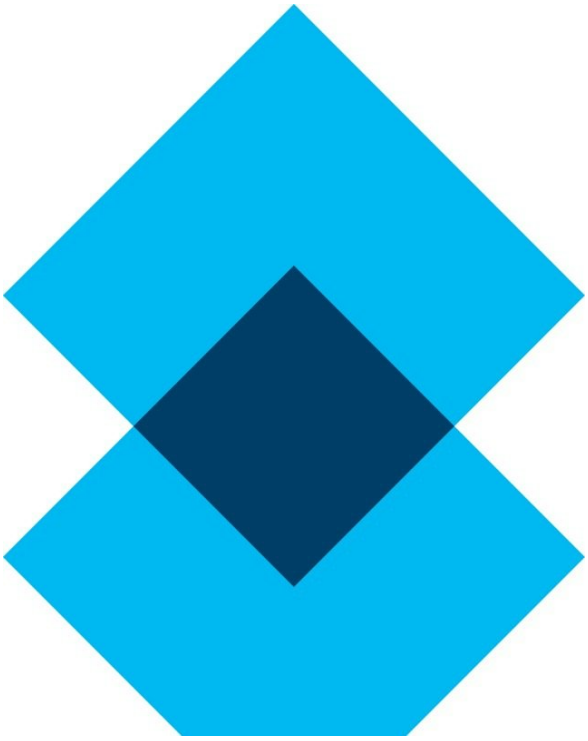
AIMIA
INSPIRING LOYALTY

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

For the three months ended March 31, 2017 and 2016



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.

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 10, 2017 and should be read in conjunction with the accompanying condensed interim consolidated financial statements of Aimia for the three months ended March 31, 2017 and the notes thereto, the audited consolidated financial statements for the year ended December 31, 2016 and the notes thereto, and Aimia's Management Information Circular and Annual Information Form, respectively dated March 13 and March 22, 2017.

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 significant Accumulation Partners and clients, failure to safeguard databases, cyber security and consumer privacy, reliance on Redemption Partners, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues or air travel industry disruption, 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, inability to use third-party software and outsourcing, 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, audit by tax authorities, 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 10, 2017, 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.

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GLOSSARY

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

"Aeroplan" - means Aimia 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;

"ALP - Enterprise" - means the Aimia Loyalty Platform - Enterprise (formerly known as the Aimia Loyalty Platform or ALP);

"ALP - SAAS" - means the Aimia Loyalty Platform - SAAS (formerly known as the Smart Button platform);

"Aimia Middle East" - means Aimia Middle East Free Zone LLC (formerly known as Rewards Management Middle East Free Zone LLC or RMMEL), the company that owns and operates the Air Miles Middle East program;

"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, 2017 is 12% (March 31, 2016: 12%), 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;

"Canada Loyalty Solutions Group of CGUs" - means the non-platform based loyalty services business in Canada.

"Card Migration Provision" - means the provision in relation to the net migration of Aeroplan-branded credit card accounts between CIBC and TD;

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

"CGU" - means cash-generating unit;

"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 the 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;

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

"CRA" - means the Canada Revenue Agency;

"ES Business" - means the Enhancement Services business, which was sold on July 29, 2016;

"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 rolling twelve-month period;

"GAAP" - means generally accepted accounting principles in Canada which are in accordance with IFRS;

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

"i2c" - means Insight 2 Communication LLP;

"Invested Capital" - means the sum of total equity, deferred revenue margin, accumulated amortization of Accumulation Partners' contracts and customer relationships, and net debt. For more information, please refer to the *PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)* ***section***;

"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 International Coalitions segment in the United Kingdom;

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

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

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

"ROIC" - means return on invested capital;

"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;

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

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

"U.S. CEL Business" - means the U.S. Channel and Employee Loyalty business, which was sold on May 1, 2017.

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

OVERVIEW

Aimia, a data-driven marketing and loyalty analytics company, through its subsidiaries, operates in the following business segments as of January 1, 2016: Americas Coalitions, International Coalitions and Global Loyalty Solutions ("GLS").

Americas Coalitions

Within the Americas Coalitions segment, Aimia owns and operates the Aeroplan Program, Canada's premier coalition loyalty program, and the Corporation's Canadian non-platform based loyalty services business.

International Coalitions

Within the International Coalitions segment, Aimia owns and operates Nectar, the United Kingdom's largest coalition loyalty program, and Air Miles Middle East, the leading coalition loyalty program in the UAE, Qatar and Bahrain. The segment also includes the Corporation's Shopper Insights and Communications business, which provides data-driven analytics and insights services to retailers and their suppliers globally through its Intelligent Shopper Solutions ("ISS") business and its 50% participation in i2c, a joint venture with Sainsbury's. Aimia also operated Nectar Italia, an Italian coalition program which ceased its operations on March 1, 2016.

On March 20, 2016, Aimia acquired the remaining 40% of the issued shares of Aimia Middle East, the company that owns and operates the Air Miles Middle East program.

Global Loyalty Solutions

Within this segment, Aimia provides clients with comprehensive end-to-end loyalty solutions across the globe with operations in the Americas, Europe and Asia Pacific. GLS provides clients with loyalty strategy, program design, implementation, campaign, analytics and rewards fulfillment. GLS also deploys Aimia's loyalty platforms including the ALP - Enterprise and ALP - SAAS as part of its loyalty solutions.

Corporate and Other

Corporate includes global shared services, product development costs and share-based compensation that have not been allocated to operating segments, as well as investments. Corporate investments include a 48.9% interest in, and joint control with Grupo Aeromexico of, PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program. Additionally, Corporate includes an investment in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program, as well as minority interests in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking, and Fractal Analytics, a provider of advanced analytics.

In addition, the ES Business, which was sold on July 29, 2016, and the U.S. CEL Business are reported under Corporate and Other. The U.S. CEL Business is presented as held for sale at March 31, 2017. Please refer to the *Subsequent Events* section for additional information.

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OUR BUSINESS

We provide our clients with the customer insights they need to make smarter business decisions and build relevant and rewarding one-to-one relationships to the benefit of both their business and customers.

We do this through permission-based data analytics for the programs we run for ourselves and for our clients - drawing insights from all the customer interactions collected by individual companies, financial institutions and through loyalty rewards programs. Our data analysts find hidden patterns and actionable insights to help marketers work more effectively and get more value from their resources.

We help our clients make business personal, providing their customers with experiences and interactions that are uniquely relevant and rewarding.

To do this we have developed advanced technology platforms and operational experience. Our experts use those tools and experience to evolve and improve our offering, for the benefit of our clients, partners and our company.

There are three main ways that our clients work with us:

Coalition Loyalty

A coalition program is one that brings together many partners in a loyalty rewards program. Partners benefit from the insights gained from a more complete picture of customer behaviour and preferences they get from pooling data, and members of the program benefit from an ability to collect and redeem rewards in multiple ways. In addition to providing a complete array of services for the coalition programs that we own and operate, Aimia's coalition experts evolve others' programs to continuously provide better value and adapt to changing consumer behaviour and client needs, launch new coalitions, and transform individual programs into coalitions.

Loyalty Solutions

While coalition programs connect many partners under one rewards umbrella, Aimia also provides individual companies with loyalty programs and support. Aimia's loyalty service experts design, launch and operate client programs, and advance existing programs leveraging our technology platforms, and our digital, mobile and analytical expertise.

Analytics and Insights

For coalition programs we own and operate and loyalty programs we manage on behalf of clients, we draw insights from the data created. In addition, we provide analytics and insights services to other clients. By looking at the transactional, behavioural and contextual data that is collected through our programs and technology, our data analysts find hidden patterns and insights that marketers use to better predict customer behaviours. Using those findings, our clients can provide relevant offers that will influence customer behaviour from the companies they do business with and for the products and services they buy.

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

PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)

GROSS BILLINGS

Gross Billings from the sale of Loyalty Units

Aimia derives cash inflows from the sale of Loyalty Units to Accumulation Partners with respect to its coalition loyalty programs. These inflows are referred to as “Gross Billings from the sale of Loyalty Units”.

Gross Billings from Loyalty Services and Other

Aimia also derives cash inflows from loyalty services rendered or to be rendered to customers, from analytics and insights services, as well as various other loyalty related services. These inflows are referred to as “Gross Billings from Loyalty Services and Other”.

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 from 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.

Loyalty Services and Other

Aimia derives loyalty services fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs on behalf of its clients, as well as from software offered as a service. These 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.

Loyalty services and other revenue also include:

- 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 trademark; 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 loyalty services and analytics and insights services. Direct costs include labour, technology, reward fulfillment and commissions.

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

ADJUSTED EBITDA

Adjusted EBITDA is not a measurement based on GAAP, is not considered an alternative to operating income or net earnings in measuring performance, and is not comparable to similar measures used by other issuers. Management does not believe that Adjusted EBITDA has an appropriate directly comparable GAAP measure. However, a reconciliation to operating income is provided.

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 is operating income adjusted to exclude depreciation, amortization and impairment charges, as well as adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs. 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.

For a reconciliation of Adjusted EBITDA to GAAP, please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF ADJUSTED EBITDA 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.

RETURN ON INVESTED CAPITAL

Return on invested capital (“ROIC”) is not a measurement based on GAAP and is not comparable to similar measures used by other issuers. ROIC is used by management to assess the efficiency with which it allocates its capital to generate returns.

ROIC is calculated as adjusted operating income after taxes expressed as a percentage of the average invested capital. Adjusted operating income after taxes is Adjusted EBITDA less depreciation and amortization, tax effected at the Canadian statutory rate, on a rolling twelve-month basis. A description of Adjusted EBITDA as well as its reconciliation to operating income is presented in the preceding section. Invested capital is the sum of total equity, deferred revenue margin (calculated as deferred revenue less future redemption cost liability, tax effected at the Canadian statutory rate), accumulated amortization of Accumulation Partners' contracts and customer relationships, and net debt (calculated as long-term debt, including the current portion, less cash and cash equivalents, net of any contractually required redemption reserve amount included in cash and cash equivalents), averaged between the beginning and ending balance over a rolling twelve-month period.

For a reconciliation of ROIC to GAAP, please refer to the *Reconciliation of ROIC and Adjusted Net Earnings* section.

ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS PER COMMON SHARE

Adjusted Net Earnings and Adjusted Net Earnings per common share are not measurements based on GAAP, are not considered alternatives to net earnings or net earnings per common share in measuring profitability, and are not comparable to similar measures used by other issuers.

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 per common share provides a measurement of profitability per common share on a basis consistent with Adjusted Net Earnings and is calculated as Adjusted Net Earnings less dividends declared on

preferred shares divided by the weighted average number of basic and diluted common shares outstanding for the period.

For a reconciliation of Adjusted Net Earnings to net earnings attributable to equity holders of the Corporation (GAAP), please refer to the *Reconciliation of ROIC and Adjusted Net Earnings* section.

