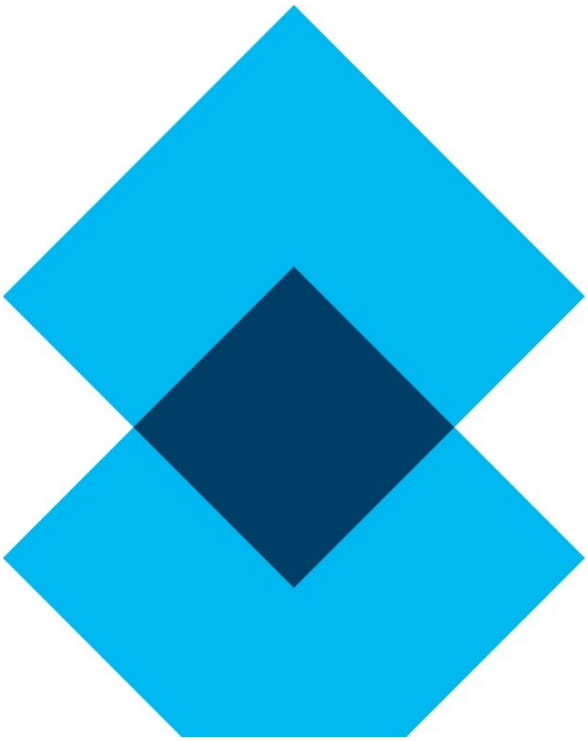
AIMIA
INSPIRING LOYALTY

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

For the three months ended March 31, 2014 and 2013



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

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

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

The MD&A is prepared as at May 13, 2014 and and should be read in conjunction with the accompanying interim consolidated financial statements of Aimia for the three months ended March 31, 2014 and the notes thereto, the audited consolidated financial statements of Aimia for the year ended December 31, 2013 and the notes thereto, the annual management discussion and analysis for Aimia (the "2013 MD&A"), and Aimia's Management Information Circular and Annual Information Form, respectively dated March 14 and March 20, 2014.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would" and "should",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, changes to the Aeroplan Program, failure to safeguard databases and consumer privacy, 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, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third-party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of May 13, 2014, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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

THIS MD&A CONTAINS THE FOLLOWING SECTIONS:

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

GLOSSARY

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

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

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

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

"Aimia" or the "Corporation" - means Aimia Inc., and where the context requires, includes its subsidiaries and affiliates;

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

"Breakage" - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment. Management's consolidated weighted average breakage estimate at March 31, 2014 is 12% (March 31, 2013: 17%), and is calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs;

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

"Broken Miles" - means the Aeroplan Miles issued, but not expired and not expected to be redeemed;

"Card Migration Provision" - means the provision in relation to the net migration of Aeroplan-branded credit card account between CIBC and TD as described under the *NEW FINANCIAL CARD AGREEMENTS* section;

"Cardlytics" - means Cardlytics, Inc., a US-based private company operating in card-linked marketing for electronic banking;

"CIBC Payment" - means the payment of $150.0 million made to CIBC by Aimia on December 27, 2013 in relation to the sale of approximately half of the Aeroplan card portfolio to TD in accordance with the asset purchase agreement as described under the *NEW FINANCIAL CARD AGREEMENTS* section;

"Change in Future Redemption Costs" - means the change in the estimated Future Redemption Cost liability for any quarter (for interim periods) or fiscal year (for annual reporting purposes). For purposes of this calculation, the opening balance of the Future Redemption Cost liability is revalued by retroactively applying to all prior periods the latest available Average Cost of Rewards per Loyalty Unit, experienced during the most recent quarter (for interim periods) or fiscal year (for annual reporting purposes). It is calculated by multiplying the change in estimated unbroken Loyalty Units outstanding between periods by the Average Cost of Rewards per Loyalty Unit for the period;

"Commercial Partners" - means Accumulation Partners and Redemption Partners;

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

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

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

"Gross Billings" - means gross proceeds from the sale of Loyalty Units, from proprietary loyalty services, analytics and insights services and from other services rendered or to be rendered;

"Gross Billings from the sale of Loyalty Units" - means gross proceeds from the sale of Loyalty Units;

"IFRS" - means International Financial Reporting Standards;

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

"i2c" - means Insight 2 Communication LLP;

"Loyalty Units" - means the miles, points or other loyalty program units issued by Aimia's subsidiaries under the respective programs owned and operated by each of the entities;

"Nectar", **"Nectar UK"** or the **"Nectar Program"** - means the coalition loyalty program operated by our EMEA segment in the United Kingdom;

"Nectar Italia" or the **"Nectar Italia Program"** - means the coalition loyalty program operated by our EMEA segment in Italy;

"Nectar Points" - means the points accumulated by members under the Nectar Program;

"Nectar Italia Points" - means the points accumulated by members under the Nectar Italia Program;

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

"Prismah" - means Prismah Fidelidade S.A., a company formed to offer loyalty services in Brazil;

"Productive Capacity" - encompasses Aimia's and its subsidiaries' leading market positions and brands; strong base of members; relationship with Commercial Partners and clients; and technology and employees;

"Redemption Partners" - means Commercial Partners that offer air travel, shopping discounts or other rewards to members upon redemption of Loyalty Units;

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"Smart Button" - means Smart Button Associates, Inc., which offers clients a turnkey, feature rich, software as a service loyalty solution;

"Think Big" - means Think Big Digital Sdn Bhd, the owner and operator of BIG, AirAsia and Tune Group's loyalty program;

"Total Miles" - means all redeemable Aeroplan Miles (including Broken Miles but not Expired Miles), under the Aeroplan Program;

"Travel Club" - means Air Miles España, S.A., the owner and operator of Travel Club, a Spanish coalition loyalty program.

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

OVERVIEW

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

In Canada, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, Nectar Italia, Italy's largest coalition loyalty program and Air Miles Middle East, the leading coalition loyalty program in the UAE, Qatar and Bahrain, 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.

