ANNUAL REPORT

2016

CHAIRMAN'S LETTER

In 2016, we continued to simplify and focus the business and proceed with Board renewal.

Our focus on execution led to stronger results in 2016, with discipline around operating and capital investments driving stronger margin and free cash flow. Returns to shareholders increased as business results improved. Strong operating cash flow and lower capital expenditure supported a 16% increase in Free Cash Flow before Dividends Paid [(1)].

Further progress on simplification of the business through the disposal of non-core assets means we have started 2017 on a smaller but more profitable base, with the Canadian Enhancement Services and Cardlytics U.K. businesses sold in 2016. We also agreed to sell our U.S. Channel and Employee Loyalty business in early 2017, with the transaction expected to close in the second quarter.

The company continued our practice of returning cash to shareholders. In line with the decision we made at the Board in 2016, we paid $120 million of dividends to common shareholders. The quarterly dividend of $0.20 per common share represented a payout of 64% of Free Cash Flow[(1)]. As is our practice, we will review our dividend level and capital allocation policy before the Annual Shareholders Meeting in May 2017.

This was also an important year for Board renewal as we added to the retailing, capital markets and financial reporting expertise represented.

Following an extensive search led by the Governance and Nominating Committee, we announced the appointment of Thomas (Tom) D. Gardner and William (Bill) McEwan to our Board of Directors in December 2016 and the nomination of Robert (Chris) Kreidler to our Board for election at our AGM in May 2017. Many in the Canadian market know Bill for the years of management experience he brings in the grocery and consumer packaged goods industry as a previous president and CEO of Sobey's. Tom brings U.S. and global expertise, with 25 years of operating, strategy and marketing leadership, including roles at Reader's Digest and McKinsey, while Chris's experience includes the CFO roles at Sysco Corp. and C&S Wholesale Grocers, as well as earlier responsibility for customers, corporate strategy and treasury. Their depth of expertise adds to the diverse range of viewpoints, backgrounds, skills, and experience which already marks the makeup of the Aimia Board.

These additions will stand us in good stead with David Laidley retiring in 2017. David's financial reporting and corporate governance expertise was much valued in his eight years on the Board and I want to extend our thanks for his many contributions over the years.

In early 2017, the Board also asked me to take on the role of Executive Chairman on a part-time and temporary basis, with Group Chief Executive Rupert Duchesne required to take a four-month medical leave of absence. Changes in management – even temporary ones – can be disruptive but there is an important context here. We had a strong Chief Operating Officer in place able to step in, with David Johnston already overseeing the divisions before his appointment as Interim Group Chief Executive. This gives the Board confidence that we will continue executing against our plan for 2017.

An ability to respond to change will continue to be an asset with economic and geopolitical changes in our major markets and medium term contract renewals in our major businesses. The Board will remain focused on plans and alternatives which generate the maximum returns from the assets that we own and ensure that capital is effectively deployed. Our priority continues to be a plan which delivers the right longer term outcome, taking further actions if required along the way, and generating free cash flow that will improve returns to shareholders.

On behalf of the Board, I thank Aimia's employees for their efforts, and our shareholders for their ongoing support and confidence in us.

Robert E. Brown
Chairman of the Board

(1) A non-GAAP measurement. For a reconciliation to the most comparable GAAP measure, please refer to Aimia's Management's Discussion and Analysis included within this Annual Report.

GROUP CHIEF EXECUTIVE'S LETTER

The business delivered on the plan we had set out to investors last year, despite some turbulence in our major markets in 2016, and our focus remains on further simplification in 2017.

2016 results

We grew the Aeroplan business in 2016 and saw growth on a constant currency basis at Nectar as we exited the year. Member satisfaction remained at some of the highest levels we've seen. Strong operational discipline across the business generated the expected margin and strong cash flow. We simplified, exited a number of businesses and markets, and reduced operating expenses[(1)] by 6%. We moved to a new divisional structure and smaller executive team, reducing our overall number of employees while keeping focus on retention of key talent. We also welcomed Tor Lønnum as Chief Financial Officer in May 2016. We set out a clear view of the balance sheet to optimize our cost of capital at the end of 2016, and early repayment of our $200 million January 2017 maturity reduced our AEBITDA leverage to around two times.

With the outcome of the U.K. referendum in June 2016, the weakened pound sterling made getting to the original guidance more challenging than we had expected but we delivered against our currency-adjusted 2016 guidance with $2.34 billion of Gross Billings, Adjusted EBITDA margin of 10% and Free Cash Flow before Dividends Paid of $234 million on a reported basis[(2)].

Strategy

We continue to occupy a unique space as a pure play data-driven marketing and loyalty analytics company with strong retail, financial and travel brands reaching millions of consumers, and with a strong track record of cash generation. We aim to allocate that capital effectively in a way that maximizes return to our shareholders.

The evolution of partnerships, products and innovation for the longer term remain at the core of our strategy, along with an operating model aligned to the needs of the business and providing an advantage in what we do for clients. Improving member satisfaction and further advancing our partnerships as we approach the 2020 renewal of our contract with Air Canada will be key to underpinning our position in the market.

The brand recognition of Aeroplan financial cards has grown as we have worked alongside our card partners over the last few years. Around 10% of Canadian credit card purchase volume continues to flow through our Aeroplan-branded cards, with the number of active credit cardholders in 2016 up a healthy 6%[3] above our 2013 pre-transformation base.

Our Aeroplan product continues to evolve, with the ability to use miles to pay for taxes and fees introduced in 2016, alongside the ability for members to better search and redeem flights on our new mobile app. Members continue to benefit from the best value redemptions in the market, as well as the flexibility and convenience of Market Fare Flight Rewards. In total, members redeemed for 1.9 million flight rewards in 2016.

Digital issuance moved ahead and bonus-led issuance with our key partners remained a priority at Nectar and the phasing of Sainsbury's bonusing led to a strong fourth quarter finish in 2016. Our focus on new partners also delivered results. The launch of our partnership with the Mail Newspapers, owners of the U.K.'s most read daily and Sunday newspaper takes us into the media sector for the first time.

Our investment in a coalition business through Mexico's Club Premier in partnership with Aeromexico has been a great example of growing the member and revenue base substantially while delivering strong margins and returns to Aimia.

Outside the coalition work that we do, we continued to transition our proprietary clients to higher value platform-based loyalty and campaign solutions. Our imperative is to drive profitable growth in this business. In 2016, Nordstrom in the U.S. and Canada and Musgrave's Supervalu in Ireland launched their loyalty programs on our solution. 15% of the business is accounted for by recurring revenues associated with platform-based loyalty solutions and associated wraparound services.

2016 also saw our Shopper Insights and Communications platform deployed at retailer Aeon, bringing our expanded retail analytics platform to customers in Japan. Our recent investment in the Shopper Insights and Communications platform will bring innovation to further transform what we can do for retailers.

Priorities and Opportunities in 2017

Our 2017 plan is based on the same principles that we successfully implemented in 2016 – a simpler, more focused business with important decisions and investments being made in our core businesses. We continue to do this with an eye on the continued economic and geopolitical volatility in our markets.

We continue to deploy knowledge and capital within our core businesses and key investments to build our strong brands and distinctive coalition businesses, with capital expenditure measured against medium term return thresholds.

Conclusion

Our focus remains on executing against the plan we have set out – delivering improvements that translate to shareholder returns and improving investor confidence through 2017, advancing partnerships for the long term and ensuring that loyalty is embraced in our key markets for all the insights and value it can bring to consumers. Our people are the key to making all this happen and we thank them for their continued passion, authenticity, strong opinions and nimbleness through this journey to simplify and focus the business.

David Johnston
Interim Group Chief Executive

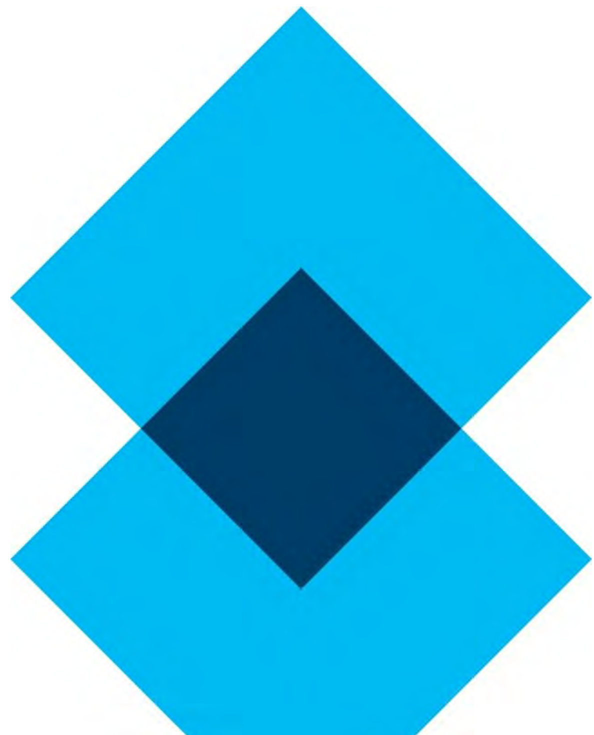
(1) Cost reduction refers to reduction in operating expense before share-based compensation and impairment charges and adjusted for the $45.7 million migration provision reduction in 2015.

(2) Margin refers to Adjusted EBITDA margin and cashflow refers to Free Cash Flow before Dividends Paid. See page 8 for an explanation of the Non-GAAP metrics.

(3) On a compound annual growth rate ("CAGR") basis.

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

For the years ended December 31, 2016 and 2015



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

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

Aimia Inc. (together with its direct and indirect subsidiaries, where the context requires, "Aimia" or the "Corporation") 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 February 16, 2017 and should be read in conjunction with the accompanying audited consolidated financial statements of Aimia for the year ended *December 31, 2016 and the notes thereto, and Aimia's Management Information Circular and Annual Information Form, respectively dated March 14 and March 23, 2016.*

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 February 16, 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.

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

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

GLOSSARY

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

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

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

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

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

"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 December 31, 2016 is 12% (December 31, 2015: 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 and the Canada-based Enhancement Services business.

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

"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;

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

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

"CRA" - means the Canada Revenue Agency;

"ES" - means the Enhancement Services business, which was sold on July 29, 2016. For more information, please refer to the audited consolidated financial statements for the year ended December 31, 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 quarter (for interim periods) or fiscal year (for annual reporting purposes);

"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;

"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;

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

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

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

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

"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;

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

"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;

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, and owns a 25% interest in Travel Club, a coalition loyalty program in Spain.

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. For more information, please refer to the audited consolidated financial statements for the year ended December 31, 2016.

Global Loyalty Solutions

Within this segment, Aimia provides clients with comprehensive end-to-end loyalty solutions across the globe with operations in 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 investments in Think Big, the owner and operator of BIG, AirAsia and Tune Group’s loyalty program, and China Rewards, 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 December 31, 2016. Please refer to the *Subsequent Events* section for additional information.

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

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. We also create incentive programs and loyalty solutions to encourage loyalty, increase sales and deliver improved results for employee and channel networks.

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 and Nectar trademarks; and

- the management of Air Canada's tier membership program for its most frequent flyers.

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

Cost of Rewards, Direct Costs and Operating Expenses

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

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

Direct costs consist of those costs directly attributable to the delivery of 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 *SELECTED INFORMATION 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.

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 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.

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

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 *SELECTED INFORMATION 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.

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the audited consolidated financial statements for the years ended December 31, 2016 and 2015, 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 lower 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

SELECTED INFORMATION AND RECONCILIATION OF ADJUSTED EBITDA AND FREE CASH FLOW

	Years ended December 31,						Variance %	
(in millions of Canadian dollars , except share and per share information)	2016		2015		2014		2016 over 2015	2015 over 2014
Gross Billings from the sale of Loyalty Units	**1,748.1**		1,832.7		2,009.2	(l)	(4.6)	(8.8)
Gross Billings from Loyalty Services and Other	**591.6**		636.3		677.4		(7.0)	(6.1)
Total Gross Billings	**2,339.7**		2,469.0		2,686.6	(l)	(5.2)	(8.1)
Total revenue	**2,288.1**		2,460.6		2,468.8	(m)	(7.0)	(0.3)
Cost of rewards and direct costs	**(1,466.1)**		(1,601.9)		(1,606.1)		(8.5)	(0.3)
Gross margin before depreciation and amortization [a]	**822.0**		858.7		862.7	(m)	(4.3)	(0.5)
Gross margin as a % of total revenue	***35.9%***		*34.9%*		*34.9%*		*1.0 pp*	*— pp*
Depreciation and amortization	**(57.4)**		(57.1)		(51.2)		0.5	11.5
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(125.7)**		(137.3)		(133.0)		(8.4)	3.2
Gross margin	**638.9**		664.3		678.5	(m)	(3.8)	(2.1)
Operating expenses	**(725.3)**	(e)	(665.5)	(e)(h)	(687.8)		9.0	(3.2)
Operating loss	**(86.4)**	(e)	(1.2)	(e)(h)	(9.3)	(m)	**	87.1
Depreciation and amortization	**57.4**		57.1		51.2		0.5	11.5
Amortization of Accumulation Partners' contracts, customer relationships and technology	**125.7**		137.3		133.0		(8.4)	3.2
Impairment charges	**66.0**		13.5		—		**	**
Operating income excluding depreciation, amortization and impairment charges [c]	**162.7**		206.7	(h)	174.9	(m)	(21.3)	18.2
Adjustments:								
Change in deferred revenue								
Gross Billings	**2,339.7**		2,469.0		2,686.6			
Revenue	**(2,288.1)**		(2,460.6)		(2,468.8)			
Change in Future Redemption Costs [b]	**(4.9)**		17.2		(93.0)			
Distributions from equity-accounted investments	**24.8**		31.1		16.7			
Subtotal of Adjustments	**71.5**		56.7		141.5			
Adjusted EBITDA [c]	**234.2**		263.4	(h)	316.4	(l)	(11.1)	(16.8)
Adjusted EBITDA as a % of total Gross Billings	***10.0%***		*10.7%*		*11.8%*		*(0.7) pp*	*(1.1) pp*
Net earnings (loss) attributable to equity holders of the Corporation	**(66.3)**	(e)(f)	0.1	(e)(h)(i)	(40.3)	(m)		
Weighted average number of shares	**152,404,849**		162,678,128		173,513,715			
Loss per common share [d]	**(0.55)**	(e)(f)	(0.11)	(e)(h)(i)	(0.35)	(m)		
Adjusted Net Earnings [c][q]	**166.4**	(f)	174.8	(h)(i)	202.4	(n)	(4.8)	(13.6)
Adjusted Net Earnings per common share [c][d]	**0.98**	(f)	0.96	(h)(i)	1.05	(n)		
Cash from operating activities	**301.8**	(g)	295.9	(j)(k)	368.5	(k)(l)(o)(p)		
Capital expenditures	**(68.2)**		(93.6)		(81.5)			
Free Cash Flow before Dividends Paid [c]	**233.6**	(g)	202.3	(j)(k)	287.0	(k)(l)(o)(p)	15.5	(29.5)
Free Cash Flow before Dividends Paid per common share [c][d]	**1.42**	(g)	1.12	(j)(k)	1.54	(k)(l)(o)(p)		
Dividends paid to equity holders of the Corporation	**(137.2)**		(138.9)		(143.3)			
Dividends paid to non-controlling interests	**—**		(2.1)		—			
Free Cash Flow [c]	**96.4**	(g)	61.3	(j)(k)	143.7	(k)(l)(o)(p)	57.3	(57.3)
Total assets	**4,508.0**		5,224.7		5,404.8			
Total long-term liabilities	**2,376.6**		2,486.9		2,437.0			

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 and Adjusted Net Earnings per common share are calculated after deducting dividends declared on preferred shares.

Free Cash Flow before Dividends Paid per common share is calculated after deducting dividends paid on preferred shares and dividends paid to non-controlling interests.

(e) For the year ended December 31, 2016, operating expenses, operating loss and net loss attributable to equity holders of the Corporation include impairment charges amounting to $66.0 million, of which $53.2 million relate 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.

For the year ended December 31, 2015, operating expenses, operating loss and net earnings attributable to equity holders of the Corporation include impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs. Net earnings attributable to equity holders of the Corporation also includes an income tax recovery of $3.6 million related to these impairment charges.

(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 year ended December 31, 2016. Please refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2016 for more information.

(g) Includes an amount of $50.3 million, inclusive of interest in the amount of $1.6 million, received in the third quarter of 2016 from the CRA related to the income tax refund of loss carry back applied in Canada.

(h) Operating expenses, operating loss, Adjusted EBITDA, net earnings attributable to equity holders of the Corporation and Adjusted Net Earnings include the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015. Net earnings attributable to equity holders of the Corporation and Adjusted Net Earnings also include an income tax expense of $12.1 million related to this adjustment.

(i) Includes the impact of the gain on the sale of the investment in Air Canada Class B shares during the year ended December 31, 2016 of $18.6 million, net of an income tax expense of $2.9 million.

(j) Includes an amount of $20.4 million received in the first quarter of 2015 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.

(k) Includes a deposit of $20.7 million made to Revenue Quebec during the third quarter of 2014 to act as security for the assessment received from Revenue Quebec on August 28, 2014.

Following the successful objection process with the CRA, Revenue Quebec issued a new reassessment and the deposit of $20.7 million was reimbursed to Aimia in the fourth quarter of 2015. Please refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2016 for more information.

(l) Includes a $100.0 million upfront contribution received on January 2, 2014 from TD to help fund Aeroplan's program enhancements.

(m) Includes the impact of the change in the Breakage estimate in the Nectar Italia Program which occurred during the fourth quarter of 2014 and resulted in an increase of $19.4 million to revenue from Loyalty Units, of which $13.4 million is attributable to the years prior to 2014 and $6.0 million to the year ended December 31, 2014. As such, the non-comparable impact for the year ended December 31, 2014 is $13.4 million and is attributable to the years prior to 2014.

(n) Includes the upfront contribution received on January 2, 2014 from TD totaling $73.4 million, net of an income tax expense of $26.6 million.

(o) Includes an amount of $83.4 million received in the second quarter of 2014 from the CRA and an amount of $7.5 million received in the fourth quarter of 2014 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.

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

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

** Information not meaningful.

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

	Three Months Ended December 31,				Variance %
(in millions of Canadian dollars, except share and per share information)	2016		2015		Q4
Gross Billings from the sale of Loyalty Units	**485.3**		506.7		(4.2)
Gross Billings from Loyalty Services and Other	**162.2**		181.5		(10.6)
Total Gross Billings	**647.5**		688.2		(5.9)
Total revenue	**689.0**		734.3		(6.2)
Cost of rewards and direct costs	**(453.4)**		(483.4)		(6.2)
Gross margin before depreciation and amortization [(a)]	**235.6**		250.9		(6.1)
Gross margin as a % of total revenue	***34.2%***		*34.2%*		*— pp*
Depreciation and amortization	**(15.2)**		(16.3)		(6.7)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(28.5)**		(37.3)		(23.6)
Gross margin	**191.9**		197.3		(2.7)
Operating expenses	**(238.4)**	(e)	(215.5)	(e)	10.6
Operating loss	**(46.5)**	(e)	(18.2)	(e)	**
Depreciation and amortization	**15.2**		16.3		(6.7)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**28.5**		37.3		(23.6)
Impairment charges	**66.0**		13.5		**
Operating income excluding depreciation, amortization and impairment charges [(c)]	**63.2**		48.9		29.2
Adjustments:					
Change in deferred revenue					
Gross Billings	**647.5**		688.2		
Total revenue	**(689.0)**		(734.3)		
Change in Future Redemption Costs [(b)]	**37.1**		43.9		
Distributions from equity-accounted investments	**5.9**		16.5		
Subtotal of Adjustments	**1.5**		14.3		
Adjusted EBITDA [(c)]	**64.7**		63.2		2.4
Adjusted EBITDA as a % of total Gross Billings	***10.0%***		*9.2%*		*0.8 pp*
Net loss attributable to equity holders of the Corporation	**(57.2)**	(e)	(26.0)	(e)	
Weighted average number of shares	**152,294,611**		156,937,556		
Loss per common share [(d)]	**(0.40)**	(e)	(0.19)	(e)	
Adjusted Net Earnings[(c)(g)]	**35.1**		30.5		15.1
Adjusted Net Earnings per common share [(c)(d)]	**0.20**		0.17		
Cash from operating activities	**139.8**		108.3	(f)	
Capital expenditures	**(18.2)**		(29.4)		
Free Cash Flow before Dividends Paid [(c)]	**121.6**		78.9	(f)	54.1
Free Cash Flow before Dividends Paid per common share [(c)(d)]	**0.77**		0.48	(f)	
Dividends paid to equity holders of the Corporation	**(34.7)**		(33.8)		
Free Cash Flow [(c)]	**86.9**		45.1	(f)	92.7
Total assets	**4,508.0**		5,224.7		
Total long-term liabilities	**2,376.6**		2,486.9		

(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 the three months ended December 31, 2016, operating expenses, operating loss and net loss attributable to equity holders of the Corporation include impairment charges amounting to $66.0 million, 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.

For the three months ended December 31, 2015, operating expenses, operating loss and net loss attributable to equity holders of the Corporation include impairment charges amounting to $13.5 million 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.

(f) 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. Please refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2016 for more information.

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

** Information not meaningful.

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

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

CONSOLIDATED OPERATING RESULTS

	Years Ended December 31,				Variance		Variance C.C. [(j)(k)]	
(in millions of Canadian dollars unless otherwise noted)	2016		2015		$	%	$	%
Gross Billings from the sale of Loyalty Units	**1,748.1**		1,832.7		(84.6)	(4.6)	(40.0)	(2.2)
Gross Billings from Loyalty Services and Other	**591.6**		636.3		(44.7)	(7.0)	(49.3)	(7.7)
Total Gross Billings	**2,339.7**	*(b)*	2,469.0	*(b)*	(129.3)	(5.2)	(89.3)	(3.6)
Revenue from Loyalty Units	**1,694.2**		1,816.9		(122.7)	(6.8)	(62.7)	(3.5)
Revenue from Loyalty Services and Other	**593.9**		643.7		(49.8)	(7.7)	(54.0)	(8.4)
Total revenue	**2,288.1**		2,460.6		(172.5)	(7.0)	(116.7)	(4.7)
Cost of rewards and direct costs	**1,466.1**		1,601.9		(135.8)	(8.5)	(92.1)	(5.7)
Gross margin before depreciation and amortization	**822.0**		858.7		(36.7)	(4.3)	(24.6)	(2.9)
Gross margin as a % of total revenue	***35.9%***		*34.9%*		**	*1.0 pp*	**	*0.7 pp*
Depreciation and amortization [(a)]	**183.1**		194.4		(11.3)	(5.8)	(9.4)	(4.8)
Gross margin	**638.9**		664.3		(25.4)	(3.8)	(15.2)	(2.3)
Operating expenses before share-based compensation and impairment charges	**649.7**		646.0	*(c)*	3.7	0.6	5.1	0.8
Share-based compensation	**9.6**		6.0		3.6	60.0	3.6	60.0
Impairment charges	**66.0**		13.5		52.5	**	52.5	**
Total operating expenses	**725.3**		665.5	*(c)*	59.8	9.0	61.2	9.2
Operating loss	**(86.4)**		(1.2)	*(c)*	(85.2)	**	(76.4)	**
Adjusted EBITDA [(j)]	**234.2**		263.4	*(c)*	(29.2)	(11.1)	(31.1)	(11.8)
Adjusted EBITDA as a % of total Gross Billings	***10.0%***		*10.7%*		**	*(0.7) pp*	**	*(0.9) pp*
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	**(4.9)**		17.2		(22.1)	**	**	**
Distributions from equity-accounted investments	**24.8**		31.1		(6.3)	(20.3)	**	**
Adjusted Net Earnings [(j)]	**166.4**	*(h)*	174.8	*(d)(e)*	(8.4)	(4.8)	**	**
Free Cash Flow before Dividends Paid [(j)]	**233.6**	*(i)*	202.3	*(f)(g)*	31.3	15.5	**	**
Free Cash Flow [(j)]	**96.4**	*(i)*	61.3	*(f)(g)*	35.1	57.3	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

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

Gross Billings generated for the year ended December 31, 2016 amounted to $2,339.7 million, a decrease of $129.3 million or 5.2%. On a constant currency basis, Gross Billings decreased by $89.3 million or 3.6% and is mainly due to a $49.3 million decrease in Gross Billings from Loyalty Services and Other due mainly to lost contracts and lower rewards fulfillment activity, including the impact of the wind-down of a client program in the prior year, and the disposal of the ES business in July 2016, partially offset by an increase in Gross Billings from loyalty platforms and improvement from International Coalitions. Additionally, the variance is the result of a $40.0 million decrease in Gross Billings from the sale of Loyalty Units, which was lower despite a $24.8 million improvement from Aeroplan,

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

due primarily to a $48.4 million decrease in the Nectar Program and an $11.9 million reduction in Nectar Italia resulting from the closure of the program.

Aimia's ability to generate Gross Billings is a function of the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, 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 year ended December 31, 2016 amounted to $2,288.1 million, a decrease of $172.5 million or 7.0%. On a constant currency basis, total revenue decreased by $116.7 million or 4.7% and is mostly explained by a decrease of $62.7 million in revenue from Loyalty Units, of which $89.8 million is attributable to International Coalitions primarily due to lower redemptions in the Nectar Italia and Nectar programs, offset in part by a $27.1 million increase in Americas Coalitions, related to an increase in the cumulative average selling price of an Aeroplan Mile and higher redemptions in the Aeroplan Program. In addition, a decrease of $54.0 million in revenue from Loyalty Services and Other was driven by lost contracts and lower rewards fulfillment activity, including the impact of the wind-down of a client program in the prior year, and the disposal of the ES business in July 2016, partially offset by an increase in revenue from loyalty platforms and improvement from International Coalitions.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the selling price of a Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of $16.9 million for the year ended December 31, 2016.

Cost of Rewards and Direct Costs amounted to $1,466.1 million for the year ended December 31, 2016, a decrease of $135.8 million or 8.5%. On a constant currency basis, cost of rewards and direct costs decreased by $92.1 million or 5.7% and is mainly explained by a $46.1 million decrease in International Coalitions due mainly to lower redemption activity in the Nectar Italia and Nectar programs, as well as a $20.3 million decrease in Americas Coalitions, due mostly to a lower redemption cost per mile redeemed which was in part offset by higher redemption activity, and a $17.2 million decrease in Corporate and Other due mostly to the disposal of the ES business. A decrease of $9.1 million from the GLS division, due in part to the impact of the wind-down of a client program, net of an increase in direct costs related to loyalty platforms, contributed to the remainder of the decrease.

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 $12.3 million for the year ended December 31, 2016.

Gross Margin before Depreciation and Amortization represented 35.9% of total revenue for the year ended December 31, 2016, an increase of 1.0 percentage-point or 0.7 percentage-points on a constant currency basis compared to 2015, a direct result of the factors described above.

Operating Expenses amounted to $725.3 million for the year ended December 31, 2016, an increase of $59.8 million or 9.0%. On a constant currency basis, operating expenses increased by $61.2 million or 9.2%, which is explained in part by an increase of $52.5 million in impairment charges and a favourable adjustment of $45.7 million related to the Card Migration Provision in the second quarter of 2015. The remaining variance, representing a decrease of $37.0 million or 5.3%, is primarily due to operational efficiencies, and the exits of Nectar Italia, UK

Cardlytics and ES operations, partially offset by higher information technology expenses associated with the implementation of an outsourcing arrangement and a higher share-based compensation expense.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $183.1 million for the year ended December 31, 2016, a decrease of $11.3 million or 5.8%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $9.4 million or 4.8%, due mainly to the accelerated amortization of certain intangible assets in the US as well as the impairment of certain intangible assets in the fourth quarter of 2015, both of which resulting in lower asset base and lower depreciation and amortization expense in the current period. Additionally, 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 current year also contributed to the decrease.

Operating Income (Loss) amounted to $(86.4) million for the year ended December 31, 2016, a deterioration of $85.2 million. On a constant currency basis, operating loss increased by $76.4 million, explained mostly by an increase of $52.5 million in impairment charges and a favourable adjustment of $45.7 million related to the Card Migration Provision in the second quarter of 2015, with the remaining variance being a direct result of the factors described above.

Net Financial Expenses for the year ended December 31, 2016 consists primarily of interest expense on long-term debt of $38.2 million and other net financial expenses of $5.8 million; offset in part by interest revenue of $11.9 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 years ended December 31, 2016 and 2015 include the effect of $36.0 million and $(15.4) million of current income tax recoveries (expenses), respectively, as well as $(22.4) million and $11.5 million of deferred income tax recoveries (expenses), respectively. Net earnings (loss) for the years ended December 31, 2016 and 2015 also include the share of net earnings of equity-accounted investments of $15.2 million and $11.6 million, respectively.

Current income taxes are primarily attributed to our Canadian operations and relate to Federal income taxes recovered on losses carried back to prior years. The deferred income tax expense recorded during the current year is primarily related to the Canadian operations and includes the reduction of the deferred tax asset previously set up on the aforementioned losses carried back. 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 year, 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 $234.2 million for the year ended December 31, 2016, a decrease of $29.2 million or 11.1%. On a constant currency basis, Adjusted EBITDA decreased by $31.1 million or 11.8% and is explained mostly by the favourable adjustment of $45.7 million related to the Card Migration Provision in the second quarter of 2015. The remaining variance, representing an increase of $14.6 million or 6.7%, is mainly attributable to improved contribution from the Aeroplan Program due to a lower unit cost per Aeroplan Mile and higher Gross Billings from Loyalty Units, and lower operating expenses globally, partially offset by lower contribution from the loyalty programs in the International Coalitions division, lower distributions from equity accounted investments and reduced contribution from loyalty services and other in GLS, Americas Coalitions and the ES business.