FREE CASH FLOW AND FREE CASH FLOW BEFORE DIVIDENDS PAID

Free Cash Flow and Free Cash Flow before Dividends Paid are non-GAAP measures and are not comparable to similar measures used by other issuers. They are used in order to provide a consistent and comparable measurement of cash generated from operations and used as indicators 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.

Free Cash Flow before Dividends Paid is defined as cash flows from operating activities as reported in accordance with GAAP, less capital expenditures as reported in accordance with GAAP.

Free Cash Flow before Dividends Paid per common share is calculated as follows: Free Cash Flow before Dividends Paid less dividends paid on preferred shares and to non-controlling interests over the weighted average number of basic and diluted common shares outstanding for the period.

For a reconciliation of Free Cash Flow and Free Cash Flow before Dividends Paid to cash flows from operations (GAAP), please refer to the *SUMMARY OF CONSOLIDATED OPERATING RESULTS AND RECONCILIATION OF ADJUSTED EBITDA AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

CONSTANT CURRENCY

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, help improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant Currency information compares results between periods as if exchange rates had remained constant over the periods. Constant Currency is derived by calculating current period results using foreign currency exchange rates from the same period in the prior year. Results calculated on a Constant Currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Constant Currency is a basis of consideration mostly for Aimia’s foreign operations (those with a functional currency which is not the Canadian dollar). Our International Coalitions and GLS segments operate under varying foreign currencies. Within Corporate and Other, the U.S. CEL Business operates in U.S. dollars and global product development activities operate primarily in pounds sterling.

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

STRATEGIC UPDATE

Over the last three years, Aimia has simplified and refocused the business significantly and has grown its base of financial cardholders under its contracts with TD Bank and CIBC, which run to early 2024. Recognizing that key coalition partnerships, a strongly aligned operating model and a supportive balance sheet are important to anchor the business, these continue to be areas of focus over the next two to three years.

- **Key coalition partnerships:** Aimia's coalitions are at the core of a cash generative business and we continue to explore the way our members accumulate and redeem. Upcoming contract renewals with Air Canada and Sainsbury's provide an opportunity to evolve the coalition model to ensure mutually acceptable returns to both Aimia and current or future anchor partners.

  Aimia and Air Canada have been engaging in discussions and the tenor of the very recent discussions leads Aimia to the belief that Air Canada does not currently intend to renew its partnership with Aeroplan on its expiry in June 2020. The existing agreement and Air Canada's purchasing commitments to Aimia remain in place until June of 2020.

  Aimia strongly believes that a renewal of the company's long-term partnership would be the best and least disruptive option for both companies' customers, in particular Air Canada's frequent flyers. While Aimia remains open to further discussions with Air Canada, the company's strategic planning had already contemplated other post-2020 alternatives in parallel with the goal of ensuring that Aeroplan members retain access to a strong redemption offering around air rewards in the future. Given the state of current discussions, we will continue to pursue these alternatives actively.

  Members' miles remain with Aeroplan. For the next three years, Aeroplan will continue buying seats from Air Canada to provide rewards to its 5 million members.

  Aeroplan's purchasing agreement with Air Canada guarantees capacity to Aeroplan in exchange for a substantial volume and certainty of advance ticket purchases which makes Aeroplan Air Canada's largest single customer and generates significant cash flows to Air Canada.

- **Aligning our operating model:** Aimia is building flexibility into its operating model and run rate to help mitigate any major contract changes, with the acceleration of the cost savings which were originally anticipated to be initiated in 2018 and 2019. Focus will remain on protecting the health, sustainability and growth of our coalitions.

  In keeping with its desire to maximize returns to shareholders, the company is also reviewing business units and investments on the basis of their medium-term ROIC contribution and this may lead to further asset sales.

- **Financing maturities profile:** The company plans to extend its financing maturities to 2020 with the drawdown of $200 million of its $300 million revolving credit facility. The proceeds will be used to redeem $200 million of senior secured notes ahead of their January 2018 maturity.

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

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the condensed interim consolidated financial statements for the three months ended March 31, 2017 and 2016, and the related notes.

Historically, the Aeroplan Program, which is reported within the Americas Coalitions segment, 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, which is reported within the International Coalitions segment, is characterized by high redemption activity in the last quarter of the year as a result of the holiday season. While the reward fulfillment component of loyalty solutions 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 smaller size 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 ADJUSTED EBITDA AND FREE CASH FLOW

	Three Months Ended March 31,		Variance %
(in millions of Canadian dollars, except share and per share information)	2017	2016	Q1
Gross Billings from the sale of Loyalty Units	**397.9**	425.2	(6.4)
Gross Billings from Loyalty Services and Other	**127.3**	147.8	(13.9)
Total Gross Billings	**525.2**	573.0	(8.3)
Total revenue	**524.8**	570.1	(7.9)
Cost of rewards and direct costs	**(331.4)**	(369.5)	(10.3)
Gross margin before depreciation and amortization [(a)]	**193.4**	200.6	(3.6)
Gross margin as a % of total revenue	***36.9%***	*35.2%*	*1.7 pp*
Depreciation and amortization	**(11.4)**	(12.9)	(11.6)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(25.8)**	(32.8)	(21.3)
Gross margin	**156.2**	154.9	0.8
Operating expenses	**(150.7)**	(163.8)	(8.0)
Operating income (loss)	**5.5**	(8.9)	**
Depreciation and amortization	**11.4**	12.9	(11.6)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**25.8**	32.8	(21.3)
Operating income excluding depreciation, amortization and impairment charges [(c)]	**42.7**	36.8	16.0
Adjustments:			
Change in deferred revenue			
Gross Billings	**525.2**	573.0	
Total revenue	**(524.8)**	(570.1)	
Change in Future Redemption Costs [(b)]	**8.4**	3.7	
Distributions from equity-accounted investments	**7.3**	5.3	
Subtotal of Adjustments	**16.1**	11.9	
Adjusted EBITDA [(c)]	**58.8**	48.7	20.7
Adjusted EBITDA as a % of total Gross Billings	***11.2%***	*8.5%*	*2.7 pp*
ROIC [(c)(e)]	**6.3%**	6.5% [(f)]	(0.2) pp
Net earnings (loss) attributable to equity holders of the Corporation	**9.6**	(14.8)	
Weighted average number of shares	**152,294,611**	152,737,987	
Earnings (Loss) per common share [(d)]	**0.04**	(0.12)	
Adjusted Net Earnings [(c)(e)]	**37.7**	23.9	57.7
Adjusted Net Earnings per common share [(c)(d)]	**0.22**	0.13	
Cash from (used in) operating activities	**(11.7)**	0.6	
Capital expenditures	**(12.1)**	(19.5)	
Free Cash Flow before Dividends Paid [(c)]	**(23.8)**	(18.9)	(25.9)
Free Cash Flow before Dividends Paid per common share [(c)(d)]	**(0.18)**	(0.15)	
Dividends paid to equity holders of the Corporation	**(34.7)**	(33.2)	
Free Cash Flow [(c)]	**(58.5)**	(52.1)	(12.3)
Total assets	**4,393.3**	4,964.0	
Total long-term liabilities	**2,126.5**	2,301.1	

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) 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. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(d) Earnings (loss) per common share, Adjusted Net Earnings per common share and Free Cash Flow before Dividends Paid per common share are calculated after deducting dividends on preferred shares.

(e) For a reconciliation of ROIC and Adjusted Net Earnings to GAAP, please refer to the *Reconciliation of ROIC and Adjusted Net Earnings* section.

(f) ROIC for the twelve-month period ended March 31, 2016 includes the favourable impact of $33.6 million, net of an income tax expense of $12.1 million, resulting from the reduction of the Card Migration Provision during the three months ended June 30, 2015.

** Information not meaningful.

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

QUARTER ENDED MARCH 31, 2017 COMPARED TO QUARTER ENDED MARCH 31, 2016

CONSOLIDATED OPERATING RESULTS

	Three Months Ended March 31,		Variance		Variance C.C. [(c)(d)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**397.9**	425.2	(27.3)	(6.4)	(9.3)	(2.2)
Gross Billings from Loyalty Services and Other	**127.3**	147.8	(20.5)	(13.9)	(15.1)	(10.2)
Total Gross Billings	**525.2** *(b)*	573.0 *(b)*	(47.8)	(8.3)	(24.4)	(4.3)
Revenue from Loyalty Units	**399.6**	421.6	(22.0)	(5.2)	(6.9)	(1.6)
Revenue from Loyalty Services and Other	**125.2**	148.5	(23.3)	(15.7)	(17.9)	(12.1)
Total revenue	**524.8**	570.1	(45.3)	(7.9)	(24.8)	(4.4)
Cost of rewards and direct costs	**331.4**	369.5	(38.1)	(10.3)	(25.4)	(6.9)
Gross margin before depreciation and amortization	**193.4**	200.6	(7.2)	(3.6)	0.6	0.3
Gross margin as a % of total revenue	***36.9%***	*35.2%*	**	*1.7 pp*	**	*1.7 pp*
Depreciation and amortization [(a)]	**37.2**	45.7	(8.5)	(18.6)	(7.7)	(16.8)
Gross margin	**156.2**	154.9	1.3	0.8	8.3	5.4
Operating expenses before share-based compensation	**146.5**	161.7	(15.2)	(9.4)	(9.1)	(5.6)
Share-based compensation	**4.2**	2.1	2.1	**	2.1	**
Total operating expenses	**150.7**	163.8	(13.1)	(8.0)	(7.0)	(4.3)
Operating income (loss)	**5.5**	(8.9)	14.4	**	15.3	**
Adjusted EBITDA [(c)]	**58.8**	48.7	10.1	20.7	12.7	26.1
Adjusted EBITDA as a % of total Gross Billings	***11.2%***	*8.5%*	**	*2.7 pp*	**	*2.7 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**8.4**	3.7	4.7	**	**	**
Distributions from equity-accounted investments	**7.3**	5.3	2.0	37.7	**	**
Adjusted Net Earnings [(c)]	**37.7**	23.9	13.8	57.7	**	**
Free Cash Flow before Dividends Paid [(c)]	**(23.8)**	(18.9)	(4.9)	(25.9)	**	**
Free Cash Flow [(c)]	**(58.5)**	(52.1)	(6.4)	(12.3)	**	**
ROIC [(c)]	**6.3%**	6.5% *(e)*	**	(0.2) pp	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 52.

