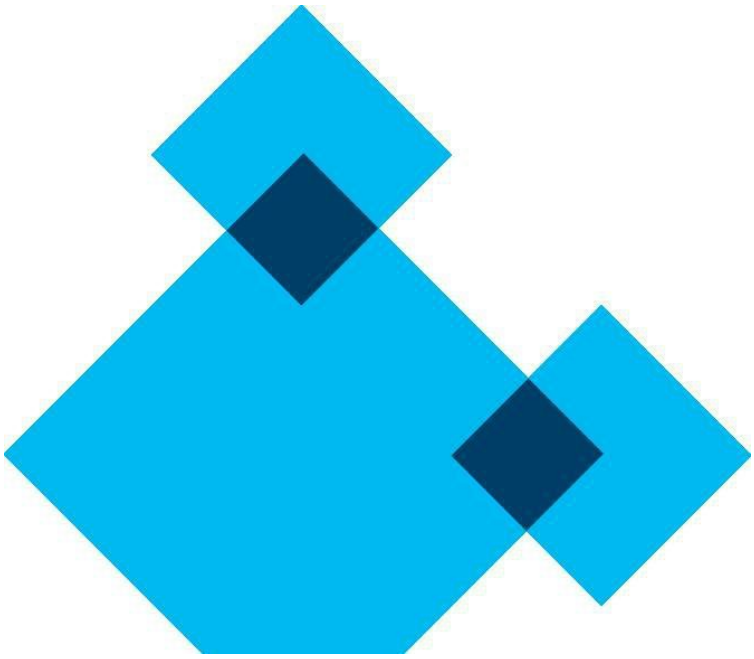
AIMIA
INSPIRING LOYALTY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2014 and 2013

Unaudited



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 judgment.

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.

May 13, 2014

(signed) "Rupert Duchesne"

RUPERT DUCHESNE
Group Chief Executive

(signed) "David L. Adams"

DAVID L. ADAMS
Executive Vice President and Chief Financial Officer

AIMIA

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except share and per share amounts)		Three Months Ended March 31, 2014 (unaudited)	Three Months Ended March 31, 2013 (unaudited)
Revenue	Notes 10 & 17	**$ 608,936**	$ 609,503
Cost of sales			
Cost of rewards and direct costs	Notes 8 & 11	**404,522**	353,408
Depreciation and amortization		**11,497**	10,320
Amortization of accumulation partners' contracts, customer relationships and technology		**32,981**	20,307
		449,000	384,035
Gross margin		**159,936**	225,468
Operating expenses			
Selling and marketing expenses		**117,074**	106,918
General and administrative expenses		**51,830**	46,395
		168,904	153,313
Operating income (loss)		**(8,968)**	72,155
Financial income		**3,316**	6,203
Financial expenses	Note 11	**(13,264)**	(13,933)
Net financing costs		**(9,948)**	(7,730)
Share of net earnings (loss) of equity-accounted investments	Note 4	**979**	(1,722)
Earnings (loss) before income taxes		**(17,937)**	62,703
Income tax (expense) recovery			
Current	Note 12	**(4,045)**	(18,682)
Deferred	Note 12	**5,659**	1,725
		1,614	(16,957)
Net earnings (loss) for the period		**$ (16,323)**	$ 45,746
Net earnings (loss) attributable to:			
Equity holders of the Corporation		**(17,299)**	40,527
Non-controlling interests		**976**	5,219
Net earnings (loss) for the period		**$ (16,323)**	$ 45,746
Weighted average number of shares		**173,062,413**	172,283,597
Earnings (loss) per common share			
Basic and fully diluted	Note 7	**$ (0.13)**	$ 0.22

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

AIMIA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)		Three Months Ended March 31, 2014 (unaudited)	Three Months Ended March 31, 2013 (unaudited)
Net earnings (loss) for the period		**$ (16,323)**	$ 45,746
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss)			
Foreign currency translation adjustments on consolidation of foreign operations		**24,061**	(4,297)
Change in fair value of available-for-sale investments, net of tax	Notes 18 & 19	**(4,076)**	—
Items that will not be reclassified subsequently to net earnings (loss)			
Defined benefit plans actuarial gains (losses), net of tax	Note 19	**(100)**	107
Other comprehensive income (loss) for the period		**19,885**	(4,190)
Comprehensive income for the period		**$ 3,562**	$ 41,556
Comprehensive income attributable to:			
Equity holders of the Corporation		**2,587**	36,286
Non-controlling interests		**975**	5,270
Comprehensive income for the period		**$ 3,562**	$ 41,556

