of post-employment life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, established for the contact centre employees. The defined benefit pension plan is not subject to indexation clauses.

As part of the transfer of the employees, 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. This past service cost obligation and the past service cost obligation related to the other employee future benefits were estimated at $13.9 million and $8.9 million, respectively, based on an actuarial valuation dated December 31, 2009, and are amortized over the vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales and service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from the Office of the Superintendant of Financial Institutions ("OSFI") which is expected to occur within 18 to 24 months of the agreement date. As such, as of December 31, 2012, the financial statements do not reflect assets and obligations in relation to this plan.

Pursuant to the agreement, Air Canada agreed to pay Aeroplan a compensation amount of $5.5 million in exchange for the transfer of the pension plan assets and obligations relating to the transferred employees. On June 18, 2012, the compensation amount was received and recorded in deferred revenue. A letter of credit in the corresponding amount was issued by Aeroplan in favour of Air Canada as security for the compensation amount. The letter of credit will expire upon the transfer of the plan assets to Aeroplan. On November 23, 2012, the amount was contributed to Aeroplan's defined benefit pension plan.

On December 13, 2012, Aeroplan reached a three-year agreement with CAW Local 2002 that represents Aeroplan contact centre employees, retroactively effective on November 15, 2012. The collective agreement was ratified by 72% of voters after union meetings held in Montreal and Vancouver on December 18, 2012 .

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

The change in pension and other benefits plan obligations and assets:

	Pension Benefits [a]		Other Employee Future Benefits [a]	
December 31,	2012	2011	2012	2011
Change in benefit obligation				
Accrued benefit obligation, beginning of year	(24,825)	(19,008)	(10,930)	(9,142)
Current service cost	(1,898)	(1,646)	(455)	(431)
Participant contributions	(1,714)	(1,684)	—	—
Interest cost	(1,556)	(1,244)	(598)	(532)
Benefits paid	311	251	193	143
Actuarial loss	(6,398)	(1,494)	(1,259)	(968)
Benefit obligation, end of year	**(36,080)**	**(24,825)**	**(13,049)**	**(10,930)**
Change in plan assets				
Fair value of plan assets, beginning of year	14,191	8,872	—	—
Expected return on plan assets	1,059	714	—	—
Actuarial gain (loss)	510	(1,409)	—	—
Employer contribution	10,135	4,581	—	—
Participant contributions	1,714	1,684	—	—
Benefits paid	(311)	(251)	—	—
Fair value of plan assets, end of year	**27,298**	**14,191**	**—**	**—**
Funded (unfunded) status, end of year	**(8,782)**	**(10,634)**	**(13,049)**	**(10,930)**
Unrecognized past service cost	—	—	3,699	4,486
Minimum funding requirement liability	—	(4,319)	—	—
Accrued benefit asset (liability)	**(8,782)**	**(14,953)**	**(9,350)**	**(6,444)**

(a) Measured at December 31st of each year. The effective date of the annual valuation required for funding purposes is December 31st of the current and following years.

The defined benefit pension plan assets consist of:

	December 31,	
	2012	2011
	%	%
Asset category [a]		
Equity securities	67.0	62.0
Debt securities	27.0	27.0
Other	6.0	11.0
Total	**100.0**	**100.0**

(a) Measured at December 31st of each year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

The weighted average assumptions used to determine the accrued benefit liability are as follows:

	Pension Benefits [b]		Other Employee Future Benefits [b]	
December 31,	2012	2011	2012	2011
Discount rate to determine accrued benefit obligations	4.6	5.5	4.6	5.3
Discount rate to determine the pension and benefit cost	5.5	5.6	5.3	5.6
Rate of compensation increase	2.0 until 2012; 2.5 thereafter	2.0 until 2012; 2.5 thereafter	—	—
Expected return on plan assets, at January 1	6.0	6.0	N/A	N/A
Health care inflation - Selected to determine accrued benefit obligation [a]	N/A	N/A	4.5 & 8.5	4.5 & 8.5
Health care inflation - Selected to determine pension and benefit cost [a]	N/A	N/A	4.5 & 8.5	4.5 & 8.5

(a) The health care inflation assumption was downgraded, in and after 2019, to 5% per annum.

(b) Assumptions are assessed at December 31st of each year.

The expected long-term rate of return on plan assets has been determined based on the long-term return expectation stipulated in the “Statement of Investment Policy and Procedures for the Pension Plan for Aeroplan Unionized Employees”, as well as the target asset mix of each fund manager included in the plan investment portfolio.