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, 2017 amounted to $525.2 million, a decrease of $47.8 million or 8.3%. On a constant currency basis, Gross Billings decreased by $24.4 million or 4.3%, driven by Gross Billings from Loyalty Services and Other, representing a decrease of $15.1 million, due in part to the disposal of the ES Business in July 2016 and lower rewards fulfillment activity, including the impact of outsourcing the fulfillment of gift cards in Americas Coalitions which resulted in a net revenue accounting treatment, partially offset by an increase in Gross Billings from loyalty platforms and related services. Further contributing to the variance, a $9.3 million decrease in Gross Billings from the sale of Loyalty Units was primarily due to the phasing of campaign activity and exit of a retail partner in the Nectar Program, which drove a $23.0 million decrease, offset in part by a $15.4

million improvement in the Aeroplan Program that was mainly due to higher purchase volumes from the main financial partner and increased capacity from the main airline partner.

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, loyalty services 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, 2017 amounted to $524.8 million, a decrease of $45.3 million or 7.9%. On a constant currency basis, total revenue decreased by $24.8 million or 4.4% and is mostly explained by a decrease of $17.9 million in Revenue from Loyalty Services and Other, primarily due to the disposal of the ES Business in July 2016 and lower rewards fulfillment activity, including the impact of outsourcing the fulfillment of gift cards in Americas Coalitions which resulted in a net revenue accounting treatment, partially offset by an increase in revenue from loyalty platforms and related services. Additionally, the variance is the result of a decrease of $6.9 million in Revenue from Loyalty Units driven by a $22.7 million decrease in International Coalitions, mostly due to lower redemptions in the Nectar Program, offset in part by a $15.8 million increase in the Aeroplan Program due to increased redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile.

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 $4.0 million for the three months ended March 31, 2017.

Cost of Rewards and Direct Costs amounted to $331.4 million for the three months ended March 31, 2017, a decrease of $38.1 million or 10.3%. On a constant currency basis, cost of rewards and direct costs decreased by $25.4 million or 6.9% and is mainly explained by lower redemption activity in the Nectar Program, the impact of the disposal of the ES Business and lower rewards fulfillment activity, including the impact of outsourcing the fulfillment of gift cards in Americas Coalitions which resulted in a net revenue accounting treatment, partially offset by higher redemption volumes in the Aeroplan Program and increased costs associated with platform sales and related services.

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 $2.9 million for the three months ended March 31, 2017.

Gross Margin before Depreciation and Amortization represented 36.9% of total revenue for the three months ended March 31, 2017, an increase of 1.7 percentage-points on a reported and constant currency basis compared to 2016, a direct result of the factors described above.

Operating Expenses amounted to $150.7 million for the three months ended March 31, 2017, a decrease of $13.1 million or 8.0%. On a constant currency basis, operating expenses decreased by $7.0 million or 4.3%, mostly due to operational efficiencies, lower severance and information technology spend in Americas Coalitions, as well as lower digital marketing spend and exited businesses in International Coalitions, offset in part by increased spend in information technology and operations in relation to the implementation of outsourcing arrangements in technology and platform based sales in GLS, higher marketing and promotional spend in Americas Coalitions and a higher share-based compensation expense.

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

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $37.2 million for the three months ended March 31, 2017, a decrease of $8.5 million or 18.6%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $7.7 million or 16.8%, due mainly to the impairment of assets related to the GLS group of CGUs and global product development assets in the fourth quarter of 2016, the disposal of the ES Business at the end of July 2016 and the increase to the estimated life of the AMEX Accumulation Partners' contract in the fourth quarter of 2016, resulting in lower asset base and lower depreciation and amortization expense in the current period. Management's decision in the fourth quarter of 2016 to dispose of the U.S. CEL Business also contributed to the reduction as the related long-term assets of the business are no longer depreciated.

Operating Income (Loss) amounted to $5.5 million for the three months ended March 31, 2017, an improvement of $14.4 million. On a constant currency basis, operating income increased by $15.3 million, a direct result of the factors described above.

Net Financial Expenses for the three months ended March 31, 2017 consist of interest expense on long-term debt of $6.1 million, which decreased significantly as a result of the early redemption of the Senior Secured Notes Series 3 in the fourth quarter of 2016, and other net financial expenses of $1.4 million; offset in part by interest revenue of $2.9 million earned on cash and cash equivalents, short-term investments on deposit, long-term investments in bonds and convertible notes.

Net Earnings (Loss) for the three months ended March 31, 2017 and 2016 include the effect of $3.0 million and $1.8 million of current income tax expenses, respectively, as well as $(1.4) million and $3.8 million of deferred income tax (expenses) recoveries, respectively. Net earnings (loss) for the three months ended March 31, 2017 and 2016 also include the share of net earnings of equity-accounted investments of $13.1 million and $5.6 million, respectively.

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

Adjusted EBITDA amounted to $58.8 million for the three months ended March 31, 2017, an increase of $10.1 million or 20.7%. On a constant currency basis, Adjusted EBITDA improved by $12.7 million or 26.1%, mainly attributable to lower operating expenses, improved contribution from the Aeroplan Program and higher distributions from equity accounted investments, due in part to timing, partially offset by the impact of the sale of ES Business and a decrease in contribution from loyalty programs and the impact of the prior year signing of a new ISS client in the International Coalitions division.

Adjusted Net Earnings amounted to $37.7 million or 7.2% (as a % of Gross Billings) for the three months ended March 31, 2017. Adjusted Net Earnings for the three months ended March 31, 2016 amounted to $23.9 million or 4.2% (as a % of Gross Billings). The effective tax rate has been impacted as described under the *Net Earnings (Loss)* section.

Free Cash Flow for the three months ended March 31, 2017 amounted to $(58.5) million compared to $(52.1) million for the three months ended March 31, 2016. The unfavourable variance of $6.4 million is mainly the result of:

- a decrease in cash from operating activities of $12.3 million, explained primarily by an unfavourable variance in the change in net operating assets of $25.8 million and a decrease in Gross Billings of $47.8 million, offset in part by lower cost of rewards and direct costs of $38.1 million, lower operating expenses before share-based compensation of $15.2 million, a $6.2 million decrease in net interest paid driven by the early redemption of the Senior Secured Notes Series 3 in the fourth quarter of 2016 and an increase in distributions from equity accounted investments of $2.0 million;
- lower capital expenditures of $7.4 million resulting mostly from a reduction in capital expenditures associated to global product development activities within Corporate and in GLS, partly due to previously capitalized costs which are now expensed; and
- an increase in dividends paid on common shares of $1.5 million due to the increase in the quarterly dividend rate per common share in the second quarter of 2016.

ROIC for the twelve months ended March 31, 2017 of 6.3% compared to 6.5% for the twelve months ended March 31, 2016, a decrease of 0.2 percentage-points. Excluding the favourable impact of the adjustment made to the Card Migration Provision during the comparable period of $33.6 million, net of an income tax expense of $12.1 million, the ROIC increased by 1.3 percentage-points, mostly explained by an improvement in adjusted operating income after taxes, driven by improved contribution from the Aeroplan Program and lower operating expenses globally, offset in part by a decrease in contribution from loyalty programs in the International Coalitions division, lower distributions from equity-accounted investments globally and the impact of the sale of the ES Business. The reduction in the average invested capital also contributed favourably to the variance, due mostly to the impact of the Corporation's share repurchase program during 2015 and in early 2016 as well as impairment charges recorded during the fourth quarter of 2016 and 2015.

Adjusted EBITDA, Adjusted Net Earnings, Free Cash Flow and *ROIC* are non-GAAP measures. Please refer to the *PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)* 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.

AMERICAS COALITIONS

	Three Months Ended March 31,		Variance	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%
Gross Billings from the sale of Loyalty Units	**299.6**	284.2	15.4	5.4
Gross Billings from Loyalty Services and Other	**20.0**	25.2	(5.2)	(20.6)
Total Gross Billings	**319.6**	309.4	10.2	3.3
Revenue from Loyalty Units	**315.3**	299.5	15.8	5.3
Revenue from Loyalty Services and Other	**19.9**	25.4	(5.5)	(21.7)
Total revenue	**335.2**	324.9	10.3	3.2
Cost of rewards and direct costs	**226.9**	225.1	1.8	0.8
Gross margin before depreciation and amortization	**108.3**	99.8	8.5	8.5
Gross margin as a % of total revenue	***32.3 %***	*30.7 %*	**	*1.6 pp*
Depreciation and amortization [(a)]	**30.8**	33.2	(2.4)	(7.2)
Gross margin	**77.5**	66.6	10.9	16.4
Total operating expenses	**48.1**	55.0	(6.9)	(12.5)
Operating income	**29.4**	11.6	17.8	**
Adjusted EBITDA [(b)]	**63.0**	50.0	13.0	26.0
Adjusted EBITDA as a % of total Gross Billings	***19.7 %***	*16.2 %*	**	*3.5 pp*
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	**18.4**	20.7	(2.3)	(11.1)
Operating metrics (*year-over-year variance*):				
Accumulation activity - Aeroplan	**5.4 %**	(0.1)%	**	**
Redemption activity - Aeroplan	**3.9 %**	(3.6)%	**	**
Total rewards issued - Aeroplan	**(0.4)%**	(3.8)%	**	**
Total air rewards issued - Aeroplan	**6.1 %**	(5.5)%	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 52.

Gross Billings generated for the three months ended March 31, 2017 amounted to $319.6 million, an increase of $10.2 million or 3.3%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended March 31, 2017 amounted to $299.6 million, an increase of $15.4 million or 5.4%, mostly explained by an improvement of $11.4 million in the financial sector primarily due to strong performance from the program's main financial partner related to higher purchase volumes driven by more active cards. Further contributing to the increase was an improvement of $4.7 million in the airline sector, mainly related to increased capacity, partly offset by a decrease in the retail sector due to lower promotional activity.

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

Accumulation Activity - Aeroplan Miles issued during the three month period ended March 31, 2017 increased by 5.4% relative to the same period of the prior year due mainly to the factors described above.

Gross Billings from Loyalty Services and Other amounted to $20.0 million for the three months ended March 31, 2017, a decrease of $5.2 million or 20.6%, primarily explained by lower rewards fulfillment billings, including the impact of outsourcing the fulfillment of gift cards which resulted in a net revenue accounting treatment, representing $4.9 million.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the three months ended March 31, 2017 increased by 3.9%. The total number of rewards issued decreased by 0.4% and the total number of air rewards issued increased by 6.1% compared to the same period in the prior year.

Total Revenue amounted to $335.2 million for the three months ended March 31, 2017, an increase of $10.3 million or 3.2%, explained primarily by:

- an increase of $15.8 million in revenue from Loyalty Units due mainly to an increase in redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile; offset in part by,
- a decrease of $5.5 million in revenue from Loyalty Services and Other, primarily explained by lower rewards fulfillment revenue, including the impact of outsourcing the fulfillment of gift cards which resulted in a net revenue accounting treatment, representing $4.9 million.

