Aimia Inc.

AIMIA reports fourth quarter and year end results

Record Adjusted EBITDA and Net Earnings, benefits from stronger operational performance in all regions and prior year investments

- Strong EMEA performance driven by Nectar UK delivers robust Gross Billings performance for the year
- Record Adjusted EBITDA and Net Earnings, benefits from strong operational performance in all regions and a distribution from our investment in Premier Loyalty & Marketing (PLM)
- 2013 outlook calls for Gross Billings growth of between 3 and 5 per cent, continued improvements in operational leverage contributing to approximately $425 million in Adjusted EBITDA and ongoing investment in global footprint

FOURTH QUARTER HIGHLIGHTS[1]	**Three Months Ended December 31,**		**Years Ended December 31,**		**Year Over Year % Change**	
(in millions of Canadian dollars, except per share amounts)	**2012**	**2011**	**2012**	**2011**		
	As Reported		**As Reported**		**As Reported**	**Constant Currency**
Gross Billings	**615.1**	621.1	**2,243.0**	2,233.2	0.4	0.5
Total Revenue	**678.2**	560.7	**2,248.9**	2,115.9	6.3	6.4
Net Earnings (loss)	**57.3**	(142.6)	**166.7**	(77.0)	316.6	na
Earnings (loss) per Common Share	**0.31**	(0.74)	**0.89**	(0.40)	322.5	na
Adjusted EBITDA	**118.1**	90.0	**402.6**	342.2	17.7	17.9
Free Cash Flow before Dividends Paid	**77.1**	12.4	**299.5**	197.6	51.5	na

1. Non-recurring items included within 2011 numbers are detailed in the *Notes to table* section of this release on page 7. Non-GAAP measures (Adjusted EBITDA and Free Cash Flow) are explained on pages 6 and 7 in the section entitled *Use of Non-GAAP Financial Information.* Discrepancies in variances may arise due to rounding.

MONTREAL, Feb. 27, 2013 /CNW Telbec/ - (TSX: AIM) Aimia today reported its financial results for the fourth quarter and full year ended December 31, 2012. All financial information is in Canadian dollars unless otherwise noted.

"Our coalition programs continue to focus on driving engagement with our members and value to our partners even in tougher economic conditions. The clear gains from the renewal of a key partner contract at Nectar UK in 2011 drove stronger growth in EMEA in 2012, while Aeroplan attracted another 0.7 million new members to an already strong member base in 2012" said Rupert Duchesne, Group Chief Executive. "Our record profitability is consistent with the operational leverage and returns delivered through investments in our coalition loyalty programs and strong operational management in all regions. The investments we have made to grow our business elsewhere are also demonstrating returns, with a distribution from PLM contributing to strong Adjusted EBITDA and free cash flow this quarter."

Fourth Quarter and Year End Financial Highlights (Period ended December 31, 2012 versus period ended December 31, 2011)
Consolidated - Adjusted EBITDA up on improved contributions from all regions

- Fourth quarter Gross Billings of **$615.1 million,** a decrease of **1.0 per cent** or **0.2 per cent** on a constant currency basis compared to the same period of 2011. Full year Gross Billings of **$2,243.0 million**, an increase of **0.4 per cent or 0.5 per cent** on a constant currency basis over 2011; excluding the impact of Qantas in-sourcing rewards fulfillment and the results of operations of EIM, 2012 Gross Billings increased **2.3 per cent.**
- Fourth quarter Adjusted EBITDA of **$118.1 million,** an increase of **31.2 per cent**; full year Adjusted EBITDA of **$402.6 million**, an increase of **17.7 per cent** over 2011. The quarter and year both include the impact of a distribution from PLM in 2012 and variances against last year when we recorded adjustments, including breakage, in EMEA in relation to the UK and the Middle East businesses.
- The $15.7 million PLM contribution to consolidated Adjusted EBITDA results from the solid growth in the program in its first two years, with Gross Billings for PLM's Club Premier up 27.0% year over year, and over 3.3 million premium card members at the end of 2012.