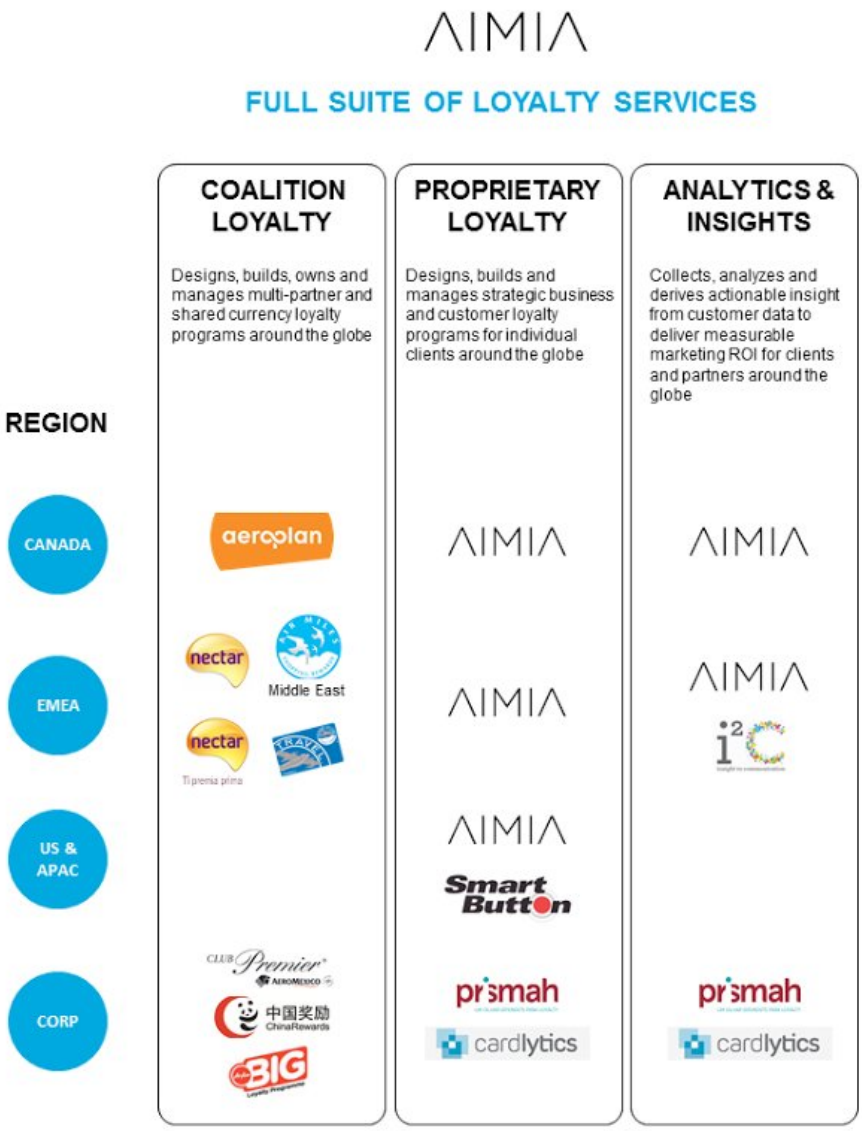
Aimia holds a 48.9% interest in, and jointly controls with Grupo Aeromexico, PLM, owner and operator of Club Premier, a Mexican coalition loyalty program and a 50% interest in, and jointly controls with Multiplus S.A., Prismah, a company formed to offer loyalty services in Brazil. Additionally, Aimia 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.

Aimia also holds a 25% stake in Travel Club, Spain's leading coalition loyalty program. Please refer to the *SUBSEQUENT EVENTS* section for more information.

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

REGIONAL STRUCTURE AND LOYALTY SERVICES

The following chart illustrates Aimia's regional reporting structure and full suite of loyalty services:



Notes:

- *The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.*
- *As at March 31, 2014 Aimia owned 60% of Air Miles Middle East, 50% of Prismah, 50% of i2c, 48.9% of Club Premier, investments in Think Big and China Rewards and a minority interest in Cardlytics. All other businesses listed above are owned 100% by Aimia.*
- *Analytics and Insights incorporates ISS and i2c. Although ISS offers services in each of the regions, for reporting purposes, its results are reported in the EMEA segment only.*
- *Through its strategic alliance, Aimia works with Cardlytics to offer card-linked marketing services for electronic banking in each of our regions other than the US. As at March 31, 2014, the investment in Cardlytics was reported in Corporate and accounted for as an available-for-sale investment.*
- *On April 10, 2014, Aimia acquired a 25% stake in Travel Club, Spain's leading coalition loyalty program.*

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STRATEGY

Please refer to the corresponding section of the 2013 MD&A to review Aimia's strategy.

PERFORMANCE INDICATORS

GROSS BILLINGS

Aimia derives its cash inflows primarily from the sale of Loyalty Units to Accumulation Partners with respect to its coalition loyalty programs, from proprietary loyalty services rendered or to be rendered to customers and from analytics and insights services. These inflows are referred to as “Gross Billings”.

OPERATING INCOME

Revenue

Coalition Loyalty

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

Proprietary Loyalty

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

Other

Other revenue consists of:

- analytics and insights service fees from services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment;

- charges to coalition loyalty members for various services;
- loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks; and
- the management of Air Canada's tier membership program for its most frequent flyers.

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

Cost of Rewards, Direct Costs and Operating Expenses

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

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

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

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

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

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (“ADJUSTED EBITDA”)

EBITDA adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs (“Adjusted EBITDA”), is used by management to evaluate performance and to measure compliance with debt covenants. Management believes Adjusted EBITDA assists investors in comparing Aimia's performance on a consistent basis without regard to depreciation and amortization and impairment charges, which are non-cash in nature and can vary significantly depending on accounting methods, and non-operating factors such as historical cost. Adjusted EBITDA also includes distributions and dividends received or receivable from equity-accounted investments.

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

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

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

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

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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 or receivable 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 *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILICATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

STANDARDIZED FREE CASH FLOW (“FREE CASH FLOW”)

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

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

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

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

CAPABILITY TO DELIVER RESULTS

For a review of these factors, please refer to the 2013 MD&A.

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OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the interim consolidated financial statements for the three months ended March 31, 2014 and 2013, and the related notes.

Historically, the Aeroplan Program has been marked by seasonality relating to high redemption activity in the first half of the year and high accumulation activity in the second half of the year. The Nectar Program is characterized by high redemption activity in the last quarter of the year as a result of the holiday season. While the proprietary loyalty services business is also affected by similar seasonality in the last quarter of the year, also related to the holiday season, the impact at the consolidated level is not significant due to the lower relative importance of the reward fulfillment component of the business compared to that of the Aeroplan Program and the Nectar Program.