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

Adjusted Net Earnings amounted to $166.4 million or 7.1% (as a % of Gross Billings) for the year ended December 31, 2016, and included the gain recognized on the disposal of the commercial rights in the UK card-linked marketing business of $23.2 million. Adjusted Net Earnings for the year ended December 31, 2015 amounted to $174.8 million or 7.1% (as a % of Gross Billings), and included the favourable impact of the adjustment made to the Card Migration Provision of $33.6 million, net of an income tax expense of $12.1 million, and the gain recognized on the sale of the investment in Air Canada Class B shares of $18.6 million, net of an income tax expense of $2.9 million. The effective tax rate has been impacted as described under *Net Earnings (Loss).*

Free Cash Flow for the year ended December 31, 2016 amounted to $96.4 million compared to $61.3 million for the year ended December 31, 2015. The adjustment to the Card Migration Provision of $45.7 million had no impact on cash from operating activities for the year ended December 31, 2015. Accordingly the explanations provided below exclude any non-cash related impact. The favourable variance of $35.1 million is mainly the result of:

- an increase in cash from operating activities of $5.9 million, explained in part by the receipt of $50.3 million, inclusive of interest in the amount of $1.6 million, in the current year from the CRA related to the income tax refund of loss carry back applied in Canada, offset in part by the receipt of $41.1 million tax refunds during the prior year. Excluding these one-time items, the remaining unfavourable variance of $3.3 million is primarily related to a decrease in Gross Billings of $129.3 million, an unfavourable variance in the change in net operating assets of $46.7 million, lower distributions from equity accounted investments of $6.3 million and higher net cash interest paid of $6.0 million driven by the prepayment of interest expense and related fees associated with the early redemption of the Senior Secured Notes Series 3, offset in part by lower cost of rewards and direct costs of $135.8 million, lower operating expenses before share-based compensation and impairment charges of $42.0 million and lower income taxes paid;
- lower capital expenditures of $25.4 million resulting mostly from fewer real estate and information technology initiatives, as well as the favourable impact of foreign currencies;
- a decrease in dividends paid on common shares and preferred shares of $1.7 million, explained by lower dividends paid on preferred shares as a result of the conversion of a portion of the Series 1 Preferred Shares into Series 2 Preferred Shares, and the rate reset on the remainder of the Series 1 Preferred Shares, in each case resulting in a lower quarterly dividend rate per preferred share; and lower dividends paid on common shares due to a lower number of common shares outstanding as a result of share repurchases under the NCIB program, which was partially offset by the increase in the quarterly dividend rate per common share; and
- dividends paid to non-controlling interests of $2.1 million in the prior year.

Adjusted EBITDA, Adjusted Net Earnings, and *Free Cash Flow* 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

	Years Ended December 31,			Variance	
(in millions of Canadian dollars unless otherwise noted)	2016	2015		$	%
Gross Billings from the sale of Loyalty Units	**1,226.1**	1,201.3		24.8	2.1
Gross Billings from Loyalty Services and Other	**100.7**	109.3		(8.6)	(7.9)
Total Gross Billings	**1,326.8**	1,310.6		16.2	1.2
Revenue from Loyalty Units	**1,140.0**	1,112.9		27.1	2.4
Revenue from Loyalty Services and Other	**101.0**	110.4		(9.4)	(8.5)
Total revenue	**1,241.0**	1,223.3		17.7	1.4
Cost of rewards and direct costs	**837.8**	858.1		(20.3)	(2.4)
Gross margin before depreciation and amortization	**403.2**	365.2		38.0	10.4
Gross margin as a % of total revenue	***32.5 %***	*29.9 %*		**	*2.6 pp*
Depreciation and amortization [(a)]	**131.6**	140.4		(8.8)	(6.3)
Gross margin	**271.6**	224.8		46.8	20.8
Operating expenses before impairment charges	**216.2**	171.6	*(b)*	44.6	26.0
Impairment charges	**—**	13.5		(13.5)	**
Total operating expenses	**216.2**	185.1	*(b)*	31.1	16.8
Operating income	**55.4**	39.7	*(b)*	15.7	39.5
Adjusted EBITDA [(c)]	**241.7**	262.7	*(b)*	(21.0)	(8.0)
Adjusted EBITDA as a % of total Gross Billings	***18.2 %***	*20.0 %*		**	*(1.8) pp*
Included in Adjusted EBITDA:					
Change in Future Redemption Costs	**(31.1)**	(18.2)		(12.9)	(70.9)
Operating metrics (*year-over-year variance*):					
Accumulation activity - Aeroplan	**2.4 %**	(8.9)%		**	**
Redemption activity - Aeroplan	**0.8 %**	0.8 %		**	**
Aeroplan total rewards issued	**(0.4)%**	(0.2)%		**	**
Aeroplan total air rewards issued	**0.7 %**	(0.4)%		**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

Gross Billings generated for the year ended December 31, 2016 amounted to $1,326.8 million, an increase of $16.2 million or 1.2%.

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

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2016 amounted to $1,226.1 million, an increase of $24.8 million or 2.1%, mostly explained by an improvement of $17.4 million in the financial sector as strong performance from the program's main financial partner related to higher purchase volumes driven by new card acquisitions and promotional activity, was offset in part by reduced purchase volumes from other financial partners and the impact of interchange on yield. Also contributing to the increase was an improvement in the retail sector of $9.7 million, mainly due to a new partner, and an improvement of $0.4 million in the airline sector.

The remainder of the variance, representing a decrease of $2.7 million, is mostly due to a decrease in the non-air travel sector.

Accumulation Activity - Aeroplan Miles issued during the year ended December 31, 2016 increased by 2.4% primarily due to the factors described above. Excluding all promotional mileage on new financial cards acquired, Aeroplan Miles issued during the year increased by 1.7%.

Gross Billings from Loyalty Services and Other amounted to $100.7 million for the year ended December 31, 2016, a decrease of $8.6 million or 7.9%, mainly explained by a decrease in Gross Billings from loyalty services due to lost contracts and ancillary services.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the year ended December 31, 2016 increased by 0.8%. The total number of rewards issued decreased by 0.4% and the number of air rewards issued increased by 0.7% compared to the prior year.

Total Revenue amounted to $1,241.0 million for the year ended December 31, 2016, an increase of $17.7 million or 1.4%, explained primarily by:

- an increase of $27.1 million in revenue from Loyalty Units mostly due to an increase in the cumulative average selling price of an Aeroplan Mile and a higher volume of miles redeemed; offset in part by,
- a decrease of $9.4 million in revenue from Loyalty Services and Other mostly related to lost contracts and ancillary services.

Cost of Rewards and Direct Costs amounted to $837.8 million for the year ended December 31, 2016, a decrease of $20.3 million or 2.4%, mainly attributable to the impact of the following factors:

- a lower redemption cost per Aeroplan Mile redeemed, representing $25.1 million, mostly due to a shift to a lower cost product mix, partially offset by the unfavourable impact of changes in foreign currency; and
- a decrease in loyalty services direct costs of $1.7 million due mostly to lost contracts; offset in part by,
- a higher volume of miles redeemed, representing $6.5 million.

Gross Margin before Depreciation and Amortization represented 32.5% of total revenue for the year ended December 31, 2016, an increase of 2.6 percentage-points compared to 2015, a direct result of the factors described above.

Operating Expenses amounted to $216.2 million for the year ended December 31, 2016, an increase of $31.1 million or 16.8%, mostly explained by a favourable adjustment of $45.7 million related to the Card Migration Provision in the prior year which was offset in part by impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs. The remaining variance, representing a decrease of $1.1 million or 0.5%, is primarily due to operational efficiencies, lower advertising and promotional spend and lower severance expenses, partially offset by higher information technology expenses associated with the implementation of an outsourcing arrangement.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $131.6 million for the year ended December 31, 2016, a decrease of $8.8 million or 6.3%, due mostly to the impairment of certain intangible assets in the fourth quarter of 2015 as well as the revision to

the estimated life of the AMEX Accumulation Partners' contract in the current year, both of which resulted in lower depreciation and amortization expense in the current year.

Operating Income amounted to $55.4 million for the year ended December 31, 2016, an improvement of $15.7 million or 39.5%, a direct result of the factors described above.

Adjusted EBITDA amounted to $241.7 million for the year ended December 31, 2016, a decrease of $21.0 million or 8.0%, primarily due to a favourable adjustment of $45.7 million related to the Card Migration Provision in the prior year. The remaining variance, representing an improvement of $24.7 million or 11.4%, is mainly attributable to improved contribution from the Aeroplan Program due to a lower unit cost per Aeroplan Mile and higher Gross Billings from Loyalty Units, as well as lower operating expenses across the division, offset in part by a decrease in contribution from loyalty services.

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

	Years Ended December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2016	2015	$	%	$	%
Gross Billings from the sale of Loyalty Units	**522.0**	631.4	(109.4)	(17.3)	(64.8)	(10.3)
Gross Billings from Loyalty Services and Other	**95.5**	94.0	1.5	1.6	5.6	6.0
Total Gross Billings	**617.5**	725.4	(107.9)	(14.9)	(59.2)	(8.2)
Revenue from Loyalty Units	**554.2**	704.0	(149.8)	(21.3)	(89.8)	(12.8)
Revenue from Loyalty Services and Other	**95.2**	93.8	1.4	1.5	6.0	6.4
Intercompany revenue	**0.4**	0.6	(0.2)	(33.3)	(0.2)	(33.3)
Total revenue	**649.8**	798.4	(148.6)	(18.6)	(84.0)	(10.5)
Cost of rewards and direct costs	**447.4**	541.9	(94.5)	(17.4)	(46.1)	(8.5)
Gross margin before depreciation and amortization	**202.4**	256.5	(54.1)	(21.1)	(37.9)	(14.8)
Gross margin as a % of total revenue	***31.1 %***	*32.1 %*	**	*(1.0) pp*	**	*(1.5) pp*
Depreciation and amortization [(a)]	**18.2**	15.6	2.6	16.7	3.9	25.0
Gross margin	**184.2**	240.9	(56.7)	(23.5)	(41.8)	(17.4)
Total operating expenses	**133.3**	162.9	(29.6)	(18.2)	(21.4)	(13.1)
Operating income	**50.9**	78.0	(27.1)	(34.7)	(20.4)	(26.2)
Adjusted EBITDA [(b)]	**69.5**	59.9	9.6	16.0	4.9	8.2
Adjusted EBITDA as a % of total Gross Billings	***11.3 %***	*8.3 %*	**	*3.0 pp*	**	*1.4 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**26.2**	35.4	(9.2)	(26.0)	**	**
Distributions from equity-accounted investments	**6.5**	3.9	2.6	66.7	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Nectar	**(8.5)%**	(4.6)%	**	**	**	**
Accumulation activity - Air Miles Middle East	**(3.8)%**	0.5 %	**	**	**	**
Accumulation activity - Nectar Italia	**(98.4)%**	(83.0)%	**	**	**	**
Redemption activity - Nectar	**(3.4)%**	(5.2)%	**	**	**	**
Redemption activity - Air Miles Middle East	**1.8 %**	12.1 %	**	**	**	**
Redemption activity - Nectar Italia	**(98.9)%**	(6.0)%	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

Gross Billings generated for the year ended December 31, 2016 amounted to $617.5 million, a decrease of $107.9 million or 14.9%. On a constant currency basis, Gross Billings decreased by $59.2 million or 8.2%.

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

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2016 amounted to $522.0 million, a decrease of $109.4 million or 17.3%. On a constant currency basis, Gross Billings from the sale of Loyalty Units decreased by $64.8 million or 10.3% and is mostly explained by a decrease of $48.4 million in the Nectar Program mainly driven by the impact of regulatory restrictions in the energy sector and the disengagement of a retail sector partner exiting the program in 2017, $11.9 million in the Nectar Italia Program resulting from closure of the program on March 1, 2016, and $4.5 million in the Air Miles Middle East program.

Accumulation Activity - Nectar Points issued during the year ended December 31, 2016 decreased by 8.5% due to the factors listed above.

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

Air Miles Middle East Loyalty Units issued during the year ended December 31, 2016 decreased by 3.8% due to fewer promotional miles issued compared to the prior year.

Nectar Italia Points issued during the year ended December 31, 2016 decreased significantly due to the loss of the program's anchor partner in the first quarter of 2015 and subsequent closure of the program on March 1, 2016.

Gross Billings from Loyalty Services and Other amounted to $95.5 million for the year ended December 31, 2016, an increase of $1.5 million or 1.6%. On a constant currency basis, Gross Billings from Loyalty Services and Other increased by $5.6 million or 6.0% and is primarily explained by an increase in ancillary services in the loyalty programs, mainly due to new contractual terms with the main energy partner in the Nectar Program, as well as an increase in the Shopper Insights & Communications business, mostly from the signing of a new ISS client, offset in part by the divestiture of the UK Cardlytics business.

Redemption Activity - Redemption activity in the Nectar Program decreased by 3.4% driven by fewer points in circulation, mostly as a result of changes in accumulation terms with the program's main partner.

Redemption activity in the Air Miles Middle East program increased by 1.8%.

Total points redeemed in the Nectar Italia Program for the year ended December 31, 2016 decreased significantly due to closure of the program on March 1, 2016.

Total Revenue amounted to $649.8 million for the year ended December 31, 2016, a decrease of $148.6 million or 18.6%. On a constant currency basis, total revenue decreased by $84.0 million or 10.5%, and is primarily explained by the following:

- a decrease of $70.8 million in revenue from Loyalty Units in the Nectar Italia Program driven by lower redemption volumes; and
- a decrease of $18.1 million in revenue from Loyalty Units in the Nectar Program driven by lower redemption volumes; partially offset by,
- an increase of $6.0 million in revenue from Loyalty Services and Other explained primarily by an increase in ancillary services in the loyalty programs, mainly due to new contractual terms with the main energy partner in the Nectar Program, as well as an increase in the Shopper Insights & Communications business, mostly from the signing of a new ISS client, offset in part by the divestiture of the UK Cardlytics business.

Cost of Rewards and Direct Costs amounted to $447.4 million for the year ended December 31, 2016, a decrease of $94.5 million or 17.4%. On a constant currency basis, cost of rewards and direct costs decreased by $46.1 million or 8.5%, and is mainly attributable to the following factors:

- a decrease in the Nectar Italia Program driven by lower redemption activity, representing $36.5 million; and
- a decrease in the Nectar Program driven by lower redemption activity, representing $9.2 million.

Gross Margin before Depreciation and Amortization represented 31.1% of total revenue for the year ended December 31, 2016, a decrease of 1.0 percentage-point or 1.5 percentage-points on a constant currency basis compared to 2015, a direct result of the factors described above.

Operating Expenses amounted to $133.3 million for the year ended December 31, 2016, a decrease of $29.6 million or 18.2%. On a constant currency basis, operating expenses decreased by $21.4 million or 13.1%, explained mostly

by lower operating expenses due to closure of the Nectar Italia Program and divestiture of the Cardlytics UK business, as well as operational efficiencies and lower severance expenses.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $18.2 million for the year ended December 31, 2016, an increase of $2.6 million or 16.7%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by $3.9 million or 25.0% due mainly to increased depreciation expense related to prior year real estate investment and as well as to information technology initiatives.

Operating Income amounted to $50.9 million for the year ended December 31, 2016, a decrease of $27.1 million or 34.7%. On a constant currency basis, operating income decreased by $20.4 million or 26.2%, primarily explained by the factors described above.

Adjusted EBITDA amounted to $69.5 million for the year ended December 31, 2016, an improvement of $9.6 million or 16.0%. On a constant currency basis, Adjusted EBITDA improved by $4.9 million or 8.2%, explained by lower operating expenses and higher distributions from equity accounted investments, as well as improved contribution from the Shopper Insights & Communications business, offset in part by lower contribution from the loyalty programs.

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

GLOBAL LOYALTY SOLUTIONS

	Years Ended December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2016	2015	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**228.3**	239.3	(11.0)	(4.6)	(15.1)	(6.3)
Total Gross Billings	**228.3**	239.3	(11.0)	(4.6)	(15.1)	(6.3)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**228.0**	240.4	(12.4)	(5.2)	(16.4)	(6.8)
Intercompany revenue	**0.2**	1.5	(1.3)	(86.7)	(1.3)	(86.7)
Total revenue	**228.2**	241.9	(13.7)	(5.7)	(17.7)	(7.3)
Cost of rewards and direct costs	**133.9**	139.6	(5.7)	(4.1)	(9.1)	(6.5)
Gross margin before depreciation and amortization	**94.3**	102.3	(8.0)	(7.8)	(8.6)	(8.4)
Gross margin as a % of total revenue	***41.3 %***	*42.3%*	**	*(1.0) pp*	**	*(0.5) pp*
Depreciation and amortization [(a)]	**6.7**	7.0	(0.3)	(4.3)	(0.4)	(5.7)
Gross margin	**87.6**	95.3	(7.7)	(8.1)	(8.2)	(8.6)
Operating expenses before impairment charges	**97.2**	95.3	1.9	2.0	(0.4)	(0.4)
Impairment charges	**20.1**	—	20.1	**	20.1	**
Total operating expenses	**117.3**	95.3	22.0	23.1	19.7	20.7
Operating income (loss)	**(29.7)**	—	(29.7)	**	(27.9)	**
Adjusted EBITDA [(b)]	**(2.8)**	4.4	(7.2)	**	(5.6)	**
Adjusted EBITDA as a % of total Gross Billings	***(1.2)%***	*1.8%*	**	*(3.0) pp*	**	*(2.3) pp*

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

Gross Billings amounted to $228.3 million for the year ended December 31, 2016, a decrease of $11.0 million or 4.6%. On a constant currency basis, Gross Billings decreased by $15.1 million or 6.3% and is primarily explained by a decrease in rewards fulfillment activity, driven by the impact of the wind-down of a client program in the prior year and the exit of operations in Latin America, partially offset by an increase in Gross Billings from loyalty platforms.

Total Revenue amounted to $228.2 million for the year ended December 31, 2016, a decrease of $13.7 million or 5.7%. On a constant currency basis, total revenue decreased by $17.7 million or 7.3%. The variance is primarily explained by a decrease in rewards fulfillment activity, driven by the impact of the wind-down of a client program in the prior year and the exit of operations in Latin America, partially offset by an increase in revenue from loyalty platforms.

Cost of Rewards and Direct Costs amounted to $133.9 million for the year ended December 31, 2016, a decrease of $5.7 million or 4.1%. On a constant currency basis, cost of rewards and direct costs decreased by $9.1 million or 6.5% and is primarily explained by a decrease in rewards fulfillment activity, driven by the impact of the wind-down of a client program in the prior year and the exit of operations in Latin America, partially offset by an increase in direct costs related to loyalty platforms.

Gross Margin before Depreciation and Amortization represented 41.3% of total revenue for the year ended December 31, 2016, a decrease of 1.0 percentage-point or 0.5 percentage-points on a constant currency basis, a direct result of the factors described above.

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

Operating Expenses amounted to $117.3 million for the year ended December 31, 2016, an increase of $22.0 million or 23.1%. On a constant currency basis, operating expenses increased by $19.7 million or 20.7%, mostly explained by impairment charges amounting to $20.1 million related to the GLS group of CGUs in the current year. The remaining variance, representing a decrease of $0.4 million or 0.4%, is explained by lower costs associated with the exit of operations in Latin America, partially offset by the net increase in spend in relation to the implementation of outsourcing arrangements in technology in the current year.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $6.7 million for the year ended December 31, 2016, a decrease of $0.3 million or 4.3%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $0.4 million or 5.7%.

Operating Income (Loss) amounted to $(29.7) million for the year ended December 31, 2016, a deterioration of $29.7 million. On a constant currency basis, operating loss increased by $27.9 million, mostly explained by impairment charges amounting to $20.1 million related to the GLS group of CGUs in the current year, with the remaining variance being a direct result of the factors described above.

Adjusted EBITDA amounted to $(2.8) million for the year ended December 31, 2016, a deterioration of $7.2 million. On a constant currency basis, Adjusted EBITDA decreased by $5.6 million due to lower Gross Billings, offset in part by lower direct costs and 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

CORPORATE AND OTHER

	Years Ended December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars)	2016	2015	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**167.8**	195.8	(28.0)	(14.3)	(32.6)	(16.6)
Total Gross Billings	**167.8**	195.8	(28.0)	(14.3)	(32.6)	(16.6)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**169.7**	199.1	(29.4)	(14.8)	(34.2)	(17.2)
Intercompany revenue	**0.1**	—	0.1	**	0.1	**
Total revenue	**169.8**	199.1	(29.3)	(14.7)	(34.1)	(17.1)
Cost of rewards and direct costs	**47.4**	63.3	(15.9)	(25.1)	(17.2)	(27.2)
Gross margin before depreciation and amortization	**122.4**	135.8	(13.4)	(9.9)	(16.9)	(12.4)
Gross margin as a % of total revenue	***72.1%***	*68.2%*	**	*3.9 pp*	**	*3.9 pp*
Depreciation and amortization [(a)]	**26.6**	31.4	(4.8)	(15.3)	(4.1)	(13.1)
Gross margin	**95.8**	104.4	(8.6)	(8.2)	(12.8)	(12.3)
Operating expenses before share-based compensation and impairment charges	**203.3**	217.3	(14.0)	(6.4)	(18.5)	(8.5)
Share-based compensation	**9.6**	6.0	3.6	60.0	3.6	60.0
Impairment of charges	**45.9**	—	45.9	**	45.9	**
Total operating expenses	**258.8**	223.3	35.5	15.9	31.0	13.9
Operating loss	**(163.0)**	(118.9)	(44.1)	(37.1)	(43.8)	(36.8)
Adjusted EBITDA [(b)]	**(74.2)**	(63.6)	(10.6)	(16.7)	(9.4)	(14.8)
Included in Adjusted EBITDA:						
Distributions from equity-accounted investments	**18.3**	27.2	(8.9)	(32.7)	**	**

	Years Ended December 31,					
(in millions of Canadian dollars)	2016			2015		
	Corporate[(d)]	**Other[(e)]**	**Total**	**Corporate[(d)]**	**Other[(e)]**	**Total**
Total Gross Billings	**—**	**167.8**	**167.8**	—	195.8	195.8
Total revenue	**—**	**169.8**	**169.8**	—	199.1	199.1
Cost of rewards and direct costs	**—**	**47.4**	**47.4**	—	63.3	63.3
Gross margin before depreciation and amortization	**—**	**122.4**	**122.4**	—	135.8	135.8
Depreciation and amortization [(a)]	**14.6**	**12.0**	**26.6**	12.8	18.6	31.4
Gross margin	**(14.6)**	**110.4**	**95.8**	(12.8)	117.2	104.4
Operating expenses before share-based compensation and impairment charges	**86.9**	**116.4**	**203.3**	96.6	120.7	217.3
Share-based compensation	**9.6**	**—**	**9.6**	6.0	—	6.0
Impairment of charges	**33.1**	**12.8**	**45.9**	—	—	—
Total operating expenses	**129.6**	**129.2**	**258.8**	102.6	120.7	223.3
Operating loss	**(144.2)**	**(18.8)**	**(163.0)**	(115.4)	(3.5)	(118.9)
Adjusted EBITDA [(b)]	**(78.2)**	**4.0**	**(74.2)**	(75.4)	11.8	(63.6)
Included in Adjusted EBITDA:						
Distributions from equity-accounted investments	**18.3**	**—**	**18.3**	27.2	—	27.2

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

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

Gross Billings amounted to $167.8 million for the year ended December 31, 2016, a decrease of $28.0 million or 14.3%. On a constant currency basis, Gross Billings decreased by $32.6 million or 16.6%, mainly explained by a decrease in Gross Billings from loyalty services in the ES business, due to its disposal at the end of July 2016 and contracts lost during the first half of the year, as well as lower rewards fulfillment activity in the U.S. CEL business.

Total Revenue amounted to $169.8 million for the year ended December 31, 2016, a decrease of $29.3 million or 14.7%. On a constant currency basis, total revenue decreased by $34.1 million or 17.1%, mostly related to the ES business, due to its disposal at the end of July 2016 and contracts lost during the first half of the year, as well as lower rewards fulfillment activity in the U.S. CEL business.

Cost of Rewards and Direct Costs amounted to $47.4 million for the year ended December 31, 2016, a decrease of $15.9 million or 25.1%. On a constant currency basis, cost of rewards and direct costs decreased by $17.2 million or 27.2%, mostly attributable to the ES business, explained by its disposal at the end of July 2016 and contracts lost during the first half of the year, as well as lower rewards fulfillment activity in the U.S. CEL business.

Gross Margin before Depreciation and Amortization represented 72.1% of total revenue for the year ended December 31, 2016, an increase of 3.9 percentage-points on a reported and 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 $26.6 million for the year ended December 31, 2016, a decrease of $4.8 million or 15.3%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $4.1 million or 13.1%, mostly due to the accelerated amortization of certain intangible assets in the US in the fourth quarter of 2015 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 year.

Operating Expenses amounted to $258.8 million for the year ended December 31, 2016, an increase of $35.5 million or 15.9%. On a constant currency basis, operating expenses increased by $31.0 million or 13.9%, mostly explained by impairment charges amounting to $45.9 million in the current year, of which $33.1 million is related to global product development assets allocated to the GLS group of CGUs for impairment testing purposes, and $12.8 million to the U.S. CEL business. The remaining variance, representing a decrease of $14.9 million or 6.7%, is mainly attributable to cost savings initiatives including lower compensation costs, lower spend in relation to severance and global product development, as well as the disposal of the ES business, partially offset by a higher share-based compensation expense and professional fees.

Operating Income (Loss) amounted to $(163.0) million for the year ended December 31, 2016, a deterioration of $44.1 million or $43.8 million on a constant currency basis, due mostly to the impairment charges previously described, with the remaining variance being a direct result of the factors described above.

Adjusted EBITDA amounted to $(74.2) million for the year ended December 31, 2016, a deterioration of $10.6 million or 16.7%. On a constant currency basis, Adjusted EBITDA decreased by $9.4 million or 14.8%, explained mostly by a lower distribution from PLM and lower contribution from the ES and U.S. CEL businesses, offset in part by lower 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

QUARTER ENDED DECEMBER 31, 2016 COMPARED TO QUARTER ENDED DECEMBER 31, 2015

CONSOLIDATED OPERATING RESULTS

	Three Months Ended December 31,				Variance		Variance C.C. [(d)(e)]	
(in millions of Canadian dollars unless otherwise noted)	2016		2015		$	%	$	%
Gross Billings from the sale of Loyalty Units	**485.3**		506.7		(21.4)	(4.2)	12.4	2.4
Gross Billings from Loyalty Services and Other	**162.2**		181.5		(19.3)	(10.6)	(16.8)	(9.3)
Total Gross Billings	**647.5**	*(b)*	688.2	*(b)*	(40.7)	(5.9)	(4.4)	(0.6)
Revenue from Loyalty Units	**527.2**		554.1		(26.9)	(4.9)	26.8	4.8
Revenue from Loyalty Services and Other	**161.8**		180.2		(18.4)	(10.2)	(15.8)	(8.8)
Total revenue	**689.0**		734.3		(45.3)	(6.2)	11.0	1.5
Cost of rewards and direct costs	**453.4**		483.4		(30.0)	(6.2)	11.1	2.3
Gross margin before depreciation and amortization	**235.6**		250.9		(15.3)	(6.1)	(0.1)	—
Gross margin as a % of total revenue	***34.2%***		*34.2%*		**	*— pp*	**	*(0.5) pp*
Depreciation and amortization [(a)]	**43.7**		53.6		(9.9)	(18.5)	(8.5)	(15.9)
Gross margin	**191.9**		197.3		(5.4)	(2.7)	8.4	4.3
Operating expenses before share-based compensation and impairment charges	**171.4**		204.0		(32.6)	(16.0)	(28.3)	(13.9)
Share-based compensation	**1.0**		(2.0)		3.0	**	3.0	**
Impairment of charges	**66.0**		13.5		52.5	**	52.5	**
Total operating expenses	**238.4**		215.5		22.9	10.6	27.2	12.6
Operating loss	**(46.5)**		(18.2)		(28.3)	**	(18.8)	**
Adjusted EBITDA [(d)]	**64.7**		63.2		1.5	2.4	6.6	10.4
Adjusted EBITDA as a % of total Gross Billings	***10.0%***		*9.2%*		**	*0.8 pp*	**	*1.0 pp*
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	**37.1**		43.9		(6.8)	(15.5)	**	**
Distributions from equity-accounted investments	**5.9**		16.5		(10.6)	(64.2)	**	**
Adjusted Net Earnings [(d)]	**35.1**		30.5		4.6	15.1	**	**
Free Cash Flow before Dividends Paid [(d)]	**121.6**		78.9	*(c)*	42.7	54.1	**	**
Free Cash Flow [(d)]	**86.9**		45.1	*(c)*	41.8	92.7	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

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

Gross Billings generated for the three months ended December 31, 2016 amounted to $647.5 million, a decrease of $40.7 million or 5.9%. On a constant currency basis, Gross Billings decreased by $4.4 million or 0.6%, driven by Gross Billings from Loyalty Services and Other, representing a decrease of $16.8 million, due mainly to lost contracts, the impact of the wind-down of a client program in the prior year, and the disposal of the ES business in July 2016, partially offset by an increase in Gross Billings from loyalty platforms. The decrease was mostly offset by an improvement of $12.4 million in Gross Billings from the sale of Loyalty Units driven primarily by strong bonus points issuance in the Nectar Program, as well as improved performance from the Aeroplan Program in the financial, airline and retail sectors.

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

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 December 31, 2016 amounted to $689.0 million, a decrease of $45.3 million or 6.2%. On a constant currency basis, total revenue increased by $11.0 million or 1.5% and is mostly explained by an improvement of $26.8 million in Revenue from Loyalty Units driven by a $26.9 million increase in the Nectar Program related to higher redemptions from increased campaign activity by the main grocery partner. Partially offsetting the improvement in Revenue from Loyalty Units, a decrease of $15.8 million in Revenue from Loyalty Services and Other was primarily due to lost contracts, the impact of the wind-down of a client program in the prior year, and the divestiture of the ES and Cardlytics UK businesses, partially offset by an increase in revenue from loyalty platforms.

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 $5.2 million for the three months ended December 31, 2016.

Cost of Rewards and Direct Costs amounted to $453.4 million for the three months ended December 31, 2016, a decrease of $30.0 million or 6.2%. On a constant currency basis, cost of rewards and direct costs increased by $11.1 million or 2.3% and is mainly explained by higher redemption activity in the Nectar Program due to increased campaign activity by the main grocery partner, increased costs associated with platform sales and a higher cost per Aeroplan Mile redeemed, partially offset by the impact of the disposal of the ES business, as well as lower redemption volumes in the Aeroplan Program and the impact of the wind-down of a client program in the prior year.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the Average Cost of Rewards per Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of $3.9 million for the three months ended December 31, 2016.

Gross Margin before Depreciation and Amortization represented 34.2% of total revenue for the three months ended December 31, 2016, the same as in the same period in the prior year or a decrease of 0.5 percentage-points on a constant currency basis compared to 2015, a direct result of the factors described above.