Cost of Rewards and Direct Costs amounted to $226.9 million for the three months ended March 31, 2017, an increase of $1.8 million or 0.8%, mainly attributable to the following factors:

- a higher volume of redemptions in the Aeroplan Program, representing $8.5 million; offset in part by,
- a decrease in loyalty services direct costs of $5.1 million due mostly to the $4.9 million impact of outsourcing the fulfillment of gift cards; and
- a lower redemption cost per Aeroplan Mile redeemed, representing $1.6 million, mainly driven by favourable foreign exchange.

Gross Margin before Depreciation and Amortization represented 32.3% of total revenue for the three month period ended March 31, 2017, an increase of 1.6 percentage-points compared to the same period in 2016, a direct result of the factors described above.

Operating Expenses amounted to $48.1 million for the three months ended March 31, 2017, a decrease of $6.9 million or 12.5%, mostly explained by operational efficiencies and lower severance, as well as lower information technology expenses, partially offset by higher marketing and promotional expenses due in part to timing.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $30.8 million for the three months ended March 31, 2017, a decrease of $2.4 million or 7.2%, due mostly to the revision to the estimated life of the AMEX Accumulation Partners' contract in the fourth quarter of 2016, which resulted in lower depreciation and amortization expense in the current period.

Operating Income amounted to $29.4 million for the three months ended March 31, 2017, an improvement of $17.8 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $63.0 million for the three months ended March 31, 2017, an improvement of $13.0 million or 26.0%, mainly attributable to improved contribution from the Aeroplan Program, due primarily to higher

Gross Billings from Loyalty Units and a lower unit cost per Aeroplan mile, as well as lower operating expenses across the division.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)* section for additional information on this measure.

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

INTERNATIONAL COALITIONS

	Three Months Ended March 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**98.3**	141.0	(42.7)	(30.3)	(24.7)	(17.5)
Gross Billings from Loyalty Services and Other	**23.3**	25.8	(2.5)	(9.7)	0.6	2.3
Total Gross Billings	**121.6**	166.8	(45.2)	(27.1)	(24.1)	(14.4)
Revenue from Loyalty Units	**84.3**	122.1	(37.8)	(31.0)	(22.7)	(18.6)
Revenue from Loyalty Services and Other	**23.1**	25.6	(2.5)	(9.8)	0.6	2.3
Intercompany revenue	**0.1**	0.1	—	—	—	—
Total revenue	**107.5**	147.8	(40.3)	(27.3)	(22.1)	(15.0)
Cost of rewards and direct costs	**70.6**	98.0	(27.4)	(28.0)	(14.9)	(15.2)
Gross margin before depreciation and amortization	**36.9**	49.8	(12.9)	(25.9)	(7.2)	(14.5)
Gross margin as a % of total revenue	***34.3 %***	*33.7 %*	**	*0.6 pp*	**	*0.2 pp*
Depreciation and amortization [(a)]	**4.4**	4.2	0.2	4.8	1.0	23.8
Gross margin	**32.5**	45.6	(13.1)	(28.7)	(8.2)	(18.0)
Total operating expenses	**26.4**	35.6	(9.2)	(25.8)	(4.8)	(13.5)
Operating income	**6.1**	10.0	(3.9)	(39.0)	(3.4)	(34.0)
Adjusted EBITDA [(b)]	**17.4**	17.0	0.4	2.4	2.6	15.3
Adjusted EBITDA as a % of total Gross Billings	***14.3 %***	*10.2 %*	**	*4.1 pp*	**	*3.5 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**(10.0)**	(17.0)	7.0	41.2	**	**
Distributions from equity-accounted investments	**2.8**	0.8	2.0	**	**	**
Operating metrics (*year-over-year variance*):						
Accumulation activity - Nectar	**(20.4)%**	(11.5)%	**	**	**	**
Accumulation activity - Air Miles Middle East	**(7.7)%**	(1.8)%	**	**	**	**
Accumulation activity - Nectar Italia	**	(98.2)%	**	**	**	**
Redemption activity - Nectar	**(18.2)%**	(15.2)%	**	**	**	**
Redemption activity - Air Miles Middle East	**(11.0)%**	1.5 %	**	**	**	**
Redemption activity - Nectar Italia	**	(98.9)%	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 52.

Gross Billings generated for the three months ended March 31, 2017 amounted to $121.6 million, a decrease of $45.2 million or 27.1%. On a constant currency basis, Gross Billings decreased by $24.1 million or 14.4%.

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, 2017 amounted to $98.3 million, a decrease of $42.7 million or 30.3%. On a constant currency basis, Gross Billings from the sale of Loyalty Units decreased by $24.7 million or 17.5% and is mostly explained by a decrease of $23.0 million in the Nectar Program driven by the phasing of campaign activity from the program's main grocery partner which was stronger in the fourth quarter of 2016, as well as the exit of a partner in the retail sector. A decrease of $1.4 million in the Air Miles Middle East program also contributed to lower Gross Billings from the sale of Loyalty Units.

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

Accumulation Activity - Nectar Points issued during the three months ended March 31, 2017 decreased by 20.4% as a result of the factors listed above.

Air Miles Middle East Loyalty Units issued during the three months ended March 31, 2017 decreased by 7.7% due mostly to lower promotional miles.

Gross Billings from Loyalty Services and Other amounted to $23.3 million for the three months ended March 31, 2017, a decrease of $2.5 million or 9.7%. On a constant currency basis, Gross Billings from Loyalty Services and Other increased by $0.6 million or 2.3% and is primarily explained by an increase in ancillary services in Nectar, mainly due to the prior year change in contractual terms with the program's main energy partner, partially offset by the impact of the signing of a new ISS client in the prior year.

Redemption Activity - Redemption activity in the Nectar Program decreased by 18.2% compared to the same period in the prior year, mainly related to phasing due to increased campaign activity by the main grocery partner driving higher redemptions in the fourth quarter of 2016 that would have otherwise been phased into the first quarter of 2017.

Redemption activity in the Air Miles Middle East program decreased by 11.0% due to fewer promotional activities in the current year that drive redemptions.

Total Revenue amounted to $107.5 million for the three months ended March 31, 2017, a decrease of $40.3 million or 27.3%. On a constant currency basis, total revenue decreased by $22.1 million or 15.0% and is explained mostly by the following:

- a decrease of $22.7 million in revenue from Loyalty Units driven by lower redemptions in the loyalty programs, primarily in the Nectar Program which contributed to $18.8 million of the reduction; offset in part by,
- an increase of $0.6 million in revenue from Loyalty Services and Other, primarily explained by an increase in ancillary services in Nectar, mainly due to the prior year change in contractual terms with the program's main energy partner, partially offset by the impact of the signing of a new ISS client in the prior year.

Cost of Rewards and Direct Costs amounted to $70.6 million for the three months ended March 31, 2017, a decrease of $27.4 million or 28.0%. On a constant currency basis, cost of rewards and direct costs decreased by $14.9 million or 15.2% and is mainly attributable to the Nectar Program, representing $14.0 million, related primarily to lower redemption activity.

Gross Margin before Depreciation and Amortization represented 34.3% of total revenue for the three month period ended March 31, 2017, an increase of 0.6 percentage-points or 0.2 percentage-points on a constant currency basis, a direct result of the factors described above.

Operating Expenses amounted to $26.4 million for the three months ended March 31, 2017, a decrease of $9.2 million or 25.8%. On a constant currency basis, operating expenses decreased by $4.8 million or 13.5%, mostly explained by lower digital marketing spend, as well as the impact of the closure of the Nectar Italia Program and divestiture of the UK Cardlytics business.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $4.4 million for the three months ended March 31, 2017, an increase of $0.2 million or 4.8%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners'

contracts, customer relationships and technology, increased by $1.0 million or 23.8% due mainly to increased depreciation related to information technology initiatives.

Operating Income amounted to $6.1 million for the three months ended March 31, 2017, a deterioration of $3.9 million. On a constant currency basis, operating income decreased by $3.4 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $17.4 million for the three months ended March 31, 2017, an improvement of $0.4 million or 2.4%. On a constant currency basis, Adjusted EBITDA improved by $2.6 million or 15.3%, mostly explained by lower operating expenses across the division and higher distributions from equity accounted investments due in part to timing, offset in part by lower contribution from the loyalty programs and the impact of the prior year signing of a new ISS client.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)* section for additional information on this measure.

GLOBAL LOYALTY SOLUTIONS

	Three Months Ended March 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**50.9**	55.1	(4.2)	(7.6)	(3.1)	(5.6)
Total Gross Billings	**50.9**	55.1	(4.2)	(7.6)	(3.1)	(5.6)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**50.9**	54.7	(3.8)	(6.9)	(2.7)	(4.9)
Intercompany revenue	**—**	0.1	(0.1)	**	(0.1)	**
Total revenue	**50.9**	54.8	(3.9)	(7.1)	(2.8)	(5.1)
Cost of rewards and direct costs	**27.7**	32.8	(5.1)	(15.5)	(5.1)	(15.5)
Gross margin before depreciation and amortization	**23.2**	22.0	1.2	5.5	2.3	10.5
Gross margin as a % of total revenue	***45.6 %***	*40.1 %*	**	*5.5 pp*	**	*6.6 pp*
Depreciation and amortization [(a)]	**0.7**	1.6	(0.9)	(56.3)	(0.9)	(56.3)
Gross margin	**22.5**	20.4	2.1	10.3	3.2	15.7
Total operating expenses	**26.9**	25.1	1.8	7.2	2.5	10.0
Operating loss	**(4.4)**	(4.7)	0.3	6.4	0.7	14.9
Adjusted EBITDA [(b)]	**(3.7)**	(2.8)	(0.9)	(32.1)	(0.5)	(17.9)
Adjusted EBITDA as a % of total Gross Billings	***(7.3)%***	*(5.1)%*	**	*(2.2) pp*	**	*(1.2) pp*

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 52.

Gross Billings amounted to $50.9 million for the three months ended March 31, 2017, a decrease of $4.2 million or 7.6%. On a constant currency basis, Gross Billings decreased by $3.1 million or 5.6% and is primarily explained by a decrease in rewards fulfillment activity, including the prior year impact of the wind-down of a client program, partially offset by an increase in Gross Billings from loyalty platforms and related services.

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

Total Revenue amounted to $50.9 million for the three months ended March 31, 2017, a decrease of $3.9 million or 7.1%. On a constant currency basis, total revenue decreased by $2.8 million or 5.1% and is primarily explained by a decrease in rewards fulfillment activity, including the prior year impact of the wind-down of a client program, partially offset by an increase in revenue from loyalty platforms and related services.

Cost of Rewards and Direct Costs amounted to $27.7 million for the three months ended March 31, 2017, a decrease of $5.1 million or 15.5%. On a constant currency basis, cost of rewards and direct costs decreased by $5.1 million or 15.5% and is primarily explained by a decrease in low margin rewards fulfillment activity, including the impact of the prior year wind-down of a client program, partially offset by an increase in direct costs from loyalty platforms and related services.