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

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

	Three Months Ended March 31,			%△
(in thousands of Canadian dollars, except share and per share information)	2014		2013 [i]	Q1
Gross Billings	**717,208**	[f]	561,115	27.8
Gross Billings from the sale of Loyalty Units	**548,663**	[f]	413,349	32.7
Total revenue	**608,936**		609,503	(0.1)
Cost of rewards and direct costs	**(404,522)**		(353,408)	14.5
Gross margin before depreciation and amortization [a]	**204,414**		256,095	(20.2)
Depreciation and amortization	**(11,497)**		(10,320)	11.4
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(32,981)**		(20,307)	62.4
Gross margin	**159,936**		225,468	(29.1)
Operating expenses	**(168,904)**		(153,313)	10.2
Amortization of Accumulation Partners' contracts, customer relationships and technology	**32,981**		20,307	62.4
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**24,013**		92,462	(74.0)
Depreciation and amortization	**11,497**		10,320	11.4
EBITDA [a][c]	**35,510**		102,782	(65.5)
Adjustments:				
Change in deferred revenue				
Gross Billings	**717,208**		561,115	
Total revenue	**(608,936)**		(609,503)	
Change in Future Redemption Costs [b]	**(11,175)**		28,421	
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)				
Subtotal of Adjustments	**97,097**		(19,967)	
Adjusted EBITDA [c]	**132,607**	[f]	82,815	60.1
Net earnings (loss) attributable to equity holders of the Corporation	**(17,299)**		40,527	
Weighted average number of shares	**173,062,413**		172,283,597	
Earnings (loss) per common share [d]	**(0.13)**		0.22	
Net earnings (loss) attributable to equity holders of the Corporation	**(17,299)**		40,527	
Amortization of Accumulation Partners' contracts, customer relationships and technology	**32,981**		20,307	
Share of net (earnings) loss of equity-accounted investments	**(979)**		1,722	
Adjusted EBITDA Adjustments (from above)	**97,097**		(19,967)	
Tax on adjustments [e]	**(23,131)**		6,936	
Non-controlling interests share on adjustments above	**(497)**		110	
Adjusted Net Earnings[c]	**88,172**	[g]	49,635	77.6
Adjusted Net Earnings per common share [c][d]	**0.48**	[g]	0.27	
Cash flow from operations	**82,122**	[f][h]	(452)	
Capital expenditures	**(21,640)**		(9,085)	
Dividends	**(34,197)**		(30,392)	
Free Cash Flow [c]	**26,285**	[f][h]	(39,929)	**
Total assets	**5,550,909**		5,162,271	
Total long-term liabilities	**2,260,458**		1,695,017	

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(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 on an entity level basis are applied to the related entity level adjustments noted above.

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

(g) Includes the upfront contribution received from TD totaling $73.4 million, net of an income tax expense of $26.6 million.

(h) The harmonized sales tax of $22.5 million related to the CIBC Payment made on December 27, 2013 was collected during the first quarter of 2014.

(i) 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.

** Information not meaningful.

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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.

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

	Three Months Ended March 31,											
(in thousands of Canadian dollars)	2014	2013[h]	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013[h]
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
Gross margin before depreciation and amortization	**113,616**	168,871	**49,942**	50,980	**41,093**	36,550	**—**	—	**(237)**	(306)	**204,414**	256,095
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)	**17,854**	90,675	**1,695**	7,715	**(7,125)**	(6,216)	**(21,392)**	(20,019)	**—**	—	**(8,968)**	72,155
Adjusted EBITDA [g]	**140,961** [f]	89,070	**14,692**	17,415	**(1,654)**	(3,651)	**(21,392)**	(20,019)	**—**	—	**132,607** [f]	82,815
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]

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

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

(b) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the financial position and operating results of our operations in India.

(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.

(g) A non-GAAP measurement.

(h) 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.

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

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

	Three Months Ended March 31,	
(as a % of total revenue)	2014	2013[f]
Total Revenue	**100.0**	100.0
Cost of rewards and direct costs	**(66.4)**	(58.0)
Gross margin before depreciation and amortization [a]	**33.6**	42.0
Operating expenses	**(27.7)**	(25.2)
Depreciation and amortization	**(1.9)**	(1.7)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**3.9**	15.2

	Three Months Ended March 31,	
(as a % of Gross Billings)	2014	2013[f]
Gross Billings	**100.0** [c]	100.0
Total Revenue	**84.9**	108.6
Cost of rewards and direct costs	**(56.4)**	(63.0)
Operating expenses	**(23.6)**	(27.3)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**3.3**	16.5
Adjusted EBITDA [b]	**18.5** [c]	14.8
Adjusted Net Earnings [b]	**12.3** [d]	8.8
Free Cash Flow [b]	**3.7** [c][e]	(7.1)

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

(b) A non-GAAP measurement.

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

(d) Includes the upfront contribution received from TD totaling $73.4 million, net of an income tax expense of $26.6 million.

(e) The harmonized sales tax of $22.5 million related to the CIBC Payment made on December 27, 2013 was collected during the first quarter of 2014.

(f) 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.

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

THREE MONTHS ENDED MARCH 31, 2014 COMPARED TO THREE MONTHS ENDED MARCH 31, 2013

CONSOLIDATED OPERATING RESULTS

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

Gross Billings generated for the three months ended March 31, 2014 amounted to $717.2 million compared to $561.1 million for the three months ended March 31, 2013, representing an increase of $156.1 million or 27.8%, including a $29.5 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mostly explained by the performance of the Aeroplan program including the $100.0 million upfront contribution received from TD to help fund program enhancements and the positive performance in the financial sector.

Aimia's ability to generate Gross Billings is a function of the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, and proprietary and analytics and insights clients, which are in turn affected by the general economic conditions present in the countries in which the loyalty programs are operated and the services are rendered.

Total Revenue generated for the three months ended March 31, 2014 amounted to $608.9 million compared to $609.5 million for the three months ended March 31, 2013, representing a decrease of $0.6 million or 0.1%, net of a $24.9 million favourable impact of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $25.5 million is mostly driven by lower revenue from Loyalty Units resulting mostly from the unfavourable impact of $25.1 million resulting from the change in the Breakage estimate in the Aeroplan Program, revised from 18% to 11% in the second quarter of 2013. The variance is also explained by lower revenue from Loyalty Units in the Air Miles Middle East program, offset in part by higher redemptions in the Aeroplan and Nectar programs as well as by higher revenue from proprietary loyalty services primarily attributable to the US & APAC segment.

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

On a consolidated basis, the impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of $4.4 million for the three months ended March 31, 2014.