Operating Expenses amounted to $238.4 million for the three months ended December 31, 2016, an increase of $22.9 million or 10.6%. On a constant currency basis, operating expenses increased by $27.2 million or 12.6%, mostly due to an increase of $52.5 million in impairment charges. The remaining variance, representing a decrease of $25.3 million or 12.5%, is primarily due to the impact of the closure of the Nectar Italia Program, operational efficiencies and divestiture of the UK Cardlytics business, offset in part by increased spend in relation to the implementation of outsourcing arrangements in technology and a higher share-based compensation expense.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $43.7 million for the three months ended December 31, 2016, a decrease of $9.9 million or 18.5%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $8.5 million or 15.9%, due mainly to the accelerated amortization of certain intangible assets in the US as well as the impairment of certain intangible assets

in the fourth quarter of 2015, both of which resulting in lower asset base and lower depreciation and amortization expense in the current period. Additionally, 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 current period also contributed to the decrease.

Operating Income (Loss) amounted to $(46.5) million for the three months ended December 31, 2016, a deterioration of $28.3 million. On a constant currency basis, operating loss increased by $18.8 million, explained mostly by an increase of $52.5 million in impairment charges, with the remaining variance being a direct result of the factors described above.

Net Financial Expenses for the three months ended December 31, 2016 consists primarily of interest expense on long-term debt of $9.0 million and other net financial income of $0.2 million; offset in part by interest revenue of $3.2 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 December 31, 2016 and 2015 include the effect of $4.8 million and $6.0 million of current income tax expenses, respectively, as well as $3.3 million and $5.3 million of deferred income tax recoveries, respectively. Net loss for the three months ended December 31, 2016 and 2015 also include the share of net earnings (loss) of equity-accounted investments of $(3.2) million and $0.4 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 recovery recorded in the current period, which is primarily related to the Canadian operations, was not increased 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 $64.7 million for the three months ended December 31, 2016, an increase of $1.5 million or 2.4%. On a constant currency basis, Adjusted EBITDA improved by $6.6 million or 10.4%, mainly attributable to lower operating expenses and improved contribution from the Aeroplan Program, partially offset by lower distributions from equity accounted investments and a decrease in contribution from loyalty services, including the impact of the sale of ES.

Adjusted Net Earnings amounted to $35.1 million or 5.4% (as a % of Gross Billings) for the three months ended December 31, 2016. Adjusted Net Earnings for the three months ended December 31, 2015 amounted to $30.5 million or 4.4% (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 December 31, 2016, amounted to $86.9 million compared to $45.1 million for the three months ended December 31, 2015. The favourable variance of $41.8 million is mainly the result of:

- an increase in cash from operating activities of $31.5 million, explained primarily by lower operating expenses before share-based compensation and impairment charges of $32.6 million, lower cost of rewards and direct costs of $30.0 million and a favourable variance in the change in net operating assets of $46.3 million, offset in part by a decrease in Gross Billings of $40.7 million, the receipt of $20.7 million from Revenue Quebec in the prior year, a $10.6 million decrease in distributions from equity accounted investments and a $6.2 million increase in net interest paid driven by the prepayment of interest expense and related fees associated with the early redemption of the Senior Secured Notes Series 3;

- lower capital expenditures of $11.2 million resulting mostly from information technology initiatives and the favourable impact of foreign currencies; and
- an increase in dividends paid on common shares of $0.9 million due to the increase in the quarterly dividend rate per common share.

Adjusted EBITDA, Adjusted Net Earnings, and *Free Cash Flow* 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 December 31,		Variance	
(in millions of Canadian dollars unless otherwise noted)	2016	2015	$	%
Gross Billings from the sale of Loyalty Units	**319.5**	313.2	6.3	2.0
Gross Billings from Loyalty Services and Other	**28.2**	31.7	(3.5)	(11.0)
Total Gross Billings	**347.7**	344.9	2.8	0.8
Revenue from Loyalty Units	**272.6**	273.3	(0.7)	(0.3)
Revenue from Loyalty Services and Other	**28.5**	32.4	(3.9)	(12.0)
Total revenue	**301.1**	305.7	(4.6)	(1.5)
Cost of rewards and direct costs	**204.8**	206.9	(2.1)	(1.0)
Gross margin before depreciation and amortization	**96.3**	98.8	(2.5)	(2.5)
Gross margin as a % of total revenue	***32.0 %***	*32.3 %*	**	*(0.3) pp*
Depreciation and amortization [(a)]	**31.6**	36.9	(5.3)	(14.4)
Gross margin	**64.7**	61.9	2.8	4.5
Operating expenses before impairment charges	**57.3**	61.3	(4.0)	(6.5)
Impairment charges	**—**	13.5	(13.5)	**
Total operating expenses	**57.3**	74.8	(17.5)	(23.4)
Operating income (loss)	**7.4**	(12.9)	20.3	**
Adjusted EBITDA [(b)]	**59.5**	55.6	3.9	7.0
Adjusted EBITDA as a % of total Gross Billings	***17.1 %***	*16.1 %*	**	*1.0 pp*
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	**(26.1)**	(21.1)	(5.0)	(23.7)
Operating metrics (*year-over-year variance*):				
Accumulation activity - Aeroplan	**0.8 %**	(5.6)%	**	**
Redemption activity - Aeroplan	**(1.6)%**	2.1 %	**	**
Total rewards issued - Aeroplan	**(6.4)%**	0.6 %	**	**
Total air rewards issued - Aeroplan	**(2.3)%**	(3.1)%	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

Gross Billings generated for the three months ended December 31, 2016 amounted to $347.7 million, an increase of $2.8 million or 0.8%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2016 amounted to $319.5 million, an increase of $6.3 million or 2.0%, mostly explained by an improvement of $3.2 million in the financial sector as strong performance from the program's main financial partner related to higher purchase volumes driven by new card acquisitions during the year, was offset in part by reduced purchase volumes from other

financial partners. Further contributing to the increase was an improvement of $2.5 million in the airline sector, mainly related to increased capacity, and an increase of $1.4 million in the retail sector mainly due to a new partner.

Accumulation Activity - Aeroplan Miles issued during the three month period ended December 31, 2016 increased by 0.8% relative to the same period of the prior year due mainly to the factors described above. Excluding all promotional mileage on new financial cards acquired, Aeroplan Miles issued during the period increased by 1.5%.

Gross Billings from Loyalty Services and Other amounted to $28.2 million for the three months ended December 31, 2016, a decrease of $3.5 million or 11.0%, mainly explained by a decrease in Gross Billings resulting from lost contracts and lower ancillary services.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the three months ended December 31, 2016 decreased by 1.6%. The total number of rewards issued decreased by 6.4% and the total number of air rewards issued decreased by 2.3% compared to the same period in the prior year.

Total Revenue amounted to $301.1 million for the three months ended December 31, 2016, a decrease of $4.6 million or 1.5%, explained primarily by:

- a decrease of $3.9 million in revenue from Loyalty Services and Other mostly related to lost contracts and lower ancillary services; and,
- a decrease of $0.7 million in revenue from Loyalty Units due mainly to a decrease in redemption volumes which was offset in part by an increase in the cumulative average selling price of an Aeroplan Mile.

Cost of Rewards and Direct Costs amounted to $204.8 million for the three months ended December 31, 2016, a decrease of $2.1 million or 1.0%, mainly attributable to the following factors:

- a lower volume of redemptions in the Aeroplan Program, representing $3.3 million; and,
- a decrease in loyalty services direct costs of $0.7 million due mostly to lost contracts; offset in part by,
- a higher redemption cost per Aeroplan Mile redeemed, representing $1.9 million.

Gross Margin before Depreciation and Amortization represented 32.0% of total revenue for the three month period ended December 31, 2016, a decrease of 0.3 percentage-points compared to the same period in 2015, a direct result of the factors described above.

Operating Expenses amounted to $57.3 million for the three months ended December 31, 2016, a decrease of $17.5 million or 23.4%, mostly explained by impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs in the fourth quarter of 2015. The remaining variance, representing a decrease of $4.0 million or 6.5%, is primarily due to operational efficiencies, as well as a lower onerous lease provision recorded in the current period and lower marketing spend, partly offset by information technology expenses associated with the implementation of an outsourcing arrangement and higher severance expenses.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $31.6 million for the three months ended December 31, 2016, a decrease of $5.3 million or 14.4%, due mostly to the impairment of certain intangible assets in the fourth quarter of 2015, as well as the revision to the estimated life of the AMEX Accumulation Partners' contract in the current period, both of which resulted in lower depreciation and amortization expense in the current period.

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

Operating Income amounted to $7.4 million for the three months ended December 31, 2016, an improvement of $20.3 million, mostly explained by impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs in the fourth quarter of 2015, with the remaining variance being a direct result of the factors described above.

Adjusted EBITDA amounted to $59.5 million for the three months ended December 31, 2016, an improvement of $3.9 million or 7.0%, mainly attributable to lower operating expenses across the division, as well as improved contribution from the Aeroplan Program, mainly due to higher Gross Billings from Loyalty Units, offset in part by higher unit cost per Aeroplan Mile and a decrease in contribution from loyalty services.

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 December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2016	2015	$	%	$	%
Gross Billings from the sale of Loyalty Units	**165.8**	193.5	(27.7)	(14.3)	6.1	3.2
Gross Billings from Loyalty Services and Other	**23.7**	28.6	(4.9)	(17.1)	(1.8)	(6.3)
Total Gross Billings	**189.5**	222.1	(32.6)	(14.7)	4.3	1.9
Revenue from Loyalty Units	**254.6**	280.8	(26.2)	(9.3)	27.5	9.8
Revenue from Loyalty Services and Other	**23.6**	28.6	(5.0)	(17.5)	(1.9)	(6.6)
Intercompany revenue	**0.2**	0.1	0.1	**	0.1	**
Total revenue	**278.4**	309.5	(31.1)	(10.0)	25.7	8.3
Cost of rewards and direct costs	**200.5**	223.1	(22.6)	(10.1)	19.8	8.9
Gross margin before depreciation and amortization	**77.9**	86.4	(8.5)	(9.8)	5.9	6.8
Gross margin as a % of total revenue	***28.0 %***	*27.9 %*	**	*0.1 pp*	**	*(0.4) pp*
Depreciation and amortization [(a)]	**4.3**	4.1	0.2	4.9	1.0	24.4
Gross margin	**73.6**	82.3	(8.7)	(10.6)	4.9	6.0
Total operating expenses	**31.5**	53.7	(22.2)	(41.3)	(17.5)	(32.6)
Operating income	**42.1**	28.6	13.5	47.2	22.4	78.3
Adjusted EBITDA [(b)]	**22.1**	13.2	8.9	67.4	12.9	97.7
Adjusted EBITDA as a % of total Gross Billings	***11.7 %***	*5.9 %*	**	*5.8 pp*	**	*5.6 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**63.2**	65.0	(1.8)	(2.8)	**	**
Distributions from equity-accounted investments	**1.4**	2.9	(1.5)	(51.7)	**	**
Operating metrics (*year-over-year variance*):						
Accumulation activity - Nectar	**7.6 %**	12.0 %	**	**	**	**
Accumulation activity - Air Miles Middle East	**(6.6)%**	(1.8)%	**	**	**	**
Accumulation activity - Nectar Italia	**	(97.8)%	**	**	**	**
Redemption activity - Nectar	**10.6 %**	(6.3)%	**	**	**	**
Redemption activity - Air Miles Middle East	**6.8 %**	12.1 %	**	**	**	**
Redemption activity - Nectar Italia	**	(99.1)%	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

Gross Billings generated for the three months ended December 31, 2016 amounted to $189.5 million, a decrease of $32.6 million or 14.7%. On a constant currency basis, Gross Billings increased by $4.3 million or 1.9%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2016 amounted to $165.8 million, a decrease of $27.7 million or 14.3%. On a constant currency basis, Gross Billings from the sale of Loyalty Units increased by $6.1 million or 3.2% and is mostly explained by an increase of $8.1 million in the Nectar Program driven by higher bonus points issuance related to strong campaign activity from the program's main grocery partner, partially offset by the impact of regulatory restrictions in the energy sector and the disengagement of a retail sector partner exiting the program in 2017, a decrease of $1.4 million in the Air Miles Middle East program and a decrease of $0.6 million in the Nectar Italia Program.

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

Accumulation Activity - Nectar Points issued during the three months ended December 31, 2016 increased by 7.6% as a result of the factors listed above.

Air Miles Middle East Loyalty Units issued during the three months ended December 31, 2016 decreased by 6.6% due mostly to lower promotional miles.

Gross Billings from Loyalty Services and Other amounted to $23.7 million for the three months ended December 31, 2016, a decrease of $4.9 million or 17.1%. On a constant currency basis, Gross Billings from Loyalty Services and Other decreased by $1.8 million or 6.3% and is primarily explained by the divestiture of the UK Cardlytics business.

Redemption Activity - Redemption activity in the Nectar Program increased by 10.6% compared to the same period in the prior year, mainly driven by increased campaign activity by the main grocery partner.

Redemption activity in the Air Miles Middle East program increased by 6.8% due to increased points in circulation in the expiring vintage.

Total Revenue amounted to $278.4 million for the three months ended December 31, 2016, a decrease of $31.1 million or 10.0%. On a constant currency basis, total revenue increased by $25.7 million or 8.3% and is explained mostly by the following:

- an increase of $26.9 million in revenue from Loyalty Units in the Nectar Program driven by higher redemptions; offset in part by,
- a decrease of $1.9 million in revenue from Loyalty Services and Other, primarily explained by the divestiture of the UK Cardlytics business.

Cost of Rewards and Direct Costs amounted to $200.5 million for the three months ended December 31, 2016, a decrease of $22.6 million or 10.1%. On a constant currency basis, cost of rewards and direct costs increased by $19.8 million or 8.9% and is mainly attributable to the Nectar Program, representing $19.2 million, related primarily to higher redemption activity.

Gross Margin before Depreciation and Amortization represented 28.0% of total revenue for the three month period ended December 31, 2016, an increase of 0.1 percentage-points or a decrease of 0.4 percentage-points on a constant currency basis, a direct result of the factors described above.

Operating Expenses amounted to $31.5 million for the three months ended December 31, 2016, a decrease of $22.2 million or 41.3%. On a constant currency basis, operating expenses decreased by $17.5 million or 32.6%, mostly explained by the impact of the closure of the Nectar Italia Program and divestiture of the UK Cardlytics business, as well as timing of marketing spend and operational efficiencies.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $4.3 million for the three months ended December 31, 2016, an increase of $0.2 million or 4.9%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by $1.0 million or 24.4% due mainly to increased depreciation related to information technology initiatives.

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

Operating Income amounted to $42.1 million for the three months ended December 31, 2016, an improvement of $13.5 million. On a constant currency basis, operating income increased by $22.4 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $22.1 million for the three months ended December 31, 2016, an improvement of $8.9 million or 67.4%. On a constant currency basis, Adjusted EBITDA improved by $12.9 million or 97.7%, mostly explained by lower operating expenses across the division, offset in part by lower contributions from the loyalty programs, the divestiture of the UK Cardlytics business and lower distributions from equity accounted investments.

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 December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2016	2015	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**65.3**	68.0	(2.7)	(4.0)	(3.5)	(5.1)
Total Gross Billings	**65.3**	68.0	(2.7)	(4.0)	(3.5)	(5.1)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**65.2**	67.6	(2.4)	(3.6)	(3.1)	(4.6)
Intercompany revenue	**—**	0.5	(0.5)	**	(0.5)	**
Total revenue	**65.2**	68.1	(2.9)	(4.3)	(3.6)	(5.3)
Cost of rewards and direct costs	**39.3**	40.2	(0.9)	(2.2)	(2.1)	(5.2)
Gross margin before depreciation and amortization	**25.9**	27.9	(2.0)	(7.2)	(1.5)	(5.4)
Gross margin as a % of total revenue	***39.7%***	*41.0 %*	**	*(1.3) pp*	**	*(0.1) pp*
Depreciation and amortization [(a)]	**1.7**	2.2	(0.5)	(22.7)	(0.5)	(22.7)
Gross margin	**24.2**	25.7	(1.5)	(5.8)	(1.0)	(3.9)
Operating expenses before impairment charges	**25.8**	28.0	(2.2)	(7.9)	(2.3)	(8.2)
Impairment charges	**20.1**	—	20.1	**	20.1	**
Total operating expenses	**45.9**	28.0	17.9	63.9	17.8	63.6
Operating loss	**(21.7)**	(2.3)	(19.4)	**	(18.8)	**
Adjusted EBITDA [(b)]	**0.2**	(0.2)	0.4	**	0.9	**
Adjusted EBITDA as a % of total Gross Billings	***0.3%***	*(0.3)%*	**	*0.6 pp*	**	*1.4 pp*

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

Gross Billings amounted to $65.3 million for the three months ended December 31, 2016, a decrease of $2.7 million or 4.0%. On a constant currency basis, Gross Billings decreased by $3.5 million or 5.1% and is primarily explained by the wind-down of a client program in the prior year, partially offset by an increase in Gross Billings from loyalty platforms.

Total Revenue amounted to $65.2 million for the three months ended December 31, 2016, a decrease of $2.9 million or 4.3%. On a constant currency basis, total revenue decreased by $3.6 million or 5.3% and is primarily explained by the wind-down of a client program in the prior year, partially offset by an increase in revenue from loyalty platforms.

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

Cost of Rewards and Direct Costs amounted to $39.3 million for the three months ended December 31, 2016, a decrease of $0.9 million or 2.2%. On a constant currency basis, cost of rewards and direct costs decreased by $2.1 million or 5.2% and is primarily explained by the wind-down of a client program in the prior year, partially offset by an increase in direct costs related to loyalty platforms.

Gross Margin before Depreciation and Amortization represented 39.7% of total revenue for the three month period ended December 31, 2016, a decrease of 1.3 percentage-points or a decrease of 0.1 percentage-point on a constant currency basis, a direct result of the factors described above.

Operating Expenses amounted to $45.9 million for the three months ended December 31, 2016, an increase of $17.9 million or 63.9%. On a constant currency basis, operating expenses increased by $17.8 million or 63.6%, mostly explained by impairment charges amounting to $20.1 million related to the GLS group of CGUs in the current period. The remaining variance, representing a decrease of $2.3 million or 8.2%, is mostly due to a net decrease in spend to support new client acquisitions and lower costs associated with the exit of operations in Latin America partially offset by the net increase in spend in relation to the implementation of outsourcing arrangements in technology in the current period.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $1.7 million for the three months ended December 31, 2016, a decrease of $0.5 million or 22.7%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $0.5 million or 22.7%.

Operating Income (Loss) amounted to $(21.7) million for the three months ended December 31, 2016, a deterioration of $19.4 million or $18.8 million on a constant currency basis, mostly explained by impairment charges amounting to $20.1 million related to the GLS group of CGUs in the current period, with the remaining variance being a direct result of the factors described above.

Adjusted EBITDA amounted to $0.2 million for the three months ended December 31, 2016, an improvement of $0.4 million. On a constant currency basis, Adjusted EBITDA improved by $0.9 million due to lower operating expenses and direct costs, offset in part by lower Gross Billings.

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 December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2016	2015	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**45.3**	53.8	(8.5)	(15.8)	(8.3)	(15.4)
Total Gross Billings	**45.3**	53.8	(8.5)	(15.8)	(8.3)	(15.4)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**44.5**	51.6	(7.1)	(13.8)	(6.9)	(13.4)
Intercompany revenue	**0.1**	—	0.1	**	0.1	**
Total revenue	**44.6**	51.6	(7.0)	(13.6)	(6.8)	(13.2)
Cost of rewards and direct costs	**9.2**	13.5	(4.3)	(31.9)	(4.4)	(32.6)
Gross margin before depreciation and amortization	**35.4**	38.1	(2.7)	(7.1)	(2.4)	(6.3)
Gross margin as a % of total revenue	***79.4%***	*73.8%*	**	*5.6 pp*	**	*5.9 pp*
Depreciation and amortization [(a)]	**6.1**	10.4	(4.3)	(41.3)	(3.7)	(35.6)
Gross margin	**29.3**	27.7	1.6	(5.8)	1.3	(4.7)
Operating expenses before share-based compensation and impairment charges	**56.7**	61.3	(4.6)	(7.5)	(4.9)	(8.0)
Share-based compensation	**1.0**	(2.0)	3.0	**	3.0	**
Impairment of charges	**45.9**	—	45.9	**	45.9	**
Total operating expenses	**103.6**	59.3	44.3	74.7	44.0	74.2
Operating loss	**(74.3)**	(31.6)	(42.7)	**	(42.7)	**
Adjusted EBITDA [(b)]	**(17.1)**	(5.4)	(11.7)	**	(11.1)	**
Included in Adjusted EBITDA:						
Distributions from equity-accounted investments	**4.5**	13.6	(9.1)	(66.9)	**	**

	Three Months Ended December 31,					
(in millions of Canadian dollars)	2016			2015		
	Corporate[(d)]	**Other[(e)]**	**Total**	**Corporate[(d)]**	**Other[(e)]**	**Total**
Total Gross Billings	**—**	**45.3**	**45.3**	—	53.8	53.8
Total revenue	**—**	**44.6**	**44.6**	—	51.6	51.6
Cost of rewards and direct costs	**—**	**9.2**	**9.2**	—	13.5	13.5
Gross margin before depreciation and amortization	**—**	**35.4**	**35.4**	—	38.1	38.1
Depreciation and amortization [(a)]	**4.0**	**2.1**	**6.1**	3.5	6.9	10.4
Gross margin	**(4.0)**	**33.3**	**29.3**	(3.5)	31.2	27.7
Operating expenses before share-based compensation and impairment charges	**24.7**	**32.0**	**56.7**	30.3	31.0	61.3
Share-based compensation	**1.0**	**—**	**1.0**	(2.0)	—	(2.0)
Impairment of charges	**33.1**	**12.8**	**45.9**	—	—	—
Total operating expenses	**58.8**	**44.8**	**103.6**	28.3	31.0	59.3
Operating loss	**(62.8)**	**(11.5)**	**(74.3)**	(31.8)	0.2	(31.6)
Adjusted EBITDA [(b)]	**(21.2)**	**4.1**	**(17.1)**	(14.7)	9.3	(5.4)
Included in Adjusted EBITDA:						
Distributions from equity-accounted investments	**4.5**	**—**	**4.5**	13.6	—	13.6

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 94.

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

Gross Billings amounted to $45.3 million for the three months ended December 31, 2016, a decrease of $8.5 million or 15.8%. On a constant currency basis, Gross Billings decreased by $8.3 million or 15.4%, mainly explained by a decrease in Gross Billings resulting from the disposal of the ES business at the end of July 2016.

Total Revenue amounted to $44.6 million for the three months ended December 31, 2016, a decrease of $7.0 million or 13.6%. On a constant currency basis, total revenue decreased by $6.8 million or 13.2%, mostly related to the disposal of the ES business.

Cost of Rewards and Direct Costs amounted to $9.2 million for the three months ended December 31, 2016, a decrease of $4.3 million or 31.9%. On a constant currency basis, cost of rewards and direct costs decreased by $4.4 million or 32.6%, mostly due to the disposal of the ES business.

Gross Margin before Depreciation and Amortization represented 79.4% of total revenue for the three month period ended December 31, 2016, an increase of 5.6% percentage-points or 5.9% 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 $6.1 million for the three months ended December 31, 2016, a decrease of $4.3 million or 41.3%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $3.7 million or 35.6%, mostly due to the accelerated amortization of certain intangible assets in the US in the fourth quarter of 2015 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.

Operating Expenses amounted to $103.6 million for the three months ended December 31, 2016, an increase of $44.3 million or 74.7%. On a constant currency basis, operating expenses increased by $44.0 million or 74.2%, mostly explained by impairment charges amounting to $45.9 million in the current period, of which $33.1 million is related to global product development assets allocated to the GLS group of CGUs for impairment testing purposes, and $12.8 million to the U.S. CEL business. The remaining variance, representing a decrease of $1.9 million or 3.2%, is mainly attributable to cost savings initiatives including lower compensation costs and severance expenses, partially offset by a higher share-based compensation expense related to the revaluation of cash-settled awards and higher professional fees.

Operating Income (Loss) amounted to $(74.3) million for the three months ended December 31, 2016, a deterioration of $42.7 million on a reported and constant currency basis, due mostly to the impairment charges previously described, with the remaining variance being a direct result of the factors described above.

Adjusted EBITDA amounted to $(17.1) million for the three months ended December 31, 2016, a deterioration of $11.7 million. On a constant currency basis, Adjusted EBITDA decreased by $11.1 million, mostly explained by a lower distribution from PLM and the sale of the ES business, partially offset by lower 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.

SEGMENTED INFORMATION

Effective January 1, 2016, the Corporation was reorganized into a divisional structure, which consists of the following operating segments: Americas Coalitions, International Coalitions and GLS. Previously, the Corporation was organized in a regional structure and its operating segments were Canada, EMEA and US & APAC. The changes focus the Corporation on its core businesses for growth and leadership in data-driven marketing and loyalty analytics, while also simplifying Aimia's operations. As part of the ongoing efforts to simplify and focus the operations of the Corporation, the U.S. Channel and Employee Loyalty 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 audited consolidated financial statements for the year ended December 31, 2016.

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

The tables below summarize the relevant financial information by operating segment:

	Years Ended December 31,											
(in millions of Canadian dollars)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating Segments	**Americas Coalitions**		**International Coalitions**		**GLS**		**Corporate and Other** [b]		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**1,226.1**	1,201.3	**522.0**	631.4	**—**	—	**—**	—	**—**	—	**1,748.1**	1,832.7
Gross Billings from Loyalty Services and Other	**100.7**	109.3	**95.5**	94.0	**228.3**	239.3	**167.8**	195.8	**(0.7)**	(2.1)	**591.6**	636.3
Total Gross Billings	**1,326.8**	1,310.6	**617.5**	725.4	**228.3**	239.3	**167.8**	195.8	**(0.7)**	(2.1)	**2,339.7** *(c)*	2,469.0 *(c)*
Revenue from Loyalty Units	**1,140.0**	1,112.9	**554.2**	704.0	**—**	—	**—**	—	**—**	—	**1,694.2**	1,816.9
Revenue from Loyalty Services and Other	**101.0**	110.4	**95.2**	93.8	**228.0**	240.4	**169.7**	199.1	**—**	—	**593.9**	643.7
Intercompany revenue	**—**	—	**0.4**	0.6	**0.2**	1.5	**0.1**	—	**(0.7)**	(2.1)	**—**	—
Total revenue	**1,241.0**	1,223.3	**649.8**	798.4	**228.2**	241.9	**169.8**	199.1	**(0.7)**	(2.1)	**2,288.1**	2,460.6
Cost of rewards and direct costs	**837.8**	858.1	**447.4**	541.9	**133.9**	139.6	**47.4**	63.3	**(0.4)**	(1.0)	**1,466.1**	1,601.9
Gross margin before depreciation and amortization	**403.2**	365.2	**202.4**	256.5	**94.3**	102.3	**122.4**	135.8	**(0.3)**	(1.1)	**822.0**	858.7
Depreciation and amortization [a]	**131.6**	140.4	**18.2**	15.6	**6.7**	7.0	**26.6**	31.4	**—**	—	**183.1**	194.4
Gross margin	**271.6**	224.8	**184.2**	240.9	**87.6**	95.3	**95.8**	104.4	**(0.3)**	(1.1)	**638.9**	664.3
Operating expenses before share-based compensation and impairment charges	**216.2**	171.6 *(f)*	**133.3**	162.9	**97.2**	95.3	**203.3**	217.3	**(0.3)**	(1.1)	**649.7**	646.0 *(f)*
Share-based compensation	**—**	—	**—**	—	**—**	—	**9.6**	6.0	**—**	—	**9.6**	6.0
Impairment charges	**—**	13.5	**—**	—	**20.1**	—	**45.9**	—	**—**	—	**66.0**	13.5
Total operating expenses	**216.2**	185.1 *(f)*	**133.3**	162.9	**117.3**	95.3	**258.8**	223.3	**(0.3)**	(1.1)	**725.3**	665.5 *(f)*
Operating income (loss)	**55.4**	39.7 *(f)*	**50.9**	78.0	**(29.7)**	—	**(163.0)**	(118.9)	**—**	—	**(86.4)**	(1.2) *(f)*
Adjusted EBITDA [g]	**241.7**	262.7 *(f)*	**69.5**	59.9	**(2.8)**	4.4	**(74.2)**	(63.6)	**—**	—	**234.2**	263.4 *(f)*
Included in Adjusted EBITDA:												
Change in Future Redemption Costs	**(31.1)**	(18.2)	**26.2**	35.4	**—**	—	**—**	—	**—**	—	**(4.9)**	17.2
Distributions from equity-accounted investments	**—**	—	**6.5**	3.9	**—**	—	**18.3**	27.2	**—**	—	**24.8**	31.1
Additions to non-current assets [d]	**23.4**	35.7	**19.6**	28.5	**4.5**	2.9	**20.7**	26.5	**N/A**	N/A	**68.2**	93.6
Non-current assets [d]	**2,758.1**	2,868.2	**480.3**	586.3	**8.8**	32.5	**23.0**	124.2	**N/A**	N/A	**3,270.2** *(e)*	3,611.2 *(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 $1,348.3 million in Canada, $583.9 million in the UK and $175.9 million in the US for the year ended December 31, 2016, compared to third party Gross Billings of $1,356.4 million in Canada, $694.2 million in the UK and $183.4 million in the US for the year ended December 31, 2015. 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 $2,781.0 million in Canada, $455.8 million in the UK and $8.4 million in the US as of December 31, 2016, compared to non-current assets of $2,904.6 million in Canada, $598.9 million in the UK and $70.5 million in the US as of December 31, 2015.

(f) Includes the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015.