Assumed healthcare cost trend rates have a significant effect on the amounts recognized in earnings. A one percentage point change in assumed healthcare cost trend rates would have following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate service and interest cost	67	(59)
Effect on defined benefit obligation	636	(573)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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The components of Aeroplan's net defined benefit pension plan and other future employee benefits expenses are itemized as follows:

	Pension Benefits		Other Employee Future Benefits	
	2012	2011	2012	2011
Components of expenses				
Current service cost	1,898	1,646	455	431
Interest cost	1,556	1,244	598	532
Expected return on plan assets	(1,059)	(714)	—	—
Actuarial (gain) loss	—	—	75	325
Amortization of past service costs	—	—	787	787
Net periodic pension and benefit expense recognized	**2,395**	**2,176**	**1,915**	**2,075**

These expenses are recognized in the selling and marketing expenses in the consolidated statement of operations. The actual gain on plan assets was $1.6 million for the year ended December 31, 2012 (2011: loss of $0.7 million).

The Corporation has recognized cumulative actuarial losses in other comprehensive income amounting to $9.5 million at December 31, 2012.

The Corporation expects $4.7 million in contributions to be paid to its benefit plans in 2013.

As at	December 31,			
	2012	2011	2010	2009
Present value of defined benefit obligation	(36,080)	(24,825)	(19,008)	(16,130)
Fair value of plan assets	27,298	14,191	8,872	3,250
Deficit in the plan	**(8,782)**	**(10,634)**	**(10,136)**	**(12,880)**
Experience adjustments arising on plan liabilities - increase (decrease)	218	1,050	(720)	—
Experience adjustments arising on plan assets - increase (decrease)	510	(1,409)	(988)	(47)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

22. INCOME TAXES

Income Tax Expense

Income tax expense for the year is as follows:

	December 31,	
	2012	2011
Current tax		
Current tax on profits for the year	53,833	48,659
Adjustment in respect of prior years	611	2,695
Total current tax	**54,444**	**51,354**
Deferred tax		
Origination and reversal of temporary differences	6,026	11,119
Recognition of previously unrecognized deferred tax assets	(4,989)	—
Change in UK tax rate	—	1,900
Total deferred tax	**1,037**	**13,019**
Income tax expense	**55,481**	**64,373**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

Income taxes included in the statement of earnings differ from the statutory rate as follows:

	December 31,			
	2012		2011	
	%	$	%	$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	26.16	58,112	27.69	(3,483)
Adjusted for the effect of:				
Temporary differences for which no deferred income tax asset has been recorded	1.67	3,719	(481.76)	60,596
Permanent differences - other	—	5	(9.13)	1,149
Foreign operations - subject to lower tax rates	(0.34)	(755)	(12.05)	1,516
Recognition of previously unrecognized deferred tax assets	(2.24)	(4,989)	—	—
Prior year adjustments	(0.27)	(611)	(21.43)	2,695
Effect of tax rate changes on deferred income taxes	—	—	(15.11)	1,900
Income tax expense as reported in the consolidated statements of operations and effective tax rate	24.98	55,481	(511.79)	64,373

The applicable statutory tax rates are 26.16% in 2012 and 27.69% in 2011. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates. The decrease is mainly due to the reduction of the Federal income tax rate in 2012 from 16.5% to 15.0%.

Deferred income tax assets and liabilities

At December 31, 2012, no deferred tax liabilities were recognized for temporary differences of $10.5 million (2011: $10.7 million) related to investments in subsidiaries because Aimia controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The amounts recognized in the consolidated balance sheet consist of:

	December 31,	
	2012	2011
Deferred tax liabilities - to be settled within 12 months	5,642	9,656
Deferred tax liabilities - to be settled after 12 months	210,348	200,999
	215,990	**210,655**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

Movements in temporary differences during the year were as follows:

	Balance, December 31, 2011	Arising on acquisition (*Note 3*)	Recognized in Earnings 2012	Recognized in OCI 2012	Recognized in Equity 2012	Balance, December 31, 2012
Deferred tax assets						
Eligible capital expenditures	168,746	—	(11,612)	—	—	157,134
Deferred revenue	18,870	1,687	(18,893)	—	65	1,729
Losses available for carryforward	24,794	—	12,145	—	576	37,515
Deferred transaction costs	2,069	—	(733)	—	—	1,336
Other	5,907	—	(138)	719	—	6,488
Deferred tax liabilities						
Accumulation Partners' contracts, customer relationships and trade names	(419,732)	(6,589)	19,292	—	(756)	(407,785)
Software and technology	(11,309)	—	(1,098)	—	—	(12,407)
	(210,655)	**(4,902)**	**(1,037)**	**719**	**(115)**	**(215,990)**