Cost of Rewards and Direct Costs amounted to $404.5 million for the three months ended March 31, 2014 compared to $353.4 million for the three months ended March 31, 2013, representing an increase of $51.1 million or 14.5%, including a $16.2 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mainly explained by higher cost of rewards in the Aeroplan Program primarily due to enhanced travel reward offerings under the Distinction program as well as by higher direct costs driven by an

increase in proprietary loyalty services in the US & APAC region, offset in part by lower redemption activity in the Air Miles Middle East program.

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

On a consolidated basis, the impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of $3.2 million for the three months ended March 31, 2014.

Gross Margin before Depreciation and Amortization decreased by 8.4 percentage-points, a direct result of the factors described above, and represented 33.6% of total revenue for the three months ended March 31, 2014.

Operating Expenses amounted to $168.9 million for the three months ended March 31, 2014 compared to $153.3 million for the three months ended March 31, 2013, representing an increase of $15.6 million or 10.2%, including a $8.5 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mainly explained by higher marketing and promotional expenses in Canada related to program enhancements and the launch of the Distinction program.

Depreciation and Amortization amounted to $11.5 million and $10.3 million for the three months ended March 31, 2014 and 2013, respectively. The increase is mostly driven by new technology initiatives in the Canada and EMEA regions.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $33.0 million for the three months ended March 31, 2014 compared to $20.3 million for the three months ended March 31, 2013. The variance is primarily explained by the revision made to the estimated useful lives of certain Accumulation Partners' contracts and customer relationships at the end of 2013.

Operating Income, excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $24.0 million for the three months ended March 31, 2014 compared to $92.5 million for the three months ended March 31, 2013, representing a decrease of $68.5 million explained in part by the unfavourable impact of $25.1 million related to the change in the Breakage estimate in the Aeroplan Program which occurred during the second quarter of 2013, with the remainder being a direct result of the factors described above.

Net Financing Costs for the three months ended March 31, 2014 consist primarily of interest expense on long-term debt of $12.6 million and other financial expenses of $0.7 million; offset in part by interest revenue of $3.3 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds.

Net Earnings (Loss) for the three months ended March 31, 2014 and 2013 include the effect of $4.0 million and $18.7 million of current income tax expense, respectively, as well as $5.7 million and $1.7 million of deferred income tax recovery, respectively. Net earnings (loss) for the three months ended March 31, 2014 and 2013 also include the share of net earnings (loss) of equity-accounted investments of $1.0 million and $(1.7) million, respectively.

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

Current income taxes are primarily attributable to our Canadian operations. Consistent with the prior year, deferred income taxes related to our international tax structures and foreign operations have not been recognized. Consequently, the deferred income tax recovery recorded during the current period, which is primarily related to the Canadian operations, was not increased by deferred income taxes in our foreign operations, resulting in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA, amounted to $132.6 million or 18.5% (as a % of Gross Billings) for the three months ended March 31, 2014, and included the upfront contribution received from TD of $100.0 million to help fund Aeroplan's program enhancements as well as an unfavourable impact of $16.1 million on the Change in Future Redemption Costs attributable to higher promotional mileage issued on new cards acquired. Adjusted EBITDA was $82.8 million or 14.8% (as a % of Gross Billings) for the three months ended March 31, 2013.

Adjusted Net Earnings amounted to $88.2 million or 12.3% (as a % of Gross Billings) for the three months ended March 31, 2014, and included the upfront contribution received from TD of $73.4 million, net of an income tax expense of $26.6 million, as well as an unfavourable impact of $11.8 million, net of an income tax recovery of $4.3 million, attributable to higher promotional mileage issued on new cards acquired. Adjusted Net Earnings for the three months ended March 31, 2013 amounted to $49.6 million or 8.8% (as a % of Gross Billings). The effective tax rate has been impacted as described under *Net Earnings.*

Applying the current Breakage estimate to calculate the Change in Future Redemption Costs for the three months ended March 31, 2013, Adjusted EBITDA and Adjusted Net Earnings would have been $70.4 million or 12.5% (as a % of Gross Billings) and $40.4 million or 7.2% (as a % of Gross Billings), respectively.

Free Cash Flow for the three months ended March 31, 2014 amounted to $26.3 million compared to $(39.9) million for the three months ended March 31, 2013. The favourable variance of $66.2 million is mainly the result of:

- an increase in cash from operating activities of $82.6 million, explained primarily by an increase in Gross Billings of $156.1 million, including the $100.0 million upfront contribution received from TD, the receipt during the current period of the harmonized sales tax of $22.5 million related to the CIBC Payment and lower income taxes paid of $5.2 million, offset in part by higher cost of rewards and direct costs of $51.1 million and higher operating expenses of $17.8 million, with the remainder explained by changes in the net operating assets;
- higher capital expenditures of approximately $12.6 million resulting mostly from real estate and information technology initiatives; and
- increased dividends paid on common shares and preferred shares of $3.8 million, explained by the increase in the quarterly dividend from $0.160 to $0.170 per common share on May 13, 2013 and by the dividends paid on the newly issued Series 3 Preferred Shares.

Adjusted EBITDA, Adjusted Net Earnings, and *Free Cash Flow* are non-GAAP measures. Please refer to the *PERFORMANCE INDICATORS* section for additional information on these measures.

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

SEGMENTED OPERATING RESULTS

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

CANADA

Gross Billings generated for the three months ended March 31, 2014 amounted to $432.8 million compared to $307.1 million for the three months ended March 31, 2013, representing an increase of $125.7 million or 40.9%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended March 31, 2014 amounted to $384.5 million compared to $256.6 million for the three months ended March 31, 2013, representing an increase of $127.9 million or 49.9%. The variance is explained by the $100.0 million upfront contribution received from TD to help fund Aeroplan's program enhancements as well as by the positive performance in the financial sector resulting from higher card acquisitions and partner program conversions.

Aeroplan Miles issued during the three months ended March 31, 2014 increased by 15.4% in comparison to the three months ended March 31, 2013 mainly due to promotional mileage on new cards acquired.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $48.2 million for the three months ended March 31, 2014 compared to $50.5 million for the three months ended March 31, 2013, representing a decrease of $2.3 million or 4.5%, mainly explained by a decrease in Gross Billings from other revenue and by proprietary loyalty services.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the three months ended March 31, 2014 increased by 2.9% compared to the same period in the prior year, driven mostly by an increase in air redemptions due to enhanced travel reward offerings under the Distinction program which commenced on January 1, 2014. The total number of rewards issued and the total number of air rewards issued increased by 8.6% and 13.3% respectively compared to the same period in the prior year.