Canada - Strong operating leverage despite a softer than expected Q4 finish

- Fourth quarter Gross Billings of **$336.2 million** compared with **$335.3 million** in the same period of 2011, an increase of **0.3 per cent;** full year Gross Billings of **$1,292.6 million,** a decrease of **0.6 per cent** over 2011**.**
- Adjusted EBITDA of **$100.3 million** in the fourth quarter, an increase of **1.6 per cent** compared to the prior year period; operating leverage as a result of lower redemption costs and lower direct costs in proprietary loyalty drove a full year increase of **6.3 per cent** over 2011 to **$396.1 million.**
- Gross Billings with financial partners were up for the full year but accounted for the softer than expected Gross Billings in the fourth quarter. This was partly accounted for by a tough fourth quarter comparative, with an Aeroplan Miles conversion promotion campaign in 2011 which did not recur in 2012. An increase in the number of active credit cards was also more than offset by lower fourth quarter spend per card. Lower business volumes in financial services also affected proprietary loyalty Gross Billings in the fourth quarter.
- Air and non-air Gross Billings for Loyalty Units were up in the fourth quarter but the changes to the Air Canada accumulation grid impacted Gross Billings for the full year.
- The increase in Aeroplan Miles issuance and redemption were broadly aligned. Despite reductions in accumulation mostly explained by changes in the Air Canada accumulation grid, Aeroplan Miles issued increased by **0.4 per cent** in the year while total Aeroplan Miles redeemed increased **0.5 per cent** in 2012 over 2011.
- The Aeroplan Program added 0.7 million members and more than 0.3 million new financial cards were issued during the year. At the end of 2012, Aeroplan had approximately 4.7 million active members. Of the 2.3 million rewards issued in 2012, more than 1.6 million were for flights on Air Canada and Star Alliance carriers with around 0.7 million in non-air rewards.

Europe, Middle East & Africa (EMEA) - Strong EMEA performance driven by Nectar UK

- Fourth quarter Gross Billings of **$177.6 million,** an increase of **2.7 per cent** or **4.6 per cent** on a constant currency basis compared to the same period of 2011. Full year Gross Billings of **$639.9 million**, up **11.9 per cent** or **12.9 per cent** on a constant currency basis over 2011, mainly due to an increase in Gross Billings from the sale of Loyalty Units issued in the UK in the grocery and energy sectors along with the benefit of the new contract terms with the main sponsors in the UK and the Middle East
- Adjusted EBITDA of **$16.0 million** in the quarter, an increase of **$9.8 million;** Full year Adjusted EBITDA of **$49.2 million,** an increase **of $21 million** when compared with **$28.2 million** in the prior year period, with increased volumes driving improvements in operating leverage.
- At the end of 2012, Nectar UK had approximately 19 million active members, up from 18.5 million in 2011. Nectar UK Points issued in 2012 increased by **16.1 per cent** compared to 2011, with higher issuance at British Gas and Sainsbury's continuing to drive improvement into the fourth quarter.
- Redemption activity for Nectar UK increased by **10.6 per cent** in the year mainly driven by an increase in the number of Nectar Points in circulation.
- A more difficult economic environment in Italy saw points issuance decrease 0.6 per cent in 2012 compared to 2011. 9.5 million members have joined Nectar Italia since the inception of the program, up from 8.5 million last year. Nectar Italia points redeemed increased significantly in 2012 consistent with members having increased availability of points in their accounts due to the program's growth, resulting in increased engagement among members.
- Other Gross Billings increased by $1.9 million or 2.1 per cent compared to 2011, with a full year of delivery under international contracts driving a **13.2 per cent** increase in Gross Billings for Intelligent Shopper Solutions (ISS) during the year.
- The i2c joint venture with Sainsbury's in the UK will launch its first fully integrated multi-channel marketing campaigns from the first quarter of 2013.

US & Asia Pacific - Profitable despite a Challenging US Environment

- Fourth quarter Gross Billings of **$102.3 million,** a decrease of **11.6 per cent** or **10.5 per cent** on a constant currency basis compared to the same period 2011. Full year Gross Billings of **$315.2 million.** Excluding the impact of Qantas in-sourcing rewards fulfillment and the results of operations of EIM, Gross Billings for the full year were down **4.4 per cent** or **5.7 per cent** on a constant currency basis.