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

	Three Months Ended December 31,											
(in millions of Canadian dollars)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating Segments	**Americas Coalitions**		**International Coalitions**		**GLS**		**Corporate and Other** [b]		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**319.5**	313.2	**165.8**	193.5	**—**	—	**—**	—	**—**	—	**485.3**	506.7
Gross Billings from Loyalty Services and Other	**28.2**	31.7	**23.7**	28.6	**65.3**	68.0	**45.3**	53.8	**(0.3)**	(0.6)	**162.2**	181.5
Total Gross Billings	**347.7**	344.9	**189.5**	222.1	**65.3**	68.0	**45.3**	53.8	**(0.3)**	(0.6)	**647.5** *(c)*	688.2 *(c)*
Revenue from Loyalty Units	**272.6**	273.3	**254.6**	280.8	**—**	—	**—**	—	**—**	—	**527.2**	554.1
Revenue from Loyalty Services and Other	**28.5**	32.4	**23.6**	28.6	**65.2**	67.6	**44.5**	51.6	**—**	—	**161.8**	180.2
Intercompany revenue	**—**	—	**0.2**	0.1	**—**	0.5	**0.1**	—	**(0.3)**	(0.6)	**—**	—
Total revenue	**301.1**	305.7	**278.4**	309.5	**65.2**	68.1	**44.6**	51.6	**(0.3)**	(0.6)	**689.0**	734.3
Cost of rewards and direct costs	**204.8**	206.9	**200.5**	223.1	**39.3**	40.2	**9.2**	13.5	**(0.4)**	(0.3)	**453.4**	483.4
Gross margin before depreciation and amortization	**96.3**	98.8	**77.9**	86.4	**25.9**	27.9	**35.4**	38.1	**0.1**	(0.3)	**235.6**	250.9
Depreciation and amortization [a]	**31.6**	36.9	**4.3**	4.1	**1.7**	2.2	**6.1**	10.4	**—**	—	**43.7**	53.6
Gross margin	**64.7**	61.9	**73.6**	82.3	**24.2**	25.7	**29.3**	27.7	**0.1**	(0.3)	**191.9**	197.3
Operating expenses before share-based compensation and impairment charges	**57.3**	61.3	**31.5**	53.7	**25.8**	28.0	**56.7**	61.3	**0.1**	(0.3)	**171.4**	204.0
Share-based compensation	**—**	—	**—**	—	**—**	—	**1.0**	(2.0)	**—**	—	**1.0**	(2.0)
Impairment charges	**—**	13.5	**—**	—	**20.1**	—	**45.9**	—	**—**	—	**66.0**	13.5
Total operating expenses	**57.3**	74.8	**31.5**	53.7	**45.9**	28.0	**103.6**	59.3	**0.1**	(0.3)	**238.4**	215.5
Operating income (loss)	**7.4**	(12.9)	**42.1**	28.6	**(21.7)**	(2.3)	**(74.3)**	(31.6)	**—**	—	**(46.5)**	(18.2)
Adjusted EBITDA [f]	**59.5**	55.6	**22.1**	13.2	**0.2**	(0.2)	**(17.1)**	(5.4)	**—**	—	**64.7**	63.2
Included in Adjusted EBITDA:												
Change in Future Redemption Costs	**(26.1)**	(21.1)	**63.2**	65.0	**—**	—	**—**	—	**—**	—	**37.1**	43.9
Distributions from equity-accounted investments	**—**	—	**1.4**	2.9	**—**	—	**4.5**	13.6	**—**	—	**5.9**	16.5
Additions to non-current assets [d]	**5.2**	14.8	**5.5**	8.5	**1.9**	0.5	**5.6**	5.6	**N/A**	N/A	**18.2**	29.4
Non-current assets [d]	**2,758.1**	2,868.2	**480.3**	586.3	**8.8**	32.5	**23.0**	124.2	**N/A**	N/A	**3,270.2** *(e)*	3,611.2 *(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 $347.8 million in Canada, $181.7 million in the UK and $51.7 million in the US for the three months ended December 31, 2016, compared to third party Gross Billings of $353.8 million in Canada, $219.1 million in the UK and $52.8 million in the US for the three months ended December 31, 2015. 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 $2,781.0 million in Canada, $455.8 million in the UK and $8.4 million in the US as of December 31, 2016, compared to non-current assets of $2,904.6 million in Canada, $598.9 million in the UK and $70.5 million in the US as of December 31, 2015.

(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 December 31, 2016.

	2016				2015			
(in millions of Canadian dollars, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross Billings from the sale of Loyalty Units	**485.3**	418.5	419.1	425.2	506.7	422.5	458.3	445.2
Gross Billings from Loyalty Services and Other	**162.2**	140.0	141.6	147.8	181.5	157.8	147.0	150.0
Gross Billings	**647.5**	558.5	560.7	573.0	688.2	580.3	605.3	595.2
Revenue	**689.0**	503.6	525.4	570.1	734.3	529.3	536.9	660.1
Cost of rewards and direct costs	**(453.4)**	(311.9)	(331.3)	(369.5)	(483.4)	(341.4)	(346.4)	(430.7)
Gross margin before depreciation and amortization [(a)]	**235.6**	191.7	194.1	200.6	250.9	187.9	190.5	229.4
Operating expenses	**(238.4)** *(d)*	(159.6)	(163.5)	(163.8)	(215.5) *(g)*	(171.5)	(120.9) *(h)*	(157.6)
Depreciation and amortization	**(15.2)**	(14.1)	(15.2)	(12.9)	(16.3)	(15.4)	(13.1)	(12.3)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(28.5)**	(31.9)	(32.5)	(32.8)	(37.3)	(33.5)	(33.2)	(33.3)
Operating income (loss)	**(46.5)** *(d)*	(13.9)	(17.1)	(8.9)	(18.2) *(g)*	(32.5)	23.3 *(h)*	26.2
Net earnings (loss) attributable to equity holders of the Corporation	**(57.2)** *(d)*	(1.5)	7.2 *(f)*	(14.8)	(26.0) *(g)*	(26.9)	31.5 *(j)(k)*	21.5
Adjusted EBITDA [(b)]	**64.7**	60.5	54.6	48.7	63.2	46.1	107.5 *(h)*	52.1
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	**37.1**	(32.4)	(19.0)	3.7	43.9	(25.9)	(40.5)	45.2
Distributions from equity-accounted investments	**5.9**	5.9	7.7	5.3	16.5	4.6	10.0	—
Net earnings (loss) attributable to equity holders of the Corporation	**(57.2)** *(d)*	(1.5)	7.2 *(f)*	(14.8)	(26.0) *(g)*	(26.9)	31.5 *(j)(k)*	21.5
Earnings (loss) per common share [(c)]	**(0.40)** *(d)*	(0.04)	0.02 *(f)*	(0.12)	(0.19) *(g)*	(0.20)	0.17 *(j)(k)*	0.10
Free Cash Flow before Dividends Paid [(b)]	**121.6**	86.7 *(e)*	44.2	(18.9)	78.9 *(i)*	59.0	59.2	5.2 *(l)*
Free Cash Flow [(b)]	**86.9**	52.0 *(e)*	9.6	(52.1)	45.1 *(i)*	24.6	22.1	(30.5) *(l)*
Future Redemption Cost liability - Unbroken Loyalty Units	**2,217.1**	2,275.6	2,274.0	2,293.0	2,305.5	2,351.2	2,332.2	2,293.5
Potential redemption liability - Broken Loyalty Units	**860.6**	896.9	875.4	890.8	883.9	863.7	860.1	852.6

(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. Please refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2016 for more information.

(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.

(l) The Free Cash Flow for the three month period ended March 31, 2015 includes an amount of $20.4 million received from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.

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 December 31, 2016, Aimia had $293.0 million of cash and cash equivalents, $20.3 million of restricted cash, $80.4 million of short-term investments and $226.0 million of long-term investments in bonds, for a total of $619.7 million. Approximately $3.4 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to January 2017 and $306.4 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:

	Years Ended December 31,	
(in millions of Canadian dollars , except per share information)	2016	2015
Adjusted EBITDA [(a)]	**234.2**	263.4
Change in Future Redemption Costs [(b)]	**4.9**	(17.2)
Share-based compensation	**9.6**	6.0
Income taxes received, net	**40.8**	24.4
Net cash interest paid	**(30.4)**	(24.4)
Cash from operating activities before change in operating assets and liabilities and other	**259.1**	252.2
Change in operating assets and liabilities and other	**42.7**	43.7
Cash from operating activities	**301.8**	295.9
Capital expenditures	**(68.2)**	(93.6)
Free Cash Flow before Dividends Paid [(a)]	**233.6**	202.3
Free Cash Flow before Dividends Paid per common share [(a)(c)]	**1.42**	1.12
Dividends paid to equity holders of the Corporation	**(137.2)**	(138.9)
Dividends paid to non-controlling interests	**—**	(2.1)
Free Cash Flow [(a)]	**96.4**	61.3

(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 and dividends paid to non-controlling interests.

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:

	Years Ended December 31,	
(in millions of Canadian dollars)	2016	2015
Cash and cash equivalents, beginning of year	**482.2**	**567.6**
Cash from operating activities	301.8	295.9
Cash used in investing activities	(66.7)	(71.3)
Cash used in financing activities	(383.2)	(360.0)
Translation adjustment related to cash	(41.1)	50.0
Cash and cash equivalents, end of year	**293.0**	**482.2**

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 $301.8 million for the year ended December 31, 2016, compared to $295.9 million for the year ended December 31, 2015. The adjustment to the Card Migration Provision of $45.7 million had no impact on cash from operating activities for the year ended December 31, 2015, accordingly the explanations provided below exclude any non-cash related impact.

The favourable variance of $5.9 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 is explained in part by the receipt of $50.3 million, inclusive of interest in the amount of $1.6 million, in the current year from the CRA related to the income tax refund of loss carry back applied in Canada, offset in part by the receipt of $41.1 million tax refunds during the prior year. Excluding these one-time items, the remaining unfavourable variance of $3.3 million is primarily related to a decrease in Gross Billings of $129.3 million, an unfavourable variance in the change in net operating assets of $46.7 million, lower distributions from equity accounted investments of $6.3 million and higher net cash interest paid of $6.0 million driven by the prepayment of interest expense and related fees associated with the early redemption of the Senior Secured Notes Series 3, offset in part by lower cost of rewards and direct costs of $135.8 million, lower operating expenses before share-based compensation and impairment charges of $42.0 million and lower income taxes paid.

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

Investing activities for the year ended December 31, 2016 reflect proceeds of $10.0 million from the sale of the ES business and the payment of $1.9 million to the selling shareholders of Smart Button Associates, Inc., representing the second half of the contingent consideration.

Investing activities for the year ended December 31, 2016 reflect proceeds from short-term investments of $54.4 million and long-term investments made of $61.0 million, which include an investment in convertible notes of Cardlytics of $5.0 million.

Capital expenditures for the year ended December 31, 2016 amounted to $68.2 million. Anticipated capital expenditures for 2017 are expected to approximate between $50.0 million and $60.0 million.

FINANCING ACTIVITIES

Financing activities for the year ended December 31, 2016 reflect the payment of $137.2 million related to common and preferred dividends and the early repayment of the Senior Secured Notes Series 3 in the amount of $200.0 million on December 9, 2016.

Financing activities for the year ended December 31, 2016 also reflect the payment in relation to the acquisition of the remaining 40% ownership interest in Aimia Middle East of $22.0 million (US$16.9 million), representing the seller's share of surplus working capital in the business as of the date of the transaction's completion, the repurchase of common shares amounting to $24.5 million and the receipt by the Corporation of $0.5 million upon the exercise of stock options.

LIQUIDITY

Aimia anticipates that total capital requirements for the 2017 fiscal year will be between $188.7 million and $198.7 million, consisting of $138.7 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 December 31, 2016, 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 December 31, 2016, 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 December 31, 2016, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, amounted to $410.2 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 $2,217.1 million.

CREDIT FACILITIES AND LONG-TERM DEBT

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

(in millions of Canadian dollars)	Authorized at December 31, 2016	Drawn at December 31, 2016	Drawn at December 31, 2015
Revolving facility [(a)]	300.0	—	—
Senior Secured Notes Series 3 [(b)]	N/A	—	200.0
Senior Secured Notes Series 4 [(c)]	N/A	250.0	250.0
Senior Secured Notes Series 5 [(d)]	N/A	200.0	200.0
Unamortized transaction costs [(e)]	N/A	(1.7)	(2.7)
Total long-term debt		**448.3**	**647.3**
Less: current portion		—	—
Long-term debt		**448.3**	**647.3**

(a) On April 11, 2016, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by one year to April 23, 2020. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $9.5 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 3, in the principal amount of $200.0 million and bearing interest at 6.95% per annum, were redeemed on December 9, 2016 with cash on hand.

(c) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of $250.0 million. These notes bear interest at 5.60% per annum, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019.

(d) On November 22, 2012, Aimia issued Senior Secured Notes Series 5 in the principal amount of $200.0 million. These notes bear interest at 4.35% per annum, payable semi-annually in arrears on January 22nd and July 22nd of each year, commencing January 22, 2013, and mature on January 22, 2018.

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

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

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

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

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

Ratio	Result	Test
Leverage	1.85	≤ 3.50
Debt service [(a)]	(0.69)	≤ 2.00
Interest coverage	8.73	≥ 3.00

(a) This ratio takes into account Aimia's net debt, calculated as long-term debt less cash, restricted cash, short-term investments and long-term investments in corporate and government bonds.

INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS

The table below summarizes Aimia's investments in equity instruments, associates and joint arrangements at December 31, 2016:

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
Travel Club	Coalition Loyalty	Associate	International Coalitions	Spain	25.0	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	December 31,	December 31,
(in millions of Canadian dollars)	2016	2015
Investment in PLM [(a)]	80.4	85.0
Other equity-accounted investments in joint ventures [(b)]	22.5	25.6
Equity-accounted investments in associates [(c)]	0.9	7.2
Total	**103.8**	117.8

(a) During the years ended December 31, 2016 and December 31, 2015, Aimia received distributions from PLM of $18.3 million (US$13.7 million) and $27.2 million (US$20.5 million), respectively.

(b) On December 23, 2015, Aimia invested an additional amount of $3.5 million (RM$10.9 million) in Think Big upon the achievement of certain milestones.

On January 9, 2015 and January 29, 2015, Aimia invested additional amounts totaling $1.0 million (US$0.8 million) in Prismah to fund certain costs associated with the wind-up of the joint arrangement, which was completed on March 7, 2015.

(c) During the year 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. The write-off is presented in share of net earnings (loss) of equity-accounted investments in the consolidated statement of operations.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
(in millions of Canadian dollars)	2016	2015
Investment in PLM	15.7	8.1
Other equity-accounted investments in joint ventures	5.2	4.8
Equity-accounted investments in associates [(c)]	(5.7)	(1.3)
Total	**15.2**	11.6

A) INVESTMENT IN PLM PREMIER, S.A.P.I. DE C.V.

Presented below is the summarized financial information for PLM, excluding amounts relating to identifiable assets and goodwill recognized on a step basis. The information reflects the amounts presented in the financial statements of PLM adjusted for differences in accounting policies between the Corporation and PLM.

Summarized statement of comprehensive income

	Years Ended December 31,	
(in millions of Canadian dollars)	2016	2015
Revenue	**244.8**	195.8
Cost of rewards and operating expenses	(189.8)	(157.2)
Depreciation and amortization	(1.7)	(2.0)
Operating income	**53.3**	36.6
Net financing income	5.3	2.3
Income tax expense	(16.1)	(9.6)
Net earnings	**42.5**	29.3
Other comprehensive income (loss)	4.4	(17.5)
Comprehensive income	**46.9**	11.8

For the summarized balance sheet information and for the reconciliation of the summarized financial information to the carrying amount and Aimia's share of net earnings, refer to *Note 11* of the audited consolidated financial statements for the year ended December 31, 2016.

PLM reported Gross Billings of $75.1 million and $255.5 million for the three and twelve months ended December 31, 2016, respectively, compared to $60.3 million and $219.2 million for the three and twelve months ended December 31, 2015, respectively.

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 $860.6 million at December 31, 2016.

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 $194.3 million for the period in which the change occurred, with $175.4 million relating to prior years and $18.9 million relating to the current year.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

Asset Purchase Agreement

(in millions of Canadian dollars)	Card Migration Provision
Balance at December 31, 2014	**50.0**
Provision recorded during the year	—
Provision received (used) during the year	1.7
Provision reversed during the year	(45.7)
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**
Represented by:	
Current portion	**1.1**
Long-term portion	**4.3**

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

During the second quarter of 2015, based on actual card migration data for the eighteen month period ending June 30, 2015 and management’s estimate of migration patterns going forward, the Card Migration Provision was reduced by an amount of $45.7 million. The adjustment was recorded as a reduction to general and administrative expenses. Additionally, an amount of $1.7 million was received during the second quarter of 2015, representing the payment relating to the 2014 calendar year in accordance with the terms of the migration agreement. There was no change to the total provision during the third and fourth quarters of 2015.

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.

At this time, the provision represents management's best estimate. Please refer to the *FINANCIAL CARD AGREEMENTS* section for more information.

CONTINGENT LIABILITIES AND GUARANTEES

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

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At December 31, 2016, Aimia's maximum exposure under such guarantees was estimated to amount to $94.6 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.

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

FINANCIAL CARD AGREEMENTS

AMEX BANK OF CANADA

On October 25, 2016, Aimia and Amex Bank of Canada ("AMEX") extended the term of their existing agreements by one year to December 31, 2018.

As a result, the estimated life of the AMEX Accumulation Partners' contract has been revised to reflect the change to the contractual term. The effect of this change on the amortization of accumulation partners' contracts for current and future accounting periods is presented in the following table.

Accounting period	Increase (decrease)
(in millions of Canadian dollars)	
Year ended December 31, 2016	(2.3)
Year ending December 31, 2017	(13.9)
Year ending December 31, 2018	16.2

TD BANK GROUP AND CANADIAN IMPERIAL BANK OF COMMERCE

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD became Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards.

On September 16, 2013, Aimia also entered into an asset purchase agreement with TD and CIBC. These agreements were subject to certain regulatory approvals and other closing conditions, all of which were fulfilled on December 27, 2013. Pursuant to this agreement, TD acquired on December 27, 2013 approximately half of the Aeroplan credit card portfolio from CIBC and CIBC retained the balance, comprised of Aeroplan cardholders who have broader banking relationships with CIBC. As a result, a payment of $150.0 million in relation to the sale of approximately half of the Aeroplan card portfolio to TD, was made by Aimia to CIBC and recorded in general and administrative expenses during the fourth quarter of 2013. Concurrent with the asset purchase agreement, the parties entered into a migration agreement. Depending on the net migration of Aeroplan-branded credit card accounts between CIBC and TD over the first five years of the agreement (meaning the net amount of cardholders retained by CIBC who choose to move to TD and the cardholders purchased by TD who choose to move to CIBC), TD, Aimia and CIBC have agreed to make payments of up to $400.0 million. Aimia will be responsible for, or entitled to receive, up to $100.0 million of these payments over five years. During the fourth quarter of 2013, a provision was recorded, representing management’s best estimate at the time of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over five years. In order to determine the provision, management uses an expected value model. Please refer to the *Provisions* section for more information. In accordance with the migration agreement, payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made on an annual basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION 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 23, 2016.

Air Canada is one of Aimia's largest Accumulation Partners, representing 10% of Gross Billings for the three months ended December 31, 2016 and 11% of Gross Billings for the year ended December 31, 2016, compared to 9% of Gross Billings for the three months ended December 31, 2015 and 10% of Gross Billings for the year ended December 31, 2015. 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 and twelve months ended December 31, 2016, 36% and 47%, respectively, 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 32% and 43% for the three and twelve months ended December 31, 2015, respectively. 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.

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.

AIR CANADA WARRANTS AND CLASS B SHARES

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

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

At December 31, 2014, the fair value of Air Canada Class B shares amounted to $29.7 million.

During the second quarter of 2015, Aimia disposed of all of its Air Canada Class B shares for net proceeds of $30.5 million. As a result of the disposal, the gain (net of tax) in accumulated other comprehensive income, representing an amount of $18.6 million, was reclassified to net earnings during the second quarter of 2015. Of this amount, $21.5 million was recorded in financial income and $2.9 million in deferred income tax expense.

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

Prior to their disposal, the investment in Air Canada Class B shares was accounted for as an available-for-sale investment, measured at fair value with changes recognized in other comprehensive income.

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2016, 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)]	51.3	23.7	19.3	8.0	0.3	—	—
Total long-term debt and interest	501.3	23.7	219.3	258.0	0.3	—	—
Operating leases	132.0	19.6	17.3	15.2	13.2	12.7	54.0
Technology infrastructure and other [(b)]	208.6	39.9	38.3	34.9	28.1	18.3	49.1
Marketing support and other	181.3	29.8	45.9	33.6	30.5	20.5	21.0
Purchase obligation under the CPSA	1,986.3	567.5	567.5	567.5	283.8	—	—
Contractual Obligations	**3,009.5**	**680.5**	**888.3**	**909.2**	**355.9**	**51.5**	**124.1**
Commitments							
Letters of Credit and Surety Bonds	18.5	16.6	0.6	—	1.3	—	—
Commitments	**18.5**	**16.6**	**0.6**	**—**	**1.3**	**—**	**—**
Total Contractual Obligations and Commitments	**3,028.0**	**697.1**	**888.9**	**909.2**	**357.2**	**51.5**	**124.1**

(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 December 31, 2016, Aimia complied with all such covenants.

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

CAPITAL STOCK

At December 31, 2016, 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 10,472,091 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

NORMAL COURSE ISSUER BID

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

From May 16, 2014 to December 31, 2014, Aimia repurchased 2,069,790 common shares for a total consideration of $29.8 million. Of this total, 1,964,790 common shares were paid and cancelled during the period representing $28.3 million, with the remainder being paid and cancelled during the first quarter of 2015. Share capital was reduced by $18.3 million and the remaining $11.5 million was accounted for as a reduction of contributed surplus.

From January 1, 2015 to May 15, 2015, Aimia repurchased and cancelled 8,788,952 common shares for a total cash consideration of $117.8 million. Share capital was reduced by $77.8 million and the remaining $40.0 million was accounted for as a reduction of contributed surplus.

On May 14, 2015, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 16,346,860 of its issued and outstanding common shares during the period from May 20, 2015 to no later than May 19, 2016.

From May 20, 2015 to December 31, 2015, Aimia repurchased 8,819,500 common shares for a total consideration of $105.5 million. Of this total, 8,538,100 common shares were paid and cancelled during the period representing $102.8 million, with the remainder being paid and cancelled during the first quarter of 2016. Share capital was reduced by $78.1 million and the remaining $27.4 million was accounted for as a reduction of contributed surplus.

From January 1, 2016 to February 4, 2016, Aimia repurchased 2,393,600 common shares (all of which were paid and cancelled during the first quarter of 2016) for a total consideration of $21.8 million. Share capital was reduced by $21.2 million and the remaining $0.6 million was accounted for as a reduction of contributed surplus.

On May 12, 2016, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 11,153,635 of its issued and outstanding common shares during the period from May 20, 2016 to no later than May 19, 2017.

There were no shares repurchased after February 4, 2016.

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 December 31, 2016 to, but excluding March 31, 2017, will be 4.259%, 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%.

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

DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2016 and 2015 were as follows:

	2016 [(a)]		2015 [(b)]	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per common share	Amount	Per common share
March	29.0	0.19	30.6	0.18
June	30.4	0.20	30.7	0.19
September	30.5	0.20	30.2	0.19
December	30.4	0.20	29.5	0.19
Total	**120.3**	**0.79**	121.0	0.75

(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.

(b) On May 14, 2015, the Board of Directors of Aimia approved an increase to the common share dividend from $0.18 to $0.19 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March	1.1	0.28125	2.8	0.40625
June	1.1	0.28125	1.1	0.28125
September	1.1	0.28125	1.1	0.28125
December	1.1	0.28125	1.1	0.28125
Total	**4.4**	**1.12500**	6.1	1.25000
Series 2				
March	0.8	0.264049	N/A	N/A
June	0.7	0.261811	0.8	0.263563
September	0.8	0.270281	0.8	0.278205
December	0.8	0.267831	0.8	0.259995
Total	**3.1**	**1.063972**	2.4	0.801763
Series 3				
March	2.3	0.390625	2.3	0.390625
June	2.4	0.390625	2.4	0.390625
September	2.3	0.390625	2.3	0.390625
December	2.4	0.390625	2.4	0.390625
Total	**9.4**	**1.562500**	9.4	1.562500

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

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 December 31, 2016 bear a 4.5% annual cumulative dividend or $0.28125 per preferred share per quarter. The Series 2 Preferred Shares outstanding at December 31, 2016 bear a cumulative quarterly floating dividend yielding 4.259% annually or $0.262541 per preferred share per quarter, as determined for the floating rate period from and including December 31, 2016 to, but excluding March 31, 2017. The Series 3 Preferred Shares outstanding at December 31, 2016 bear a 6.25% annual cumulative dividend or $0.390625 per preferred share per quarter.

On February 16, 2017, the Board of Directors of Aimia declared quarterly dividends of $0.20 per common share, $0.28125 per Series 1 preferred share, $0.262541 per Series 2 preferred share and $0.390625 per Series 3 preferred share, in each case payable on March 31, 2017.

CAPITAL DISCLOSURES

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

Aimia's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

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

The total capital as at December 31, 2016 and 2015 is calculated as follows:

	December 31,	
(in millions of Canadian dollars)	2016	2015
Cash and cash equivalents	(293.0)	(482.2)
Short-term investments	(80.4)	(54.6)
Long-term investments in corporate and government bonds	(226.0)	(253.6)
Long-term debt (including current portion)	448.3	647.3
Share Capital	1,665.0	1,685.6
Contributed surplus	1,153.2	1,150.4
Deficit	(2,743.2)	(2,518.0)
Total capital	**(76.1)**	174.9

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

- the leverage ratio, defined as debt to Adjusted EBITDA;
- the debt service ratio, defined as net debt to operating cash flows; and
- the interest coverage ratio, defined as Adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

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

Aimia is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Aimia is in compliance with all such covenants.

Aimia has also established the Reserve, which at December 31, 2016 amounted to $300.0 million and is included in short-term investments and long-term investments. This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities.

FINANCIAL INSTRUMENTS

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

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

INTEREST RATE RISK

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

At December 31, 2016, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
(in millions of Canadian dollars)	2016	2015
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**393.7**	647.7

For the year ended December 31, 2016, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments would have an impact of approximately $3.9 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2015.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2016, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments, long-term investments and cash and cash equivalents, in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2016, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

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

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

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2016, Aimia had issued Senior Secured Notes in the amount of $450.0 million maturing at various dates through May 17, 2019. In addition, Aimia had authorized and available credit facility of $300.0 million under its revolving facility, maturing on April 23, 2020. The revolving facility is provided by a syndicate that consists of eight institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately $9.6 million (of which $9.5 million were issued against the revolving facility) at December 31, 2016 issued as security in the normal course of business.

At December 31, 2016, maturities of the financial liabilities are as follows:

(in millions of Canadian dollars)	Total	2017	2018	2019	2020	2021	Thereafter
Long-term debt including interest	501.3	23.7	219.3	258.0	0.3	—	—
Accounts payable and accrued liabilities (excluding current portion of base and contingent consideration payable)	392.3	392.3	—	—	—	—	—
Base and contingent consideration payable (including current and non-current portions)	13.3	3.3	4.5	5.5	—	—	—
Total	**906.9**	**419.3**	**223.8**	**263.5**	**0.3**	**—**	**—**

CURRENCY RISK

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

At December 31, 2016, Aimia held net financial assets denominated in pound sterling of approximately £52.7 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $0.9 million in the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2015.

In addition, the operating results of Aeroplan within the Americas Coalitions segment are sensitive to fluctuations in the Canada/U.S. dollar exchange rate as it incurs a portion of its cost of rewards in U.S. dollars, which is mitigated in part by revenue generated in the same currency. A 1% variance in the U.S dollar foreign exchange rate would have a net impact of approximately $1.0 million on earnings before income taxes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

(in millions of Canadian dollars)	Hierarchy	December 31, 2016	December 31, 2015
Financial assets			
Investments in equity instruments	Level 3	**76.9**	128.2
Investments in convertible notes	Level 3	**39.2**	—
Financial liabilities			
Contingent consideration payable - Smart Button	Level 3	**—**	2.1
Contingent consideration payable - Aimia Middle East	Level 3	**4.7**	0.2

The fair value of the investments in equity instruments is determined using a market approach including a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and comparison of financial indicators for similar companies. The value determined is then adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. This approach requires management to use judgement in identifying similar transactions, instruments and companies and to make estimates in determining the fair value of such instruments. Actual results could differ from such estimate.

During the year ended December 31, 2016, on the basis of the valuation performed by management using financial indicators for similar companies, fair value losses amounting to $46.6 million were recorded in other comprehensive income for the investment in Cardlytics. No adjustment to the fair value of the investment in Cardlytics was recorded during the year ended December 31, 2015.

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

The fair value of the investments in convertible notes was determined using an expected value model. No adjustment to the fair value of the investments convertible notes was recorded during the year ended December 31, 2016.

The fair value of the investment in Air Canada Class B shares was based on the quoted price of the publicly traded shares prior to their disposal during the second quarter of 2015. During the year ended December 31, 2015, a fair value gain of $0.8 million was recorded in other comprehensive income.

The fair value of the contingent consideration payable related to the Smart Button acquisition was determined on the basis of management's best estimate and could represent a maximum of US$5.0 million. During the second quarter of 2015, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration. During the third quarter of 2015, an amount of $1.8 million (US$1.4 million), representing 50% of the estimated contingent consideration, was paid to the selling shareholders on the second anniversary of the acquisition. The remainder, representing an amount of $1.9 million (US$1.5 million), was paid during the third quarter of 2016 on the third anniversary of the acquisition.

The fair value of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East was determined on the basis of management's projected financial performance of the business in each of the next three years and represents management's best estimate. During the fourth quarter of 2016, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration.

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

The fair value of the borrowings is estimated as being the quoted market value for the publicly traded debt securities while the fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

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

		December 31, 2016		December 31, 2015	
(in millions of Canadian dollars)	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	306.4	311.8	308.2	316.8
Long-term debt (including current portion)	Level 1	448.3	458.9	647.3	673.6

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

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial liabilities	Amounts offset			Amounts not offset	Net
(in millions of Canadian dollars)	Gross liabilities	Gross assets offset	Net amounts presented	Financial assets	
December 31, 2016					
Accounts payable and accrued liabilities [a]	457.0	(61.4)	395.6	—	395.6
Provisions [b]	5.4	—	5.4	(5.4)	—
December 31, 2015					
Accounts payable and accrued liabilities [a]	606.8	(59.5)	547.3	—	547.3
Provisions [b]	6.0	—	6.0	(6.0)	—

Financial assets	Amounts offset			Amounts not offset	Net
(in millions of Canadian dollars)	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2016					
Accounts receivable [a][b]	348.1	(61.4)	286.7	(5.4)	281.3
December 31, 2015					
Accounts receivable [a][b]	529.3	(59.5)	469.8	(6.0)	463.8

(a) Under the terms of a contractual agreement with Air Canada, Aimia Canada Inc. has a right of offset in the normal course of business for amounts relating to Gross Billings and rewards purchases as described under *Note 4* of Aimia's audited consolidated financial statements for the year ended December 31, 2016.