Total Revenue amounted to $355.2 million for the three months ended March 31, 2014 compared to $371.7 million for the three months ended March 31, 2013, representing a decrease of $16.5 million or 4.4%, explained primarily by:

- the unfavourable impact of $25.1 million resulting from the change in the Breakage estimate in the Aeroplan Program, revised from 18% to 11% in the second quarter of 2013, offset in part by a favourable impact of $10.2 million due mostly to an increase in redemption volumes, for a total net reduction in revenue from Loyalty Units of $14.9 million; and by
- a decrease of $1.1 million in other revenue mostly related to services for coalition loyalty members and the management of the Air Canada tier membership program.

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

Cost of Rewards and Direct Costs amounted to $241.6 million for the three months ended March 31, 2014 compared to $202.8 million for the three months ended March 31, 2013, representing an increase of $38.8 million or 19.1%. This change is mainly attributable to the following factors:

- a higher redemption cost per Aeroplan Mile redeemed of $33.0 million primarily due to enhanced travel reward offerings under the Distinction program which commenced on January 1, 2014; and
- a higher volume of redemptions for the period, representing $5.6 million.

Gross Margin before Depreciation and Amortization decreased by 13.4 percentage-points, a direct result of the factors described above, and represented 32.0% of total revenue for the three months ended March 31, 2014.

Operating Expenses amounted to $59.6 million for the three months ended March 31, 2014 compared to $54.4 million for the three months ended March 31, 2013, representing an increase of $5.2 million or 9.6%, explained by higher marketing and promotional expenses mostly related to program enhancements and the launch of the Distinction program, offset in part by lower information technology costs and other operating expenses.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $36.2 million and $23.8 million for the three months ended March 31, 2014 and 2013, respectively. The variance is primarily explained by the revision made to the estimated useful lives of certain Accumulation Partners' contracts at the end of 2013.

Operating Income amounted to $17.9 million for the three months ended March 31, 2014 compared to $90.7 million for the three months ended March 31, 2013, representing a decrease of $72.8 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $141.0 million or 32.6% (as a % of Gross Billings) for the three months ended March 31, 2014, and included the upfront contribution received from TD of $100.0 million to help fund Aeroplan's program enhancements as well as an unfavourable impact of $16.1 million on the Change in Future Redemption Costs attributable to higher promotional mileage issued on new cards acquired. Adjusted EBITDA was $89.1 million or 29.0% (as a % of Gross Billings) for the three months ended March 31, 2013. Applying the current Breakage estimate to calculate the Change in Future Redemption Costs for the three months ended March 31, 2013, Adjusted EBITDA for the comparable period would have been $76.7 million or 25.0% (as a % of Gross Billings).

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

EMEA

Gross Billings generated for the three months ended March 31, 2014 amounted to $187.0 million compared to $173.7 million for the three months ended March 31, 2013, representing an increase of $13.3 million or 7.6%. The variance is explained by a $25.1 million favourable impact of currency fluctuation recognized on the translation of foreign operations offset in part by an unfavourable operational variance of $11.8 million.

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

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended March 31, 2014 amounted to $164.1 million compared to $156.7 million for the three months ended March 31, 2013, representing an increase of $7.4 million or 4.7%, including a $22.2 million favourable impact of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $14.8 million is mostly explained by a $9.9 million decrease in Gross Billings from the sale of Loyalty Units in the Air Miles Middle East program, largely due to lower funding provided by the program's main Accumulation Partner to support enhanced member engagement compared to the same period in 2013. Additionally, Gross Billings from the sale of Loyalty Units in the Nectar Italia Program decreased by $2.9 million compared to the same period in the prior year mostly due to a decrease in promotional bonus point activity during the current period and to difficult economic conditions. Gross Billings from the sale of Loyalty Units in the Nectar Program decreased by $2.0 million, driven mostly by the timing of the Easter holiday.

Nectar UK Points issued during the three months ended March 31, 2014 decreased by 1.6% compared to the same period in the prior year for the reason described above.

Air Miles Middle East Loyalty Units issued during the three months ended March 31, 2014 decreased by 7.2% in comparison to the same period in the prior year resulting from a reduction in offering to members related to a main Accumulation Partner product and higher levels of activity in the first quarter of 2013 in anticipation of the first expiry anniversary.

Nectar Italia Points issued during the three months ended March 31, 2014 decreased by 16.6% in comparison to the same period in the prior year, mostly due to a decrease in promotional bonus point activity during the current period and difficult economic conditions.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $22.9 million for the three months ended March 31, 2014 compared to $17.0 million for the three months ended March 31, 2013, representing an increase of $5.9 million or 34.4%, including a $2.9 million favourable impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $3.0 million is primarily explained by growth in Gross Billings from analytics and insights services, including ISS international activities, and proprietary loyalty services.

Redemption Activity - Redemption activity in the Nectar Program increased by 5.3% compared to the same period in the prior year, mainly driven by an increase in the number of Nectar Points in circulation.

Total points redeemed in the Nectar Italia Program for the three months ended March 31, 2014 decreased by 17.4% in comparison to the same period in the prior year mainly due to reduced promotional activity.

Redemption activity in the Air Miles Middle East program decreased by 61.4% due to the impact of the first year expiry on March 31, 2013.

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

Total Revenue amounted to $158.7 million for the three months ended March 31, 2014 compared to $157.4 million for the three months ended March 31, 2013, representing an increase of $1.3 million or 0.8%, and is explained by the following:

- an increase of $3.7 million in other revenue, including a $2.2 million favourable impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $1.5 million is driven by growth in revenue from analytics and insights services, including ISS's international activities; and
- an increase of $2.2 million in revenue from proprietary loyalty services, including a $0.8 million favourable impact of currency fluctuation recognized on the translation of foreign operations; offset in part by
- a decrease of $4.5 million in revenue from Loyalty Units, net of a favourable impact of $17.7 million of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $22.2 million is mostly explained by a decrease in redemptions in the Air Miles Middle East and Nectar Italia programs and lower funding provided by the Air Miles Middle East program's main Accumulation Partner to support enhanced member engagement compared to the same period in 2013. These factors were offset in part by increased redemptions in the Nectar Program.