Movements in temporary differences during the prior year were as follows:

	Balance, December 31, 2010	Recognized in Earnings 2011	Recognized in OCI 2011	Recognized in Equity 2011	Balance, December 31, 2011
Deferred tax assets					
Eligible capital expenditures	182,669	(13,923)	—	—	168,746
Deferred revenue	33,567	(14,812)	—	115	18,870
Losses available for carryforward	29,736	(5,270)	—	328	24,794
Note receivable	1,311	(1,334)	—	23	—
Deferred transaction costs	2,373	(304)	—	—	2,069
Other	6,208	(922)	621	—	5,907
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(440,947)	22,063	—	(848)	(419,732)
Software and technology	(12,792)	1,483	—	—	(11,309)
	(197,875)	**(13,019)**	**621**	**(382)**	**(210,655)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

At December 31, 2012, Aimia had the following operating tax losses available for carryforward and temporary differences which may be used to reduce taxable income in future years and for which no future tax benefit has been recorded in the accounts.

Country		Carryforward period
(i) United Kingdom		
losses available for carryforward	200,060	Indefinite
(ii) United States		
losses available for carryforward	2,039	2028
	1,923	2029
	7,987	2030
	24,908	2031
	18,094	2032
	54,951	

At December 31, 2012, Aimia had operating tax losses of $150,399 (included in (i) and (ii) above) and other deductible temporary differences of $177,357 which may be used to reduce taxable income in future years and for which no deferred tax benefit has been recorded in the accounts.

23. CONTINGENT LIABILITIES

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

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At December 31, 2012, Aimia's maximum exposure under such guarantees was estimated to amount to $159.3 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 ruling on the merits for at least 2 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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24. DIVIDENDS

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

	2012 [(a)]			2011 [(b)]		
	Amount		Per common share	Amount		Per common share
March	26,102	$	0.150	23,010	$	0.125
June	27,546		0.160	26,909		0.150
September	27,561		0.160	26,253		0.150
December	27,570		0.160	26,096		0.150
Total	**108,779**	**$**	**0.630**	**102,268**	**$**	**0.575**

(a) On May 3, 2012, the Board of Directors of Aimia approved an increase to the common share dividend from $0.150 to $0.160 per share per quarter.

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

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2012 and 2011 were as follows:

	2012			2011		
	Amount		Per preferred share	Amount		Per preferred share
March	2,803	$	0.40625	2,803	$	0.40625
June	2,803		0.40625	2,803		0.40625
September	2,803		0.40625	2,803		0.40625
December	2,804		0.40625	2,804		0.40625
Total	**11,213**	**$**	**1.62500**	**11,213**	**$**	**1.62500**

On February 27, 2013, the Board of Directors of Aimia declared quarterly dividends of $0.16 per common share and $0.40625 per preferred share, payable on March 29, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

25. CAPITAL STOCK

A) CAPITAL STOCK

Authorized:

An unlimited number of common shares, voting, no par value;

An unlimited number of preferred shares, non-voting, non-participating, issuable in series, no par value.

COMMON SHARES:

Issued and outstanding	December 31, 2012		December 31, 2011	
	Number of shares	$	Number of shares	$
Opening balance	**173,817,381**	**1,526,855**	**186,788,979**	**1,638,710**
Shares repurchased under the normal course issuer bid program	(1,961,900)	(17,233)	(13,223,531)	(116,091)
Shares released from stock-based compensation plans	80,000	664	27,428	1,385
Common shares issued upon exercise of stock options	321,833	4,383	224,505	2,851
Closing balance	**172,257,314**	**1,514,669**	**173,817,381**	**1,526,855**

PREFERRED SHARES:

Issued and outstanding	December 31, 2012		December 31, 2011	
	Number of shares	$	Number of shares	$
Opening and Closing balance	**6,900,000**	**168,787**	**6,900,000**	**168,787**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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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 May 15, 2012, Aimia repurchased and cancelled 1,961,900 common shares for total cash consideration of $24.2 million. Share capital was reduced by $17.2 million and the remaining $7.0 million was accounted for as reduction of contributed surplus.

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. No shares were repurchased during the period from May 16, 2012 to December 31, 2012.