(b) Under the terms of a contractual agreement with TD, Aimia Canada Inc. has a right of offset in the case of contract termination.

LOSS PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted $(0.55) and $(0.11) for the years ended December 31, 2016 and 2015, respectively. Earnings (loss) per share is calculated after deducting dividends declared on preferred shares.

SUBSEQUENT EVENTS

On February 14, 2017, the Corporation reached an agreement to sell the U.S. CEL business to CM Insights. The transaction is expected to close within the next 90 days.

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:

IFRS 5 Amendment, Change in Methods of Disposal

IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations* was amended to clarify that a change in disposal method should not be considered to be a new plan of disposal but a continuation of the original plan. There is therefore no interruption of the application of the requirements in this standard. The amendment also clarifies that changing the disposal method does not change the date of classification. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

IAS 19 Amendment, Discount Rate: Regional Market Issue

IAS 19 - *Employee Benefits* was amended to clarify that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated rather than where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

IAS 1 Amendments, Disclosure Initiative

IAS 1- *Presentation of Financial Statements* was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

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

FUTURE ACCOUNTING CHANGES

The following standards and amendments have been published and their adoption is mandatory for future accounting periods.

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 - *Financial Instruments*. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments.

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments*. The new standard will replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. At this time, the Corporation is still evaluating the impact of these changes but does not anticipate that they will have a significant impact, if any, on its consolidated financial statements.

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.

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.

IFRS 16 Leases

The IASB issued IFRS 16 - *Leases*, superseding IAS 17 - *Leases* and related interpretations. IFRS 16 is a significant change from current IFRS, which will require lessees to recognise assets and liabilities for most leases using a single accounting model for all leases, with certain exemptions. For lessors, the accounting is substantially unchanged. The new standard will be effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with IFRS 15 - *Revenue from Contracts with Customers*. At this time, management is reviewing the impact that this standard will have on its consolidated financial statements.

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. At this time, the Corporation anticipates to 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 will not have an impact on its consolidated financial statements.

IFRS 2 Amendments, Share-based payments

The IASB issued amendments to IFRS 2 - Share-based payments to clarify the classification and measurement of share-based payment transactions. The amendments clarify the accounting requirements for cash-settled share-based payment transactions that include a performance condition introducing guidance that follows the same approach as used for equity-settled share-based payments. The amendments also address the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018 and are to be applied prospectively. Earlier application is permitted. At this time, the Corporation does not anticipate that these changes will have a significant impact, if any, on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

The significant accounting policies are described in *Note 2* to the December 31, 2016 audited consolidated financial statements. The policies which Aimia believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

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

Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis.

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

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2016 is 12% (December 31, 2015: 12%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2016.

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

In addition, Aimia derives loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. 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. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or in accordance with the substance of the agreements in the case of royalties. Other revenue also includes 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. These analytics and insights service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

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

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

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

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

The average remaining amortization period of individually significant Accumulation Partners' contracts is 9.6 years as at December 31, 2016. The amortization period reflects contract terms and renewals.

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

Software and technology are recorded at cost less accumulated impairment losses and amortized using the straight-line method over 3 to 7 years. Internally generated software under development includes costs paid to third parties such as consultants' fees, other costs directly attributable to preparing the assets for their intended use and borrowing

costs on qualifying assets for which the commencement date for capitalization is more than one year after development starts. Amortization will commence upon completion of development once the software is available for use.

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

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

TRADE NAMES AND GOODWILL

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

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

Acquisitions

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs that include goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis not beyond the highest of:

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

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

INCOME TAXES

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

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

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

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

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

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

An evaluation of the design and effectiveness of the operation of Aimia's disclosure controls and procedures has been conducted by Aimia, under the oversight of the Interim Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and the CFO. Based on this evaluation, the GCE and CFO have concluded that, as of December 31, 2016, Aimia's disclosure controls and procedures, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of Aimia’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Aimia, under the oversight of the GCE and CFO, has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), to assess the effectiveness of Aimia's internal controls over financial reporting. Based on this evaluation, the GCE

and CFO have concluded that internal control over financial reporting, as defined by National Instrument 52-109, was effective as at December 31, 2016 based on the applicable criteria.

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in Aimia's internal control over financial reporting that occurred during the year ended December 31, 2016 that has materially affected, or is reasonable likely to materially affect, Aimia's internal control over financial reporting.

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

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Dependency on 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, 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 Credit Card Agreement with CIBC also includes an option for either party to terminate the agreement after its third year if certain conditions related to the migration of Aeroplan credit cards in CIBC's retained portfolio to other CIBC credit cards are met. In the event the termination option is exercised under the Credit Card Agreement with CIBC, there can be no assurance that CIBC Aeroplan cardholders would migrate to TD or what level of cardholder migration, if any, may occur at that time. Consequently, the exercise of such termination option could have an adverse effect on Aimia's Gross Billings and revenues.

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. See "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.

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 existing two points per £1, 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 Global Loyalty Solutions ("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.

Failure to Safeguard Databases, Cyber Security and Consumer Privacy

As part of our coalition loyalty programs and in connection with the activities of Aimia's GLS and loyalty analytics businesses, member databases are maintained for our programs and those of our clients. These databases contain member information including account transactions. Although we and third parties providing services to us have established rigorous physical and cyber security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If we or our service providers were to experience a security breach, our reputation may be negatively affected and an increased number of members in our loyalty programs may opt out from receiving marketing materials or resist providing their personal data. The use of loyalty marketing services by partners and clients could decline in the event any compromise of security occurred. Any public perception that we released consumer information without authorization could subject our businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members, clients and partners. In addition, any unauthorized release of member information, or any public perception that member information was released without

authorization, could lead to complaints from consumers and investigations by the applicable privacy regulatory bodies and adversely affect relationships with members and Commercial Partners and expose us to litigation (including class action litigation) and other enforcement proceedings, material fines, remediation costs and other compensatory damages, any of which could adversely affect our results of operations and financial condition.

Reliance on Redemption Partners

We rely on third party Redemption Partners to provide air travel and other rewards to members upon redemption of Loyalty Units. Our profitability could be adversely impacted if they fail to fulfill their obligations. The failure of our Redemption Partners to deliver products and services in sufficient quantities and in a timely manner could adversely affect our business. If we were unable to renew our existing contracts with our significant Redemption Partners, we might not be able to replace the related product or service at the same cost which would negatively impact our profitability.

Conflicts of Interest

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

Greater Than Expected Redemptions for Rewards

A significant portion of our profitability is based on estimates of the number of Loyalty Units that will never be redeemed by the member base. The percentage of Loyalty Units that are not expected to be redeemed is known as "Breakage" in the loyalty industry. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' future redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis. The consolidated weighted average Breakage estimate at December 31, 2016 is 12% (December 31, 2015: 12%). The consolidated weighted average Breakage estimate is calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2016. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards becomes available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability. Management believes that the estimates, methodologies, judgments and assumptions made in the preparation of the Corporation's financial statements, including those relating to the treatment of Breakage, are reasonable based upon the information available and reliance on subject matter experts. However, there can be no assurance that applicable tax or other regulatory authorities will agree with such estimates, judgments and assumptions.

Regulatory Matters

Aimia's businesses are subject to several types of regulation, including legislation relating to privacy, telemarketing, consumer protection, competition, advertising and sales, and lotteries, gaming and publicity contests. In addition, an

increasing number of laws and regulations pertain to the Internet, including in relation to liability for information retrieved from or transmitted over the Internet and online content regulation. Moreover, the applicability to the Internet to existing laws governing personal privacy, intellectual property ownership and infringement and other issues continues to be uncertain and is developing. There is also the possibility that additional laws and regulations are adopted to specifically regulate the loyalty industry, or portions thereof.

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

A. *Privacy*

In Canada, we are subject to laws and regulations relating to consumer privacy and/or marketing, including: (i) the Privacy Act, (ii) the Personal Information Protection and Electronic Documents Act which sets out rules for how private sector organizations may collect, use or disclose personal information in the course of commercial activities; (iii) the Safeguarding Canadians' Personal Information Act which includes provisions regarding individuals' consent to the collection, use or disclosure of their personal information; and (iv) Canada's anti-spam legislation which prohibits the sending of a commercial electronic message to a recipient without prior consent, and prescribes form and content requirements. Failure to comply with the provisions of applicable consumer privacy and/or marketing laws and regulations may result in monetary penalties that could have an impact on Aimia's results of operation and financial condition.

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

B. *Payments in Canada*

The voluntary Code of Conduct for the Credit and Debit Industry in Canada was introduced by the Federal Minister of Finance in 2010 in response to calls for greater transparency in respect of the fees associated with accepting electronic payments at the point of sale, specifically the costs incurred by merchants when accepting "premium" card products vs "standard" card products. On February 11, 2014, as part of the 2014/2015 federal budget, the then Minister of Finance announced that the Government would continue to work with stakeholders to promote fair and transparent practices and to help lower credit card acceptance costs, while encouraging merchants to lower prices to consumers. In order to attain these objectives, the Government stated that it intended to strengthen the voluntary Code of Conduct for the credit and debit card industry, in consultation with stakeholders.

On November 4, 2014, Visa and MasterCard submitted separate and individual voluntary undertakings to reduce their credit card fees to an average effective rate of 1.50% for the next five years. As stated by the Canadian Minister of Finance, the two commitments represent a reduction in credit card fees of approximately 10%. Aimia worked with TD and CIBC to develop a satisfactory outcome for the parties.

Any further changes to the current payments system, including further changes to the system for setting interchange rates of credit cards, could affect revenue for credit card companies and, as a result, could have an adverse effect on our Gross Billings.

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

Retail Market/Economic Conditions

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

Industry Competition

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

Air Canada Liquidity Issues or Air Travel Industry Disruptions

Aeroplan members' strong demand for air travel creates a significant dependency on Air Canada in particular and the airline industry in general.

In the past, Air Canada has sustained significant losses and may sustain significant losses in the future. In its public filings, Air Canada has indicated that it is faced with a variety of risks, including risks related to leverage, the need for additional capital and liquidity, foreign exchange rates, economic and geopolitical conditions, volatility in fuel costs and other expenses, competition, labour issues, pension plan funding, low gross profit margins and high fixed costs, as well as risks relating to restrictive terms under its financing agreements.

Air Canada has, and is expected to continue to have and incur, a significant amount of indebtedness, and as a result of any challenging economic or other conditions affecting Air Canada, Air Canada may incur greater levels of indebtedness. The amount of indebtedness that Air Canada has and which it may incur in the future could have a material adverse effect on Air Canada. There can be no assurance that Air Canada will at all times be able to generate sufficient cash from its operations to pay its debts and lease obligations or to obtain, on a timely basis, sufficient funds to provide adequate liquidity if cash flows from operations and cash on hand are insufficient. If Air Canada is unable to meet its financial liabilities and other contractual obligations as they become due, or to conclude arrangements to secure additional liquidity should it be unable to do so, it may be required to commence proceedings under applicable creditor protection legislation.

The bankruptcy or insolvency of Air Canada could lead to a termination or renegotiation of the CPSA. Upon such a renegotiation, Aimia may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA. If the CPSA is terminated, Aimia would have to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aimia would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers.

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

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

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

Airline Industry Changes and Increased Airline Costs

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

The airline industry has been subject to a number of increasing costs over the last several years, including increases in the cost of fuel, insurance, airport user fees and air navigation fees. In addition, new and proposed legislation have been considered or adopted concerning carbon emissions emanating from the airline industry, including the setting of emissions allowances and charging aircraft operators for a certain percentage of these allowances. These increased costs may be passed on to consumers, increasing the cost of redeeming Aeroplan Miles for air travel rewards. This may negatively impact consumer incentive to participate in the Aeroplan Program.

Supply and Capacity Costs

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

If, upon the expiry of the CPSA, Aeroplan is unable to negotiate a replacement agreement with Air Canada on similarly favourable terms, or if Air Canada sharply reduces its seat capacity, Aeroplan may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA or to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and

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

Unfunded Future Redemption Costs

In the coalition loyalty program model, Gross Billings are derived from the sale of Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a Loyalty Unit is sold as most of the costs are incurred on the redemption thereof. Based on historical data, the estimated period between the issuance of a Loyalty Unit and its redemption is currently approximately 30 months for the Aeroplan Program and 13 months for the Nectar Program; however, Aeroplan and Nectar have no control over the timing of the redemption or the number of units redeemed. Aeroplan and Nectar currently use proceeds from Gross Billings (which are deferred for accounting purposes) in the fiscal year from the issuance of the unit to pay for the redemption costs incurred in the year. As a result, if Aeroplan or Nectar were to cease to carry on business, or if redemption costs incurred in a given year were in excess of the revenues received in the year from the issuance of the Loyalty Units, they would face unfunded Future Redemption Costs, which could increase the need for working capital and, consequently, affect the payment of dividends to Shareholders.

Changes to Coalition Loyalty Programs

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

Seasonal Nature of the Business, Other Factors and Prior Performance

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

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

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

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

Foreign Operations

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

Legal Proceedings

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

Reliance on Key Personnel

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

Labour Relations

Aeroplan's contact centre employees are unionized. The collective agreement for these employees expires on November 14, 2018. No strikes or lock-outs may lawfully occur during the term of the collective agreement, nor during the negotiations of its renewal until a number of pre-conditions have been satisfied. There can be no assurance that the collective agreement will be renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Aeroplan's contact centre service or otherwise adversely affect the ability of Aeroplan to conduct its operations, any of which could have an adverse effect on our business, operations and financial condition.

Pension Liability

The funding requirements of the defined benefit pension plan of the unionized Aeroplan contact centre agents, including employees who were Air Canada customer sales & service agents prior to 2009 and who were transferred to Aeroplan in 2009, resulting from valuations of its assets and liabilities, depends on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from our current estimates and could require us to make contributions in the future and, therefore, could have a negative effect on our liquidity and results of operations.

Technological Disruptions and Inability to use Third-Party Software and Outsourcing

Aimia's ability to protect the data and information technology infrastructure assets of our coalition loyalty programs and those of our clients that are within our control against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any damage to data and information technology infrastructure assets, any failure of telecommunication links that interrupts operations or any impairment of the ability to use licensed software could adversely affect our ability to meet our Commercial Partners', clients' and members' needs and their confidence in utilizing our services or programs in the future. In addition, proper implementation and operation of technology initiatives is fundamental to the ability to operate a profitable business. We continuously invest in new technology initiatives to remain competitive, and our continued ability to invest sufficient amounts to enhance technology will affect our ability to operate successfully.

In order to achieve cost and operational efficiencies and to have access to leading processes and solutions, specialized expertise and innovation, we outsource to third-party vendors many of the information technology systems and other services that are integral to the operations of our global businesses. A failure to adequately manage our third-party service providers or to monitor our third party service providers' compliance with regulatory or legal requirements could result in economic and reputational harm to us. There is also a risk that the confidentiality, privacy and/or security of data held by third parties or communicated over third party networks or platforms could become compromised, which could significantly harm our business even if the attack or breach does not impact our systems. In addition, the management of multiple third-party vendors increases our operational complexity and decreases our control.

Failure to Protect Intellectual Property Rights

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

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

RISKS RELATED TO AIMIA

Interest Rate and Currency Fluctuations

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

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

Leverage and Restrictive Covenants in Current and Future Indebtedness

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

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

Aimia may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Aimia is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Aimia's financial position, which may result in a reduction or suspension of payments of dividends to Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of Aimia to pay dividends.

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

Uncertainty of Dividend Payments

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

Managing Growth

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

Credit Ratings

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

Audits by Tax Authorities

In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While Aimia believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. We regularly review the potential for adverse outcomes in respect of tax matters and believe that any ultimate disposition of a reassessment will not have a material adverse impact on our liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the Corporation’s effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

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

MEASURING OUR PERFORMANCE AGAINST 2016 GUIDANCE

On February 24, 2016, Aimia issued consolidated guidance for the year ending December 31, 2016, which was updated on August 11, 2016 and January 19, 2017. A comparison of Aimia's actual reported results for the year ended December 31, 2016 against the guidance issued and updated for such year is presented below:

	2016 Guidance, as Updated on August 11, 2016	2016 Guidance, as Updated on January 19, 2017	Comparison of Actual Results to most recent guidance
Gross Billings	Between $2,300 million and $2,350 million	Above $2.3 billion	Gross Billings were $2,340 million.
Adjusted EBITDA[1] margin	Approximately 9.5%	Around 10%	Adjusted EBITDA[1] margin of 10.4%.
Free Cash Flow before dividends paid[2]	Between $190 million and $210 million	Above $200 million	Free Cash Flow before dividends paid[2] was $206 million.
Capital expenditures	Between $70 million and $80 million.	Approximately $70 million	Capital expenditures were reported at $68 million.

Notes:

1. The 2016 guidance and reported results exclude restructuring expenses related to the organizational change from a regional structure to a divisional structure. Restructuring expenses related to the organizational change amounted to $9.0 million for the year ended December 31, 2016.
2. The 2016 guidance and reported results exclude severance payments related to the organizational change from a regional structure to a divisional structure, the receipt of $50.3 million from the CRA related to the income tax refund of loss carry back applied in Canada as well as the fourth quarter prepayment of interest expense and related fees associated with the early redemption of the Senior Secured Notes Series 3 of $6.5 million. Severance payments related to the organizational change amounted to $16.3 million for the year ended December 31, 2016.

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

RECONCILIATION OF ADJUSTED NET EARNINGS

The tables below presents a reconciliation from net earnings (loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the years ended December 31, 2016, 2015 and 2014 and for the three months ended December 31, 2016 and 2015:

	Years ended December 31,		
(in millions of Canadian dollars, except per share information)	2016	2015	2014
Net earnings (loss) attributable to equity holders of the Corporation	**(66.3)**	0.1	(40.3)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**125.7**	137.3	133.0
Share of net (earnings) loss of equity-accounted investments	**(15.2)**	(11.6)	9.6
Impairment charges	**66.0**	13.5	—
Adjusted EBITDA Adjustments	**71.5**	56.7	141.5
Tax on adjustments [(c)]	**(16.1)**	(21.3)	(39.1)
Non-controlling interests share on adjustments above	**0.8**	0.1	(2.3)
Adjusted Net Earnings [(a)]	**166.4**	174.8	202.4
Adjusted Net Earnings per common share [(a)(b)]	**0.98**	0.96	1.05

	Three Months Ended December 31,	
(in millions of Canadian dollars, except per share information)	2016	2015
Net loss attributable to equity holders of the Corporation	**(57.2)**	(26.0)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**28.5**	37.3
Share of net (earnings) loss of equity-accounted investments	**3.2**	(0.4)
Impairment charges	**66.0**	13.5
Adjusted EBITDA Adjustments	**1.5**	14.3
Tax on adjustments [(c)]	**(6.9)**	(8.3)
Non-controlling interests share on adjustments above	**—**	0.1
Adjusted Net Earnings [(a)]	**35.1**	30.5
Adjusted Net Earnings per common share [(a)(b)]	**0.20**	0.17

(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 *Year Ended December 31, 2016 Compared to Year Ended December 31, 2015* and *Quarter Ended December 31, 2016 Compared to Quarter Ended December 31, 2015* sections.

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

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 $1,348.3 million in Canada, $583.9 million in the UK and $175.9 million in the US for the year ended December 31, 2016, compared to third party Gross Billings of $1,356.4 million in Canada, $694.2 million in the UK and $183.4 million in the US for the year ended December 31, 2015. 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) Includes the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015.

(d) 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 year ended December 31, 2015.

(e) Includes the impact of the gain recorded during the year ended December 31, 2015 on the sale of the investment in Air Canada Class B shares of $18.6 million, net of an income tax expense of $2.9 million.

(f) Includes an amount of $20.4 million received in the first quarter of 2015 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.

(g) 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. Please refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2016 for more information.

(h) 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 year ended December 31, 2016.

(i) Includes an amount of $50.3 million, inclusive of interest in the amount of $1.6 million, received in the third quarter of 2016 from the CRA related to the income tax refund of loss carry back applied in Canada.

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

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

** 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) Includes the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015.

(c) 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.

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) Includes the operating results of the U.S. CEL business and the ES business.

** Information not meaningful or not applicable.

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

QUARTER ENDED DECEMBER 31, 2016 COMPARED TO QUARTER ENDED DECEMBER 31, 2015

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 $347.8 million in Canada, $181.7 million in the UK and $51.7 million in the US for the three months ended December 31, 2016, compared to third party Gross Billings of $353.8 million in Canada, $219.1 million in the UK and $52.8 million in the US for the three months ended December 31, 2015. 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) 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. Please refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2016 for more information.

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

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

** 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.

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.

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

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) Includes the operating results of the U.S. CEL business and the ES business.

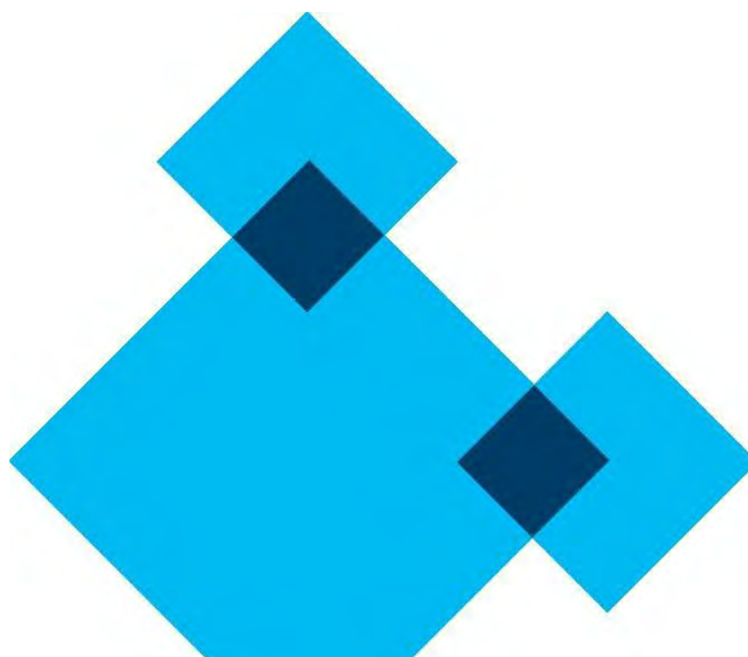
** Information not meaningful or not applicable.

ADDITIONAL INFORMATION

Additional information relating to Aimia and its operating businesses, including Aimia's Management Information Circular and Annual Information Form, respectively dated March 14 and March 23, 2016, is available on SEDAR at **www.sedar.com** or on Aimia's website at **www.aimia.com** under “Investors”.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015



MANAGEMENT'S REPORT

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

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

February 16, 2017

(signed) "David Johnston"	*(signed) "Tor Lønnum"*
DAVID JOHNSTON Interim Group Chief Executive	TOR LØNNUM Chief Financial Officer

February 16, 2017

Independent Auditor's Report

To the Shareholders of Aimia Inc.

We have audited the accompanying consolidated financial statements of Aimia Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of operations, comprehensive income, changes in equity and cash flow for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aimia Inc. and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A123498

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CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions of Canadian dollars, except share and per share amounts)		Years Ended December 31, 2016	2015
Revenue	Notes 3 & 16	**$ 2,288.1**	$ 2,460.6
Cost of sales			
Cost of rewards and direct costs	Note 4	**1,466.1**	1,601.9
Depreciation and amortization	Note 14	**57.4**	57.1
Amortization of accumulation partners' contracts, customer relationships and technology	Note 14	**125.7**	137.3
		1,649.2	1,796.3
Gross margin		**638.9**	664.3
Operating expenses			
Selling and marketing expenses		**445.7**	472.4
General and administrative expenses	Notes 15A & 17	**213.6**	179.6
Impairment charges	Notes 14 & 30A	**66.0**	13.5
		725.3	665.5
Operating loss		**(86.4)**	(1.2)
Gain on disposal of businesses and other assets	Note 5	**25.1**	—
Financial income	Notes 4 & 6	**11.9**	40.2
Financial expenses	Note 6	**(44.0)**	(41.5)
Net financial expenses	Note 6	**(32.1)**	(1.3)
Share of net earnings of equity-accounted investments	Note 11	**15.2**	11.6
Earnings (loss) before income taxes		**(78.2)**	9.1
Income tax (expense) recovery			
Current	Note 21	**36.0**	(15.4)
Deferred	Notes 4 & 21	**(22.4)**	11.5
		13.6	(3.9)
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Net earnings (loss) attributable to:			
Equity holders of the Corporation		**(66.3)**	0.1
Non-controlling interests	Note 25	**1.7**	5.1
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Weighted average number of shares		**152,404,849**	162,678,128
Earnings (loss) per common share			
Basic and fully diluted	Note 7	**$ (0.55)**	$ (0.11)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)		Years Ended December 31, 2016	2015
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss)			
Foreign currency translation adjustments		**(89.7)**	94.1
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30C	**(46.6)**	0.7
Reclassification to net earnings of gain on sale of available-for-sale investments, net of tax	Notes 4 & 30C	**—**	(18.6)
Items that will not be reclassified subsequently to net earnings (loss)			
Defined benefit plans actuarial gains (losses), net of tax	Notes 20 & 30C	**2.4**	—
Other comprehensive income (loss) for the year		**(133.9)**	76.2
Comprehensive income (loss) for the year		**$ (198.5)**	$ 81.4
Comprehensive income (loss) attributable to:			
Equity holders of the Corporation		**(200.1)**	76.3
Non-controlling interests		**1.6**	5.1
Comprehensive income (loss) for the year		**$ (198.5)**	$ 81.4

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(in millions of Canadian dollars)*		December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	Note 2	**$ 293.0**	$ 482.2
Restricted cash	Note 2	**20.3**	19.2
Short-term investments	Notes 2 & 12	**80.4**	54.6
Income taxes receivable	Note 21	**0.8**	3.9
Accounts receivable	Note 8	**286.7**	469.8
Inventories	Note 2	**4.8**	10.6
Prepaid expenses		**33.1**	73.6
Assets held for sale	Note 30A	**72.8**	—
		791.9	1,113.9
Long-term assets			
Long-term investments	Notes 2, 4, 10 & 12	**342.1**	381.8
Equity-accounted investments	Note 11	**103.8**	117.8
Property and equipment	Notes 13 & 14	**30.5**	43.7
Intangible assets	Note 14	**1,264.0**	1,486.8
Goodwill	Note 14	**1,975.7**	2,080.7
		$ 4,508.0	$ 5,224.7
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	Note 15	**$ 395.6**	$ 547.3
Provisions	Note 17	**1.1**	0.6
Customer deposits		**18.2**	88.0
Deferred revenue	Note 16	**1,492.7**	1,597.5
Liabilities held for sale	Note 30A	**108.3**	—
		2,015.9	2,233.4
Long-term liabilities			
Provisions	Note 17	**4.3**	5.4
Long-term debt	Note 18	**448.3**	647.3
Pension and other long-term liabilities	Notes 19 & 20	**73.1**	64.2
Deferred income taxes	Note 21	**97.8**	75.1
Deferred revenue	Note 16	**1,753.1**	1,694.9
		4,392.5	4,720.3
Total equity attributable to equity holders of the Corporation	Note 24	**115.5**	494.7
Non-controlling interests	Note 25	**—**	9.7
Total equity		**115.5**	504.4
		$ 4,508.0	$ 5,224.7
Contingencies and commitments	Notes 22 & 26		

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2015 and 2016		Common shares outstanding	Share capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss) (*Note 30D*)	Contributed surplus	Total attributable to the equity holders of the corporation	Non-controlling interests	Total equity
(In millions of Canadian dollars, except share amounts)									
Balance, December 31, 2014		171,984,343	$ 1,837.6	$ (2,379.2)	$ 100.5	$ 1,213.1	$ 772.0	$ 6.7	$ 778.7
Total comprehensive income (loss) for the year									
Net earnings for the year				0.1			0.1	5.1	5.2
Other comprehensive income (loss):									
Foreign currency translation adjustments					94.1		94.1	—	94.1
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30C				0.7		0.7		0.7
Reclassification to net earnings of gain on sale of available-for-sale investments, net of tax	Notes 4 & 30C				(18.6)		(18.6)		(18.6)
Defined benefit plans actuarial gains, net of tax	Notes 20 & 30C			—			—		—
Total comprehensive income for the year		—	—	0.1	76.2	—	76.3	5.1	81.4
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options		255,863	3.9			(0.8)	3.1		3.1
Common shares repurchased	Note 24	(17,608,452)	(155.9)			(67.4)	(223.3)		(223.3)
Quarterly dividends, common and preferred	Note 23			(138.9)			(138.9)		(138.9)
Dividends to non-controlling interests							—	(2.1)	(2.1)
Accretion related to stock-based compensation plans						5.5	5.5		5.5
Total contributions by and distributions to owners		(17,352,589)	(152.0)	(138.9)	—	(62.7)	(353.6)	(2.1)	(355.7)
Balance, December 31, 2015		**154,631,754**	**$ 1,685.6**	**$ (2,518.0)**	**$ 176.7**	**$ 1,150.4**	**$ 494.7**	**$ 9.7**	**$ 504.4**
Total comprehensive income (loss) for the year									
Net earnings (loss) for the year				**(66.3)**			**(66.3)**	**1.7**	**(64.6)**
Other comprehensive income (loss):									
Foreign currency translation adjustments					**(89.6)**		**(89.6)**	**(0.1)**	**(89.7)**
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30C				**(46.6)**		**(46.6)**		**(46.6)**
Defined benefit plans actuarial gains, net of tax	Notes 20 & 30C			**2.4**			**2.4**		**2.4**
Total comprehensive income (loss) for the year		**—**	**—**	**(63.9)**	**(136.2)**	**—**	**(200.1)**	**1.6**	**(198.5)**
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options		**56,457**	**0.6**			**(0.1)**	**0.5**		**0.5**
Common shares repurchased	Note 24	**(2,393,600)**	**(21.2)**			**(0.6)**	**(21.8)**		**(21.8)**
Quarterly dividends, common and preferred	Note 23			**(137.2)**			**(137.2)**		**(137.2)**
Acquisition of non-controlling interest	Note 25			**(24.1)**			**(24.1)**	**(11.3)**	**(35.4)**
Accretion related to stock-based compensation plans						**3.5**	**3.5**		**3.5**
Total contributions by and distributions to owners		**(2,337,143)**	**(20.6)**	**(161.3)**	**—**	**2.8**	**(179.1)**	**(11.3)**	**(190.4)**
Balance, December 31, 2016		**152,294,611**	**$ 1,665.0**	**$ (2,743.2)**	**$ 40.5**	**$ 1,153.2**	**$ 115.5**	**$ —**	**$ 115.5**

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31,	
(in millions of Canadian dollars)		**2016**	**2015**
CASH FLOWS FROM (USED IN)			
Operating activities			
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Adjustments for:			
Depreciation and amortization		**183.1**	194.4
Share-based compensation		**9.6**	6.0
Share of net earnings of equity-accounted investments		**(15.2)**	(11.6)
Net financial expenses		**32.1**	1.3
Income tax (recovery) expense		**(13.6)**	3.9
Impairment charges		**66.0**	13.5
Gain on disposal of businesses and other assets		**(25.1)**	—
Changes in operating assets and liabilities	Note 30B	**99.6**	54.0
Other		**(5.3)**	(3.5)
		331.2	258.0
Cash generated from operating activities		**266.6**	263.2
Interest received		**14.4**	14.5
Distributions received from equity-accounted investments	Note 11	**24.8**	32.7
Interest paid		**(44.8)**	(38.9)
Income taxes received, net		**40.8**	24.4
Net cash from operating activities		**301.8**	295.9
Investing activities			
Disposal of businesses and other assets	Note 5	**10.0**	—
Contingent consideration	Note 28	**(1.9)**	(1.8)
Cash held in escrow	Note 9	**—**	1.4
Investments in equity-accounted investments	Note 11	**—**	(5.8)
Proceeds from short-term investments		**54.4**	51.1
Purchases of long-term investments		**(61.0)**	(53.1)
Proceeds from the sale of long-term investments	Note 4	**—**	30.5
Additions to property, equipment, software and technology	Note 3	**(68.2)**	(93.6)
Net cash used in investing activities		**(66.7)**	(71.3)
Financing activities			
Quarterly dividends	Note 23	**(137.2)**	(138.9)
Dividends paid to non-controlling interests		**—**	(2.1)
Acquisition of non-controlling interest	Note 25	**(22.0)**	—
Issuance of common shares	Note 24	**0.5**	3.1
Repurchase of common shares	Note 24	**(24.5)**	(222.1)
Repayment of long-term debt	Note 18	**(200.0)**	—
Net cash used in financing activities		**(383.2)**	(360.0)
Net change in cash and cash equivalents		**(148.1)**	(135.4)
Translation adjustment related to cash		**(41.1)**	50.0
Cash and cash equivalents, beginning of year		**482.2**	567.6
Cash and cash equivalents, end of year		**$ 293.0**	$ 482.2

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

THESE FINANCIAL STATEMENTS CONTAIN THE FOLLOWING NOTES:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. STRUCTURE OF THE CORPORATION

Aimia Inc. ("Aimia" or the "Corporation") was incorporated on May 5, 2008 under the *Canada Business Corporations Act*. The registered and head office of Aimia is located at 525 Viger Avenue West, Suite 1000, Montreal, Quebec, Canada, H2Z 0B2.