- Fourth quarter Adjusted EBITDA at **$6.7 million**, compared to **$(2.5) million** in the same period of 2011; full year Adjusted EBITDA of **$7.4 million** compared to **$(11.6) million** in 2011.
- Under new management, the US region is making good strides in terms of repositioning and focusing on higher value-add strategic loyalty services, offsetting the impact of client losses in the prior year and benefiting from restructuring undertaken in 2011. In 2012, the US accounted for **$191.5 million** of Gross Billings, compared to $196.3 million in the prior year, and contributed to the profitability of the US&APAC segment.
- Gross Billings for the region included $16.5 million from the Excellence in Motivation (EIM) acquisition which was completed on September 24, 2012.
- The APAC region remains focused on new business development as well as the 2013 deployment of a redemption technology and rewards fulfillment contract for Standard Chartered Bank.

Cash Flow and Financial Position

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.

Aimia's Free Cash Flow (before dividends paid) was **$77.1** million for the fourth quarter of 2012 compared to **$12.4 million** for the fourth quarter of 2011. For the full year, Free Cash Flow (before dividends paid) was up **51.5%** to **$299.5** million. In addition to benefiting from a $15.7 million distribution from Club Premier, Free Cash Flow for the quarter and the year increased due to higher cash generated from operations. This was primarily due to lower cost of rewards and lower direct costs as well as the timing of changes in net operating assets and was only partially offset by higher capital expenditures as we continued to invest in the future of the business.

Dividends Declared

Common Shares

The Board of Directors declared a quarterly dividend of $0.16 per common share, payable on March 29, 2013 to shareholders of record at the close of business on March 15, 2013.

Preferred Shares

The Board also declared a quarterly dividend in the amount of $0.40625 per Cumulative Rate Reset Preferred Share, Series 1, payable on March 29, 2013 to the holders of record at the close of business onMarch 15, 2013.

Dividends paid by Aimia to Canadian residents on both its common and preferred shares are "eligible dividends" for Canadian income tax purposes.

2013 Outlook

For the year ending December 31, 2013, Aimia expects to report the following:

Consolidated Outlook

	2012 Actual	2013 Target Range
Gross Billings	$2,243.0 million	Growth of between 3% and 5%
Adjusted EBITDA	$402.6 million	To approximate $425 million
Free Cash Flow before dividends	$299.5 million	Between $255 and $275 million
Capital Expenditures	$58.0 million	To approximate $70 million
Income Taxes	Canadian income tax rate of 26.2%	Current income tax rate is anticipated to approximate 27% in Canada. The Corporation expects no significant cash income taxes will be incurred in the rest of its foreign operations.

Business Segment Gross Billings Growth Outlook

	2012 Actual	2013 Target Range
Canada	$1,292.6 million	Between 1% and 3%
EMEA	$639.9 million	Between 5% and 7%
US & APAC	$315.2 million	Above 5%

The above guidance excludes the effects of fluctuations in currency exchange rates. In addition, Aimia made a number of economic and market assumptions in preparing its 2013 forecasts, including assumptions regarding the performance of the economies in which the Corporation operates and market competition and tax laws applicable to the Corporation's operations. The Corporation cautions that the assumptions used to prepare the above forecasts for 2012, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, the above forecasts do not reflect the potential impact of any non-recurring or other special items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 27, 2013. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Accordingly, our actual results could differ materially from our expectations as set forth in this news release. The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and should be read in conjunction with the "Caution Concerning Forward-Looking Statements" section.

Use of Non-GAAP Financial Information

In order to provide a better understanding of the results, the following indicators are used:

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization

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 the Corporation's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. Adjusted EBITDA also includes distributions and dividends received from equity-accounted investments.

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 attached schedule. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

Adjusted Net Earnings

Adjusted Net Earnings provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA. Net earnings attributable to equity holders of the Corporation are adjusted to exclude Amortization of Accumulation Partners' contracts, customer relationships and technology, share of net earnings (loss) of 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 Reconciliation of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Free Cash Flow included in the attached schedule.

Standardized Free Cash Flow ("Free Cash Flow")

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

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

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

For a reconciliation to cash flows from operations please refer to the Selected Information and Reconciliation of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Free Cash Flow included in the attached schedule.