AIMIA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		March 31,	December 31,
(in thousands of Canadian dollars)		2014	2013
		(unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents		**$ 623,204**	$ 449,108
Restricted cash		**33,023**	33,721
Short-term investments		**55,803**	60,654
Income taxes receivable	Note 12	**106,722**	109,529
Accounts receivable		**445,652**	413,538
Inventories		**9,903**	10,226
Prepaid expenses		**56,172**	58,300
Cash held in escrow	Notes 3 & 6	**5,494**	5,674
		1,335,973	1,140,750
Long-term assets			
Cash held in escrow	Notes 3 & 6	**2,212**	3,744
Long-term investments	Note 5	**357,708**	360,588
Equity-accounted investments	Note 4	**127,824**	105,414
Property and equipment		**30,372**	26,915
Intangible assets	Note 19	**1,655,514**	1,674,056
Goodwill		**2,041,306**	2,027,129
		$ 5,550,909	$ 5,338,596
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 441,779**	$ 482,820
Provisions	Note 11	**41,000**	—
Customer deposits		**91,759**	77,215
Deferred revenue	Note 10	**1,671,403**	1,747,982
Current portion of long-term debt		**150,000**	150,000
		2,395,941	2,458,017
Long-term liabilities			
Provisions	Note 11	**9,000**	50,000
Long-term debt		**645,285**	644,853
Pension and other long-term liabilities		**39,570**	46,006
Deferred income taxes	Note 12	**113,691**	121,074
Deferred revenue	Note 10	**1,452,912**	1,245,736
		4,656,399	4,565,686
Total equity attributable to equity holders of the Corporation	Note 15	**889,497**	768,872
Non-controlling interests		**5,013**	4,038
Total equity		**894,510**	772,910
		$ 5,550,909	$ 5,338,596
Contingencies and commitments	Notes 13 & 16		

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 interim financial statements.

AIMIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2013 and 2014 (unaudited)		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, 2012		172,257,314	$ 1,683,456	$ (1,542,700)	$ (24,636)	$ 1,218,427	$ 1,334,547	$ (9,877)	$ 1,324,670
Total comprehensive income (loss) for the period									
Net earnings for the period				40,527			40,527	5,219	45,746
Other comprehensive income (loss):									
Foreign currency translation adjustments on consolidation of foreign subsidiaries					(4,348)		(4,348)	51	(4,297)
Defined benefit plans actuarial gains, net of tax	Note 19			107			107		107
Total comprehensive income (loss) for the period		—	—	40,634	(4,348)	—	36,286	5,270	41,556
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options		117,321	1,688			(360)	1,328		1,328
Quarterly dividends, common and preferred	Note 14			(30,392)			(30,392)		(30,392)
Accretion related to other stock-based compensation plans						1,428	1,428		1,428
Total contributions by and distributions to owners		117,321	1,688	(30,392)	—	1,068	(27,636)	—	(27,636)
Balance, March 31, 2013		**172,374,635**	**$ 1,685,144**	**$ (1,532,458)**	**$ (28,984)**	**$ 1,219,495**	**$ 1,343,197**	**$ (4,607)**	**$ 1,338,590**
Balance, December 31, 2013		**172,970,396**	**$ 1,693,791**	**$ (2,181,156)**	**$ 34,705**	**$ 1,221,532**	**$ 768,872**	**$ 4,038**	**$ 772,910**
Total comprehensive income (loss) for the period									
Net earnings (loss) for the period				**(17,299)**			**(17,299)**	**976**	**(16,323)**
Other comprehensive income:									
Foreign currency translation adjustments on consolidation of foreign subsidiaries					**24,062**		**24,062**	**(1)**	**24,061**
Change in fair value of available-for-sale investments, net of tax	Notes 18 & 19				**(4,076)**		**(4,076)**		**(4,076)**
Defined benefit plans actuarial losses, net of tax	Note 19			**(100)**			**(100)**		**(100)**
Total comprehensive income (loss) for the period		**—**	**—**	**(17,399)**	**19,986**	**—**	**2,587**	**975**	**3,562**
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options		**387,022**	**5,018**			**(884)**	**4,134**		**4,134**
Preferred shares issued, net of issue costs	Note 15		**147,042**				**147,042**		**147,042**
Quarterly dividends, common and preferred	Note 14			**(34,197)**			**(34,197)**		**(34,197)**
Accretion related to other stock-based compensation plans						**1,059**	**1,059**		**1,059**
Total contributions by and distributions to owners		**387,022**	**152,060**	**(34,197)**	**—**	**175**	**118,038**	**—**	**118,038**
Balance, March 31, 2014		**173,357,418**	**$ 1,845,851**	**$ (2,232,752)**	**$ 54,691**	**$ 1,221,707**	**$ 889,497**	**$ 5,013**	**$ 894,510**

AIMIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)		Three Months Ended March 31, 2014 (unaudited)	Three Months Ended March 31, 2013 (unaudited)
CASH FLOWS FROM (USED IN)			
Operating activities			
Net earnings (loss) for the period		**$ (16,323)**	$ 45,746
Adjustments for:			
Depreciation and amortization		**44,478**	30,627
Stock-based compensation		**1,677**	3,865
Share of net (earnings) loss of equity-accounted investments	Note 4	**(979)**	1,722
Net financing costs		**9,948**	7,730
Income tax expense (recovery)		**(1,614)**	16,957
Changes to operating assets and liabilities	Note 19	**62,806**	(89,473)
Other		**(497)**	2,046
		115,819	(26,526)
Cash generated from operating activities		**99,496**	19,220
Interest received		**2,357**	2,380
Interest paid		**(17,497)**	(14,628)
Income taxes paid		**(2,234)**	(7,424)
Net cash from (used in) operating activities		**82,122**	(452)
Investing activities			
Cash held in escrow	Note 6	**355**	—
Investments in equity-accounted investments	Note 4	**(17,479)**	—
Short-term investments		**—**	27,297
Long-term investments	Note 5	**—**	(314)
Additions to property, equipment, software and technology		**(21,640)**	(9,085)
Net cash from (used in) investing activities		**(38,764)**	17,898
Financing activities			
Quarterly dividends	Note 14	**(34,197)**	(30,392)
Issuance of common shares		**4,134**	1,328
Issuance of preferred shares	Note 15	**150,000**	—
Issue costs	Note 15	**(4,028)**	—
Net cash from (used in) financing activities		**115,909**	(29,064)
Net change in cash and cash equivalents		**159,267**	(11,618)
Translation adjustment related to cash		**14,829**	(9,497)
Cash and cash equivalents, beginning of period		**449,108**	497,976
Cash and cash equivalents, end of period		**$ 623,204**	$ 476,861

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

THESE NOTES CONTAIN THE FOLLOWING SECTIONS:

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

1. STRUCTURE OF THE CORPORATION

Aimia Inc. ("Aimia" or the "Corporation") 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 525 Viger Avenue West, Suite 1000, Montreal, Québec, Canada, H2Z 0B2.

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

In Canada, Aimia owns and operates the Aeroplan Program, a premier coalition loyalty program. In EMEA, Aimia owns and operates the following coalition loyalty programs: Nectar UK, Nectar Italia, and Air Miles Middle East through a 60% ownership interest. Aimia's EMEA segment also provides data driven analytics and insights services in the UK and internationally to retailers and their suppliers, through ISS and its 50% participation in i2c, a joint venture with Sainsbury's. In addition, Aimia develops analytical tools to provide services to clients globally to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment. In each of the regions, Aimia provides proprietary loyalty services, including loyalty program strategy, design, launch and operation. In addition, Aimia has strengthened its product offering through the acquisition of Smart Button in the US, which offers clients a turnkey, feature rich, software as a service loyalty solution.

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 and a 50% interest in, and jointly controls with Multiplus S.A., Prismah, a company formed to offer loyalty services in Brazil. Additionally, Aimia holds investments in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program, and China Rewards, a Chinese based retail coalition loyalty program start-up, as well as a minority interest in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking. These investments are reported under Corporate in the segmented information.

On April 10, 2014, Aimia acquired a 25% stake in Travel Club, a coalition loyalty program in Spain (*Note 20*).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

(a) Statement of Compliance

These condensed unaudited consolidated interim financial statements ("interim financial statements") were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and in compliance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Accordingly, certain information and notes disclosures normally included in the audited annual consolidated financial statements, have been omitted or condensed. These interim financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2013.

The interim financial statements include all adjustments considered necessary by management to fairly state the Corporation's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

These interim financial statements were authorized for issue by the Corporation’s Board of Directors on May 13, 2014.

(b) Basis of Measurement

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

- Investments in equity instruments are measured at fair value (*Notes 5 and 18*);
- 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 considerations related to business acquisitions are measured at fair value (*Note 18*).

(c) Functional and Presentation Currency

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

(d) Use of Estimates and Judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in *Note 2* of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2013.

(e) Accounting Policies

These interim financial statements have been prepared using the same accounting policies as those presented in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2013, except as described below.

Changes in Accounting Policies

The Corporation has adopted the following revised standard, effective January 1, 2014.

IAS 32 Amendment, Clarification of Offsetting Requirements

IAS 32- *Financial Instruments: Presentation* was amended to clarify certain requirements for offsetting financial assets and liabilities. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

SEASONALITY OF OPERATIONS

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 fulfillment component of the business compared to that of the Aeroplan Program and the Nectar Program.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

3. BUSINESS ACQUISITIONS

SMART BUTTON ASSOCIATES, INC.