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") (*Note 3*).

Americas Coalitions

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

International Coalitions

Within the International Coalitions segment, Aimia owns and operates the Nectar UK and Air Miles Middle East coalition loyalty programs (*Note 25*). 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 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, and owns a 25% interest in Travel Club, a coalition loyalty program in Spain.

Global Loyalty Solutions

Within this segment, Aimia provides clients with comprehensive end-to-end loyalty solutions across the globe with operations in 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 Aimia Loyalty Platform - Enterprise (formerly known as the Aimia Loyalty Platform) and Aimia Loyalty Platform - SAAS (formerly known as the Smart Button platform) 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 the 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 investments in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program, and China Rewards (*Note 11*), as well as a minority interest in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking.

In addition, the Enhancement Services ("ES") business, which was sold on July 29, 2016 (*Note 5*), and the U.S. Channel and Employee Loyalty ("CEL") business (*Note 30A & 31*) are reported under Corporate and Other.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

(a) Statement of Compliance

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

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

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on February 16, 2017.

(b) Basis of Measurement

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

- Investments in equity instruments are measured at fair value (*Notes 10 & 28*);
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (*Notes 15 & 19*);
- Accrued pension benefit liability is recognized as the net total of the fair value plan assets, less the present value of the defined benefit obligation (*Notes 19 & 20*);
- Contingent considerations related to business acquisitions or disposals are measured at fair value (*Notes 25 & 28*);
- Investments in convertible notes are measured at fair value (*Notes 10 & 28*).

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgments

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Breakage *(Notes 2 and 16)*;
- Income Taxes *(Notes 2 and 21)*;
- Impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital *(Notes 2 and 14)*;
- Provisions *(Note 17)*;
- Contingent Liabilities *(Note 22)*
- Fair value of investment in equity instruments (*Note 28*).

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries' financial statements are included in the consolidated financial statements from the date of commencement of control until the date that control ceases. Subsidiaries' accounting policies have been changed, when necessary, to align with the policies adopted by Aimia.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation had the following significant operating subsidiaries at December 31, 2016:

Name	Nature of business	Reporting segment	Country of incorporation and place of business	Proportion of ownership held directly by Aimia Inc. (%)	Proportion of ownership by the group (%)
Aimia Canada Inc.	Coalition Loyalty	Americas Coalitions	Canada	100	
Aimia Proprietary Loyalty Canada Inc.	Loyalty Solutions	Americas Coalitions / Corporate and Other	Canada		100
Aimia Coalition Loyalty UK Limited	Coalition Loyalty	International Coalitions	United Kingdom		100
Nectar Italia S.r.l. ("Nectar Italia")	Coalition Loyalty	International Coalitions	Italy		100
Aimia Middle East Free Zone LLC (*Note 25*)	Coalition Loyalty	International Coalitions	United Arab Emirates		100
Aimia Loyalty Analytics UK Limited	Analytics and Insights	International Coalitions	United Kingdom		100
Aimia Proprietary Loyalty U.K. Limited	Loyalty Solutions	GLS	United Kingdom		100
Aimia Proprietary Loyalty U.S. Inc.	Loyalty Solutions	GLS / Corporate and Other	United States		100
Smart Button Associates Inc. ("Smart Button")	Loyalty Solutions	GLS	United States		100
Aimia Proprietary Loyalty Australia Pty Ltd.	Loyalty Solutions	GLS	Australia		100
Aimia Proprietary Loyalty Singapore Pte Ltd.	Loyalty Solutions	GLS	Singapore		100
Aimia Proprietary Loyalty (NZ) Limited	Loyalty Solutions	GLS	New Zealand		100
Aimia Proprietary Loyalty (HK) Limited	Loyalty Solutions	GLS	Hong Kong		100
Aimia Proprietary Loyalty Sendirian Berhad	Loyalty Solutions	GLS	Malaysia		100

Investments in Associates and Joint Arrangements (Note 11)

Associates are entities over which the Corporation has significant influence. Joint arrangements are entities over which the Corporation has joint control and are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Corporation's investment includes goodwill identified on acquisition. The consolidated financial statements include the Corporation's share of the income and expenses and equity movements of equity accounted investees, after aligning with the accounting policies of the Corporation, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When the Corporation's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation had the following significant investments in joint arrangements at December 31, 2016:

Name	Nature of business	Nature of investment	Reporting segment	Country of incorporation and place of business	% of ownership interest	Measurement method
PLM Premier, S.A.P.I. de C.V. (“PLM”)	Coalition Loyalty	Joint venture	Corporate and Other	Mexico	48.9	Equity
Insight 2 Communication LLP (“i2c”)	Analytics and Insights	Joint venture	International Coalitions	United Kingdom	50.0	Equity
Think Big Digital Sdn Bhd (“Think Big”)	Coalition Loyalty	Joint venture	Corporate and Other	Malaysia	20.0	Equity

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

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

Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis.

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2016 is 12% (December 31, 2015: 12%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2016.

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

In addition, Aimia derives loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. 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. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier

membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or in accordance with the substance of the agreements in the case of royalties. Other revenue also includes 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. These analytics and insights service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

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

EMPLOYEE FUTURE BENEFITS

Defined Benefit Plan for Aeroplan Contact Centre Employees

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

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

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

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

Past-service costs are recognized immediately in earnings.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions attributable to the defined benefit plan, post-retirement benefits, and adjustments resulting from minimum funding requirements, are recognized immediately in other comprehensive income, and reported in retained earnings. Actuarial gains and losses arising from other future post-employment benefits are recognized immediately in earnings.

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Defined Contribution

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

Short-Term Employee Benefits

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

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

Termination Benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits.

The Corporation recognizes termination benefits at the earlier of the following dates: (a) when the Corporation can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 - *Provisions, contingent liabilities and contingent assets,* and involves the payment of termination benefits.

LEASE PAYMENTS

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

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

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

INCOME TAXES

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

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

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

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

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

GOVERNMENT ASSISTANCE

Research and development tax credits received and receivable from the Canadian Federal and Québec Provincial governments are accounted for as government assistance and are recognized by the Corporation when there is a reasonable assurance that the entity will comply with relevant conditions and that the tax credits will be received. The tax credits are recognized as a reduction of the related expense or cost of the asset acquired that they are intended to compensate. The Corporation has recognized an amount of $1.2 million as a reduction of selling and marketing expenses for the year ended December 31, 2016 (2015: $0.7 million).

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATIONS

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

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

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

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Aimia has classified its financial instruments as follows:

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

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

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

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

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

Impairment of Financial Assets (Including Receivables)

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

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

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

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

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

Transaction Costs

Transaction costs related to financial assets classified as fair value through profit and loss are expensed as incurred. Transaction costs related to held-to-maturity financial assets, loans and receivables and other liabilities are considered as part of the carrying value of the asset or liability and are then amortized over the expected life of the instrument using the effective interest rate method. Transaction costs related to available-for-sale assets are capitalized on initial recognition. If the available-for-sale asset has fixed or determinable payments, the transaction costs are amortized to net income using the effective interest method. If the available-for-sale financial asset does not have fixed or determinable payments, the transaction costs are recognized in net income when the asset is derecognized or becomes impaired.

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Financial Income and Expenses

Financial income includes interest income on cash equivalents, short term investments, loans and notes receivable, long-term investments in corporate and government bonds, and convertible notes. Interest income is recognized as it accrues in earnings, using the effective interest method. Financial income also includes dividends received or receivable from available-for-sale equity investments.

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

Financial income and expenses also include gains or losses realized on the sale of available-for-sale investments.

SHARE CAPITAL

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

Dividends payable by Aimia to its common and preferred shareholders, which are determined at the discretion of the Board of Directors and in accordance with the terms of each series of preferred shares (*Notes 23 and 24*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within equity.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds in current operating bank accounts, term deposits and fixed income securities with an original term to maturity of three months or less. The weighted average effective interest rate earned on cash and cash equivalents held at December 31, 2016 was 0.01% (2015: 0.17%). At December 31, 2016 and 2015, cash and cash equivalents consisted of funds in current operating bank accounts.

RESTRICTED CASH

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

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SHORT-TERM INVESTMENTS

Short-term investments consist of fixed income securities with an original term to maturity of less than one year and greater than three months. Short-term investments also include investments in corporate and government bonds with a remaining term to maturity of less than one year. The weighted average effective interest rate earned on short-term investments held at December 31, 2016 was 3.3% (2015: 2.9%).

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market with an original and remaining term to maturity of more than one year. These bonds have a remaining term to maturity varying between 1.3 years and 4.7 years and yield an effective interest rate of 2.2% at December 31, 2016 (2015: 2.7%).

Long-term investments also include investments in equity instruments and convertible notes (*Note 10*).

INVENTORIES

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

For the year ended December 31, 2016, cost of rewards and direct costs included cost of merchandise of $225.6 million (2015: $241.3 million).

PROPERTY AND EQUIPMENT

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

Furniture, fixtures and equipment	3 to 10 years
Computer hardware	3 to 5 years
Leasehold improvements	Over the lesser of the term of the lease or 15 years

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

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

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

The average remaining amortization period of individually significant Accumulation Partners' contracts is 9.6 years as at December 31, 2016. The amortization period reflects contract terms and renewals.

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

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

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

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

TRADE NAMES AND GOODWILL

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

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

Acquisitions

Aimia measures goodwill at the fair value of the consideration transferred including, when elected, the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is

negative, a bargain purchase gain is recognized immediately in earnings. Aimia elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs that include goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis not beyond the highest of:

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

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

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PROVISIONS

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

STOCK-BASED COMPENSATION PLANS

Deferred Share Unit Plan

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

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

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

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

Long-Term Incentive Plan

The Aimia Long-Term Incentive Plan (the "LTIP") was established to provide an opportunity for officers, senior executives and other employees of Aimia and its subsidiaries to participate in the successful growth and development of Aimia. Stock options and/or performance share units ("PSUs") may be granted to eligible employees. These grants are established annually on the basis of qualitative and quantitative criteria. All awards are made at the discretion of the Board of Directors and are subject to board approval, as are any performance vesting criteria and targets that apply to awards made. The maximum number of shares reserved and available for grant and issuance under the LTIP is limited to 16,381,000 common shares. Annual grants of PSUs are now made under the Share Unit Plan (as described thereafter) following its adoption by the Board of Directors on February 26, 2015.

The vesting conditions of options and PSUs issued may include time and performance criteria, and are determined at the time of grant. In the case of options, the option term cannot exceed ten years, whereas the vesting period of

PSUs shall end no later than December 31 of the calendar year which is three years after the calendar year in which the award is granted.

Stock options are considered equity-settled awards. The fair value of stock options, at the date of grant to the eligible employees, is recognized as compensation expense and a credit to contributed surplus over the applicable vesting period using the graded method of amortization. The cumulative expense for stock options at each reporting date represents the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. For options with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value, and each tranche is accounted for separately.

PSUs are considered cash-settled awards as they have historically been settled in cash. The fair value of PSUs, at the date of grant to PSU participants, is recognized as compensation expense over the vesting period using the graded method of amortization, with a credit to accounts payable and accrued liabilities and other long-term liabilities. The fair value of employee services received is calculated by multiplying the number of units expected to vest with the fair value of one unit as of grant date based on the market price of the Corporation's common shares. In addition, PSUs are fair valued at the end of every reporting period.

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

Share Unit Plan

The Aimia Share Unit Plan (the "SUP") was established for the grant of PSUs and Restricted Share Units ("RSUs") to officers, senior executives and other employees of Aimia and its subsidiaries. These grants are established annually on the basis of qualitative and quantitative criteria. All awards are made at the discretion of the Board of Directors and are subject to board approval, as are any performance vesting criteria and targets that apply to awards made. Dividends in the form of additional PSUs/RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on Aimia common shares.

PSUs/RSUs are considered cash-settled awards as they have historically been settled in cash. The fair value of PSUs/RSUs, at the date of grant to participants, is recognized as compensation expense over the vesting period using the graded method of amortization, with a credit to accounts payable and accrued liabilities and other long-term liabilities. The fair value of employee services received is calculated by multiplying the number of units expected to vest with the fair value of one unit as of grant date based on the market price of the Corporation's common shares. In addition, PSUs and RSUs are fair valued at the end of every reporting period.

EARNINGS PER COMMON SHARE

Earnings per common share are calculated by dividing the earnings attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding for the period.

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

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SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Aimia's other segments. All operating segments' operating results are reviewed regularly by Aimia's Group Chief Executive and Group Chief Operating Officer to make decisions about the allocation of resources to the respective segments and assess their individual performance (*Note 3*).

Segment results that are reported to the Group Chief Executive and Group Chief Operating Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Management of global shared services, global product development cost 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. Channel and Employee Loyalty business and the ES business.

CHANGES IN ACCOUNTING POLICIES

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

IFRS 5 Amendment, Change in Methods of Disposal

IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations* was amended to clarify that a change in disposal method should not be considered to be a new plan of disposal but a continuation of the original plan. There is therefore no interruption of the application of the requirements in this standard. The amendment also clarifies that changing the disposal method does not change the date of classification. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

IAS 19 Amendment, Discount Rate: Regional Market Issue

IAS 19 - *Employee Benefits* was amended to clarify that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated rather than where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

IAS 1 Amendments, Disclosure Initiative

IAS 1 - *Presentation of Financial Statements* was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

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FUTURE ACCOUNTING CHANGES

The following standards and amendments have been published and their adoption is mandatory for future accounting periods.

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 - *Financial Instruments*. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments.

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments*. The new standard will replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. At this time, the Corporation is still evaluating the impact of these changes but does not anticipate that they will have a significant impact, if any, on its consolidated financial statements.

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.

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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.

IFRS 16 Leases

The IASB issued IFRS 16 - *Leases*, superseding IAS 17 - *Leases* and related interpretations. IFRS 16 is a significant change from current IFRS, which will require lessees to recognise assets and liabilities for most leases using a single accounting model for all leases, with certain exemptions. For lessors, the accounting is substantially unchanged. The new standard will be effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with IFRS 15 - *Revenue from Contracts with Customers*. At this time, management is reviewing the impact that this standard will have on its consolidated financial statements.

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. At this time, the Corporation anticipates to 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 will not have an impact on its consolidated financial statements.

IFRS 2 Amendments, Share-based payments

The IASB issued amendments to IFRS 2 - *Share-based payments* to clarify the classification and measurement of share-based payment transactions. The amendments clarify the accounting requirements for cash-settled share-based payment transactions that include a performance condition introducing guidance that follows the same approach as used for equity-settled share-based payments. The amendments also address the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018 and are to be applied prospectively. Earlier application is permitted. At this time, the Corporation does not anticipate that these changes will have a significant impact, if any, on its consolidated financial statements.

3. SEGMENTED INFORMATION

Effective January 1, 2016, the Corporation was reorganized into a divisional structure, which consists of the following operating segments: Americas Coalitions, International Coalitions and GLS. Previously, the Corporation was organized in a regional structure and its operating segments were Canada, EMEA and US & APAC. The changes focus the Corporation on its core businesses for growth and leadership in data-driven marketing and loyalty analytics, while also simplifying Aimia's operations. As part of the ongoing efforts to simplify and focus the operations of the Corporation, the U.S. CEL business and the ES business (*Note 5*), 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.

For each of the operating segments, the Corporation's Group Chief Executive and Group Chief Operating Officer review internal management reports on a monthly basis. The segments were identified on a divisional basis and are aligned with the organizational structure and strategic direction of the organization.

The Americas Coalitions segment derives its revenues primarily from the Aeroplan Program and from non-platform based loyalty solutions services in Canada. The GLS segment derives its revenues primarily from loyalty solutions services, including revenue from the Aimia Loyalty Platform - Enterprise and Aimia Loyalty Platform - SAAS. The International Coalitions segment derives its revenues primarily from the Nectar UK and Air Miles Middle East coalition loyalty programs. In addition, the International Coalitions segment also generates revenues from analytics and insights services, including Shopper Insights and Communications, and from loyalty solutions services.

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. Channel and Employee Loyalty business and the ES business.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements.

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

	Years Ended December 31,											
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating Segments	**Americas Coalitions**		**International Coalitions**		**GLS**		**Corporate and Other** [(b)]		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**1,226.1**	1,201.3	**522.0**	631.4	**—**	—	**—**	—	**—**	—	**1,748.1**	1,832.7
Gross Billings from Loyalty Services and Other	**100.7**	109.3	**95.5**	94.0	**228.3**	239.3	**167.8**	195.8	**(0.7)**	(2.1)	**591.6**	636.3
Total Gross Billings	**1,326.8**	1,310.6	**617.5**	725.4	**228.3**	239.3	**167.8**	195.8	**(0.7)**	(2.1)	**2,339.7** [(c)]	2,469.0 [(c)]
Revenue from Loyalty Units	**1,140.0**	1,112.9	**554.2**	704.0	**—**	—	**—**	—	**—**	—	**1,694.2**	1,816.9
Revenue from Loyalty Services and Other	**101.0**	110.4	**95.2**	93.8	**228.0**	240.4	**169.7**	199.1	**—**	—	**593.9**	643.7
Intercompany revenue	**—**	—	**0.4**	0.6	**0.2**	1.5	**0.1**	—	**(0.7)**	(2.1)	**—**	—
Total revenue	**1,241.0**	1,223.3	**649.8**	798.4	**228.2**	241.9	**169.8**	199.1	**(0.7)**	(2.1)	**2,288.1**	2,460.6
Cost of rewards and direct costs	**837.8**	858.1	**447.4**	541.9	**133.9**	139.6	**47.4**	63.3	**(0.4)**	(1.0)	**1,466.1**	1,601.9
Depreciation and amortization [(a)]	**131.6**	140.4	**18.2**	15.6	**6.7**	7.0	**26.6**	31.4	**—**	—	**183.1**	194.4
Gross margin	**271.6**	224.8	**184.2**	240.9	**87.6**	95.3	**95.8**	104.4	**(0.3)**	(1.1)	**638.9**	664.3
Operating expenses before share-based compensation and impairment charges	**216.2**	171.6 [(f)]	**133.3**	162.9	**97.2**	95.3	**203.3**	217.3	**(0.3)**	(1.1)	**649.7**	646.0 [(f)]
Share-based compensation	**—**	—	**—**	—	**—**	—	**9.6**	6.0	**—**	—	**9.6**	6.0
Impairment charges (*Note 14*)	**—**	13.5	**—**	—	**20.1**	—	**45.9**	—	**—**	—	**66.0**	13.5
Total operating expenses	**216.2**	185.1 [(f)]	**133.3**	162.9	**117.3**	95.3	**258.8**	223.3	**(0.3)**	(1.1)	**725.3**	665.5 [(f)]
Operating income (loss) [(g)]	**55.4**	39.7 [(f)]	**50.9**	78.0	**(29.7)**	—	**(163.0)**	(118.9)	**—**	—	**(86.4)**	(1.2) [(f)]
Additions to non-current assets [(d)]	**23.4**	35.7	**19.6**	28.5	**4.5**	2.9	**20.7**	26.5	**N/A**	N/A	**68.2**	93.6
Non-current assets [(d)]	**2,758.1**	2,868.2	**480.3**	586.3	**8.8**	32.5	**23.0**	124.2	**N/A**	N/A	**3,270.2** [(e)]	3,611.2 [(e)]

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(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 $1,348.3 million in Canada, $583.9 million in the UK and $175.9 million in the US for the year ended December 31, 2016, compared to third party Gross Billings of $1,356.4 million in Canada, $694.2 million in the UK and $183.4 million in the US for the year ended December 31, 2015. 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 $2,781.0 million in Canada, $455.8 million in the UK and $8.4 million in the US as of December 31, 2016, compared to non-current assets of $2,904.6 million in Canada, $598.9 million in the UK and $70.5 million in the US as of December 31, 2015.

(f) Includes the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015 (*Note 17*).

(g) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the years ended December 31, 2016 and December 31, 2015 is presented in the consolidated statements of operations.

The table below presents additional financial information for Corporate and Other:

	Years Ended December 31,					
	2016			2015		
	Corporate[2]	Other[3]	Total	Corporate[2]	Other[3]	Total
Total Gross Billings	—	167.8	167.8	—	195.8	195.8
Total revenue	—	169.8	169.8	—	199.1	199.1
Cost of rewards and direct costs	—	47.4	47.4	—	63.3	63.3
Depreciation and amortization [1]	14.6	12.0	26.6	12.8	18.6	31.4
Gross margin	(14.6)	110.4	95.8	(12.8)	117.2	104.4
Operating expenses before share-based compensation and impairment charges	86.9	116.4	203.3	96.6	120.7	217.3
Share-based compensation	9.6	—	9.6	6.0	—	6.0
Impairment of charges (*Note 14*)	33.1	12.8	45.9	—	—	—
Total operating expenses	129.6	129.2	258.8	102.6	120.7	223.3
Operating loss	(144.2)	(18.8)	(163.0)	(115.4)	(3.5)	(118.9)

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

(2) Includes global shared services, global product development costs and share-based compensation.

(3) Includes the operating results of the U.S. CEL business and the ES business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

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

		Years Ended December 31,	
	Operating segment	2016	2015
		%	%
TD	Americas Coalitions	18	16
Sainsbury's	International Coalitions	15	16
CIBC	Americas Coalitions	11	11
Air Canada	Americas Coalitions	11	10

FINANCIAL CARD AGREEMENTS

Amex Bank of Canada

On October 25, 2016, Aimia and Amex Bank of Canada ("AMEX") extended the term of their existing agreements by one year to December 31, 2018.

As a result, the estimated life of the AMEX Accumulation Partners' contract has been revised to reflect the change to the contractual term. The effect of this change on the amortization of accumulation partners' contracts for current and future accounting periods is presented in the following table.

Accounting period	Increase (decrease)
Year ended December 31, 2016	(2.3)
Year ending December 31, 2017	(13.9)
Year ending December 31, 2018	16.2

TD Bank Group and Canadian Imperial Bank of Commerce

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD became Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards.

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On September 16, 2013, Aimia also entered into an asset purchase agreement with TD and CIBC. These agreements were subject to certain regulatory approvals and other closing conditions, all of which were fulfilled on December 27, 2013. Pursuant to this agreement, TD acquired on December 27, 2013 approximately half of the Aeroplan credit card portfolio from CIBC and CIBC retained the balance, comprised of Aeroplan cardholders who have broader banking relationships with CIBC. As a result, a payment of $150.0 million in relation to the sale of approximately half of the Aeroplan card portfolio to TD, was made by Aimia to CIBC and recorded in general and administrative expenses during the fourth quarter of 2013. Concurrent with the asset purchase agreement, the parties entered into a migration agreement. Depending on the net migration of Aeroplan-branded credit card accounts between CIBC and TD over the first five years of the agreement (meaning the net amount of cardholders retained by CIBC who choose to move to TD and the cardholders purchased by TD who choose to move to CIBC), TD, Aimia and CIBC have agreed to make payments of up to $400.0 million. Aimia will be responsible for, or entitled to receive, up to $100.0 million of these payments over five years. During the fourth quarter of 2013, a provision ("Card Migration Provision") was recorded, representing management's best estimate at the time of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over five years. In order to determine the Card Migration Provision, management uses an expected value model. Please refer to *Note 17* for more information. In accordance with the migration agreement, payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made on an annual basis.

CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

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

	Years Ended December 31,	
	2016	2015
	%	%
Air Canada (and other Star Alliance Partners)	47	43

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

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2016, Aeroplan is

required to purchase reward travel seats amounting to approximately $567.5 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

AIR CANADA WARRANTS AND CLASS B SHARES

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

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

At December 31, 2014, the fair value of Air Canada Class B shares amounted to $29.7 million.

During the second quarter of 2015, Aimia disposed of all of its Air Canada Class B shares for net proceeds of $30.5 million. As a result of the disposal, the gain (net of tax) in accumulated other comprehensive income, representing an amount of $18.6 million, was reclassified to net earnings during the second quarter of 2015. Of this amount, $21.5 million was recorded in financial income and $2.9 million in deferred income tax expense.

Prior to their disposal, the investment in Air Canada Class B shares was accounted for as an available-for-sale investment, measured at fair value with changes recognized in other comprehensive income (*Note 28*).

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5. DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISPOSAL OF ENHANCEMENT SERVICES BUSINESS

On July 29, 2016, Aimia sold its ES business for total cash consideration of $15.4 million, subject to certain working capital adjustments. As part of the transaction, Aimia is to provide transition services relating to information technology and accounting for a period of up to six months from the transaction date.

Consideration associated with the disposal of the ES Business	
Cash	13.6
Consideration receivable [(a)]	1.8
Total consideration	**15.4**
Working capital adjustment payable by Aimia	(0.4)
Consideration relating to transition services to be rendered [(b)]	(2.0)
Consideration relating to disposed assets and liabilities	**13.0**
Transaction costs	(1.6)
Consideration relating to disposed assets and liabilities, net of transaction costs	**11.4**

Assets and liabilities disposed of	
Accounts receivable	1.3
Prepaid expenses	1.6
Customer relationships	6.7
Goodwill	7.7
Accounts payable and accrued liabilities	(3.0)
Deferred revenue	(4.8)
Net assets (liabilities) disposed of	**9.5**
Gain on disposal of ES Business	**1.9**

(a) Amount put in escrow by the buyer to cover potential indemnification claims. The amount, net of indemnification claims made by the buyer, will be released to Aimia 18 months after the date of the transaction.

(b) The consideration received is recognized as revenue when the transition services are rendered.

Prior to their disposal, the assets and liabilities related to the ES business were included within Corporate and Other (*Note 3*).

COMMERCIAL RIGHTS IN UK CARD-LINKED MARKETING BUSINESS

On June 30, 2016, Aimia exited the card-linked marketing business that it had built in the UK under its commercial agreements with Cardlytics for an initial consideration of $11.7 million (US$9.0 million) in the form of notes convertible (*Note 10*) into equity instruments of Cardlytics. Additionally, a consideration of $11.7 million (US$9.0 million) was received by Aimia during the third quarter of 2016 in the form of convertible notes of Cardlytics upon the satisfaction

of certain conditions relating to the UK card-linked business. At June 30, 2016, the fair value of the contingent consideration receivable was estimated at $11.7 million. The carrying amount of the net assets and liabilities at June 30, 2016 relating to the UK card-linked marketing business was $0.2 million. As a result, a gain of $23.2 million was recorded in profit and loss during the second quarter of 2016.

Furthermore, the net amount receivable outstanding on June 30, 2016, before the transaction was concluded, of $7.4 million (US$5.7 million) by Aimia from Cardlytics in relation to the UK card-linked marketing business was exchanged for convertible notes during the third quarter of 2016 upon the finalization of the review of the net receivable.