Cost of Rewards and Direct Costs amounted to $108.8 million for the three months ended March 31, 2014 compared to $106.4 million for the three months ended March 31, 2013, representing an increase of $2.4 million or 2.2%, including a $14.3 million unfavourable impact of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $11.9 million is mainly attributable to the following factors:

- a decrease in redemption activity in the Air Miles Middle East program, representing $12.4 million; and
- a reduction in redemption activity in the Nectar Italia Program, representing $2.4 million; offset in part by
- an increase driven by redemption activity in the Nectar Program, representing $2.1 million.

Gross Margin before Depreciation and Amortization decreased by 0.9 percentage-points, a direct result of the factors described above, and represented 31.5% of total revenue for the three months ended March 31, 2014.

Operating Expenses amounted to $42.9 million for the three months ended March 31, 2014 compared to $39.2 million for three months ended March 31, 2013, representing an increase of $3.7 million or 9.5%, explained by a $5.8 million unfavourable impact of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $2.1 million is mostly explained by the timing of marketing initiatives.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $5.3 million and $4.0 million for the three months ended March 31, 2014 and 2013, respectively. The increase is mainly driven by new technology initiatives.

Operating Income amounted to $1.7 million for the three months ended March 31, 2014 compared to $7.7 million for the three months ended March 31, 2013, representing a decrease of $6.0 million, a direct result of the factors described above.

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

Adjusted EBITDA amounted to $14.7 million or 7.9% (as a % of Gross Billings) for the three months ended March 31, 2014. Adjusted EBITDA was $17.4 million or 10.0% (as a % of Gross Billings) for the three months ended March 31, 2013.

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

US & APAC

Gross Billings, consisting of proprietary loyalty service fees, amounted to $97.7 million for the three months ended March 31, 2014 compared to $80.6 million for the three months ended March 31, 2013, representing an increase of $17.1 million or 21.3%, including a $4.4 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $12.7 million is primarily explained by new business in the APAC region offset in part by lower reward fulfillment volume in the US region.

Total Revenue amounted to $95.2 million for the three months ended March 31, 2014 compared to $80.8 million for the three months ended March 31, 2013, representing an increase of $14.4 million or 17.9%, including a $4.2 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $10.2 million is primarily explained by new business in the APAC region offset in part by lower reward fulfillment volume in the US region.

Cost of Rewards and Direct Costs amounted to $54.2 million for the three months ended March 31, 2014 compared to $44.2 million for the three months ended March 31, 2013, representing an increase of $10.0 million or 22.5%, including a $1.9 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $8.1 million is primarily due to new business in the APAC region offset in part by lower reward fulfillment volume in the US region.

Gross Margin before Depreciation and Amortization decreased by 2.2 percentage-points and represented 43.1% of total revenue for the three months ended March 31, 2014, mostly resulting from a change in mix of services rendered.

Operating Expenses amounted to $45.2 million for the three months ended March 31, 2014 compared to $40.0 million for the three months ended March 31, 2013, representing an increase of $5.2 million or 13.1%, which included a $2.7 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is explained by a net increase in new business.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $3.0 million and $2.8 million for the three months ended March 31, 2014 and 2013, respectively.

Operating Income (Loss) amounted to $(7.1) million for the three months ended March 31, 2014 compared to $(6.2) million for the three months ended March 31, 2013, representing a decline of $0.9 million, a direct result of the factors described above.

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

Adjusted EBITDA amounted to $(1.7) million or (1.7)% (as a % of Gross Billings) for the three months ended March 31, 2014. Adjusted EBITDA was $(3.7) million or (4.5)% (as a % of Gross Billings) for the three months ended March 31, 2013.

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

CORPORATE

Operating Expenses amounted to $21.4 million for the three months ended March 31, 2014 compared to $20.0 million for the three months ended March 31, 2013, representing an increase of $1.4 million or 6.9%. The increase is mainly attributable to higher costs to support growth in the global businesses, offset in part by lower share-based compensation expense of $2.2 million resulting from the revaluation of share-based awards and changes in the share price and by a decrease in consulting and professional fees.

Adjusted EBITDA amounted to $(21.4) million for the three months ended March 31, 2014 compared to $(20.0) million for the three months ended March 31, 2013.

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

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended March 31, 2014.

	2014	2013				2012 [p]		
(in thousands of Canadian Dollars, except per share amounts)	Q1	Q4	Q3	Q2	Q1 [o]	Q4 [o]	Q3 [o]	Q2 [o]
Gross Billings	**717,208** [d]	658,067	576,727	570,540	561,115	615,055	537,030	554,302
Gross Billings from the sale of Loyalty Units	**548,663** [d]	464,673	419,143	414,211	413,349	429,534	398,885	414,026
Revenue	**608,936**	687,627	499,730	(123,312) [e]	609,503	678,179	498,781	504,233
Cost of rewards and direct costs	**(404,522)**	(427,407)	(290,467)	(230,513) [h]	(353,408)	(412,651)	(285,978)	(279,900)
Gross margin before depreciation and amortization [a]	**204,414**	260,220	209,263	(353,825) [e][h]	256,095	265,528	212,803	224,333
Operating expenses	**(168,904)**	(400,318) [f][g]	(157,059)	(198,221) [h]	(153,313)	(153,435)	(131,186)	(140,949)
Depreciation and amortization	**(11,497)**	(11,774)	(10,867)	(10,513)	(10,320)	(12,013)	(9,407)	(8,543)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**24,013**	(151,872) [f][g]	41,337	(562,559) [e][h]	92,462	100,080	72,210	74,841
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(32,981)**	(23,890)	(20,126)	(20,091)	(20,307)	(24,831)	(20,788)	(20,820)
Operating income (loss)	**(8,968)**	(175,762) [f][g]	21,211	(582,650) [e][h]	72,155	75,249	51,422	54,021
Net earnings (loss) attributable to equity holders of the Corporation	**(17,299)**	(125,592) [g][j]	2,070	(415,286) [e][h][i][k]	40,527	56,897	28,295	34,937
Adjusted EBITDA [b]	**132,607** [d]	(111,090) [f][m]	85,652 [m]	101,953 [h][l][m]	82,815	118,185 [m]	93,719	102,116
Net earnings (loss) attributable to equity holders of the Corporation	**(17,299)**	(125,592) [g][j]	2,070	(415,286) [e][h][i][k]	40,527	56,897	28,295	34,937
Earnings (loss) per common share [c]	**(0.13)**	(0.74) [g][j]	0.00	(2.43) [e][h][i][k]	0.22	0.31	0.15	0.19
Free Cash Flow [b]	**26,285** [d][n]	(84,308) [n]	36,428	56,553	(39,929)	46,690	99,556	43,841

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

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

(b) A non-GAAP measurement.