EBITDA and Free Cash Flow are non-GAAP measurements recommended by the 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*.

Constant Currency

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, helps improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant over the periods. Constant currency is derived by calculating current-year results using prior-year foreign currency exchange rates. Results calculated on a constant currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

Notes to table

2011 numbers in the table on page 1 include:

- Adjustments to breakage estimates for Nectar UK and Air Miles Middle East recorded during the fourth quarter of 2011. The impact resulted in a $136.0 million reduction to revenue. Of this amount, $113.3 million is attributable to the years prior to 2011, $13.8 million to the first three quarters of 2011 and $8.9 million to the fourth quarter of 2011.
- A goodwill impairment charge of $49.4 million, or $53.9 million net of a tax recovery of $4.5 million, recorded during the fourth quarter of 2011 in relation to the US proprietary loyalty business which affected net earnings.
- A net unfavourable impact on Adjusted EBITDA for the fourth quarter of 2011 of $5.9 million representing breakage adjustments for Nectar UK and Air Miles Middle East offset in part by a contribution from a coalition anchor partner in connection with the extension of its participation in the program.

Q4 2012 Conference Call / Audio Webcast

Aimia will host a conference call to discuss its fourth quarter and full year 2012 financial results at 8:00 a.m. ET on Thursday, February 28, 2013. The call can be accessed by dialing 1-888-231-8191 or 647-427-7450 for the Toronto area. The call will be simultaneously audio webcast at: http://www.newswire.ca/en/webcast/detail/xx

A slide presentation intended for simultaneous viewing with the conference call will be available the evening of February 27, 2013 at: http://www.aimia.com/English/Investors/Financial-Reports/Quarterly-Reports/default.aspx and an archived audio webcast will be available at: http://www.aimia.com/English/Investors/Presentations-and-Events/Events/default.aspx for ninety days following the original broadcast.

The audited consolidated financial statements, the MD&A and a financial highlights presentation will be accessible on the investor relations website at: http://www.aimia.com/English/Investors/Financial-Reports/Quarterly-Reports/default.aspx.

About Aimia

Aimia Inc. ("Aimia") is a global leader in loyalty management. Employing more than 4,000 people in over 20 countries worldwide, Aimia offers clients, partners and members proven expertise in launching and managing coalition loyalty programs, delivering proprietary loyalty services, creating value through loyalty analytics and driving innovation in the emerging digital, mobile and social communications spaces.

Aimia owns and operates Aeroplan, Canada's premier coalition loyalty program and Nectar, the United Kingdom's largest coalition loyalty program. In addition, Aimia owns stakes in Air Miles Middle East, Nectar Italia, Mexico's leading coalition loyalty program Club Premier, Brazil's Prismah Fidelidade, and i2c, a joint venture with Sainsbury's offering insight and data analytics services in the UK to retailers and suppliers. Aimia also holds a minority position in Cardlytics, a US-based private company operating in transaction-driven marketing for electronic banking. Aimia is listed on the Toronto Stock Exchange (TSX: AIM). For more information, visit us at www.aimia.com

Caution Concerning Forward-Looking Statements

Forward-looking statements are included in this news release. 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 in this news release and throughout Aimia's public disclosure record 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.

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

	For the years ended December 31,				%Δ	
(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 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			

(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.

	Three Months Ended December 31,				%Δ
(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 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		

(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.