On July 17, 2013, Aimia purchased all outstanding common shares of Smart Button, which offers clients a turnkey, feature rich, software as a service loyalty solution, for a total purchase price of $19.8 million (US$19.0 million). Of this amount, $9.6 million (US$9.2 million) was paid with cash on hand on the acquisition date, $4.2 million (US$4.0 million) represents the fair value of a contingent consideration payable upon the achievement of a revenue target in 2015 (*Note 18*) and $6.0 million (US$5.8 million) was placed in escrow. Of the amount placed in escrow, $4.2 million (US$4.0 million) represents deferred compensation payable to certain selling shareholders *(Note 6)*.

The deferred compensation is accrued on a straight line basis over the vesting periods as compensation expense in the general and administrative expenses of Aimia's consolidated financial statements and was excluded from the total consideration to be allocated.

Purchase price	
Total consideration	**19,808**
Deferred compensation	(4,170)
Total consideration to allocate	**15,638**

In order to complete the transaction, Aimia incurred approximately $0.6 million (US$0.5 million) of acquisition-related costs during the third quarter of 2013 which were included in general and administrative expenses.

The final allocation was completed during the fourth quarter of 2013.

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	726
Technology	10,122
Customer relationships	1,282
Other intangibles	887
Other identifiable assets	905
Deferred income taxes	(4,786)
Other identifiable liabilities	(1,085)
Total identifiable net assets (liabilities)	**8,051**
Goodwill	7,587
Total	**15,638**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

4. EQUITY-ACCOUNTED INVESTMENTS

As at	March 31, 2014	December 31, 2013
Investment in PLM Premier, S.A.P.I. de C.V.	102,821	97,156
Other equity-accounted investments in joint ventures [(a)]	20,828	4,099
Equity-accounted investments in associates	4,175	4,159
Total	**127,824**	105,414

(a) On February 6, 2014, Aimia invested $17.1 million (RM$51.1 million), with up to an additional $7.4 million (RM$21.9 million) to be invested if certain milestones are achieved by December 31, 2015, in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program.

Share of net earnings (loss) of equity-accounted investments	Three Months Ended March 31, 2014	2013
Investment in PLM Premier, S.A.P.I. de C.V.	2,412	(979)
Other equity-accounted investments in joint ventures	(911)	(743)
Equity-accounted investments in associates	(522)	—
Total	**979**	(1,722)

5. LONG-TERM INVESTMENTS

	March 31, 2014	December 31, 2013
Investments in equity instruments [(a)]	88,702	90,937
Investment in corporate and government bonds *(Note 9)* [(b)]	269,006	269,651
Total	**357,708**	360,588

(a) Includes the investment in Cardlytics and an investment in Air Canada Class B shares (*Notes 8 & 18*).

(b) The investment in corporate and government bonds amounted to $309.8 million at March 31, 2014 (December 31, 2013: $310.5 million) of which $40.8 million was classified as short-term investments (December 31, 2013: $40.8 million) and $269.0 million as long-term investments (December 31, 2013: $269.7 million).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

6. CASH HELD IN ESCROW

A) ACQUISITION OF EIM

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.

On December 13, 2013, the amount of $2.0 million (US$1.9 million) related to the contingent consideration was released from escrow upon the achievement of the performance target. Of this amount, $1.6 million (US$1.5 million) was released to the selling shareholders and $0.4 million (US$0.4 million), 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.

On March 24, 2014, an amount of $1.8 million (US$1.6 million), representing a portion of the amount placed in escrow to cover potential indemnification claims, was released from escrow. Of this amount, $1.4 million (US$1.3 million) was released to the selling shareholders and $0.4 million (US$0.3 million), 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.

B) ACQUISITION OF SMART BUTTON *(NOTE 3)*

On July 17, 2013, pursuant to the acquisition agreement, an amount of $6.0 million (US$5.8 million) was placed in escrow, representing $1.8 million (US$1.8 million) to cover working capital adjustments and potential indemnification claims and $4.2 million (US$4.0 million) related to deferred compensation payable to certain selling shareholders in two equal payments of US$2.0 million on December 31, 2014 and December 31, 2015 provided that they remain employed with Aimia at such times.

On February 13, 2014, an amount of $0.3 million (US$0.3 million) was released from escrow to the selling shareholders as a result of the completion of the working capital audit.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

7. EARNINGS (LOSS) PER COMMON SHARE

	Three Months Ended March 31,	
	2014	2013
Net earnings (loss) attributable to equity holders of the Corporation	**(17,299)**	40,527
Less: Dividends declared on preferred shares	**(4,730)**	(2,803)
Net earnings (loss) attributable to common shareholders	**(22,029)**	37,724
Weighted average number of basic and diluted common shares	**173,062,413**	172,283,597
Earnings (loss) per common share – Basic and fully diluted	**$ (0.13)**	$ 0.22

8. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Air Canada and three 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:

		Three Months Ended March 31,	
	Operating segment	2014	2013
		%	%
Air Canada	Canada	8	11
Accumulation Partner A	Canada	9	23
Accumulation Partner B	EMEA	13	14
Accumulation Partner C	Canada	26	2

NEW FINANCIAL CARD AGREEMENTS

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD has become Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards. The financial credit card agreement with TD includes a $100.0 million upfront contribution payable by TD to Aimia to help fund program enhancements effective as of January 1, 2014. The contribution was received in full on January 2, 2014, and consequently recorded in deferred revenue. The

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

contribution will be recognized as revenue over the term of the agreement in accordance with Aimia's accounting policy for the sale of Loyalty Units (*Note 2*).