PREFERRED SHARES, SERIES 1

On January 20, 2010 and January 26, 2010, pursuant to a prospectus supplement dated January 13, 2010, Aimia issued a total of 6,900,000 Preferred Shares, Series 1, for total cash consideration of $167.3 million, net of issue costs of $5.2 million. Additionally, a related income tax benefit of $1.5 million was recorded. The Preferred Shares, Series 1, bear a 6.5% annual cumulative, quarterly dividend, which is subject to a rate reset on March 31, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 3.75%. The Preferred Shares, Series 1 are redeemable by Aimia on March 31, 2015, and every five years thereafter in accordance with their terms.

Holders of Preferred Shares, Series 1 will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 2 (the “Preferred Shares, Series 2”), subject to certain conditions, on March 31, 2015 and on March 31 every five years thereafter. Holders of the Preferred Shares, Series 2 will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.75%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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B) STOCK-BASED COMPENSATION

Aimia Long-Term Incentive Plan

The number of Aimia stock options granted to employees during the year, the related compensation expense recorded, and the assumptions used to determine stock-based compensation expense, using the binomial options pricing model, were as follows:

	December 31,	
	2012	2011
Compensation expense relating to the options granted	$ 2,105	$ 1,967
Number of stock options granted	2,547,180	1,727,870
Weighted average fair value per option granted	$ 2.70	$ 3.77
Aggregate fair value of options granted	$ 6,873	$ 6,510
Weighted average assumptions:		
Share price	$ 12.85	$ 12.74
Exercise price	$ 12.85	$ 12.74
Risk-free interest rate	1.48%	2.97%
Expected volatility	33.88%	35.76%
Dividend yield	4.76%	4.00%
Expected option life (years)	5.25	7
Vesting conditions - time (years)	4	4

The volatility measured at the standard deviation of continuous compounded share returns is based on statistical analysis of daily share prices over the expected option life period.

A summary of the activity related to the employees participating in the Aimia Long-Term Incentive Plan is as follows:

	2012		2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	**4,004,069**	**11.42**	**3,183,517**	**10.46**
Granted	2,547,180	12.85	1,727,870	12.74
Exercised	(321,833)	10.53	(224,505)	9.90
Forfeited	(368,150)	12.16	(682,813)	11.99
Options outstanding - end of year	**5,861,266**	**12.04**	**4,004,069**	**11.42**
Options exercisable - end of year	**1,637,662**	**11.15**	**998,335**	**10.68**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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The weighted average share price at the date of exercise for the share options exercised in 2012 was $13.64 (2011: $12.07).

The details of options outstanding and exercisable at December 31, 2012 are as follows:

	Options Outstanding		Options Exercisable		
Year granted	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Expiration Date
2008	250,000	15.07	250,000	15.07	2015
2008	88,750	7.52	88,750	7.52	2015
2009	399,044	8.47	280,182	8.47	2016
2009	185,764	9.55	135,499	9.55	2016
2009	90,611	9.34	66,083	9.31	2016
2010	885,531	10.85	411,912	10.85	2017
2010	188,167	11.61	79,083	11.60	2017
2011	1,166,899	12.79	275,778	12.79	2018
2011	201,500	12.37	50,375	12.37	2018
2012	1,920,000	12.50	—	—	2019
2012	260,000	14.52	—	—	2019
2012	225,000	14.08	—	—	2019
	5,861,266	**12.04**	**1,637,662**	**11.15**	

The details of Aimia shares held under stock-based compensation plans described in *Note 2* are as follows:

	Omnibus Plan	
December 31,	2012	2011
Number of shares outstanding - beginning of year	**160,000**	**240,000**
Number of shares granted during the year	—	—
Number of shares forfeited during the year	—	—
Number of shares vested during the year	(80,000)	(80,000)
Number of shares outstanding - end of year	**80,000**	**160,000**
Weighted average remaining life (years)	1.0	1.5

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Pursuant to the terms of the Omnibus plan, Aimia shares have been purchased on the open market of the Toronto Stock Exchange and are held by a trustee for the benefit of the eligible employees until their vesting.

The details of Aimia's PSUs and DSUs described in *Note 2* are as follows:

	PSU		DSU	
December 31,	2012	2011	2012	2011
Number of units outstanding - beginning of year	**909,333**	**657,483**	**284,324**	**241,242**
Number of units granted during the year	540,770	452,872	51,866	43,082
Number of units forfeited during the year	(129,984)	(201,022)	—	—
Number of units vested/settled during the year	(181,676)	—	—	—
Number of units outstanding - end of year	**1,138,443**	**909,333**	**336,190**	**284,324**
Weighted average fair value per unit on date of grant ($)	$ 12.50	$ 12.79	$ 13.43	$ 12.61

The PSUs vest 3 years after the grant, subject to performance conditions. The DSUs vest over 4 years or immediately for eligible employees, while those granted to directors are not subject to vesting conditions. DSUs are payable only upon termination of service.