SEGMENTED INFORMATION

At December 31, 2012, the Corporation had three reportable and operating segments: Canada, EMEA and US & APAC. 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
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Cons**
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**
Gross Billings from the sale of Loyalty Units	**1,079,793**	1,078,504	**548,636**	482,297	—	—	—	—	—	—	**1,628,429**
Revenue from Loyalty Units	**1,109,523**	1,102,463	**528,359**	331,284 *(g)*	—	—	—	—	—	—	**1,637,882**
Revenue from proprietary loyalty services	**158,169**	177,695	**15,191**	25,057	**312,337**	364,506	—	—	—	—	**485,697**
Other revenue	**49,731**	49,714	**75,608**	65,186	—	—	—	—	—	—	**125,339**
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**
Cost of rewards and direct costs	**693,044**	726,580	**438,639**	384,108	**169,563**	224,616	—	—	**(321)**	(2,430)	**1,300,925**
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**
Depreciation and amortization *(a)*	**95,170**	100,197	**17,005**	13,884	**13,484**	15,426	—	—	—	—	**125,659**
Gross margin	**529,226**	504,113	**163,818**	24,121 *(g)*	**133,553**	128,244	—	—	**(4,263)**	(2,954)	**822,334**
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**
Share-based compensation	—	—	—	—	—	—	**12,538**	5,736	—	—	**12,538**
Impairment of goodwill *(h)*	—	—	—	—	—	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**
Operating income (loss)	**304,186**	280,631	**21,823**	(113,479) *(g)*	**(4,724)**	(79,158)	**(65,798)**	(47,018)	—	—	**255,487**
Adjusted EBITDA *(i)*	**396,137**	372,642	**49,187**	28,168	**7,365**	(11,615)	**(50,086)** (j)	(47,018)	—	—	**402,603**
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**
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**
Deferred revenue	**1,790,540**	1,815,595	**438,985**	412,815	**24,133**	14,324	—	—	**N/A**	N/A	**2,253,658**
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**

(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 distributions received from an equity-accounted investment, amounting to $15.7 million for the year ended December 31, 2012.

(in thousands of Canadian dollars)	Three Months Ended December 31, 2012	2011[f]	2012	2011[f]	2012	2011[f]	2012	2011	2012	2011[f]	2012
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Cons**
Gross Billings	**336,232**	335,307	**177,586** *(c)*	172,919 *(c)*	**102,265** *(c)*	115,735 *(c)*	**—**	—	**(1,028)**	(2,852)	**615,055**
Gross Billings from the sale of Loyalty Units	**278,780**	279,103	**150,754**	146,105	**—**	—	**—**	—	**—**	—	**429,534**
Revenue from Loyalty Units	**267,678**	291,230	**223,728**	73,128 *(g)*	**—**	—	**—**	—	**—**	—	**491,406**
Revenue from proprietary loyalty services	**45,314**	44,017	**4,276**	5,375	**101,858**	112,872	**—**	—	**—**	—	**151,448**
Other revenue	**12,546**	12,080	**22,779**	21,981	**—**	—	**—**	—	**—**	—	**35,325**
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**
Cost of rewards and direct costs	**172,597**	182,290	**182,578**	168,716	**57,529**	74,063	**—**	—	**(53)**	(1,281)	**412,651**
Gross margin before depreciation and amortization	**152,946**	165,335	**68,253**	(68,075) *(g)*	**45,304**	41,206	**—**	—	**(975)**	(1,571)	**265,528**
Depreciation and amortization *(a)*	**25,257**	24,730	**4,881**	3,727	**6,706**	7,384	**—**	—	**—**	—	**36,844**
Gross margin	**127,689**	140,605	**63,372**	(71,802) (g)	**38,598**	33,822	**—**	—	**(975)**	(1,571)	**228,684**
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**
Share-based compensation	**—**	—	**—**	—	**—**	—	**2,514**	(452)	**—**	—	**2,514**
Impairment of goodwill *(i)*	**—**	—	**—**	—	**—**	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**
Operating income (loss)	**68,777**	80,187	**26,462**	(106,699) *(g)*	**580**	(64,215)	**(20,686)**	(12,435)	**—**	—	**75,133**
Adjusted EBITDA *(j)*	**100,312**	98,701	**16,013**	6,176 *(h)*	**6,718**	(2,464)	**(4,974)** *(k)*	(12,435)	**—**	—	**118,069**
Additions to non-current assets *(d)*	**12,351**	7,771	**8,964**	6,268	**2,191**	1,146	**—**	—	**N/A**	N/A	**23,506**
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**
Deferred revenue	**1,790,540**	1,815,595	**438,985**	412,815	**24,133**	14,324	**—**	—	**N/A**	N/A	**2,253,658**
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**

(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 distributions received from an equity-accounted investment, amounting to $15.7 million for the three months ended December 31, 2012.

SOURCE: AIMIA

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