On September 16, 2013, Aimia also entered into an asset purchase agreement with TD and CIBC. These agreements were subject to certain regulatory approvals and other closing conditions, all of which were fulfilled on December 27, 2013. Pursuant to this agreement, TD acquired on December 27, 2013 approximately half of the Aeroplan credit card portfolio from CIBC and CIBC retained the balance, comprised of Aeroplan cardholders who have broader banking relationships with CIBC. As a result, a payment of $150.0 million in relation to the sale of approximately half of the Aeroplan card portfolio to TD, was made by Aimia to CIBC and recorded in general and administrative expenses during the fourth quarter of 2013. Concurrent with the asset purchase agreement, the parties entered into a migration agreement. Depending on the net migration of Aeroplan-branded credit card accounts between CIBC and TD over the first five years of the agreement (meaning the net amount of cardholders retained by CIBC who choose to move to TD and the cardholders purchased by TD who choose to move to CIBC), TD, Aimia and CIBC have agreed to make payments of up to $400.0 million. Aimia will be responsible for, or entitled to receive, up to $100.0 million of these payments over five years. During the fourth quarter of 2013, a provision totaling $50.0 million was recorded, representing management's best estimate of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over five years. There was no change to this provision for the three months ended March 31, 2014 (*Note 11*). In accordance with the migration agreement, the payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made within the first 45 days of each year, with the first payment being due in 2015.

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:

	Three Months Ended March 31,	
	2014	2013
	%	%
Air Canada (and other Star Alliance Partners)	47	43

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aimia 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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, 2013, Aeroplan is required to purchase reward travel seats amounting to approximately $424.2 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.

AIR CANADA WARRANTS AND CLASS B SHARES

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

On July 24, 2013, Aimia exercised 1,250,000 warrants at a price of $1.51 each and acquired a corresponding number of Air Canada Class B shares for cash consideration of $1.9 million. The fair value of these warrants amounted to $0.9 million on July 24, 2013. On October 16, 2013, Aimia exercised the remaining 1,250,000 warrants at a price of $1.44 each and acquired a corresponding number of Air Canada Class B shares for cash consideration of $1.8 million. The fair value of these warrants amounted to $4.4 million on October 16, 2013.

The investment in Air Canada Class B shares is presented in long-term investments (*Note 5*) and is accounted for as an available-for-sale investment, measured at fair value with changes recognized in other comprehensive income. At March 31, 2014, the fair value of Air Canada Class B shares amounted to $13.8 million (December 31, 2013: $18.5 million).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

9. 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. To date, Aimia has not used the funds held in the Reserve. At March 31, 2014, the Reserve amounted to $300.0 million and was included in short-term investments and long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At March 31, 2014, the Reserve was invested in corporate, federal and provincial bonds.

10. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Other		Total	
As at	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Opening balance	**2,931,713**	2,188,044	**62,005**	65,614	**2,993,718**	2,253,658
Loyalty Units issued – Gross Billings	**548,663**	1,711,376	**—**	—	**548,663**	1,711,376
Other – Gross Billings	**—**	—	**168,545**	655,073	**168,545**	655,073
Revenue recognized	**(441,711)**	(1,018,761)	**(167,225)**	(654,787)	**(608,936)**	(1,673,548)
Foreign currency and other adjustments	**18,637**	51,054	**3,688**	(3,895)	**22,325**	47,159
Ending balance	**3,057,302**	2,931,713	**67,013**	62,005	**3,124,315**	2,993,718
Represented by:						
Current portion [(a)]	**1,605,490**	1,687,291	**65,913**	60,691	**1,671,403**	1,747,982
Long-term	**1,451,812**	1,244,422	**1,100**	1,314	**1,452,912**	1,245,736

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

CHANGES IN THE BREAKAGE ESTIMATE

The Breakage estimate in the Aeroplan Program was revised from 18% to 11% due to the program enhancements announced on June 27, 2013, specifically to reflect the expectation of an increase in member engagement and the cancellation of the seven-year mileage redemption expiry. The impact of the change in the Breakage estimate resulted in a reduction of $663.6 million to revenue from Loyalty Units and a corresponding increase to deferred revenue during the three and six months ended June 30, 2013, of which $617.0 million is attributable to the years prior to 2013, $25.1 million to the three months ended March 31, 2013 and $21.5 million to the three months ended June 30, 2013.