(c) After deducting dividends declared on preferred shares.

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

(e) Includes the impact of the change in the Breakage estimate in the Aeroplan Program which resulted in a reduction of $663.6 million to revenue from Loyalty Units, of which $617.0 million is attributable to the years prior to 2013, $25.1 million to the three month period ended March 31, 2013 and $21.5 million to the three month period ended June 30, 2013.

(f) Includes the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million.

(g) Includes a goodwill impairment charge of $19.1 million recorded during the three month ended December 31, 2013 related to the US Proprietary Loyalty CGU.

(h) Includes a favourable impact of $26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation which occurred in the second quarter of 2013. Of this amount, $74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and $48.8 million (£30.6 million) as an increase to operating expenses.

(i) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program, net of an income tax recovery of $179.8 million, of which $167.5 million is attributable to years prior to 2013, $6.6 million to the three month period ended March 31, 2013 and $5.7 million to the three month period ended June 30, 2013.

(j) Includes the unfavourable impact attributable to the CIBC Payment and the Card Migration Provision totaling $146.9 million, net of an income tax recovery of $53.1 million.

(k) Includes the favourable impact of the reversal in the second quarter of 2013 of previously accrued interest of $17.3 million (£10.8 million) resulting from the final judgment of the VAT litigation.

(l) The Change in Future Redemption costs for the three months ended June 30, 2013 includes the unfavourable impact resulting from the change in the Breakage estimate in the Aeroplan Program amounting to $24.8 million, of which $12.4 million relates to the three month period ended March 31, 2013 and $12.4 million to the three month period ended June 30, 2013.

Additionally, the Change in Future Redemption costs for the three months ended June 30, 2013 includes the favourable impact of $0.5 million (£0.3 million) resulting from the final judgment of the VAT litigation.

(m) Adjusted EBITDA includes distributions received or receivable from equity-accounted investments amounting to $5.3 million, $3.5 million, $6.9 million and $15.7 million for the three months ended December 31, 2013, September 30, 2013, June 30, 2013 and December 31, 2012, respectively.

(n) The Free Cash Flow for the three month period ended December 31, 2013 includes the CIBC Payment of $150.0 million made upon the closing of the asset purchase agreement and the related harmonized sales tax of $22.5 million.

The Free Cash Flow for the three month period ended March 31, 2014 includes the receipt of the related harmonized sales tax of $22.5 million.

(o) These figures do not include any effect related to the change in Breakage estimate made during the second quarter of 2013 in the Aeroplan Program.

(p) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section from the 2013 MD&A for additional information.

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

FINANCING STRATEGY

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

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2014, Aimia had $623.2 million of cash and cash equivalents, $33.0 million of restricted cash, $55.8 million of short-term investments and $269.0 million of long-term investments in bonds, for a total of $981.0 million. Approximately $19.0 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to May 2014 and $309.8 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between September 2014 and June 2020. The Aeroplan Miles redemption reserve described under *Redemption Reserve* is included in short-term investments and long-term investments. Aimia's cash and cash equivalents, restricted cash, short-term investments and long-term investments in bonds are not invested in any asset-backed commercial paper.

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

	Three Months Ended March 31,	
(in thousands of Canadian dollars)	2014	2013
Cash and cash equivalents, beginning of period	**449,108**	**497,976**
Cash from (used in) operating activities	82,122	(452)
Cash from (used in) investing activities	(38,764)	17,898
Cash from (used in) financing activities	115,909	(29,064)
Translation adjustment related to cash	14,829	(9,497)
Cash and cash equivalents, end of period	**623,204**	**476,861**

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

OPERATING ACTIVITIES

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

Cash flows from operating activities amounted to $82.1 million for the three months ended March 31, 2014 compared to $(0.5) million for the three months ended March 31, 2013.

The favourable variance of $82.6 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 is explained primarily by an increase in Gross Billings of $156.1 million, including the $100.0 million upfront contribution received from TD, the receipt during the current period of the harmonized sales tax of $22.5 million related to the CIBC Payment and lower income taxes paid of $5.2 million, offset in part by higher cost of rewards and direct costs of $51.1 million and higher operating expenses of $17.8 million, with the remainder explained by changes in the net operating assets

Please refer to the *Free Cash Flow* section for more information.

INVESTING ACTIVITIES

Investing activities for the three months ended March 31, 2014 reflect the investment made in Think Big of $17.1 million.

Capital expenditures for the three months ended March 31, 2014, amounted to $21.6 million. Anticipated capital expenditures for 2014 are expected to approximate between $60.0 million and $70.0 million.

FINANCING ACTIVITIES

Cash used in financing activities for the three months ended March 31, 2014 related to the payment of common and preferred dividends amounting to $34.2 million. Financing activities for the three months ended March 31, 2014 also reflect the proceeds from the issuance of the Series 3 Preferred Shares of $146.0 million, net of $4.0 million of issue costs, as well as the receipt of $4.1 million by the Corporation upon the exercise of stock options.

LIQUIDITY

Aimia anticipates that total capital requirements for the 2014 fiscal year will be between $203.3 million and $213.3 million, including $143.3 million in respect of anticipated cash dividends to its common and preferred shareholders and between $60.0 million and $70.0 million in respect of capital expenditures. The capital requirements will be funded from operations, available cash on deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

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

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.

Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of business. Management reviews the adequacy of the Reserve periodically and may adjust the level of the Reserve depending upon the outcome of this review.

At March 31, 2014, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 20.3% of the consolidated Future Redemption Cost liability or $444.2 million.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $2,183.4 million.

CREDIT FACILITIES AND LONG-TERM DEBT

At March 31, 2014, Aimia had Senior Secured Notes outstanding in the amount of $800.0 million maturing at various dates through May 17, 2019. In addition, Aimia had an authorized and available revolving credit facility of $300.0 million, maturing on April 23, 2016. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace its credit facility as it comes due or earlier if credit market conditions permit.

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.

The continued availability of the credit facility is subject to Aimia’s ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement. At March 31, 2014, Aimia complied with all such covenants.

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

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 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.