Total stock-based compensation expense for the fiscal years ended December 31, 2012 and 2011:

	Years Ended December 31,	
	2012	2011
Stock options and PSU compensation	10,038	4,928
Other share based payment compensation	2,500	808
Total stock-based compensation expense	**12,538**	**5,736**

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26. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

The minimum lease payments under various non-cancellable operating leases, not yet incurred at the end of the reporting period, are as follows:

Year ending December 31,	
2013	15,033
2014 to 2017	46,511
Thereafter	50,606
Total	**112,150**

During the year ended December 31, 2012 an expense of $22.5 million was recognized as an expense in earnings in respect of operating leases (2011: $21.1 million).

B) OPERATING COMMITMENTS AND OTHER

Operating expenditures contracted for at the end of the reporting period but not yet incurred are as follows:

Technology infrastructure and other	37,871
Marketing support and other [(a)]	93,030

(a) Marketing support amounts represent maximum obligations 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 December 31, 2012, Aimia complied with all such covenants.

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27. SEGMENTED INFORMATION

At December 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 year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

Unaudited

(Tables in thousands of Canadian dollars, except share and per share amounts)

The table below summarizes the relevant financial information by operating segment:

	Year Ended December 31,											
(in thousands of Canadian dollars)	2012	2011[f]	2012	2011[f]	2012	2011[f]	2012	2011	2012	2011[f]	2012	2011[f]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**1,292,551**	1,300,510	**639,851** [c]	571,598 [c]	**315,205** [c]	366,502 [c]	**—**	—	**(4,584)**	(5,384)	**2,243,023** [c]	2,233,226 [c]
Gross Billings from the sale of Loyalty Units	**1,079,793**	1,078,504	**548,636**	482,297	**—**	—	**—**	—	**—**	—	**1,628,429**	1,560,801
Revenue from Loyalty Units	**1,109,523**	1,102,463	**528,359**	331,284 [g]	**—**	—	**—**	—	**—**	—	**1,637,882**	1,433,747 [g]
Revenue from proprietary loyalty services	**158,169**	177,695	**15,191**	25,057	**312,337**	364,506	**—**	—	**—**	—	**485,697**	567,258
Other revenue	**49,731**	49,714	**75,608**	65,186	**—**	—	**—**	—	**—**	—	**125,339**	114,900
Intercompany revenue	**17**	1,018	**304**	586	**4,263**	3,780	**—**	—	**(4,584)**	(5,384)	**—**	—
Total revenue	**1,317,440**	1,330,890	**619,462**	422,113 [g]	**316,600**	368,286	**—**	—	**(4,584)**	(5,384)	**2,248,918**	2,115,905 [g]
Cost of rewards and direct costs	**693,044**	726,580	**438,639**	384,108	**169,563**	224,616	**—**	—	**(321)**	(2,430)	**1,300,925**	1,332,874
Depreciation and amortization [a]	**95,170**	100,197	**17,005**	13,884	**13,484**	15,426	**—**	—	**—**	—	**125,659**	129,507
Gross margin	**529,226**	504,113	**163,818**	24,121 [g]	**133,553**	128,244	**—**	—	**(4,263)**	(2,954)	**822,334**	653,524 [g]
Operating expenses before the undernoted	**225,040**	223,482	**141,995**	137,600	**138,277**	153,501	**53,260**	41,282	**(4,263)**	(2,954)	**554,309**	552,911
Share-based compensation	**—**	—	**—**	—	**—**	—	**12,538**	5,736	**—**	—	**12,538**	5,736
Impairment of goodwill [h]	**—**	—	**—**	—	**—**	53,901	**—**	—	**—**	—	**—**	53,901
Total operating expenses	**225,040**	223,482	**141,995**	137,600	**138,277**	207,402	**65,798**	47,018	**(4,263)**	(2,954)	**566,847**	612,548
Operating income (loss)	**304,186**	280,631	**21,823**	(113,479) [g]	**(4,724)**	(79,158)	**(65,798)**	(47,018)	**—**	—	**255,487**	40,976 [g]
Financial expenses	**164**	255	**4,974**	4,494	**65**	5	**44,846**	54,624	**—**	—	**50,049**	59,378
Financial income	**10,986**	5,939	**2,217**	3,905	**582**	424	**—**	—	**—**	—	**13,785**	10,268
Share of net earnings (loss) of equity-accounted investments	**—**	—	**—**	—	**—**	—	**2,917**	(4,444)	**—**	—	**2,917**	(4,444)
Earnings (loss) before income taxes	**315,008**	286,315	**19,066**	(114,068) [g]	**(4,207)**	(78,739)	**(107,727)**	(106,086)	**—**	—	**222,140**	(12,578) [g]
Additions to non-current assets [d]	**32,269**	24,056	**18,675**	16,455	**7,011**	4,408	**2,273**	—	**N/A**	N/A	**60,228**	44,919
Non-current assets [d]	**3,190,837**	3,259,974	**468,782** [e]	459,729 [e]	**77,805** [e]	43,948 [e]	**2,156**	—	**N/A**	N/A	**3,739,580** [e]	3,763,651 [e]
Deferred revenue	**1,790,540**	1,815,595	**438,985**	412,815	**24,133**	14,324	**—**	—	**N/A**	N/A	**2,253,658**	2,242,734
Total assets	**3,883,248**	3,796,092	**998,514**	931,724	**228,291**	149,512	**136,528**	54,405	**N/A**	N/A	**5,246,581**	4,931,733