Gross Margin before Depreciation and Amortization represented 45.6% of total revenue for the three month period ended March 31, 2017, an increase of 5.5 percentage-points or 6.6 percentage-points on a constant currency basis, mostly due to change in mix toward a higher margin product base.

Operating Expenses amounted to $26.9 million for the three months ended March 31, 2017, an increase of $1.8 million or 7.2%. On a constant currency basis, operating expenses increased by $2.5 million or 10.0%, mostly due to increased spend on information technology and operations, partly to support the implementation of outsourcing arrangements in technology and platform based sales.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $0.7 million for the three months ended March 31, 2017, a decrease of $0.9 million or 56.3% on a reported and constant currency basis, mostly due to the impairment of assets related to the GLS group of CGUs in the fourth quarter of 2016, resulting in lower asset base and lower depreciation and amortization expense in the current period.

Operating Income (Loss) amounted to $(4.4) million for the three months ended March 31, 2017, an improvement of $0.3 million or $0.7 million on a constant currency basis, a direct result of the factors described above.

Adjusted EBITDA amounted to $(3.7) million for the three months ended March 31, 2017, a deterioration of $0.9 million. On a constant currency basis, Adjusted EBITDA decreased by $0.5 million due to higher operating expenses and lower Gross Billings, offset in part by lower direct costs.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)* section for additional information on this measure.

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

CORPORATE AND OTHER

	Three Months Ended March 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**33.2**	41.9	(8.7)	(20.8)	(7.5)	(17.9)
Total Gross Billings	**33.2**	41.9	(8.7)	(20.8)	(7.5)	(17.9)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**31.3**	42.8	(11.5)	(26.9)	(10.3)	(24.1)
Total revenue	**31.3**	42.8	(11.5)	(26.9)	(10.3)	(24.1)
Cost of rewards and direct costs	**6.2**	13.6	(7.4)	(54.4)	(7.2)	(52.9)
Gross margin before depreciation and amortization	**25.1**	29.2	(4.1)	(14.0)	(3.1)	(10.6)
Gross margin as a % of total revenue	***80.2%***	*68.2%*	**	*12.0 pp*	**	*12.1 pp*
Depreciation and amortization [(a)]	**1.3**	6.7	(5.4)	(80.6)	(5.4)	(80.6)
Gross margin	**23.8**	22.5	1.3	5.8	2.3	10.2
Operating expenses before share-based compensation	**45.2**	46.2	(1.0)	(2.2)	—	—
Share-based compensation	**4.2**	2.1	2.1	**	2.1	**
Total operating expenses	**49.4**	48.3	1.1	2.3	2.1	4.3
Operating loss	**(25.6)**	(25.8)	0.2	0.8	0.2	0.8
Adjusted EBITDA [(b)]	**(17.9)**	(15.5)	(2.4)	(15.5)	(2.4)	(15.5)
Included in Adjusted EBITDA:						
Distributions from equity-accounted investments	**4.5**	4.5	—	—	**	**

	Three Months Ended March 31,					
(in millions of Canadian dollars)	2017			2016		
	Corporate[(d)]	**Other[(e)]**	**Total**	**Corporate[(d)]**	**Other[(e)]**	**Total**
Total Gross Billings	**—**	**33.2**	**33.2**	—	41.9	41.9
Total revenue	**—**	**31.3**	**31.3**	—	42.8	42.8
Cost of rewards and direct costs	**—**	**6.2**	**6.2**	—	13.6	13.6
Gross margin before depreciation and amortization	**—**	**25.1**	**25.1**	—	29.2	29.2
Depreciation and amortization [(a)]	**1.3**	**—**	**1.3**	3.3	3.4	6.7
Gross margin	**(1.3)**	**25.1**	**23.8**	(3.3)	25.8	22.5
Operating expenses before share-based compensation	**18.6**	**26.6**	**45.2**	17.2	29.0	46.2
Share-based compensation	**4.2**	**—**	**4.2**	2.1	—	2.1
Total operating expenses	**22.8**	**26.6**	**49.4**	19.3	29.0	48.3
Operating loss	**(24.1)**	**(1.5)**	**(25.6)**	(22.6)	(3.2)	(25.8)
Adjusted EBITDA [(b)]	**(18.3)**	**0.4**	**(17.9)**	(14.8)	(0.7)	(15.5)
Included in Adjusted EBITDA:						
Distributions from equity-accounted investments	**4.5**	**—**	**4.5**	4.5	—	4.5

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 52.

Gross Billings amounted to $33.2 million for the three months ended March 31, 2017, a decrease of $8.7 million or 20.8%. On a constant currency basis, Gross Billings decreased by $7.5 million or 17.9%, mainly explained by a decrease in Gross Billings resulting from the disposal of the ES Business.

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

Total Revenue amounted to $31.3 million for the three months ended March 31, 2017, a decrease of $11.5 million or 26.9%. On a constant currency basis, total revenue decreased by $10.3 million or 24.1%, mostly related to the disposal of the ES Business, as well as lower revenue in the U.S. CEL Business.

Cost of Rewards and Direct Costs amounted to $6.2 million for the three months ended March 31, 2017, a decrease of $7.4 million or 54.4%. On a constant currency basis, cost of rewards and direct costs decreased by $7.2 million or 52.9%, mostly due to the disposal of the ES Business, as well as lower direct costs in the U.S. CEL Business.

Gross Margin before Depreciation and Amortization represented 80.2% of total revenue for the three month period ended March 31, 2017, an increase of 12.0 percentage-points or 12.1 percentage-points on a constant currency basis, a direct result of the factors described above.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $1.3 million for the three months ended March 31, 2017, a decrease of $5.4 million or 80.6% on a reported and constant currency basis, mostly due to the impairment of global product development assets in the fourth quarter of 2016 as well as the disposal of the ES Business at the end of July 2016, both of which resulting in lower asset base and lower depreciation and amortization expense in the current period. Management's decision in the fourth quarter of 2016 to dispose of the U.S. CEL Business also contributed to the reduction, since the related long-term assets of the business are no longer depreciated.

Operating Expenses amounted to $49.4 million for the three months ended March 31, 2017, an increase of $1.1 million or 2.3%. On a constant currency basis, operating expenses increased by $2.1 million or 4.3%, mainly attributable to a higher share-based compensation expense related to the revaluation of cash-settled awards.

Operating Income (Loss) amounted to $(25.6) million for the three months ended March 31, 2017, an improvement of $0.2 million on a reported and constant currency basis, a direct result of the factors described above.

Adjusted EBITDA amounted to $(17.9) million for the three months ended March 31, 2017, a deterioration of $2.4 million on a reported and constant currency basis, mostly explained by higher operating expenses.

Adjusted EBITDA is a non-GAAP measure. Please refer to the *PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)* section for additional information on this measure.

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

SEGMENTED INFORMATION

At March 31, 2017, the Corporation had three reportable and operating segments: Americas Coalitions, International Coalitions and GLS. As part of the ongoing efforts to simplify and focus the operations of the Corporation, the U.S. CEL Business and the ES Business, which were reported in the Americas Coalitions segment from January 1, 2016 to September 30, 2016, are now reported under Corporate and Other, effective October 1, 2016. As a result of those changes, the comparative information has been restated to conform with the new segmentation.

Management of global shared services, global product development costs and share-based compensation is centralized and, consequently, these expenses are not allocated to the operating segments and are reported under Corporate and Other, along with the operating results and the financial position of the U.S. CEL Business and the ES Business.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. For additional information on the determination of reportable and operating segments, refer to the condensed interim consolidated financial statements for the three months ended March 31, 2017.

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

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

	Three Months Ended March 31,											
(in millions of Canadian dollars)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating Segments	**Americas Coalitions**		**International Coalitions**		**GLS**		**Corporate and Other** [b]		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**299.6**	284.2	**98.3**	141.0	**—**	—	**—**	—	**—**	—	**397.9**	425.2
Gross Billings from Loyalty Services and Other	**20.0**	25.2	**23.3**	25.8	**50.9**	55.1	**33.2**	41.9	**(0.1)**	(0.2)	**127.3**	147.8
Total Gross Billings	**319.6**	309.4	**121.6**	166.8	**50.9**	55.1	**33.2**	41.9	**(0.1)**	(0.2)	**525.2** *(c)*	573.0 *(c)*
Revenue from Loyalty Units	**315.3**	299.5	**84.3**	122.1	**—**	—	**—**	—	**—**	—	**399.6**	421.6
Revenue from Loyalty Services and Other	**19.9**	25.4	**23.1**	25.6	**50.9**	54.7	**31.3**	42.8	**—**	—	**125.2**	148.5
Intercompany revenue	**—**	—	**0.1**	0.1	**—**	0.1	**—**	—	**(0.1)**	(0.2)	**—**	—
Total revenue	**335.2**	324.9	**107.5**	147.8	**50.9**	54.8	**31.3**	42.8	**(0.1)**	(0.2)	**524.8**	570.1
Cost of rewards and direct costs	**226.9**	225.1	**70.6**	98.0	**27.7**	32.8	**6.2**	13.6	**—**	—	**331.4**	369.5
Gross margin before depreciation and amortization	**108.3**	99.8	**36.9**	49.8	**23.2**	22.0	**25.1**	29.2	**(0.1)**	(0.2)	**193.4**	200.6
Depreciation and amortization [a]	**30.8**	33.2	**4.4**	4.2	**0.7**	1.6	**1.3**	6.7	**—**	—	**37.2**	45.7
Gross margin	**77.5**	66.6	**32.5**	45.6	**22.5**	20.4	**23.8**	22.5	**(0.1)**	(0.2)	**156.2**	154.9
Operating expenses before share-based compensation	**48.1**	55.0	**26.4**	35.6	**26.9**	25.1	**45.2**	46.2	**(0.1)**	(0.2)	**146.5**	161.7
Share-based compensation	**—**	—	**—**	—	**—**	—	**4.2**	2.1	**—**	—	**4.2**	2.1
Total operating expenses	**48.1**	55.0	**26.4**	35.6	**26.9**	25.1	**49.4**	48.3	**(0.1)**	(0.2)	**150.7**	163.8
Operating income (loss)	**29.4**	11.6	**6.1**	10.0	**(4.4)**	(4.7)	**(25.6)**	(25.8)	**—**	—	**5.5**	(8.9)
Adjusted EBITDA [f]	**63.0**	50.0	**17.4**	17.0	**(3.7)**	(2.8)	**(17.9)**	(15.5)	**—**	—	**58.8**	48.7
Included in Adjusted EBITDA:												
Change in Future Redemption Costs	**18.4**	20.7	**(10.0)**	(17.0)	**—**	—	**—**	—	**—**	—	**8.4**	3.7
Distributions from equity-accounted investments	**—**	—	**2.8**	0.8	**—**	—	**4.5**	4.5	**—**	—	**7.3**	5.3
Additions to non-current assets [d]	**5.0**	7.6	**5.9**	5.6	**—**	1.0	**1.2**	5.3	**N/A**	N/A	**12.1**	19.5
Non-current assets [d]	**2,732.4**	2,840.9	**481.8**	537.7	**8.0**	30.2	**22.8**	115.2	**N/A**	N/A	**3,245.0** *(e)*	3,524.0 *(e)*

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

(b) Includes global shared services, global product development costs, share-based compensation and the operating results of the U.S. CEL Business and the ES Business.