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 potential redemption cost for such Loyalty Units is estimated to be $792.9 million at March 31, 2014.

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 $149.6 million for the period in which the change occurred, with $144.7 million relating to prior years and $4.9 million relating to the current three month period.

11. PROVISIONS

A) ASSET PURCHASE AGREEMENT *(NOTE 8)*

In relation to the asset purchase and migration agreements with TD and CIBC and the net migration of Aeroplan-branded credit card accounts between CIBC and TD, a provision totaling $50.0 million was recorded in general and administrative expenses during the fourth quarter of 2013. At this time, the provision represents management's best estimate.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

B) VAT LITIGATION

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

On October 7, 2010, the Europeen Court of Justice ("ECJ") ruled against Aimia EMEA Limited and in favour of HMRC. The case was 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. On March 13, 2013, the UK Supreme Court issued its judgment. While the ruling was in favour of Aimia EMEA Limited, the UK Supreme Court asked for further written submissions from both Aimia EMEA Limited and HMRC to fully determine the case.

For the three months ended March 31, 2013, $2.1 million (£1.4 million) had been recorded in cost of rewards and $1.1 million (£0.7 million) had been recorded in interest expense.

On June 20, 2013, the UK Supreme Court issued its final judgment in favour of Aimia. As a result, an amount of $161.3 million (£101.1 million) was reversed from the provision to net earnings during the second quarter of 2013. Of this amount, $142.4 million (£89.3 million) related to cost of rewards and represented input tax credits relating to the supply of goods claimed historically and to date, $17.3 million (£10.8 million) related to interest expense and $1.6 million (£1.0 million) to operating expenses as it represented legal fees. At the same time, the accounts receivable of $67.5 million (£42.3 million) which would have been due from certain Redemption Partners in the event of Aimia EMEA Limited losing the case was also released to cost of rewards.

Additionally, as set out in the agreement at the time of acquisition, an amount of $7.2 million (£4.5 million) relating to a provision payable to certain employees in the event of a favourable judgment as well as an amount of $43.2 million (£27.1 million) relating to the contingent consideration payable to the former shareholders of Aimia EMEA Limited were recorded in accounts payable and general and administrative expenses for the period ending June 30, 2013. The contingent consideration payable was settled on July 19, 2013 upon the release of the funds held in escrow to the former shareholders of Aimia EMEA Limited.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

12. INCOME TAXES

CANADA REVENUE AGENCY NOTICE OF REASSESSMENT

On August 30, 2013, Aimia received a notice of reassessment from the Canada Revenue Agency ("CRA") with respect to the taxation year ended December 31, 2008. The reassessment relates to the timing of recognition for tax purposes of deferred revenues from Breakage. Aimia recognizes the deferred revenue from Breakage for tax purposes in the same manner as for accounting purposes. The CRA is of the view that Aimia should recognize for tax purposes all of its deferred revenue from Breakage in the year that it is billed. The impact of this reassessment is to increase taxable income at December 31, 2008 by $222.5 million, representing the deferred Breakage revenue balance reflected in the accounts at December 31, 2008, with a corresponding increase in current income tax liability of $54.0 million. Interest and penalties of $24.0 million were also assessed.

This difference in income inclusion for tax purposes versus the method adopted for accounting purposes represents a temporary difference which would give rise to a deferred income tax recovery asset of $43.0 million.

Management is of the view that there is a strong case to support its filed position and has contested the reassessment through the CRA administrative appeals procedures. On February 11, 2014, as required under the relevant tax laws, the Corporation issued a letter of credit to the CRA in the amount of $41.3 million. This letter of credit acts as security for the reassessment and it will be released back to the Corporation upon the successful defence of its filing position.

Since management believes that it is more likely than not that its position will be sustained, no amounts related to this issue have been recorded in the financial statements as of March 31, 2014.

13. 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 March 31, 2014, Aimia's maximum exposure under such guarantees was estimated to amount to $210.7 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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. That motion was the first procedural step before any class action could be instituted. A notice of the judgment authorizing the class action was published on April 6, 2013.

On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts 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. The parties have agreed upon a timetable for procedural matters leading up to readiness for trial. The next step is for Aimia to file its defence. Management does not expect a ruling on the merits for at least 2 years.

Management has identified a strong defence to this class action lawsuit and believes that it is more likely than not that its position will be sustained, consequently, no liability has been recognized in these financial statements. If the ultimate resolution of this class action lawsuit differs from this 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.

14. DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the three months ended March 31, 2014 and 2013 were as follows:

	2014		2013 [(a)]	
	Amount	Per common share	Amount	Per common share
March	29,467	0.170	27,589	0.160

(a) On May 13, 2013, the Board of Directors of Aimia approved an increase to the common share dividend from $0.160 to $0.170 per share per quarter.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

Quarterly dividends declared to preferred shareholders of Aimia during the three months ended March 31, 2014 and 2013 were as follows:

	2014		2013	
	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March	2,803	0.40625	2,803	0.40625
Series 3				
March	1,927	0.32110	N/A	N/A

On May 13, 2014, the Board of Directors of Aimia approved an increase to the annual common share dividend from $0.68 to $0.72 per share and declared quarterly dividends of $0.18 per common share, $0.40625 per Series 1 preferred share and $0.390625 per Series 3 preferred share (*Note 15*), in each case payable on June 30, 2014.

15. CAPITAL STOCK

PREFERRED SHARES, SERIES 3

On January 15, 2014, pursuant to a prospectus supplement dated January 8, 2014, Aimia issued 6,000,000 Cumulative Rate Reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares"), including 1,000,000 Series 3 Preferred Shares that were issued upon the exercise in full of the underwriters' option to purchase additional shares, for total cash consideration of $146.0 million, net of issue costs of $4.0 million. Additionally, a related income tax recovery of $1.0 million was recorded. Holders of the Series 3 Preferred Shares will be entitled to receive, as and when declared, a cumulative quarterly fixed dividend yielding 6.25% annually for the initial five-year period, subject to a rate reset on March 31, 2019 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.20%. The net proceeds of the issue were used by Aimia to supplement its financial resources and for general corporate purposes.

Holders of Series 3 Preferred Shares will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 4 (the “Series 4 Preferred Shares”), subject to certain conditions, on March 31, 2019 and on March 31 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.20%.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

NORMAL COURSE ISSUER BID

On May 13, 2013, Aimia received approval from the Toronto Stock Exchange and announced the renewal of its NCIB to purchase up to 17,212,126 of its issued and outstanding common shares during the period from May 16, 2013 to no later than May 15, 2014.

No shares were repurchased during the period from May 16, 2013 to March 31, 2014.

On May 13, 2014, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 15,530,762 of its issued and outstanding common shares during the period from May 16, 2014 to no later than May 15, 2015.

16. 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,	
2014	17,643
2015 to 2018	48,139
Thereafter	43,479
Total	**109,261**

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	39,062
Marketing support and other	332,446

Under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. At March 31, 2014, Aimia complied with all such covenants.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

17. SEGMENTED INFORMATION

At March 31, 2014, 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 Group Chief Executive and Group Chief Operating Officer review 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 US & APAC regions have been combined on the basis that they meet the aggregation criteria prescribed under IFRS 8 - *Operating Segments*.

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 analytics and insights services, including ISS.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. Management of global shared services and share-based compensation is centralized and, consequently, these expenses are not allocated to the operating segments.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

The table below summarizes the relevant financial information by operating segment:

	Three Months Ended March 31,											
(in thousands of Canadian dollars)	2014	2013[g]	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013[g]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**432,768** *(f)*	307,117	**186,966** *(c)*	173,746 *(c)*	**97,711** *(c)*	80,558 *(c)*	**—**	—	**(237)**	(306)	**717,208** *(c)(f)*	561,115 *(c)*
Gross Billings from the sale of Loyalty Units	**384,548** *(f)*	256,604	**164,115**	156,745	**—**	—	**—**	—	**—**	—	**548,663** *(f)*	413,349
Revenue from Loyalty Units	**305,955**	320,814	**135,756**	140,290	**—**	—	**—**	—	**—**	—	**441,711**	461,104
Revenue from proprietary loyalty services	**38,310**	38,820	**5,868**	3,719	**95,071**	80,528	**—**	—	**—**	—	**139,249**	123,067
Other revenue	**10,948**	12,017	**17,028**	13,315	**—**	—	**—**	—	**—**	—	**27,976**	25,332
Intercompany revenue	**—**	—	**65**	69	**172**	237	**—**	—	**(237)**	(306)	**—**	—
Total revenue	**355,213**	371,651	**158,717**	157,393	**95,243**	80,765	**—**	—	**(237)**	(306)	**608,936**	609,503
Cost of rewards and direct costs	**241,597**	202,780	**108,775**	106,413	**54,150**	44,215	**—**	—	**—**	—	**404,522**	353,408
Depreciation and amortization [a]	**36,176**	23,817	**5,299**	4,038	**3,003**	2,772	**—**	—	**—**	—	**44,478**	30,627
Gross margin	**77,440**	145,054	**44,643**	46,942	**38,090**	33,778	**—**	—	**(237)**	(306)	**159,936**	225,468
Operating expenses before the undernoted	**59,586**	54,379	**42,948**	39,227	**45,215**	39,994	**19,715**	16,154	**(237)**	(306)	**167,227**	149,448
Share-based compensation	**—**	—	**—**	—	**—**	—	**1,677**	3,865	**—**	—	**1,677**	3,865
Total operating expenses	**59,586**	54,379	**42,948**	39,227	**45,215**	39,994	**21,392**	20,019	**(237)**	(306)	**168,904**	153,313
Operating income (loss) [h]	**17,854**	90,675	**1,695**	7,715	**(7,125)**	(6,216)	**(21,392)**	(20,019)	**—**	—	**(8,968)**	72,155
Additions to non-current assets [d]	**16,258**	5,311	**5,034**	3,370	**348**	404	**—**	—	**N/A**	N/A	**21,640**	9,085
Non-current assets [d]	**3,108,161**	3,170,935	**538,466** *(e)*	451,357 *(e)*	**78,185** *(e)*	77,014 *(e)*	**2,380**	2,199	**N/A**	N/A	**3,727,192** *(e)*	3,701,505 *(e)*