(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, Prismah and Cardlytics and Aimia's share of equity-accounted investments' net earnings (loss).

(c) Includes third party Gross Billings of $525.2 million in the UK and $191.5 million in the US for the year ended December 31, 2012, compared to third party Gross Billings of $466.8 million in the UK and $196.3 million in the US for the year ended December 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, intangible assets and property and equipment.

(e) Includes non-current assets of $418.2 million in the UK and $71.1 million in the US as of December 31, 2012, compared to non-current assets of $408.4 million in the UK and $38.0 million in the US as of December 31, 2011.

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

(g) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $113.3 million to revenue from Loyalty Units attributable to the years prior to 2011. Of the total adjustment, $82.0 million is attributable to the Nectar Program and $31.3 million is attributable to the Air Miles Middle East program.

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

28. CAPITAL DISCLOSURES

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

Aimia's main objectives when managing capital are:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

The total capital as at December 31, 2012 and December 31, 2011 is calculated as follows:

	December 31,	
	2012	2011
Cash and cash equivalents	(497,976)	(202,147)
Short-term investments	(42,479)	(58,372)
Long-term investments in corporate and government bonds	(313,250)	(279,737)
Long-term debt (including current portion)	793,126	586,678
Share Capital	1,683,456	1,695,642
Contributed surplus	1,218,427	1,222,061
Deficit	(1,539,968)	(1,583,109)
Total capital	**1,301,336**	1,381,016

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

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

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

Aimia is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Aimia is in compliance with all such covenants.

Aimia has also established the Reserve, which at December 31, 2012 amounted to $300.0 million and is included in long-term investments. The amount held in the Reserve, as well as the types of securities in which it may be invested, are based upon policies established by management. This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities. To date, Aimia has not used any of the funds held in the Reserve. Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

29. FINANCIAL INSTRUMENTS

Aimia's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments in corporate and government bonds, investments in equity instruments (not subject to significant influence), Air Canada warrants, forward exchange contract, accounts payable and accrued liabilities, contingent consideration payable and long-term debt.

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

INTEREST RATE RISK

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

At December 31, 2012, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2012	2011
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**568,797**	275,593
Credit facilities	**—**	(40,000)

For the year ended December 31, 2012, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments and credit facilities would have an impact of approximately $5.7 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2011.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2012, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2012, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

With respect to accounts receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners, as identified in *Note 11*. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. In addition, Aimia is directly affected by the financial and operational strength of Air Canada. In order to manage its exposure to credit risk and assess credit quality, Aimia reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Aimia have been negligible.

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2012, Aimia had issued Senior Secured Notes in the amount of $800.0 million maturing at various dates through May 17, 2019. In addition, Aimia had authorized and available credit facility of $300.0 million under its revolving facility, maturing on April 23, 2016. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit (*Note 19*). Aimia also had outstanding letters of credit totaling approximately $24.7 million (of which $24.1 million were issued against the revolving facility) at December 31, 2012 issued as security in the normal course of business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

At December 31, 2012, maturities of the financial liabilities are as follows:

	Total	2013	2014	2015	2016	2017	Thereafter
Long-term debt including interest	1,022,204	45,554	198,450	36,600	36,600	229,650	475,350
Accounts payable and accrued liabilities [(a)]	380,547	380,547	—	—	—	—	—
Contingent consideration payable	1,509	—	1,509	—	—	—	—
Total	**1,404,260**	**426,101**	**199,959**	**36,600**	**36,600**	**229,650**	**475,350**

(a) Includes the forward exchange contract.