(c) Includes third party Gross Billings of $319.6 million in Canada, $114.2 million in the UK and $39.5 million in the US for the three months ended March 31, 2017, compared to third party Gross Billings of $317.8 million in Canada, $159.0 million in the UK and $41.1 million in the US for the three months ended March 31, 2016. 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 $2,755.2 million in Canada, $458.2 million in the UK and $7.7 million in the US as of March 31, 2017, compared to non-current assets of $2,877.2 million in Canada, $554.4 million in the UK and $64.7 million in the US as of March 31, 2016.

(f) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

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, 2017.

	2017	2016				2015		
(in millions of Canadian dollars, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Gross Billings from the sale of Loyalty Units	**397.9**	485.3	418.5	419.1	425.2	506.7	422.5	458.3
Gross Billings from Loyalty Services and Other	**127.3**	162.2	140.0	141.6	147.8	181.5	157.8	147.0
Total Gross Billings	**525.2**	647.5	558.5	560.7	573.0	688.2	580.3	605.3
Revenue	**524.8**	689.0	503.6	525.4	570.1	734.3	529.3	536.9
Cost of rewards and direct costs	**(331.4)**	(453.4)	(311.9)	(331.3)	(369.5)	(483.4)	(341.4)	(346.4)
Gross margin before depreciation and amortization [(a)]	**193.4**	235.6	191.7	194.1	200.6	250.9	187.9	190.5
Operating expenses	**(150.7)**	(238.4) *(d)*	(159.6)	(163.5)	(163.8)	(215.5) *(g)*	(171.5)	(120.9) *(h)*
Depreciation and amortization	**(11.4)**	(15.2)	(14.1)	(15.2)	(12.9)	(16.3)	(15.4)	(13.1)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(25.8)**	(28.5)	(31.9)	(32.5)	(32.8)	(37.3)	(33.5)	(33.2)
Operating income (loss)	**5.5**	(46.5) *(d)*	(13.9)	(17.1)	(8.9)	(18.2) *(g)*	(32.5)	23.3 *(h)*
Net earnings (loss) attributable to equity holders of the Corporation	**9.6**	(57.2) *(d)*	(1.5)	7.2 *(f)*	(14.8)	(26.0) *(g)*	(26.9)	31.5 *(j)(k)*
Adjusted EBITDA [(b)]	**58.8**	64.7	60.5	54.6	48.7	63.2	46.1	107.5 *(h)*
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	**8.4**	37.1	(32.4)	(19.0)	3.7	43.9	(25.9)	(40.5)
Distributions from equity-accounted investments	**7.3**	5.9	5.9	7.7	5.3	16.5	4.6	10.0
Net earnings (loss) attributable to equity holders of the Corporation	**9.6**	(57.2) *(d)*	(1.5)	7.2 *(f)*	(14.8)	(26.0) *(g)*	(26.9)	31.5 *(j)(k)*
Earnings (loss) per common share [(c)]	**0.04**	(0.40) *(d)*	(0.04)	0.02 *(f)*	(0.12)	(0.19) *(g)*	(0.20)	0.17 *(j)(k)*
Free Cash Flow before Dividends Paid [(b)]	**(23.8)**	121.6	86.7 *(e)*	44.2	(18.9)	78.9 *(i)*	59.0	59.2
Free Cash Flow [(b)]	**(58.5)**	86.9	52.0 *(e)*	9.6	(52.1)	45.1 *(i)*	24.6	22.1
Future Redemption Cost liability - Unbroken Loyalty Units	**2,206.0**	2,217.1	2,275.6	2,274.0	2,293.0	2,305.5	2,351.2	2,332.2
Potential redemption liability - Broken Loyalty Units	**836.8**	860.6	896.9	875.4	890.8	883.9	863.7	860.1

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. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(c) After deducting dividends declared on preferred shares.

(d) Operating expenses, operating loss and net loss attributable to equity holders of the Corporation include impairment charges amounting to $66.0 million recorded during the three months ended December 31, 2016, of which $53.2 million related to the GLS group of CGUs and $12.8 million to the U.S. CEL Business. Net loss attributable to equity holders of the Corporation also includes an income tax recovery of $1.4 million related to these impairment charges.

(e) Includes an amount of $50.3 million, inclusive of interest in the amount of $1.6 million, received during the three months ended September 30, 2016 from the CRA related to the income tax refund of loss carry back applied in Canada.

(f) Includes the impact of the gain on the disposal of the commercial rights in the UK card-linked marketing business of $23.2 million recorded during the three months ended June 30, 2016.

(g) Operating expenses, operating loss and net loss attributable to equity holders of the Corporation include impairment charges amounting to $13.5 million recorded during the three months ended December 31, 2015 related to the Canada Loyalty Solutions group of CGUs. Net loss attributable to equity holders of the Corporation also includes an income tax recovery of $3.6 million related to these impairment charges.

(h) Includes the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the three months ended June 30, 2015.

(i) Includes the receipt of $20.7 million from Revenue Quebec in the fourth quarter of 2015, representing the reimbursement of a deposit made during the third quarter of 2014 to act as security for the assessment received from Revenue Quebec on August 28, 2014.

(j) Includes the favourable impact of $33.6 million, net of an income tax expense of $12.1 million, resulting from the reduction of the Card Migration Provision during the three months ended June 30, 2015.

(k) Includes the impact of the gain on the sale of the investment in Air Canada Class B shares during the three months ended June 30, 2015 of $18.6 million, net of an income tax expense of $2.9 million.

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

FINANCING STRATEGY, LIQUIDITY AND CAPITAL RESOURCES

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. Dividends are expected to continue to be funded from internally generated cash flows.

At March 31, 2017, Aimia had $230.0 million of cash and cash equivalents, $21.5 million of restricted cash, $80.2 million of short-term investments and $225.4 million of long-term investments in bonds, for a total of $557.1 million. Approximately $3.4 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to April 2017 and $305.6 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between June 2017 and September 2021. The Aeroplan Miles redemption reserve described under *Redemption Reserve* is included in short-term investments and long-term investments.

The following table provides a reconciliation between Adjusted EBITDA and Free Cash Flow for the periods indicated:

	Three Months Ended March 31,	
(in millions of Canadian dollars , except per share information)	2017	2016
Adjusted EBITDA [(a)]	**58.8**	48.7
Change in Future Redemption Costs [(b)]	**(8.4)**	(3.7)
Share-based compensation	**4.2**	2.1
Income taxes paid, net	**(3.4)**	(3.2)
Net cash interest paid	**(4.1)**	(10.3)
Cash from operating activities before change in operating assets and liabilities and other	**47.1**	33.6
Change in operating assets and liabilities and other	**(58.8)**	(33.0)
Cash from (used in) operating activities	**(11.7)**	0.6
Capital expenditures	**(12.1)**	(19.5)
Free Cash Flow before Dividends Paid [(a)]	**(23.8)**	(18.9)
Free Cash Flow before Dividends Paid per common share [(a)(c)]	**(0.18)**	(0.15)
Dividends paid to equity holders of the Corporation	**(34.7)**	(33.2)
Free Cash Flow [(a)]	**(58.5)**	(52.1)

(a) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(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) After deducting dividends paid on preferred shares.

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

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

	Three Months Ended March 31,	
(in millions of Canadian dollars)	2017	2016
Cash and cash equivalents, beginning of period	**293.0**	**482.2**
Cash from (used in) operating activities	(11.7)	0.6
Cash used in investing activities	(12.1)	(21.2)
Cash used in financing activities	(37.8)	(57.2)
Translation adjustment related to cash	(1.4)	(22.1)
Cash and cash equivalents, end of period	**230.0**	**382.3**

OPERATING ACTIVITIES

Cash from operating activities 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 loyalty solutions and analytics and insights services. Cash flow from operating activities is also reduced by operating expenses and interest and income taxes paid.

Cash flows from operating activities amounted to $(11.7) million for the three months ended March 31, 2017, compared to $0.6 million for the three months ended March 31, 2016.

The unfavourable variance of $12.3 million for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 explained primarily by an unfavourable variance in the change in net operating assets of $25.8 million and a decrease in Gross Billings of $47.8 million, offset in part by lower cost of rewards and direct costs of $38.1 million, lower operating expenses before share-based compensation of $15.2 million, a $6.2 million decrease in net interest paid driven by the early redemption of the Senior Secured Notes Series 3 in the fourth quarter of 2016 and an increase in distributions from equity accounted investments of $2.0 million.

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

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

INVESTING ACTIVITIES

Capital expenditures for the three months ended March 31, 2017 amounted to $12.1 million. Anticipated capital expenditures for 2017 are expected to approximate between $50.0 million and $60.0 million.

FINANCING ACTIVITIES

Financing activities for the three months ended March 31, 2017 reflect the payment of $34.7 million related to common and preferred dividends, as well as first annual installment of the base and contingent consideration, totalling $3.1 million, related to the acquisition of the remaining 40% ownership interest in Aimia Middle East.

LIQUIDITY

Aimia anticipates that total capital requirements for the 2017 fiscal year will be between $188.8 million and $198.8 million, consisting of $138.8 million in respect of anticipated cash dividends to its common and preferred shareholders and between $50.0 million and $60.0 million in respect of capital expenditures. The capital requirements will be funded from operations, cash and securities, available cash on deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Miles redemption reserve (the “Reserve”), which, subject to compliance with the provisions of the Corporation's credit facilities, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. To date, Aimia has not used the funds held in the Reserve. At March 31, 2017, 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, 2017, 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.

At March 31, 2017, the Reserve, as well as cash of $108.2 million held to comply with a contractual covenant with a major Accumulation Partner, amounted to $408.2 million, representing 18.5% of the consolidated Future Redemption Cost liability.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $2,206.0 million.

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

CREDIT FACILITIES AND LONG-TERM DEBT

At March 31, 2017, Aimia had Senior Secured Notes outstanding in the amount of $450.0 million maturing at various dates through May 17, 2019. In addition, Aimia had an authorized revolving credit facility of $300.0 million maturing on April 23, 2020, and irrevocable letters of credit in the aggregate amount of $9.6 million which reduce the available credit under this facility. The revolving facility is provided by a syndicate that consists of eight 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.

INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS

The table below summarizes Aimia's investments in equity instruments, associates and joint arrangements at March 31, 2017:

Name	Nature of business	Nature of investment	Reporting segment	Country of incorporation and place of business	% of ownership interest	Measurement method
PLM	Coalition Loyalty	Joint venture	Corporate and Other	Mexico	48.9	Equity
i2c	Analytics and Insights	Joint venture	International Coalitions	United Kingdom	50.0	Equity
Think Big	Coalition Loyalty	Joint venture	Corporate and Other	Malaysia	20.0	Equity
China Rewards	Coalition Loyalty	Associate	Corporate and Other	China	< 20.0	Equity
Cardlytics	Loyalty Solutions & Analytics and Insights	Equity instrument	Corporate and Other	United States	< 20.0	Fair value
Fractal Analytics	Analytics and Insights	Equity instrument	Corporate and Other	India	< 20.0	Fair value

EQUITY-ACCOUNTED INVESTMENTS

As at	March 31,	December 31,
(in millions of Canadian dollars)	2017	2016
Investment in PLM [(a)]	83.9	80.4
Other equity-accounted investments in joint ventures [(b)]	21.3	22.5
Equity-accounted investments in associates [(c)]	—	0.9
Total	**105.2**	103.8

(a) During the three months ended March 31, 2017 and March 31, 2016, Aimia received distributions from PLM of $4.5 million (US$3.4 million) and $4.5 million (US$3.4 million), respectively.

(b) During the three months ended March 31, 2017 and March 31, 2016, Aimia received distributions from equity-accounted investments in joint ventures of $2.8 million and $0.8 million, respectively.

(c) During the three months ended March 31, 2017, Aimia exited its investment in Travel Club for a consideration receivable of $3.7 million. As a result, a gain of $2.7 million was recorded during the three months ended March 31, 2017 and is presented in share of net earnings (loss) of equity-accounted investments. The consideration was collected in April 2017.

During the three months ended December 31, 2016, the carrying amount of the investment in China Rewards, representing an amount of $5.4 million, was written-off as a result of the Corporation's decision to no longer continue to fund the operations.

Share of net earnings (loss) of equity-accounted investments	Three Months Ended March 31,	
(in millions of Canadian dollars)	2017	2016
Investment in PLM	8.8	5.0
Other equity-accounted investments in joint ventures	1.6	0.7
Equity-accounted investments in associates [(c)]	2.7	(0.1)
Total	**13.1**	5.6

PLM reported Gross Billings of $64.5 million for the three months ended March 31, 2017 compared to $54.6 million for the three months ended March 31, 2016.

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 $836.8 million at March 31, 2017.

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 $198.9 million for the period in which the change occurred, with $194.3 million relating to prior years and $4.6 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

Asset Purchase Agreement

(in millions of Canadian dollars)	Card Migration Provision
Balance at December 31, 2015	**6.0**
Provision recorded during the year	—
Provision received (used) during the year	(0.6)
Provision reversed during the year	—
Balance at December 31, 2016	**5.4**
Provision recorded during the period	**—**
Provision received (used) during the period	**(1.0)**
Provision reversed during the period	**—**
Balance at March 31, 2017	**4.4**
Represented by:	
Current portion	**1.5**
Long-term portion	**2.9**

On September 16, 2013, Aimia entered into an asset purchase agreement and a migration agreement with TD and CIBC, subject to certain regulatory approvals and other closing conditions, all of which were fulfilled on December 27, 2013. In relation to these agreements, based on the net migration of Aeroplan-branded credit card accounts between CIBC and TD, Aimia will be responsible for, or entitled to receive, up to $100.0 million over the five years period ending in December 2018. As a result, a provision was recorded in general and administrative expenses during the fourth quarter of 2013.

During the first quarter of 2016, an amount of $0.6 million was paid by Aimia, representing the payment relating to the 2015 calendar year in accordance with the terms of the migration agreement. There was no change to the total provision during the remaining nine months of 2016.

During the first quarter of 2017, an amount of $1.0 million was paid by Aimia, representing the payment relating to the 2016 calendar year in accordance with the terms of the migration agreement.

At this time, the provision represents management's best estimate.

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.

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

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, 2017, Aimia's maximum exposure under such guarantees was estimated to amount to $93.9 million. No amount has been recorded in the 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.

Management has filed 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 the 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.

TRANSACTIONS WITH AIR CANADA

Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada, which are described in Aimia's Annual Information Form dated March 22, 2017.

Air Canada is one of Aimia's largest Accumulation Partners, representing 13% of Gross Billings for the three months ended March 31, 2017 compared to 11% of Gross Billings for the three months ended March 31, 2016. 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 $209.8 million for 2017. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the three months ended March 31, 2017, 60% 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 50% for the three months ended March 31, 2016. Under the CPSA, based on the three years ended December 31, 2016, Aeroplan is required to purchase reward travel seats amounting to approximately $567.5 million each year.

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

CPSA

As provided for in the existing CPSA, Aeroplan and Air Canada entered into an agreement effective February 2, 2017 relating to fixed capacity redemption rates to be paid by Aeroplan in connection with airline seat redemptions for the period beginning January 1, 2017 through to December 31, 2019. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at March 31, 2017, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

(in millions of Canadian dollars)	Total	2017	2018	2019	2020	2021	Thereafter
Contractual Obligations							
Long-term debt	450.0	—	200.0	250.0	—	—	—
Interest on long-term debt [(a)]	46.7	19.1	19.3	8.0	0.3	—	—
Total long-term debt and interest	496.7	19.1	219.3	258.0	0.3	—	—
Operating leases	127.6	15.1	17.3	15.2	13.2	12.7	54.1
Technology infrastructure and other [(b)]	201.4	32.4	38.4	35.1	28.1	18.3	49.1
Marketing support and other	178.7	27.2	45.9	33.6	30.5	20.5	21.0
Purchase obligation under the CPSA	1,792.3	373.5	567.5	567.5	283.8	—	—
Contractual Obligations	**2,796.7**	**467.3**	**888.4**	**909.4**	**355.9**	**51.5**	**124.2**
Commitments							
Letters of Credit and Surety Bonds	18.5	16.4	0.7	—	1.4	—	—
Commitments	**18.5**	**16.4**	**0.7**	**—**	**1.4**	**—**	**—**
Total Contractual Obligations and Commitments	**2,815.2**	**483.7**	**889.1**	**909.4**	**357.3**	**51.5**	**124.2**

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

(b) Includes the minimum commitments relating to the global IT outsourcing arrangement.

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, 2017, Aimia complied with all such covenants.

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

CAPITAL STOCK

At March 31, 2017, Aimia had 152,294,611 common shares, 3,953,365 Series 1 Preferred Shares, 2,946,635 Series 2 Preferred Shares and 6,000,000 Series 3 Preferred Shares issued and outstanding for an aggregate amount of $1,665.0 million. In addition, there were 11,225,469 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

PREFERRED SHARES, SERIES 1 AND PREFERRED SHARES, SERIES 2

On February 27, 2015, Aimia announced that it would not be exercising its right to redeem all or part of the Series 1 Preferred Shares on March 31, 2015. As a result and subject to certain conditions, the holders of the Series 1 Preferred Shares had the right to convert all or part of their Series 1 Preferred Shares, on a one-for-one basis, into Series 2 Preferred Shares on March 31, 2015.

On March 31, 2015, the holders of 2,946,635 Series 1 Preferred Shares exercised their option to convert their Series 1 Preferred Shares into an equivalent number of Series 2 Preferred Shares. Holders of the Series 2 Preferred Shares are entitled to receive quarterly floating rate, cumulative, preferential cash dividends, calculated on the basis of the actual number of days elapsed in such quarterly period divided by 365, as and when declared by the Board of Directors of Aimia, subject to the provisions of the Canada Business Corporations Act (the “CBCA”). The dividend rate for the floating rate period from and including March 31, 2017 to, but excluding June 30, 2017, will be 4.230%, being 3.75% over the 90-day Government of Canada Treasury Bill yield, as determined in accordance with the terms of the Series 2 Preferred Shares.

With respect to the remaining 3,953,365 Series 1 Preferred Shares outstanding after March 31, 2015, holders of the Series 1 Preferred Shares are entitled to receive quarterly fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors of Aimia, subject to the provisions of the CBCA. The dividend rate for the five-year period from and including March 31, 2015 to, but excluding March 31, 2020, will be 4.5%, being 3.75% over the five-year Government of Canada bond yield, as determined in accordance with the terms of the Series 1 Preferred Shares.

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 rate dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.20%.

DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the three months ended March 31, 2017 and 2016 were as follows:

	2017		2016 [(a)]	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per common share	Amount	Per common share
March	30.5	0.20	29.0	0.19

(a) On May 12, 2016, the Board of Directors of Aimia approved an increase to the common share dividend from $0.19 to $0.20 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the three months ended March 31, 2017 and 2016 were as follows:

	2017		2016	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March	1.1	0.28125	1.1	0.28125
Series 2				
March	0.8	0.262541	0.8	0.264049
Series 3				
March	2.3	0.390625	2.3	0.390625

The dividend policy is subject to the discretion of the Board of Directors of Aimia and may vary depending on, among other things, Aimia's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time. The Series 1 Preferred Shares outstanding at March 31, 2017 bear a 4.5% annual cumulative dividend or $0.28125 per preferred share per quarter. The Series 2 Preferred Shares outstanding at March 31, 2017 bear a cumulative quarterly floating dividend yielding 4.230% annually or $0.263651 per preferred share per quarter, as determined for the floating rate period from and including March 31, 2017 to, but excluding June 30, 2017. The Series 3 Preferred Shares outstanding at March 31, 2017 bear a 6.25% annual cumulative dividend or $0.390625 per preferred share per quarter.

On May 10, 2017, the Board of Directors of Aimia declared quarterly dividends of $0.20 per common share, $0.28125 per Series 1 preferred share, $0.263651 per Series 2 preferred share and $0.390625 per Series 3 preferred share, in each case payable on June 30, 2017.

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

EARNINGS (LOSS) PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted $0.04 and $(0.12) for the three months ended March 31, 2017 and 2016, respectively. Earnings (loss) per share is calculated after deducting dividends declared on preferred shares.

SUBSEQUENT EVENTS

On May 1, 2017, the Corporation closed the sale of its U.S. CEL Business. Along with the assets and liabilities presented within *Note 17A* of the condensed interim consolidated financial statements for the three months ended March 31, 2017, cash held in the business at the time of closing, representing approximately $45.0 million, was included in the transaction.

On May 10, 2017, the Corporation issued a notice for the redemption prior to maturity of all of its outstanding $200.0 million of Senior Secured Notes Series 5 due January 22, 2018. The redemption will occur on June 9, 2017, with cash drawn from the revolving facility, in line with the optimization of the Corporation’s capital structure.

On May 10, 2017, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 12,996,232 of its issued and outstanding common shares during the period from May 23, 2017 to no later than May 22, 2018.