6. FINANCIAL INCOME AND EXPENSES

	Years Ended December 31,	
	2016	2015
Interest income on loans, receivables and convertible notes	4.1	2.3
Interest income on investments in bonds	7.8	8.9
Gain on sale of available-for-sale investments (*Note 4*)	—	21.5
Other financial income	—	7.5
Financial income	**11.9**	40.2
Interest on long-term debt	(38.2)	(39.4)
Other financial expenses	(5.8)	(2.1)
Financial expenses	**(44.0)**	(41.5)
Net financial expenses	**(32.1)**	(1.3)

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7. LOSS PER COMMON SHARE

	Years Ended December 31,	
	2016	2015
Net earnings (loss) attributable to equity holders of the Corporation	**(66.3)**	0.1
Deduct: Dividends declared on preferred shares (*Note 23*)	**(16.9)**	(17.9)
Net loss attributable to common shareholders	**(83.2)**	(17.8)
Weighted average number of basic and diluted common shares	**152,404,849**	162,678,128
Loss per common share – Basic and fully diluted	**$ (0.55)**	$ (0.11)

8. ACCOUNTS RECEIVABLE

As at	December 31, 2016	December 31, 2015
Trade receivables	216.8	352.3
Other receivables	69.9	117.5
Total	**286.7**	469.8

9. CASH HELD IN ESCROW

A) ACQUISITION OF EIM

On March 24, 2014, an amount of $1.8 million (US$1.6 million), representing a portion of the amount placed in escrow to cover potential indemnification claims, was released from escrow. Of this amount, $1.4 million (US$1.3 million) was released to the selling shareholders and $0.4 million (US$0.3 million), representing deferred compensation, was released to Aimia during the first quarter of 2014 and subsequently paid to certain selling shareholders during the fourth quarter of 2014. During the year ended December 31, 2014, Aimia had filed claims for the balance of the indemnity escrow for which a settlement of $1.4 million (US$1.2 million) was reached. This amount was released to Aimia during the first quarter of 2015.

B) ACQUISITION OF SMART BUTTON

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

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

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On December 31, 2014, the first half of the deferred compensation, representing an amount of $2.3 million (US$2.0 million), was released from escrow and paid to the selling shareholders as they were employed with Aimia on such date.

On January 20, 2015, an amount of $1.8 million (US$1.5 million), representing the amount placed in escrow to cover potential indemnification claims, was released from escrow and paid to the selling shareholders.

On December 31, 2015, the second half of the deferred compensation, representing an amount of $2.8 million (US $2.0 million), was released from escrow and paid to the selling shareholders as they were employed with Aimia on such date.

10. LONG-TERM INVESTMENTS

	December 31,	December 31,
	2016	2015
Investments in equity instruments [a]	76.9	128.2
Investment in corporate and government bonds *(Note 12)* [b]	226.0	253.6
Investments in convertible notes (*Note 5*) [c]	39.2	—
Total	**342.1**	381.8

(a) Includes the investment in Cardlytics at December 31, 2016 and December 31, 2015. During the year ended December 31, 2016, fair value losses amounting to $46.6 million were recorded in other comprehensive income related to the investment in Cardlytics (*Note 28*).

(b) The investment in corporate and government bonds amounted to $306.4 million at December 31, 2016 (December 31, 2015: $308.2 million) of which $80.4 million was classified as short-term investments (December 31, 2015: $54.6 million) and $226.0 million as long-term investments (December 31, 2015: $253.6 million).

(c) The convertible notes accrue interest at a rate of 10% per year, compounded annually. Unless converted earlier, the notes are redeemable on demand at any date specified by the holder after the 24 month anniversary of the initial closing date. At December 31, 2016, the convertible notes, including accrued interest since inception, obtained as consideration for the exit of the UK card-linked business, amounted to $33.5 million (US$24.9 million) (*Note 5*).

In addition to the convertible notes relating the exit of the UK card-linked marketing business, Aimia invested an amount of $5.0 million (US$4.0 million) in convertible notes of Cardlytics during the second quarter of 2016. At December 31, 2016, these convertible notes, including accrued interest since inception, amounted to $5.7 million (US$4.3 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

11. EQUITY-ACCOUNTED INVESTMENTS

As at	December 31,	December 31,
	2016	2015
Investment in PLM Premier, S.A.P.I. de C.V. [(a)]	80.4	85.0
Other equity-accounted investments in joint ventures [(b)]	22.5	25.6
Equity-accounted investments in associates [(c)]	0.9	7.2
Total	**103.8**	117.8

(a) During the years ended December 31, 2016 and December 31, 2015, Aimia received distributions from PLM of $18.3 million (US$13.7 million) and $27.2 million (US$20.5 million), respectively.

(b) On December 23, 2015, Aimia invested an additional amount of $3.5 million (RM$10.9 million) in Think Big upon the achievement of certain milestones.

On January 9, 2015 and January 29, 2015, Aimia invested additional amounts totaling $1.0 million (US$0.8 million) in Prismah to fund certain costs associated with the wind-up of the joint arrangement, which was completed on March 7, 2015.

(c) During the year 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. The write-off is presented in share of net earnings (loss) of equity-accounted investments in the consolidated statement of operations.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
	2016	2015
Investment in PLM Premier, S.A.P.I. de C.V.	15.7	8.1
Other equity-accounted investments in joint ventures	5.2	4.8
Equity-accounted investments in associates [(c)]	(5.7)	(1.3)
Total	**15.2**	11.6

A) INVESTMENT IN PLM PREMIER, S.A.P.I. DE C.V.

Presented below is the summarized financial information for PLM, excluding amounts relating to identifiable assets and goodwill recognized on a step basis. The information reflects the amounts presented in the financial statements of PLM adjusted for differences in accounting policies between the Corporation and PLM.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Summarized balance sheet

As at	December 31, 2016	December 31, 2015
Cash and cash equivalents	40.6	109.6
Other current assets	141.4	83.6
Total current assets	182.0	193.2
Total non current assets	66.2	62.2
Total assets	**248.2**	255.4
Total current liabilities	(187.8)	(206.4)
Total non-current liabilities	(186.7)	(184.7)
Total liabilities	**(374.5)**	(391.1)
Net liabilities	**(126.3)**	(135.7)

Summarized statement of comprehensive income

	Years Ended December 31,	
	2016	2015
Revenue	**244.8**	195.8
Cost of rewards and operating expenses	(189.8)	(157.2)
Depreciation and amortization	(1.7)	(2.0)
Operating income	**53.3**	36.6
Net financial income	5.3	2.3
Income tax expense	(16.1)	(9.6)
Net earnings	**42.5**	29.3
Other comprehensive income (loss)	4.4	(17.5)
Comprehensive income	**46.9**	11.8

Reconciliation of summarized financial information to the carrying amount and Aimia's share of net earnings

	2016	2015
PLM net assets (liabilities), beginning of year	**(135.7)**	(91.9)
Net earnings for the year	42.5	29.3
Other comprehensive income (loss) for the year	4.4	(17.5)
Distributions declared during the year	(37.5)	(55.6)
PLM net assets (liabilities), end of year	**(126.3)**	(135.7)
Interest in PLM @ 48.9%	(61.7)	(66.3)
Net book value of identifiable assets and goodwill recognized on a step basis	142.1	151.3
Carrying value, end of year	**80.4**	85.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Years Ended December 31,	
	2016	2015
Net earnings for the year	**42.5**	29.3
Share of net earnings of PLM @ 48.9%	20.8	14.3
Amortization expense related to identifiable assets recognized on a step basis	(5.1)	(6.2)
Aimia's share of PLM net earnings	**15.7**	8.1

12. REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Miles redemption reserve (the "Reserve"), which, subject to compliance with the provisions of the Corporation's credit facilities, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. To date, Aimia has not used the funds held in the Reserve. At December 31, 2016, 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 December 31, 2016, 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 operations.

13. PROPERTY AND EQUIPMENT

As at	December 31, 2016			December 31, 2015		
	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment
Cost	**51.1**	**34.1**	**85.2**	61.6	36.9	98.5
Accumulated depreciation and impairment	**(32.3)**	**(22.4)**	**(54.7)**	(34.2)	(20.6)	(54.8)
Net carrying amount	**18.8**	**11.7**	**30.5**	27.4	16.3	43.7

Additions to furniture, fixtures and computer hardware amounted to $2.9 million for the year ended December 31, 2016 (2015: $10.7 million). Additions to leasehold improvements amounted to $3.9 million for the year ended December 31, 2016 (2015: $6.2 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Property and Equipment	Accumulation Partners' Contracts and Customer Relationships	Software and Technology	Trade Names	Other Intangibles	Goodwill
Year ended December 31, 2015						
Opening net carrying amount	34.5	1,013.0	148.5	405.3	0.8	2,038.9
Additions - Internally generated	—	—	71.0	—	—	—
Additions - Purchased	16.9	—	—	—	—	—
Depreciation and amortization expense [(a) (b)]	(9.7)	(135.1)	(49.2)	—	(0.4)	—
Impairment charges [(c)]	—	(5.3)	—	—	—	(8.2)
Exchange differences and other	2.0	9.2	10.8	18.0	0.2	50.0
Closing net carrying amount	**43.7**	**881.8**	**181.1**	**423.3**	**0.6**	**2,080.7**
At December 31, 2015						
Cost	98.5	1,662.3	531.9	423.3	1.2	2,187.3
Less: accumulated depreciation and amortization	54.8	775.2	350.8	—	0.6	—
Less: accumulated impairment charges [(d)]	—	5.3	—	—	—	106.6
Closing Net carrying amount	**43.7**	**881.8**	**181.1**	**423.3**	**0.6**	**2,080.7**
Year ended December 31, 2016						
Opening net carrying amount	43.7	881.8	181.1	423.3	0.6	2,080.7
Additions - Internally generated	—	—	58.6	—	—	—
Additions - Purchased	6.8	—	—	—	—	—
Disposals - Sale of ES Business (*Note 5*)	—	(6.7)	—	—	—	(7.7)
Depreciation and amortization expense [(a) (b)]	(10.4)	(123.6)	(48.9)	—	(0.2)	—
Impairment charges [(c)]	(2.3)	(1.4)	(37.1)	—	(0.1)	(25.1)
Reclassification to assets held for sale (*Note 30A*)	(4.7)	(14.4)	(1.2)	—	—	(4.0)
Exchange differences and other	(2.6)	(3.0)	(16.1)	(28.7)	—	(68.2)
Closing net carrying amount	**30.5**	**732.7**	**136.4**	**394.6**	**0.3**	**1,975.7**
At December 31, 2016						
Cost	85.2	1,577.9	513.2	394.6	1.3	2,091.6
Less: accumulated depreciation and amortization	52.4	838.5	339.7	—	0.9	—
Less: accumulated impairment charges [(d)]	2.3	6.7	37.1	—	0.1	115.9
Closing Net carrying amount	**30.5**	**732.7**	**136.4**	**394.6**	**0.3**	**1,975.7**

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

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

(c) Impairment charges are included in operating expenses in the consolidated statement of operations.

(d) Represents accumulated impairment losses since January 1, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

GOODWILL, TRADE NAMES AND IMPAIRMENT CHARGES

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

Effective January 1, 2016, the Corporation was reorganized into a divisional structure (*Note 3*). These ongoing efforts to simplify and focus the operations of the Corporation have been accompanied with strategic and organizational changes across all divisions which led the Corporation to revisit its cash-generating units for the purpose of the 2016 annual impairment test to align with the way the goodwill is now monitored. One significant change is the aggregation of the APAC Loyalty Solutions, US Loyalty Solutions, UK Loyalty Solutions and Global Products operations to form the GLS group of CGUs. For the purpose of the 2015 annual impairment test, the APAC Loyalty Solutions operations were identified as a separate CGU, the US Loyalty Solutions operations were grouped together with the U.S. Channel and Employee Loyalty business in the US group of CGUs, while the UK Loyalty Solutions and Global Products operations were included in the EMEA group of CGUs (now renamed International Coalitions group of CGUs).

The recoverable amounts of Aimia's cash-generating units for the year ended December 31, 2016 were based on a fair value less costs of disposal calculation. The valuation technique is classified as level 3 in accordance with the fair value hierarchy described in *Note 28*.

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

- Cash flows were projected based on past experience, actual operating results, and on the financial budgets approved by management covering a 3 year term.
- Other key assumptions applied in the discounting of future cash flows include a terminal growth rate and discount rate. Rates were applied to each CGU based on the economic indicators within the region and specific risks related to the respective businesses within these CGUs.

The key assumptions for the market approach include:

- Adjusted EBITDA projected on the basis of past experience, actual operating results and the 2017 long range plan. Adjusted EBITDA is a non-GAAP measure and represents earnings before interest, taxes, depreciation and amortization adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs (“Adjusted EBITDA”);
- Multipliers were determined on the basis of historical and publicly available information of comparable companies.

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The aggregate carrying amounts of goodwill and trade names (pre and post impairment testing) allocated by CGU or group of CGUs at December 31, 2016 as well as the terminal growth rate and discount rate applied in the discounting of future cash flows are as follows:

As at	December 31, 2016		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment testing	Carrying Amount - Pre impairment testing	Terminal Growth Rate	Discount Rate
Goodwill				
Americas Coalitions				
Aeroplan	1,675.8	1,675.8	1.5	12.3
International Coalitions				
International Coalitions group of CGUs	299.9	299.9	1.5	16.7
GLS				
GLS group of CGUs	—	12.3	1.5	20.1
Total	**1,975.7**	**1,988.0**		
Trade Names				
Aeroplan	275.0	275.0	1.5	12.3
International Coalitions group of CGUs	119.6	119.6	1.5	11.6
Total	**394.6**	**394.6**		

Based on the results of the impairment tests conducted in 2016, the carrying amounts of the units were determined to be lower than their recoverable amounts, with the exception of the GLS group of CGUs for which impairment charges amounting to $53.2 million were recorded during the fourth quarter of 2016. The details are presented in the following table:

Impairment charges - GLS group of CGUs		
Long-lived assets	Operating segment	Impairment charges
Property and equipment	GLS	2.3
Software and technology	GLS	4.0
Software and technology [(a)]	Corporate and Other	33.1
Customer relationships	GLS	1.4
Other intangibles	GLS	0.1
Goodwill	GLS	12.3
Total		53.2

(a) The impairment charge relates to global product development assets within Corporate and Other.

The impairment charges of the GLS group of CGUs relate to the longer term requirements to right size this business and service delivery model to ensure sustainable profitable growth. This includes further investment in this business

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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as it exits a rewards fulfillment model and moves towards a platform and loyalty service delivery model. At this time management does not foresee this business being profitable before the end of 2019, and as such has recorded impairment charges.

In addition, the Corporation recorded impairment charges totaling $12.8 million relating to the U.S. CEL business within Corporate and Other which is presented as held for sale at December 31, 2016 (*Note 30A*).

Prior to the reorganization of the Corporation into a divisional structure effective January 1, 2016, the Corporation was organized in a regional structure. The aggregate carrying amounts of goodwill and trade names (pre and post impairment test) allocated by CGU or group of CGUs at December 31, 2015 as well as the terminal growth rate and discount rate applied in the discounting of future cash flows were as follows:

As at	December 31, 2015		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment test	Carrying Amount - Pre impairment test	Terminal Growth Rate	Discount Rate
Goodwill				
Canada				
Aeroplan	1,675.8	1,675.8	2.5	10.6
Canada Loyalty Solutions group of CGUs	7.7	15.9	2.5	19.0
EMEA				
EMEA group of CGUs	367.1	367.1	2.5	14.9
US & APAC				
US group of CGUs	27.9	27.9	2.5	19.1
APAC Proprietary Loyalty	2.2	2.2	3.0	19.5
Total	**2,080.7**	**2,088.9**		
Trade Names				
Aeroplan	275.0	275.0	2.5	10.6
EMEA group of CGUs	148.3	148.3	2.5	11.1
Total	**423.3**	**423.3**		

Based on the results of the impairment tests conducted in 2015, the carrying amounts of the units were determined to be lower than their recoverable amounts, with the exception of the Canada Loyalty Solutions group of CGUs for which impairment charges amounting to $13.5 million were recorded during the fourth quarter of 2015. Of this amount, $8.2 million was recorded against goodwill and $5.3 million against customer relationships. The impairment charges in the Canada Loyalty Solutions group of CGUs related to the weakness in the Canadian economy which impacts consumer and marketing spending in the key business verticals this group of units operates. As a result of these factors, projected Gross Billings and Adjusted EBITDA were reduced, resulting in lower projected cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2016	December 31, 2015
Trade payables and redemption accruals	261.9	313.6
Non-trade payables and other accrued expenses	122.1	214.2
Share-based compensation liability	3.3	4.2
Restructuring liabilities	5.0	13.2
Base and contingent consideration payable related to business acquisitions (*Notes 25 & 28*)	3.3	2.1
Total	**395.6**	547.3

A) RESTRUCTURING LIABILITIES

Over the past few years, Aimia has engaged in a series of restructuring programs related to integrating and aligning our businesses, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce our cost structure and improve productivity. As a result of these initiatives, Aimia recorded various severance provisions. Management continues to evaluate our business and, therefore, in future years, there may be additional provisions for new plan initiatives, as well as changes in estimates to amounts previously recorded, as payments are made or actions are completed.

	Divisional structure	Other restructuring	Total
Balance at December 31, 2014	**—**	**3.5**	**3.5**
Liability recorded during the year	15.7	6.8	22.5
Payments made during the year	(4.5)	(8.7)	(13.2)
Foreign exchange translation adjustment	0.1	0.3	0.4
Balance at December 31, 2015	**11.3**	**1.9**	**13.2**
Liability recorded during the year	9.0	0.9	9.9
Payments made during the year	(16.3)	(1.3)	(17.6)
Foreign exchange translation adjustment	(0.5)	—	(0.5)
Balance at December 31, 2016	**3.5**	**1.5**	**5.0**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Restructuring expenses recorded during the years ended December 31, 2016 and 2015 for each segment are presented below:

	Year Ended December 31, 2016			Year Ended December 31, 2015		
Segment	Divisional structure	Other restructuring	Total	Divisional structure	Other restructuring	Total
Americas Coalitions	4.4	0.4	4.8	3.2	3.5	6.7
International Coalitions	2.1	—	2.1	5.8	—	5.8
Global Loyalty Solutions	—	0.3	0.3	2.4	0.4	2.8
Corporate and Other	2.5	0.2	2.7	4.3	2.9	7.2
Total	**9.0**	**0.9**	**9.9**	15.7	6.8	22.5

2016 activity

During the year ended December 31, 2016, Aimia recorded $9.9 million in net restructuring expenses, which consisted primarily of severance costs of $9.0 million related to headcount reductions associated with the Corporation's new line of business structure announced on August 14, 2015 and which came into effect on January 1, 2016.

2015 activity

During the year ended December 31, 2015, Aimia recorded $22.5 million in net restructuring expenses, which included the following:

- Severance costs of $15.7 million related to headcount reductions associated with the Corporation's new line of business structure announced on August 14, 2015 and which came into effect on January 1, 2016.
- Severance costs of $6.8 million related to other restructuring activities, primarily related to outsourcing and integration initiatives to reduce our cost structure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Loyalty Services and Other		Total	
As at	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Opening balance	**3,247.4**	3,168.5	**45.0**	49.8	**3,292.4**	3,218.3
Loyalty Units issued – Gross Billings	**1,748.1**	1,832.7	**—**	—	**1,748.1**	1,832.7
Other – Gross Billings	**—**	—	**591.6**	636.3	**591.6**	636.3
Revenue recognized	**(1,694.2)**	(1,816.9)	**(593.9)**	(643.7)	**(2,288.1)**	(2,460.6)
Deferred revenue relating to the disposal of the ES business	**—**	—	**(4.8)**	—	**(4.8)**	—
Foreign currency and other adjustments	**(75.1)**	63.1	**0.8**	2.6	**(74.3)**	65.7
Ending balance	**3,226.2**	3,247.4	**38.7**	45.0	**3,264.9**	3,292.4
Represented by:						
Current portion	**1,473.4**	1,552.7	**19.3**	44.8	**1,492.7**	1,597.5
Held for sale	**—**	—	**19.1**	—	**19.1**	—
Long-term	**1,752.8**	1,694.7	**0.3**	0.2	**1,753.1**	1,694.9

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 $860.6 million at December 31, 2016.

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 $194.3 million for the period in which the change occurred, with $175.4 million relating to prior years and $18.9 million relating to the current year.

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17. PROVISIONS

ASSET PURCHASE AGREEMENT *(NOTE 4)*

	Card Migration Provision
Balance at December 31, 2014	**50.0**
Provision recorded during the year	—
Provision received (used) during the year	1.7
Provision reversed during the year	(45.7)
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**
Represented by:	
Current portion	**1.1**
Long-term portion	**4.3**

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

During the second quarter of 2015, based on actual card migration data for the eighteen month period ending June 30, 2015 and management's estimate of migration patterns going forward, the Card Migration Provision was reduced by an amount of $45.7 million. The adjustment was recorded as a reduction to general and administrative expenses. Additionally, an amount of $1.7 million was received during the second quarter of 2015, representing the payment relating to the 2014 calendar year in accordance with the terms of the migration agreement. There was no change to the total provision during the third and fourth quarters of 2015.

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.

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

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18. LONG-TERM DEBT

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

	Authorized at December 31, 2016	Drawn at December 31, 2016	Drawn at December 31, 2015
Revolving facility [(a)]	300.0	—	—
Senior Secured Notes Series 3 [(b)]	N/A	—	200.0
Senior Secured Notes Series 4 [(c)]	N/A	250.0	250.0
Senior Secured Notes Series 5 [(d)]	N/A	200.0	200.0
Unamortized transaction costs [(e)]	N/A	(1.7)	(2.7)
Total long-term debt		**448.3**	**647.3**
Less: current portion		—	—
Long-term debt		**448.3**	**647.3**

(a) On April 11, 2016, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by one year to April 23, 2020. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $9.5 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 3, in the principal amount of $200.0 million and bearing interest at 6.95% per annum, were redeemed on December 9, 2016 with cash on hand.

(c) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of $250.0 million. These notes bear interest at 5.60% per annum, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019.

(d) On November 22, 2012, Aimia issued Senior Secured Notes Series 5 in the principal amount of $200.0 million. These notes bear interest at 4.35% per annum, payable semi-annually in arrears on January 22nd and July 22nd of each year, commencing January 22, 2013, and mature on January 22, 2018.

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

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

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

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

Ratio	Result	Test
Leverage	1.85	≤ 3.50
Debt service [(a)]	(0.69)	≤ 2.00
Interest coverage	8.73	≥ 3.00

(a) This ratio takes into account Aimia's net debt, calculated as long-term debt less cash, restricted cash, short-term investments and long-term investments in corporate and government bonds.

19. PENSION AND OTHER LONG-TERM LIABILITIES

As at	December 31, 2016	December 31, 2015
Pension and other future benefits obligations (*Note 20*)	**31.9**	34.7
Share-based compensation liability	**12.4**	9.5
Base and contingent consideration payable related to business acquisitions *(Notes 25 & 28)*	**10.0**	—
Deferred tenant allowances and lease inducements	**5.7**	7.9
Other	**13.1**	12.1
Total	**73.1**	64.2

20. EMPLOYEE BENEFITS

Total employee benefit expenses, including salary and wages, pension costs, share-based compensation, termination and other benefits, for the year ended December 31, 2016 amounted to $385.4 million (2015: $430.3 million).

EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan allows eligible employees to invest up to 6% of their salary for the purchase of Aimia's common shares on the secondary market. The corporate yearly contribution is charged to earnings as compensation expense over the period. For the years ended December 31, 2016 and 2015, Aimia's contributions to the plan were not significant.

DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit accounting practices, amounted to $11.4 million for the year ended December 31, 2016 (2015: $11.3 million).

DEFINED BENEFIT PLAN

Description of benefit plan

The defined benefit pension plan is registered with the Office of the Superintendent of Financial Institutions (“OSFI”) and Canada Revenue Agency (“CRA”). The most recent actuarial valuation report for funding purposes was conducted as at December 31, 2015. Such report presents the Corporation's minimum funding requirements. The next required actuarial valuation will be conducted as at December 31, 2016 and will be completed and filed with regulatory authorities no later than June 30, 2017.

The pension plan governance responsibility, overseeing all aspects of the plan including investment decisions and contribution schedules, lies with the Corporation.

The pension fund investment has been delegated to independent managers. The Corporation has set up an investment committee to establish and review the Statement of Investment Policies and Procedures (“SIPP”), as applicable, and monitor managers' investment performance on a regular basis. The Corporation has also appointed experienced, independent professional experts such as actuaries, custodians and trustees. The Corporation has established a pension committee to administer the plan provisions, which is composed of members designated by the Corporation and the union.

The following tables summarize the information related to the defined benefit pension plan, which provides benefits upon retirement, termination or death based on the member's years of service and final average earnings for a specified period, and other employee benefits consisting of post-employment life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, established for the contact centre employees. The defined benefit pension plan is not subject to indexation clauses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The change in pension and other benefits plan obligations and assets is as follows:

	Pension Benefits [a]			Other Employee Future Benefits [a]
	Present value of obligation	Fair value of assets	Total	Total
At December 31, 2014	(139.5)	121.8	(17.7)	(17.8)
Current service cost	(3.7)	—	(3.7)	(0.6)
Interest (expense) income	(5.7)	4.9	(0.8)	(0.7)
Remeasurement gain (loss)	—	—	—	0.4
Administrative expenses	—	(0.4)	(0.4)	—
Impact on earnings	(9.4)	4.5	(4.9)	(0.9)
Remeasurements:				
- Return on plan assets, excluding amounts in interest income	—	0.7	0.7	—
- Gain (loss) from change in demographic assumptions	(0.1)	—	(0.1)	(0.1)
- Gain (loss) from change in financial assumptions	2.8	—	2.8	(0.1)
- Experience gains (losses)	(3.8)	—	(3.8)	0.6
Impact of remeasurements on other comprehensive income (loss)	(1.1)	0.7	(0.4)	0.4
- Employer contribution	—	6.4	6.4	—
- Participant contributions	(1.5)	1.5	—	—
- Benefits paid	4.7	(4.7)	—	0.2
At December 31, 2015	**(146.8)**	**130.2**	**(16.6)**	**(18.1)**
Current service cost	(3.9)	—	(3.9)	(0.5)
Interest (expense) income	(6.2)	5.4	(0.8)	(0.7)
Remeasurement gain (loss)	—	—	—	(0.5)
Administrative expenses	—	(0.4)	(0.4)	—
Impact on earnings	(10.1)	5.0	(5.1)	(1.7)
Remeasurements:				
- Return on plan assets, excluding amounts in interest income	—	7.6	7.6	—
- Gain (loss) from change in demographic assumptions	(0.4)	—	(0.4)	—
- Gain (loss) from change in financial assumptions	(5.5)	—	(5.5)	(0.9)
- Experience gains (losses)	2.3	—	2.3	0.2
Impact of remeasurements on other comprehensive income (loss)	(3.6)	7.6	4.0	(0.7)
- Employer contribution	—	5.9	5.9	—
- Participant contributions	(1.3)	1.3	—	—
- Benefits paid	3.9	(3.9)	—	0.4
At December 31, 2016	**(157.9)**	**146.1**	**(11.8)**	**(20.1)**

(a) Measured at December 31st of each year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The defined benefit pension plan assets, which all have a quoted market price, consist of:

	December 31,			
	2016		2015	
	$	%	**$**	**%**
Asset category [(a)]				
Cash and cash equivalents	7.8	5.3	6.0	4.6
Equity securities				
- Canadian equities	45.9		36.4	
- Foreign equities	59.4		54.5	
	105.3	72.1	90.9	69.8
Debt securities				
- Canadian government bonds	19.8		19.2	
- Canadian corporate bonds	11.4		11.7	
- Foreign corporate bonds	1.8		2.4	
	33.0	22.6	33.3	25.6
Total	**146.1**	**100.0**	**130.2**	**100.0**

(a) Measured at December 31st of each year.

The defined benefit plan exposes the Corporation to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The pension fund holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing to volatility and risk in the short-term. However, due to the long-term nature of plan liabilities, the Corporation believes that a level of continuing equity investment is an appropriate element of the plan's long-term strategy to manage the plan efficiently. Plan assets are invested in a diversified manner so to minimize the volatility risk.
Change in bond yields	As the discount rate assumption is based on corporate bond yields, a decrease in such yields will increase the defined benefit obligation. However, this increase will be partially offset by an increase in the value of the plan's bond holdings.
Life expectancy	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. The most up to date mortality tables are used to minimize this risk.
Inflation risk	The health care plan's benefit obligation is linked to inflation, and higher inflation will lead to higher liabilities. However, this increase is limited as the benefits are capped by a lifetime maximum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The weighted average assumptions used to determine the accrued benefit liability are as follows:

	Pension Benefits [b]		Other Employee Future Benefits [b]	
December 31,	2016	2015	2016	2015
	%	%	%	%
Discount rate	3.9	4.1	3.8	4.0
Rate of compensation increase	2.0 for 2016 and thereafter	2.0 for 2015 and thereafter	N/A	N/A
Dental & Health care inflation [a]	N/A	N/A	4.5 & 8.5	4.5 & 8.5

(a) The health care inflation assumption was reduced, starting in 2023, to 5% per annum.

(b) Assumptions are assessed at December 31st of each year.

The assumptions regarding future mortality is set based on actuarial advice in accordance with published statistics. The assumption translates into a remaining average life expectancy in years for a pensioner retiring at age 65:

	Pension Benefits		Other Employee Future Benefits	
December 31,	2016	2015	2016	2015
(in years)				
Retiring at the end of the reporting period:				
- Male	22	21	21	21
- Female	25	24	25	24
Retiring 20 years after the end of the reporting period:				
- Male	23	23	23	23
- Female	26	25	25	25

The sensitivity of the defined benefit obligation to changes in significant assumptions is set out below:

Impact on defined benefit obligation		Pension Benefits		Other Employee Future Benefits	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		%	%	%	%
Discount rate	0.5%	Decrease by 8.4	Increase by 9.7	Decrease by 6.5	Increase by 7.3
Rate of compensation increase	0.5%	Increase by 0.5	Decrease by 0.8	N/A	N/A
Health care cost trend	1.0%	N/A	N/A	Increase by 5.5	Decrease by 5.0
Health care claims cost	10.0%	N/A	N/A	Increase by 4.2	Decrease by 4.3
Life expectancy	1 year	Increase by 1.7	Decrease by 1.8	Increase by 0.9	Decrease by 1.0

The sensitivity analysis have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period. Each sensitivity analysis disclosed is based on changing one assumption while holding all other assumptions constant. In reality, one might expect interrelationships between the assumptions. The analysis above abstracts from these correlations between assumptions. When calculating the sensitivity of the

defined benefit obligation to variation in significant actuarial assumptions, the same method (projected unit credit method) has been applied as for calculating the liability recognized in the statement of financial position.