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	
(in thousands of Canadian Dollars)	
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	
(in thousands of Canadian Dollars)	
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**

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

EQUITY-ACCOUNTED INVESTMENTS

As at	March 31,	December 31,
(in thousands of Canadian Dollars)	2014	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,	
(in thousands of Canadian Dollars)	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)

PLM reported Gross Billings of $39.9 million for the three months ended March 31, 2014 compared to $36.3 million for the three months ended March 31, 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.

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

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

A) Asset Purchase Agreement

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. Please refer to the *NEW FINANCIAL CARD AGREEMENTS* section for more information.

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.

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

CONTINGENT LIABILITIES AND GUARANTEES

Aimia has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors or officers are sued as a result of their services. The directors and officers are covered by directors' and officers' liability insurance.

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At March 31, 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.

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.

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

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.

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 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.

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. Please refer to the *Provisions* section for more information. 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.

TRANSACTIONS WITH AIR CANADA

Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada, which are described in Aimia's Annual Information Form dated March 20, 2014.

Air Canada is one of Aimia's largest Accumulation Partners, representing 8% of Gross Billings, or 9% of Gross Billings excluding the $100.0 million upfront contribution received from TD, for the three months ended March 31, 2014 compared to 11% for the three months ended March 31, 2013. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $218.0 million for 2014. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the three months ended March 31, 2014, 47% of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 43% for the three months ended March 31, 2013.

CONTACT CENTRE EMPLOYEES

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

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

the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan.

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales and service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from the Office of the Superintendant of Financial Institutions ("OSFI") which is expected to occur within 24 months of the agreement date. As such, as of March 31, 2014, the financial statements do not reflect assets and obligations in relation to this plan. The transfer is not expected to result in Aeroplan assuming a material unfunded pension plan obligation on the basis of the most recent actuarial valuation report.

Pursuant to the agreement, Air Canada agreed to pay Aeroplan a compensation amount of $5.5 million in exchange for the transfer of the pension plan assets and obligations relating to the transferred employees. On June 18, 2012, the compensation amount was received and recorded in deferred revenue. A letter of credit in the corresponding amount was issued by Aeroplan in favour of Air Canada as security for the compensation amount. The letter of credit will expire upon the transfer of the plan assets to Aeroplan. On November 23, 2012, the amount was contributed to Aeroplan's defined benefit pension plan.

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

CPSA

On March 14, 2014, as provided for in the existing CPSA, Aeroplan and Air Canada executed an agreement relating to fixed capacity redemption rates to be paid by Aeroplan in connection with airline seat redemptions for the period beginning January 1, 2014 through to December 31, 2016. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

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

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

$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 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).

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at March 31, 2014, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

(in millions of Canadian dollars)	Total	2014	2015	2016	2017	2018	Thereafter
Contractual Obligations							
Operating leases	109.3	17.6	20.6	12.1	8.0	7.5	43.5
Technology infrastructure and other	39.1	15.5	12.2	5.8	4.1	1.5	—
Marketing support and other	332.4	37.0	49.6	48.3	47.3	44.3	105.9
Long-term debt [(a)]	961.2	181.9	37.4	36.9	229.6	218.4	257.0
Purchase obligation under the CPSA	2,565.9	232.8	424.2	424.2	424.2	424.2	636.3
Contractual Obligations	**4,007.9**	**484.8**	**544.0**	**527.3**	**713.2**	**695.9**	**1,042.7**
Commitments							
Letters of Credit and Surety Bonds	65.4	11.7	46.8	6.9	—	—	—
Commitments	**65.4**	**11.7**	**46.8**	**6.9**	**—**	**—**	**—**
Total Contractual Obligations and Commitments	**4,073.3**	**496.5**	**590.8**	**534.2**	**713.2**	**695.9**	**1,042.7**

(a) Includes interest on the Revolving Facility, and Senior Secured Notes Series 2, 3, 4 and 5 described under *Credit Facilities and Long-Term Debt*.

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.

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

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)]	
(in thousands of Canadian dollars, except per-share amounts)	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.

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

	2014		2013	
(in thousands of Canadian dollars, except per-share amounts)	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

The dividend policy is subject to the discretion of the Board of Directors of Aimia and may vary depending on, among other things, Aimia's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the Canada Business Corporations Act (the “CBCA”) for the declaration of dividends and other conditions existing at such future time. The Preferred Shares, Series 1, outstanding at March 31, 2014 bear a 6.5% annual cumulative dividend or $0.40625 per preferred share per quarter. The Preferred Shares, Series 3, issued on January 15, 2014 bear a 6.25% annual cumulative dividend or $0.390625 per preferred share per quarter.

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, in each case payable on June 30, 2014.

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

CAPITAL STOCK

At March 31, 2014, Aimia had 173,357,418 common shares, 6,900,000 Series 1 Preferred Shares and 6,000,000 Series 3 Preferred Shares issued and outstanding for an aggregate amount of $1,845.9 million. In addition, there were 9,159,448 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

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%.

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.

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

SUBSEQUENT EVENTS

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

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.

EARNINGS (LOSS) PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted $(0.13) and $0.22 for the three months ended March 31, 2014 and March 31, 2013, respectively. Earnings (loss) per share are calculated after deducting dividends declared on preferred shares.

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.

CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the December 31, 2013 audited consolidated financial statements of Aimia and the corresponding section of the 2013 MD&A to review Aimia's critical accounting estimates.

The preparation of financial statements in accordance with the International Financial Reporting Standards (“IFRS”) requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Significant estimates made in the preparation of the consolidated financial statements include those used in accounting for breakage, income taxes, the determination of amortization period for long-lived assets, the impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital, the carrying value of financial instruments recorded at fair value and contingencies.

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation has adopted disclosure controls and procedures that were designed by the Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and CFO, with management's assistance, in order to provide reasonable assurance that they are made aware of material information. The Corporation has also adopted internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. During the interim period ended on March 31, 2014, there were no changes in the Corporation's internal controls over financial reporting that have significantly affected, or are reasonably likely to significantly affect, Aimia's internal controls over financial reporting.

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

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

RISKS AND UNCERTAINTIES

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

For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding sections in the 2013 MD&A and Aimia's Annual Information Form dated March 20, 2014.

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

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

ADDITIONAL INFORMATION

Additional information relating to Aimia and its operating businesses, including Aimia's Management Information Circular and Annual Information Form, respectively dated March 14 and March 20, 2014, is available on SEDAR at **www.sedar.com** or on Aimia's website at **www.aimia.com** under “Investors”.