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

(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.

(c) Includes third party Gross Billings of $156.7 million in the UK and $55.6 million in the US for the three months ended March 31, 2014, compared to third party Gross Billings of $133.4 million in the UK and $54.3 million in the US for the three months ended March 31, 2013. 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 include amounts relating to goodwill, intangible assets and property and equipment.

(e) Includes non-current assets of $483.6 million in the UK and $69.4 million in the US as of March 31, 2014, compared to non-current assets of $402.2 million in the UK and $70.7 million in the US as of March 31, 2013.

(f) Includes a $100.0 million upfront contribution received from TD to help fund Aeroplan's program enhancements (*Note 8*).

(g) The financial information for the three months ended March 31, 2013 does not include any effect related to the change in Breakage estimate which occurred in the second quarter of 2013 in the Aeroplan Program (*Note 10*).

(h) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the three months ended March 31, 2014 and March 31, 2013 is presented in the consolidated statements of operations.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

	Hierarchy	March 31, 2014	December 31, 2013
Financial assets			
Air Canada Class B shares	Level 1	**13,825**	18,525
Investments in equity instruments (excluding Air Canada shares)	Level 3	**74,877**	72,412
Financial liabilities			
Contingent considerations payable (*Note 3*)	Level 3	**4,423**	4,278

The fair value of the investments in equity instruments, excluding Air Canada Class B shares, 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 March 31, 2014. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at March 31, 2014, the fair value of investments in equity instruments were determined to approximate cost.

The fair value of the contingent consideration payable related to the Smart Button acquisition *(Note 3)* was determined on the basis of management's best estimate and could represent a maximum of US$5.0 million.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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 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.

		March 31, 2014		December 31, 2013	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	309,759	319,513	310,460	318,442
Long-term debt (including current portion)	Level 1	795,285	859,913	794,853	846,553

19. ADDITIONAL FINANCIAL INFORMATION

The following sections provide additional information regarding certain primary financial statement captions:

A) STATEMENTS OF FINANCIAL POSITION

INTANGIBLE ASSETS

	March 31, 2014	December 31, 2013
Accumulation partners' contracts and customer relationships	**1,106,362**	1,135,507
Software and technology	**138,267**	133,210
Trade names	**407,762**	402,247
Other intangibles	**3,123**	3,092
Total	**1,655,514**	1,674,056

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

B) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Three Months Ended March 31,	
	2014	2013
Restricted cash	**1,260**	(817)
Accounts receivable	**(14,559)**	(14,330)
Inventories	**1,540**	5,819
Prepaid expenses	**3,484**	1,159
Accounts payable and accrued liabilities	**(51,024)**	(28,191)
Customer deposits	**11,974**	(1,050)
Provisions	**—**	2,089
Pensions and other long-term liabilities	**96**	1,036
Deferred revenue	**110,035**	(55,188)
Total	**62,806**	(89,473)

C) STATEMENTS OF COMPREHENSIVE INCOME

The defined benefit plans actuarial losses for the three months ended March 31, 2014 were net of deferred income tax recoveries of $0.04 million, compared to deferred income tax expenses of $0.04 million for the three months ended March 31, 2013.

The changes in fair value of available-for-sale investments for the three months ended March 31, 2014 were net of deferred income tax recoveries of $0.6 million.

20. SUBSEQUENT EVENTS

On April 10, 2014, Aimia acquired a 25% stake in Travel Club, a coalition loyalty program in Spain, for a total cash consideration of approximately $4.0 million.

On May 9, 2014, 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, 2018.

Subsequent to March 31, 2014, Aimia collected an amount of $83.4 million from the CRA related to the income tax refund of loss carry back applied in Canada recorded as an income tax receivable for the three months ended March 31, 2014 and the year ended December 31, 2013.