CURRENCY RISK

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

At December 31, 2012, Aimia held net financial assets denominated in pound sterling of approximately £54.1 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $0.9 million in the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2011.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts receivable, note receivable and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments.

The fair value of the borrowings is estimated as being the quoted market value for the publicly traded debt securities, while the fair value of borrowings under the revolving facility is estimated to be their drawn amount, since the borrowings bear interest at floating rates, and are typically drawn in the form of Bankers' Acceptances with a short-term maturity or prime loans. The fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

Aimia’s long-term investments in corporate and government bonds and long-term debt, which are measured at amortized cost, and the fair value thereof, are as set out in the following table.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

	December 31, 2012		December 31, 2011	
	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	313,250	325,671	309,933	322,462
Long-term debt	793,126	841,366	586,678	616,421

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

		December 31,	
	Hierarchy	2012	2011
Financial assets			
Air Canada warrants	Level 2	**1,072**	328
Investments in equity instruments	Level 3	**23,702**	22,998
Financial liabilities			
Contingent consideration payable	Level 3	**1,509**	—
Forward exchange contract	Level 2	**180**	—

The fair value of the Air Canada warrants and the forward exchange contract amounted to $1.1 million and $(0.2) million, respectively, as of December 31, 2012.

The fair value of the investments in equity instruments is based on the discounted cash flow analysis used to value the initial investment, adjusted to reflect changes to budgeted cash flows and key assumptions used in the analysis between the initial investment date and December 31, 2012. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at December 31, 2012, the fair value of investments in equity instruments were determined to approximate cost.

The fair value of the contingent consideration payable *(Note 3)* was determined on the basis of the maximum consideration payable.

30. FORWARD EXCHANGE CONTRACT

On March 14, 2012, the Corporation entered into a forward exchange contract maturing on December 28, 2012 to purchase €22.5 million for $29.4 million. The forward exchange contract was entered into to manage the risk and mitigate the impact of currency fluctuations associated with an intercompany loan of €22.5 million. The forward exchange contract was settled on December 18, 2012 for a net settlement payment of $0.1 million. Concurrently, the Corporation entered into a new forward exchange contract, maturing on December 27, 2013, to purchase €22.5 million for $29.8 million, to manage the risk and mitigate the impact of currency fluctuations associated with an intercompany loan of €22.5 million.

The forward exchange contract is measured at fair value, with changes in the fair value recognized in financial expenses in the consolidated statement of operations as the derivative instrument is not designated as an accounting hedge.

The fair value of the forward exchange contract amounted to $(0.2) million at December 31, 2012 and is included in accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

31. RELATED PARTIES AND NON-CONTROLLING INTERESTS

A) RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the year ended December 31, 2012, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Key management includes members of the Corporation's Executive Committee.

The post-employment executive defined contribution plan requires annual contributions of 15% of base salary, through co-payment by the Corporation and the executive, up to the annual maximum permitted under relevant legislation.

Key management of Aimia participate in the share-based award plans, the Aimia Long-term Incentive Plan (including stock options and performance share units) and DSU Plan. Directors participate in the DSU Plan.

The compensation paid or payable to directors and to key management for services is shown below:

	Years Ended December 31,	
	2012	2011
Director compensation, and key management salaries and benefits	**9,427**	9,147
Post-employment benefits	**434**	413
Share-based compensation	**5,713**	2,569
Termination benefits	**—**	1,389
Total	**15,574**	13,518

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Aimia offers post-employment benefits to its former employees by way of the defined contribution and defined benefit plans. The transactions with these plans are limited to contributions and payment of benefits.

TRANSACTIONS WITH PLM

The US & APAC region recorded $1.7 million in revenue related to consulting services rendered to PLM during the year ended December 31, 2012 (2011: $2.2 million).

B) NON-CONTROLLING INTERESTS

During the year ended December 31, 2012, an amount of $2.7 million was invested by a minority shareholder in an Indian subsidiary.