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

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following revised standards as detailed below:

IAS 7 Amendments, Disclosures related to financing activities

The IASB issued amendments to IAS 7 - *Statement of Cash Flows* to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for years beginning on or after January 1, 2017. The Corporation will include additional disclosure in its 2017 annual consolidated financial statements.

IAS 12 Amendments, Recognition of Deferred Tax Assets for Unrealised Losses

The IASB issued amendments to IAS 12 - *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The amendment is effective for years beginning on or after January 1, 2017. The Corporation has assessed the amendments to IAS 12 and concluded that these changes had no impact on its interim financial statements.

FUTURE ACCOUNTING CHANGES

The following section provides an update to the same section included in *Note 2* of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2016.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - *Revenue*, and related interpretations such as IFRIC 13 - *Customer Loyalty Programmes*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

In April 2016, the IASB issued amendments to IFRS 15 - *Revenue from Contracts with Customers* to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent considerations. The amendments also provide additional practical expedients on transition. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, being the same effective date as IFRS 15 itself.

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

At this time, management is performing a detailed impact assessment that this standard and its amendments will have on its consolidated financial statements. Preliminary key differences between IFRS 15 and IAS 18 and areas of focus that could materially affect our consolidated financial statements have been identified, including (but not limited to):

- Whether the sale of a loyalty unit includes one or multiple performance obligations and the implications on the transaction price allocation;
- Whether Aimia acts as the principal or an agent for the respective loyalty programs that the Corporation is currently managing.

Our operations and associated systems are complex, as such, the accounting for millions of loyalty units issued and redeemed could be affected. Our current estimate of the time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes (including incremental requirements of our information technology systems) we will need to have in place in order to comply with the new standard extends into late-2017. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

CRITICAL ACCOUNTING ESTIMATES

Please refer to *Note 2* of the December 31, 2016 audited consolidated financial statements of Aimia and the corresponding section of the 2016 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, provisions 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, with management's assistance, that are under the responsibility of the Interim Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and Chief Financial Officer, 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, 2017, 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 interim condensed consolidated financial statements, and the Board of Directors of Aimia approved these documents prior to their release.

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

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

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 Aimia's Annual Information Form dated March 22, 2017, which are amended and supplemented by the risk factor set out below.

The risks described therein and herein, 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.

The following paragraphs provide an update and supersede the risk factor entitled “Dependency on significant Accumultation Partners and Clients”:

Dependency on significant Accumulation Partners and Clients

Aimia’s top four Accumulation Partners were responsible for approximately 55% of Gross Billings for the year ended December 31, 2016. A decrease in sales of Loyalty Units to these partners or to any other significant Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings and revenue. The success of our coalition programs is dependent to a large extent on our relationships with certain key anchor partners. There is no assurance that contracts with Aimia’s principal Accumulation Partners, including anchor partners, will be renewed on similar terms, or at all when they expire.

The Aeroplan Program derives a significant portion of its Gross Billings from its agreements with TD, CIBC, and Air Canada.

On January 1, 2014, ten-year financial credit card agreements between Aimia and each of TD and CIBC (the “Credit Card Agreements”) became effective. Under the Credit Card Agreements, TD became Aeroplan’s primary financial services partner and credit card issuer, while CIBC also continues to be an issuer of the Aeroplan credit cards. There can be no assurance that the Credit Card Agreements will provide, over the course of the term of the Credit Card Agreements, a financial contribution to Aimia similar to the historical contribution of the previous agreement with CIBC (the “Old CIBC Agreement”) which expired on December 31, 2013 and/or similar to the contribution from the first year of the term during which there was substantial bonusing activity as well as card acquisition incentives. In the event the Credit Card Agreements provide, over the course of the term of the Credit Card Agreements, a lesser financial contribution to Aimia as compared to the historical contribution of the Old CIBC Agreement or as compared to the first year of the term, there would be an adverse effect on our Gross Billings, revenue, redemption costs and profitability.

The CPSA between Aeroplan and Air Canada expires on June 29, 2020, subject to four automatic renewals of five years each, unless either party provides written notice to the other of its intention not to renew at least 12 months prior to the expiry of the initial term or the then current renewal term. Please see the section “Supply and Capacity Costs” below. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could lead to a significant reduction in Gross Billings. While no formal written notice has been received from Air Canada, the tenor of recent discussions has led Aimia to the belief that Air Canada does not currently intend to renew the CPSA on its

expiry in June, 2020. While Aimia remains open to further discussions with Air Canada, it is exploring other post-2020 alternatives with the goal of ensuring that Aeroplan members retain access to a strong redemption offering around air rewards in the future. There is no assurance that Aimia will be able to successfully secure such alternatives on similar terms. The failure to reach an agreement with Air Canada for the renewal of the CPSA on similar terms, or to secure an alternative or to secure an alternative on similar terms may negatively impact member perception of the Aeroplan program and may have an adverse effect on Aimia's Gross Billings, revenues, redemption cost and profitability.

The Nectar Program derives a significant portion of its Gross Billings from its founding coalition partner, Sainsbury's. The commercial agreements governing the participation of Sainsbury's as an Accumulation Partner and Redemption Partner in the Nectar Program expire in 2019, unless renewed by the parties. On October 13, 2014, Aimia announced that Nectar members will earn one point for every £1 spent in stores or online with Sainsbury's starting in April of 2015, compared with the two points per £1 previously, with greater emphasis being placed on bonus offers and increased personalized points offers. While these changes are intended to drive increased engagement and activity with more frequent and targeted bonusing, there can be no assurance that the new accumulation program will be successful in doing so and instead may lead to decreases in member engagement with the Nectar Program generally. Any material decrease in member engagement with the Nectar Program could have an adverse effect on Aimia's Gross Billings and revenues.

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

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

RECONCILIATION OF ROIC AND ADJUSTED NET EARNINGS

ROIC

ROIC is calculated as adjusted operating income after taxes expressed as a percentage of the average invested capital. The following table provides the calculation of Aimia's ROIC for the twelve months ended March 31, 2017 and 2016:

	Twelve Months Ended March 31,	
(in millions of Canadian dollars unless otherwise noted)	2017	2016
Calculation of adjusted operating income after taxes		
Operating loss	**(72.0)**	(36.3)
Depreciation, amortization & impairment charges [(b)]	**240.6**	208.0
Operating income excluding depreciation, amortization and impairment charges [(a)]	**168.6**	171.7
Adjustments:		
Change in deferred revenue		
Gross Billings	**2,291.9**	2,446.8
Total revenue	**(2,242.8)**	(2,370.6)
Change in Future Redemption Costs [(c)]	**(3.8)**	(23.8)
Distributions from equity-accounted investments	**26.8**	36.4
Subtotal of Adjustments	**72.1**	88.8
Adjusted EBITDA [(a)]	**240.7**	260.5
Depreciation and amortization	**(55.9)**	(57.7)
Tax [(d)]	**(49.1)**	(53.9)
Adjusted operating income after taxes [(a)]	**135.7**	148.9
Calculation of invested capital		
Total equity	**92.7**	349.5
Deferred revenue margin:		
Deferred revenue	**3,242.8**	3,260.7
Future Redemption Cost liability - Unbroken Loyalty Units	**(2,206.0)**	(2,293.0)
Tax [(d)]	**(275.6)**	(257.2)
Accumulated amortization of accumulation partners' contracts and customer relationships	**863.6**	801.5
Net debt:		
Long-term debt (including current portion)	**448.6**	647.6
Cash and cash equivalents	**(230.0)**	(382.3)
Contractually required redemption reserve included in cash & cash equivalents	**108.2**	141.1
Total Invested capital [(a)]	**2,044.3**	2,267.9
Average Invested capital [(a)(e)]	**2,156.1**	2,306.8
ROIC [(a)]	**6.3%**	6.5%

(a) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

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

(c) 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.

(d) Tax was calculated at the Canadian statutory tax rate of 26.58% and 26.58% for each of the above items for the twelve month periods presented, respectively. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

(e) Represents the average of the beginning and ending balance of the twelve-month period.

ADJUSTED NET EARNINGS

The table below presents a reconciliation from net earnings (loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
(in millions of Canadian dollars, except per share information)	2017	2016
Net earnings (loss) attributable to equity holders of the Corporation	**9.6**	(14.8)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**25.8**	32.8
Share of net earnings of equity-accounted investments	**(13.1)**	(5.6)
Adjusted EBITDA Adjustments	**16.1**	11.9
Tax on adjustments [(c)]	**(0.7)**	(1.2)
Non-controlling interests share on adjustments above	**—**	0.8
Adjusted Net Earnings [(a)]	**37.7**	23.9
Adjusted Net Earnings per common share [(a)(b)]	**0.22**	0.13

(a) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(b) After deducting dividends declared on preferred shares.

(c) The effective tax rates on an entity level basis are applied to the related entity level adjustments noted above.

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

NOTATIONS TO FINANCIAL TABLES

This section includes the notations to the tables included under the *Quarter Ended March 31, 2017 Compared to Quarter Ended March 31, 2016* section.

QUARTER ENDED MARCH 31, 2017 COMPARED TO QUARTER ENDED MARCH 31, 2016

CONSOLIDATED OPERATING RESULTS

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

(b) Includes third party Gross Billings of $319.6 million in Canada, $114.2 million in the UK and $39.5 million in the US for the three months ended March 31, 2017, compared to third party Gross Billings of $317.8 million in Canada, $159.0 million in the UK and $41.1 million in the US for the three months ended March 31, 2016. 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.

(c) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(d) Represents the variance on a constant currency basis.

(e) ROIC for the twelve-month period ended March 31, 2016 includes the favourable impact of $33.6 million, net of an income tax expense of $12.1 million, resulting from the reduction of the Card Migration Provision during the three months ended June 30, 2015.

** Information not meaningful or not applicable.

AMERICAS COALITIONS

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

(b) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

** Information not meaningful or not applicable.

INTERNATIONAL COALITIONS

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

(b) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(c) Represents the variance on a constant currency basis.

** Information not meaningful or not applicable.

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

GLOBAL LOYALTY SOLUTIONS

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

(b) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(c) Represents the variance on a constant currency basis.

** Information not meaningful or not applicable.

CORPORATE AND OTHER

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

(b) A non-GAAP measurement. Please refer to *Performance Indicators (including certain non-GAAP financial measures)*.

(c) Represents the variance on a constant currency basis.

(d) Includes global shared services, global product development costs, share-based compensation and distributions from equity-accounted investments reported in Corporate.

(e) For 2017, includes the operating results of the U.S. CEL Business. For 2016, includes the operating results of the U.S. CEL Business and the ES Business.

** Information not meaningful or not applicable.

ADDITIONAL INFORMATION

Additional information relating to Aimia and its operating businesses, including Aimia's Management Information Circular and Annual Information Form, respectively dated March 13 and March 22, 2017, is available on SEDAR at **www.sedar.com** or on Aimia's website at **www.aimia.com** under “Investors”.