32. ADDITIONAL FINANCIAL INFORMATION

The following sections provide additional information regarding certain primary financial statement captions:

A) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Years Ended December 31,	
	2012	2011
Restricted cash	**(8,580)**	(2,388)
Accounts receivable	**1,875**	(39,264)
Inventories	**26,275**	(23,929)
Prepaid expenses	**(8,561)**	(5,404)
Accounts payable and accrued liabilities	**3,133**	58,496
Customer deposits	**14,510**	(9,172)
Provisions	**4,229**	7,894
Pensions and other long-term liabilities	**(339)**	2,005
Deferred revenue	**(9,566)**	111,040
Total	**22,976**	99,278

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

(Tables in thousands of Canadian dollars, except share and per share amounts)

B) STATEMENTS OF COMPREHENSIVE INCOME

The defined benefit plans actuarial losses for the year ended December 31, 2012 were net of deferred income tax recoveries of $1.8 million ($1.0 million for the year ended December 31, 2011).

The variations of the minimum funding requirement liability for the year ended December 31, 2012 were net of deferred income taxes of $1.1 million ($0.3 million for the year December 31, 2011).

BOARD OF DIRECTORS

Robert Brown
Chairman of the Board
Corporate Director

Roman Doroniuk (1)(2)
Director
Consultant

Rupert Duchesne
Director
Group Chief Executive, Aimia

Joanne Ferstman (1)(3)
Director
Corporate Director

Hon. Michael Fortier, PC (2)(3)
Director
Vice Chairman, RBC Capital Markets

John Forzani (2)(3)
Director
Corporate Director

Beth S. Horowitz (1)
Director
Corporate Director

David Laidley (1)(2)
Director
Corporate Director

Douglas Port (2)(3)
Director
Corporate Director

Alan Rossy (1)(3)
Director
President and Chief Executive Officer, Groupe Copley

(1) Member of the Audit, Finance and Risk Committee
(2) Member of the Governance and Nominating Committee
(3) Member of the Human Resources and Compensation Committee

EXECUTIVE TEAM

Rupert Duchesne
Group Chief Executive

Jan-Pieter Lips
President and Chief Executive Officer
— EMEA Region

David Adams
Executive Vice President and
Chief Financial Officer

Eric Monteiro
Executive Vice President,
Global Strategy

Susan Doniz
Senior Vice President,
Global Chief Information Officer

Melissa Sonberg
Senior Vice President, Global Brand,
Communications and External Affairs

Liz Graham
Executive Vice President,
Operations and Strategic Initiatives

Vince Timpano
Executive Vice President; President
and Chief Executive Officer — Canada

Mark Hounsell
Senior Vice President, General Counsel
and Corporate Secretary

Sandy Walker
Senior Vice President,
Global Talent and Culture

David Johnston
Group Chief Operations Officer

Michael Zea
Executive Vice President;
President and Chief Executive Officer
— U.S. Region

CORPORATE INFORMATION

HEAD OFFICE

5100 de Maisonneuve Blvd. West
Montreal, Quebec
Canada, H4A 3T2

TRANSFER AGENT

Shareholders are encouraged to contact Canadian Stock Transfer Company Inc. as administrative agent for CIBC Mellon Trust Company for information regarding their security holdings. They can be reached at:

CIBC Mellon Trust Company
C/O Canadian Stock Transfer Company Inc.
P.O. Box 700
Station B
Montreal, Quebec
Canada, H3B 3K3

Telephone: 1.800.387.0825
Email: inquiries@canstockta.com

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
Montréal, Québec

TORONTO STOCK EXCHANGE SYMBOL

Common Shares (Cusip 00900Q103)
Cumulative Rate Reset Preferred Shares, Series 1 (Cusip 00900Q202)
Cumulative Floating Rate Preferred Shares, Series 2 (Cusip 00900Q301)
Senior Secured Notes Series 2 (Cusip 00900QAA1)
Senior Secured Notes Series 3 (Cusip 00900QAB9)

INVESTOR RELATIONS

Karen Keyes
514-205-7163
karen.keyes@aimia.com

ANNUAL MEETING OF SHAREHOLDERS

Shareholders are invited to attend the annual meeting of shareholders of Aimia being held on Tuesday May 14, 2013 at 11 a.m. ET. Location:

St. Andrew's Club & Conference Centre
150 King St W
Toronto, ON
Canada, M5H 1J9

CORPORATE INFORMATION

AIMIA'S WEBSITE

Aimia's website (www.aimia.com) contains a variety of corporate and investor information including:

- Share price information
- Annual and quarterly reports
- Management information circular
- News releases
- Investor presentations
- Dividend information
- Corporate social responsibility report
- Annual Information Form

Aimia's continuous disclosure documents are filed with the securities regulators in Canada and can be found at www.sedar.com