The duration of the defined benefits pension obligation at December 31, 2016 was 17.6 years (2015: 18.0 years). The duration of the other defined benefits obligation at December 31, 2016 was 14.5 years (2015: 14.8 years).

The expected maturity analysis of undiscounted pension and other benefits is presented below:

	Pension Benefits		Other Employee Future Benefits	
December 31,	2016	2015	2016	2015
Less than a year	4.1	3.5	0.5	0.5
Between 1-2 years	4.3	3.8	0.6	0.5
Between 2-5 years	15.0	13.0	2.3	2.2
Over 5 years	312.5	260.1	40.4	39.5
Total	335.9	280.4	43.8	42.7

According to the most recent actuarial valuation performed at December 31, 2015 for funding purposes, the plan surplus amounts to $19.4 million on a going-concern basis while there is a deficit of $30.5 million on a solvency basis. As such, the Corporation is required to make annual special payments of $3.1 million to fund the plan deficit until the next actuarial opinion is filed. The Corporation current service cost on a going-concern basis is equal to 11.8% of members' pensionable earnings.

The Corporation expects $8.7 million in contributions to be paid to its benefit plan in 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

21. INCOME TAXES

Income Tax Expense

Income tax expense (recovery) for the year is as follows:

	Years Ended December 31,	
	2016	2015
Current tax expense (recovery)		
Current tax expense for the year	12.7	13.1
Current tax recovery on losses carried back to prior years	(48.7)	—
Adjustment in respect of prior years	—	2.3
Total current tax expense (recovery)	**(36.0)**	**15.4**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(11.0)	(4.3)
Recognition of previously unrecognized deferred tax assets	(5.0)	(7.2)
Deferred tax expense on losses carried back to prior years	39.1	—
Change in Canadian tax rate	(0.7)	—
Total deferred tax expense (recovery)	**22.4**	**(11.5)**
Income tax expense (recovery)	**(13.6)**	**3.9**

Income taxes included in the statement of earnings differ from the statutory rate as follows:

	Years Ended December 31,			
	2016		2015	
	%	$	%	$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	26.58	(20.8)	26.58	2.4
Adjusted for the effect of:				
Temporary differences for which no deferred income tax asset has been recorded	(34.52)	27.0	125.07	11.4
Permanent differences - other	2.05	(1.6)	(28.57)	(2.6)
Foreign operations - subject to lower tax rates	4.22	(3.3)	(37.36)	(3.4)
Recognition of previously unrecognized deferred tax assets	6.39	(5.0)	(79.12)	(7.2)
Prior year adjustments	—	—	25.27	2.3
Effect of losses carried back to prior years	12.28	(9.6)	—	—
Effect of tax rate changes on deferred income taxes	0.39	(0.3)	10.99	1.0
Income tax expense (recovery) as reported in the consolidated statements of operations and effective tax rate	17.39	(13.6)	42.86	3.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Deferred income tax assets and liabilities

At December 31, 2016, no deferred tax liabilities were recognized for temporary differences of $38.0 million (2015: $31.4 million) related to investments in subsidiaries because Aimia controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The amounts recognized in the consolidated balance sheet consist of:

	December 31,	
	2016	2015
Deferred tax liabilities - to be settled within 12 months	—	—
Deferred tax liabilities - to be settled after 12 months	97.8	75.1
	97.8	**75.1**

Movements in temporary differences during the year were as follows:

	Balance at December 31, 2015	Recognized in Earnings 2016	Recognized in OCI 2016	Recognized in Equity 2016	Balance at December 31, 2016
Deferred tax assets					
Eligible capital expenditures	128.4	(10.0)	—	—	118.4
Losses available for carryforward	111.4	(56.0)	—	(5.5)	49.9
Deferred transaction costs	0.5	(0.2)	—	—	0.3
Pension and other long-term liabilities	12.3	0.6	(0.9)	—	12.0
Other	8.9	4.3	—	—	13.2
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(318.7)	43.6	—	6.1	(269.0)
Software and technology	(17.9)	(4.7)	—	—	(22.6)
	(75.1)	**(22.4)**	**(0.9)**	**0.6**	**(97.8)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Balance at December 31, 2014	Recognized in Earnings 2015	Recognized in OCI 2015	Recognized in Equity 2015	Balance at December 31, 2015
Deferred tax assets					
Eligible capital expenditures	138.0	(9.6)	—	—	128.4
Losses available for carryforward	129.0	(21.3)	—	3.7	111.4
Deferred transaction costs	1.1	(0.6)	—	—	0.5
Pension and other long-term liabilities	11.9	0.4	—	—	12.3
Other	7.6	1.3	—	—	8.9
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(357.6)	42.4	—	(3.5)	(318.7)
Software and technology	(16.1)	(1.8)	—	—	(17.9)
Long-term investments	(3.5)	0.7	2.8	—	—
	(89.6)	**11.5**	**2.8**	**0.2**	**(75.1)**

At December 31, 2016, Aimia had the following operating tax losses available for carryforward, for which the deferred tax benefit has not been recorded in the accounts, which may be used to reduce taxable income in future years:

Country		Carryforward period
(i) United Kingdom		
losses available for carryforward	57.2	Indefinite
(ii) United States		
losses available for carryforward	10.5	2030
	32.9	2031
	25.7	2032
	36.9	2033
	10.6	2034
	16.1	2035
	14.9	2036
	147.6	

At December 31, 2016, Aimia had other deductible temporary differences of $81.0 million which may be used to reduce taxable income in future years and for which no deferred tax benefit has been recorded in the accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

CANADA REVENUE AGENCY NOTICE OF REASSESSMENT

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

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

Management contested the reassessment through the CRA appeals procedures and, as required under the relevant tax laws, the Corporation issued a letter of credit to the CRA in the amount of $41.3 million to act as security for the reassessment.

Since management believed that it was more likely than not that its position would be sustained, no amounts related to the issue were recorded in the financial statements.

Management was successful in its objection to the above noted reassessment and on July 2, 2015, the CRA issued a new reassessment for the 2008 taxation year cancelling its previous reassessment and accepting Aimia's tax position as filed. The CRA also sent a copy of the new reassessment to Revenue Quebec ("RQ").

On July 2, 2015, the CRA released the $41.3 million letter of credit and it was returned to Aimia and cancelled.

REVENUE QUEBEC NOTICE OF ASSESSMENT

On August 28, 2014, Aimia received a notice of assessment from RQ with respect to the taxation year ended December 31, 2008. This assessment followed the same tax treatment for deferred breakage as was assessed by the CRA and resulted in an increase in taxable income at December 31, 2008 for Quebec tax purposes of $222.5 million with a corresponding increase in current income tax liability of $13.6 million. Interest and penalties of $7.1 million were also assessed.

The difference in income inclusion for tax purposes versus the method adopted for accounting purposes represented a temporary difference which would give rise to a deferred income tax recovery asset of $15.6 million.

The appeal filed by management contesting the similar reassessment issued by CRA was recorded by RQ, and on September 16, 2014, as required under tax laws, the Corporation deposited $20.7 million with RQ to act as security for the assessment.

Following the successful objection process with the CRA, on September 25, 2015, RQ issued a reassessment for the 2008 taxation year cancelling its previous assessment and accepting Aimia's tax position as filed.

On October 1, 2015, the deposit of $20.7 million was refunded to the Corporation.

22. CONTINGENT LIABILITIES

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

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At December 31, 2016, Aimia's maximum exposure under such guarantees was estimated to amount to $94.6 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

On July 2, 2009, Aimia was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. The motion was heard on May 9 and 10, 2011 and Aeroplan was added as a potential defendant. In a judgment dated March 6, 2012, the Superior Court of Quebec authorized the motion for the petitioner to bring a class action. That motion was the first procedural step before any class action could be instituted. A notice of the judgment authorizing the class action was published on April 6, 2013.

On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member. The parties have agreed upon a timetable for procedural matters leading up to readiness for trial.

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 these financial statements. If the ultimate resolution of this class action lawsuit differs from this assessment and assumptions, a material adjustment to the financial position and results of operations could result.

From time to time, Aimia becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Aimia's financial position and results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

23. DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2016 and 2015 were as follows:

	2016 (a)		2015 (b)	
	Amount	Per common share	Amount	Per common share
March	29.0	0.19	30.6	0.18
June	30.4	0.20	30.7	0.19
September	30.5	0.20	30.2	0.19
December	30.4	0.20	29.5	0.19
Total	**120.3**	**0.79**	121.0	0.75

(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.

(b) On May 14, 2015, the Board of Directors of Aimia approved an increase to the common share dividend from $0.18 to $0.19 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March	1.1	0.28125	2.8	0.40625
June	1.1	0.28125	1.1	0.28125
September	1.1	0.28125	1.1	0.28125
December	1.1	0.28125	1.1	0.28125
Total	**4.4**	**1.12500**	6.1	1.25000
Series 2				
March	0.8	0.264049	N/A	N/A
June	0.7	0.261811	0.8	0.263563
September	0.8	0.270281	0.8	0.278205
December	0.8	0.267831	0.8	0.259995
Total	**3.1**	**1.063972**	2.4	0.801763
Series 3				
March	2.3	0.390625	2.3	0.390625
June	2.4	0.390625	2.4	0.390625
September	2.3	0.390625	2.3	0.390625
December	2.4	0.390625	2.4	0.390625
Total	**9.4**	**1.562500**	9.4	1.562500

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On February 16, 2017, the Board of Directors of Aimia declared quarterly dividends of $0.20 per common share, $0.28125 per Series 1 preferred share, $0.262541 per Series 2 preferred share and $0.390625 per Series 3 preferred share, in each case payable on March 31, 2017.

24. CAPITAL STOCK

A) CAPITAL STOCK

Authorized:

An unlimited number of common shares, voting, no par value;
An unlimited number of preferred shares, non-voting, non-participating, issuable in series, no par value.

COMMON SHARES:

Issued and outstanding	December 31, 2016		December 31, 2015	
	Number of shares	$	Number of shares	$
Opening balance	**154,631,754**	**1,369.8**	**171,984,343**	**1,521.8**
Shares repurchased under the normal course issuer bid program	(2,393,600)	(21.2)	(17,608,452)	(155.9)
Common shares issued upon exercise of stock options	56,457	0.6	255,863	3.9
Closing balance	**152,294,611**	**1,349.2**	**154,631,754**	**1,369.8**

NORMAL COURSE ISSUER BID

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

From May 16, 2014 to December 31, 2014, Aimia repurchased 2,069,790 common shares for a total consideration of $29.8 million. Of this total, 1,964,790 common shares were paid and cancelled during the period representing $28.3 million, with the remainder being paid and cancelled during the first quarter of 2015. Share capital was reduced by $18.3 million and the remaining $11.5 million was accounted for as a reduction of contributed surplus.

From January 1, 2015 to May 15, 2015, Aimia repurchased and cancelled 8,788,952 common shares for a total cash consideration of $117.8 million. Share capital was reduced by $77.8 million and the remaining $40.0 million was accounted for as a reduction of contributed surplus.

On May 14, 2015, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 16,346,860 of its issued and outstanding common shares during the period from May 20, 2015 to no later than May 19, 2016.

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From May 20, 2015 to December 31, 2015, Aimia repurchased 8,819,500 common shares for a total consideration of $105.5 million. Of this total, 8,538,100 common shares were paid and cancelled during the period representing $102.8 million, with the remainder being paid and cancelled during the first quarter of 2016. Share capital was reduced by $78.1 million and the remaining $27.4 million was accounted for as a reduction of contributed surplus.

From January 1, 2016 to February 4, 2016, Aimia repurchased 2,393,600 common shares (all of which were paid and cancelled during the first quarter of 2016) for a total consideration of $21.8 million. Share capital was reduced by $21.2 million and the remaining $0.6 million was accounted for as a reduction of contributed surplus.

On May 12, 2016, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 11,153,635 of its issued and outstanding common shares during the period from May 20, 2016 to no later than May 19, 2017.

There were no shares repurchased after February 4, 2016.

PREFERRED SHARES:

Issued and outstanding	December 31, 2016		December 31, 2015	
	Number of shares	$	Number of shares	$
Opening balance	**12,900,000**	**315.8**	**12,900,000**	**315.8**
Closing balance	**12,900,000**	**315.8**	**12,900,000**	**315.8**
Represented by:				
Preferred Shares, Series 1	3,953,365	96.7	3,953,365	96.7
Preferred Shares, Series 2	2,946,635	72.1	2,946,635	72.1
Preferred Shares, Series 3	6,000,000	147.0	6,000,000	147.0

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 December 31, 2016 to, but excluding March 31, 2017, will be 4.259%, 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%.

B) STOCK-BASED COMPENSATION

Total stock-based compensation expense for the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
	2016	2015
Stock options compensation	3.6	5.5
PSU and RSU compensation	4.6	1.9
DSU compensation	1.4	(1.4)
Total stock-based compensation expense	**9.6**	**6.0**

Aimia Long-Term Incentive Plan and Share Unit Plan

The number of Aimia stock options granted to employees during the year, the related compensation expense recorded, and the assumptions used to determine stock-based compensation expense, using the binomial options pricing model, were as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 2016	December 31, 2015
Compensation expense relating to the options granted (millions)	$ 1.3	$ 2.3
Number of stock options granted	2,620,488	3,015,483
Weighted average fair value per option granted ($)	$ 1.26	$ 1.78
Aggregate fair value of options granted (millions)	$ 3.3	$ 5.4
Weighted average assumptions:		
Share price	$ 8.58	$ 13.31
Exercise price	$ 8.58	$ 13.31
Risk-free interest rate	0.78%	0.97%
Expected volatility	28.86%	25.90%
Dividend yield	8.66%	5.50%
Expected option life (years)	5.25	5.25
Vesting conditions - time (years)	4	4

The volatility measured at the standard deviation of continuous compounded share returns is based on statistical analysis of daily share prices over the expected option life period.

A summary of stock option activity related to the employees participating in the Aimia Long-Term Incentive Plan is as follows:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	**9,837,984**	**14.49**	**7,973,093**	**14.96**
Granted	2,620,488	8.58	3,015,483	13.31
Exercised	(56,457)	8.47	(255,863)	11.89
Forfeited	(957,396)	13.86	(597,920)	15.42
Expired	(972,528)	14.16	(296,809)	15.37
Options outstanding - end of year	**10,472,091**	**13.13**	**9,837,984**	**14.49**
Options exercisable - end of year	**5,201,537**	**14.16**	**4,090,081**	**13.73**

The weighted average share price at the date of exercise for the share options exercised in 2016 was $8.73 (2015: $13.52).

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

The details of options outstanding and exercisable at December 31, 2016 are as follows:

	Options Outstanding		Options Exercisable		
Year granted	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Expiration Date
2010	355,124	10.85	355,124	10.85	2017
2010	102,875	11.37	102,875	11.37	2017
2011	793,293	12.79	793,293	12.79	2018
2011	61,500	12.11	61,500	12.11	2018
2012	1,258,956	12.50	1,258,956	12.50	2019
2012	105,000	14.52	105,000	14.52	2019
2012	70,000	14.33	70,000	14.33	2019
2013	1,205,832	15.62	904,113	15.62	2020
2013	43,238	15.75	32,427	15.75	2020
2013	10,000	18.55	7,500	18.55	2020
2014	1,865,937	18.16	947,176	18.16	2021
2015	2,181,208	13.30	563,573	13.30	2022
2016	2,135,278	8.70	—	—	2023
2016	283,850	7.60	—	—	2023
	10,472,091	**13.13**	**5,201,537**	**14.16**	

The details of Aimia's PSUs and RSUs described in *Note 2* are as follows:

	PSU		RSU	
December 31,	2016	2015	2016	2015
Number of units outstanding - beginning of year	**2,096,134**	**1,635,969**	**23,026**	**—**
Units granted during the year	1,635,884	970,236	207,643	22,073
Units forfeited during the year	(568,520)	(165,350)	(41,526)	—
Units settled during the year	(436,154)	(406,860)	(4,631)	—
Dividends paid in units during the year	234,429	62,139	18,389	953
Number of units outstanding - end of year	**2,961,773**	**2,096,134**	**202,901**	**23,026**
Weighted average fair value per unit on date of grant ($)	$ 8.62	$ 13.21	$ 8.40	$ 12.00

The PSUs and RSUs vest 3 years after the grant. The PSUs are subject to performance conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Aimia Deferred Share Unit Plan

The details of Aimia's DSUs described in *Note 2* are as follows:

	DSU	
December 31,	2016	2015
Number of units outstanding - beginning of year	**490,000**	**445,269**
Units granted during the year	129,454	49,660
Units forfeited during the year	—	—
Units settled during the year	(14,147)	(33,979)
Dividends paid in units during the year	55,805	29,050
Number of units outstanding - end of year	**661,112**	**490,000**
Weighted average fair value per unit on date of grant ($)	$ 8.45	$ 12.03

The DSUs vest over 4 years or immediately for eligible employees, while those granted to directors are not subject to vesting conditions. DSUs are payable only upon termination of service. At December 31, 2016, the intrinsic value of vested DSUs amounted to $5.9 million (2015: $4.6 million).

25. ACQUISITION OF NON-CONTROLLING INTERESTS

On March 20, 2016, Aimia acquired the remaining 40% of the issued shares of Aimia Middle East Free Zone LLC ("Aimia Middle East") (formerly known as Rewards Management Middle East Free Zone LLC or RMMEL), the company that owns and operates the Air Miles Middle East program, for cash consideration of $8.3 million (US$6.4 million) which will be payable in three annual installments commencing February 2017. In addition, an amount is to be paid by Aimia or received from the seller on the basis of the financial performance of Aimia Middle East for each of the next three years. The fair value of the contingent consideration payable (*Note 28*) on the acquisition date was estimated at $5.1 million (US$3.9 million). Furthermore, an amount of $22.0 million (US$16.9 million), representing the seller's share of surplus working capital in the business as of the date of the transaction's completion, was accrued on the acquisition date and was paid to the seller on April 5, 2016. The carrying amount of the non-controlling interest in Aimia Middle East on the date of acquisition was $11.8 million. As a result of the acquisition, the Corporation derecognized the non-controlling interest and recorded a decrease to retained earnings of $23.6 million.

In addition, Aimia acquired the remaining issued shares in an Indian subsidiary for a negligible amount. As a result of the acquisition, the Corporation derecognized the non-controlling interest and recorded a decrease to retained earnings of $0.5 million.

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26. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

The minimum lease payments under various non-cancellable operating leases, not yet incurred at the end of the reporting period, are as follows:

Year ending December 31,	
2017	19.6
2018 to 2021	58.4
Thereafter	54.0
Total	**132.0**

During the year ended December 31, 2016, an expense of $25.1 million was recognized as an expense in earnings in respect of operating leases (2015: $31.7 million).

B) OPERATING COMMITMENTS AND OTHER

Operating expenditures contracted for at the end of the reporting period but not yet incurred are as follows:

Technology infrastructure and other	208.6
Marketing support and other	181.3

Under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. At December 31, 2016, Aimia complied with all such covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

27. CAPITAL DISCLOSURES

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

Aimia's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

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

The total capital as at December 31, 2016 and 2015 is calculated as follows:

	December 31,	
	2016	2015
Cash and cash equivalents	(293.0)	(482.2)
Short-term investments	(80.4)	(54.6)
Long-term investments in corporate and government bonds	(226.0)	(253.6)
Long-term debt (including current portion)	448.3	647.3
Share Capital	1,665.0	1,685.6
Contributed surplus	1,153.2	1,150.4
Deficit	(2,743.2)	(2,518.0)
Total capital	**(76.1)**	174.9

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

- the leverage ratio, defined as debt to Adjusted EBITDA;
- the debt service ratio, defined as net debt to operating cash flows; and
- the interest coverage ratio, defined as Adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Aimia is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Aimia is in compliance with all such covenants.

Aimia has also established the Reserve, which at December 31, 2016 amounted to $300.0 million and is included in short-term investments and long-term investments (*Note 12*).This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

28. FINANCIAL INSTRUMENTS

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

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

INTEREST RATE RISK

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

At December 31, 2016, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2016	2015
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**393.7**	556.0

For the year ended December 31, 2016, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments would have an impact of approximately $3.9 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2015.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2016, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments, long-term investments and cash and cash equivalents, in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2016, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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With respect to accounts receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners, as identified in *Note 4*. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. In addition, Aimia is directly affected by the financial and operational strength of Air Canada. In order to manage its exposure to credit risk and assess credit quality, Aimia reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Aimia have been negligible.

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2016, Aimia had issued Senior Secured Notes in the amount of $450.0 million maturing at various dates through May 17, 2019. In addition, Aimia had authorized and available credit facility of $300.0 million under its revolving facility, maturing on April 23, 2020. The revolving facility is provided by a syndicate that consists of eight institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately $9.6 million (of which $9.5 million were issued against the revolving facility) at December 31, 2016 issued as security in the normal course of business.

At December 31, 2016, maturities of the financial liabilities are as follows:

	Total	2017	2018	2019	2020	2021	Thereafter
Long-term debt including interest	501.3	23.7	219.3	258.0	0.3	—	—
Accounts payable and accrued liabilities (excluding current portion of base and contingent consideration payable)	392.3	392.3	—	—	—	—	—
Base and contingent consideration payable (including current and non-current portions)	13.3	3.3	4.5	5.5	—	—	—
Total	**906.9**	**419.3**	**223.8**	**263.5**	**0.3**	**—**	**—**

CURRENCY RISK

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

At December 31, 2016, Aimia held net financial assets denominated in pound sterling of approximately £52.7 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $0.9 million in the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in

particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2015.

In addition, the operating results of Aeroplan within the Americas Coalitions segment are sensitive to fluctuations in the Canada/U.S. dollar exchange rate as it incurs a portion of its cost of rewards in U.S. dollars, which is mitigated in part by revenue generated in the same currency. A 1% variance in the U.S dollar foreign exchange rate would have a net impact of approximately $1.0 million on earnings before income taxes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

		December 31,	December 31,
	Hierarchy	2016	2015
Financial assets			
Investments in equity instruments (*Note 10*)	Level 3	**76.9**	128.2
Investments in convertible notes (*Notes 5 & 10*)	Level 3	**39.2**	—
Financial liabilities			
Contingent consideration payable - Smart Button	Level 3	**—**	2.1
Contingent consideration payable - Aimia Middle East (*Note 25*)	Level 3	**4.7**	—

The fair value of the investments in equity instruments is determined using a market approach including a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and comparison of financial indicators for similar companies. The value determined is then adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. This approach requires management to use judgement in identifying similar transactions, instruments and companies and to make estimates in determining the fair value of such instruments. Actual results could differ from such estimate.

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During the year ended December 31, 2016, on the basis of the valuation performed by management using financial indicators for similar companies, fair value losses amounting to $46.6 million were recorded in other comprehensive income for the investment in Cardlytics. No adjustment to the fair value of the investment in Cardlytics was recorded during the year ended December 31, 2015.

The fair value of the investments in convertible notes was determined using an expected value model. No adjustment to the fair value of the investments convertible notes was recorded during the year ended December 31, 2016.

The fair value of the investment in Air Canada Class B shares was based on the quoted price of the publicly traded shares prior to their disposal during the second quarter of 2015. During the year ended December 31, 2015, a fair value gain of $0.8 million was recorded in other comprehensive income.

The fair value of the contingent consideration payable related to the Smart Button acquisition was determined on the basis of management's best estimate and could represent a maximum of US$5.0 million. During the second quarter of 2015, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration. During the third quarter of 2015, an amount of $1.8 million (US$1.4 million), representing 50% of the estimated contingent consideration, was paid to the selling shareholders on the second anniversary of the acquisition. The remainder, representing an amount of $1.9 million (US$1.5 million), was paid during the third quarter of 2016 on the third anniversary of the acquisition.

The fair value of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East was determined on the basis of management's projected financial performance of the business in each of the next three years and represents management's best estimate. During the fourth quarter of 2016, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration.

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

The fair value of the borrowings is estimated as being the quoted market value for the publicly traded debt securities while the fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

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

		December 31, 2016		December 31, 2015	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	306.4	311.8	308.2	316.8
Long-term debt (including current portion)	Level 1	448.3	458.9	647.3	673.6

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OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial liabilities	Amounts offset			Amounts not offset	Net
	Gross liabilities	Gross assets offset	Net amounts presented	Financial assets	
December 31, 2016					
Accounts payable and accrued liabilities [(a)]	457.0	(61.4)	395.6	—	395.6
Provisions [(b)]	5.4	—	5.4	(5.4)	—
December 31, 2015					
Accounts payable and accrued liabilities [(a)]	606.8	(59.5)	547.3	—	547.3
Provisions [(b)]	6.0	—	6.0	(6.0)	—

Financial assets	Amounts offset			Amounts not offset	Net
	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2016					
Accounts receivable [(a)(b)]	348.1	(61.4)	286.7	(5.4)	281.3
December 31, 2015					
Accounts receivable [(a)(b)]	529.3	(59.5)	469.8	(6.0)	463.8

(a) Under the terms of a contractual agreement with Air Canada, Aimia Canada Inc. has a right of offset in the normal course of business for amounts relating to Gross Billings and rewards purchases as described under the section entitled *Contractual and Commercial Practices with Air Canada (Note 4)*.

(b) Under the terms of a contractual agreement with TD, Aimia Canada Inc. has a right of offset in the case of contract termination.

29. RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the year ended December 31, 2016, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

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TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Key management includes members of the Corporation's Executive Committee.

The post-employment executive defined contribution plan requires annual contributions of 15% of base salary, through co-payment by the Corporation and the executive, up to the annual maximum permitted under relevant legislation.

Key management of Aimia participate in the LTIP (performance share units granted prior to 2015 and stock options), the SUP (performance share units granted in or after 2015) and DSU Plan (deferred share units). Directors participate in the DSU Plan.

The compensation paid or payable to directors and to key management for services is shown below:

	Years Ended December 31,	
	2016	2015
Director compensation, and key management salaries and benefits [(a)]	**11.4**	12.2
Post-employment benefits	**0.5**	0.5
Share-based compensation	**4.6**	2.2
Termination benefits	**0.8**	—
Total	**17.3**	14.9

(a) Salaries and benefits include short-term incentive compensation.

In addition to the above amounts, the Corporation is committed to pay incremental benefits to certain members of key management up to $10.0 million in the event of a termination without cause or up to $22.3 million in the event of a termination resulting from a change in control.

TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Aimia offers post-employment benefits to its former employees by way of the defined contribution and defined benefit plans. The transactions with these plans are limited to contributions and payment of benefits.

OTHER RELATED PARTY TRANSACTIONS

The International Coalitions segment recorded revenue of $9.2 million relating to services rendered to i2c during the year ended December 31, 2016 (2015: $10.4 million). At December 31, 2016, an amount of $10.8 million was receivable from i2c (December 31, 2015: $11.7 million).

Within Corporate and Other, the business recorded $6.5 million (US$4.9 million) in revenue related to consulting services rendered to PLM during the year ended December 31, 2016 (2015: $6.7 million (US$4.9 million)).

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30. ADDITIONAL FINANCIAL INFORMATION

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

A) STATEMENTS OF FINANCIAL POSITION

DISPOSAL GROUP HELD FOR SALE

During the fourth quarter, the Corporation determined that the U.S. CEL business was no longer core to its operations and thus, with the approval of the board of directors, is looking to dispose of the business within the next 12 months. Accordingly, the assets and liabilities related to the U.S. CEL business have been presented as held for sale (*Note 31*).

Impairment charges of $12.8 million (included in operating expenses) were recorded during the fourth quarter of 2016 to reduce the carrying amount of the disposal group to its fair value less costs of disposal. The impairment charges have been applied to reduce the carrying amount of goodwill within the disposal group.

Assets held for sale	
Accounts receivable	26.7
Prepaid expenses	21.8
Property and equipment	4.7
Software and technology	1.2
Accumulation partners' contracts and customer relationships	14.4
Goodwill	4.0
Total	**72.8**
Liabilities held for sale	
Accounts payable and accrued liabilities	22.6
Customer deposits	64.4
Deferred revenue	19.1
Pension and other long-term liabilities	2.2
Total	**108.3**

The non recurring fair value measurement for the disposal group is classified as level 3 in accordance with the fair value hierarchy described in *Note 28*.

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B) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Years Ended December 31,	
	2016	2015
Restricted cash	**(1.3)**	10.6
Accounts receivable	**44.7**	48.1
Inventories	**5.7**	(1.5)
Prepaid expenses	**12.1**	(0.4)
Accounts payable and accrued liabilities	**(18.3)**	31.0
Customer deposits	**(1.9)**	2.6
Provisions	**(0.6)**	(44.0)
Pension and other long-term liabilities	**2.4**	0.3
Deferred revenue	**56.8**	7.3
Total	**99.6**	54.0

C) STATEMENTS OF COMPREHENSIVE INCOME

INCOME TAX EFFECTS

The defined benefit plans actuarial gains for the year ended December 31, 2016 were net of deferred income tax expenses of $0.9 million.

The changes in fair value of the Air Canada Class B shares (*Note 28*) for the year ended December 31, 2015 were net of a deferred income tax expense of $0.1 million.

The accumulated gain relating to the Air Canada Class B shares (*Note 4*) which was reclassified to net earnings during the second quarter of 2015 was net of a deferred income tax expense of $2.9 million.

There was no income tax effect related to the fair value adjustments recorded on the investment in Cardlytics (*Note 28*) during the year ended December 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

D) STATEMENTS OF CHANGES IN EQUITY

ACCUMULATED OTHER COMPREHENSIVE INCOME

	Currency translation adjustments on foreign subsidiaries		Available-for-sale investments		Total	
As at	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Opening balance	**106.5**	33.0	**70.2**	67.5	**176.7**	100.5
Foreign currency translation adjustments	**(84.8)**	73.5	**(4.8)**	20.6	**(89.6)**	94.1
Change in fair value of available-for-sale investments, net of tax	**—**	—	**(46.6)**	0.7	**(46.6)**	0.7
Reclassification to net earnings of gain on sale of available-for-sale investments, net of tax	**—**	—	**—**	(18.6)	**—**	(18.6)
Ending balance	**21.7**	106.5	**18.8**	70.2	**40.5**	176.7

31. SUBSEQUENT EVENTS

On February 14, 2017, the Corporation reached an agreement to sell the U.S. CEL business to CM Insights (*Note 30A*). The transaction is expected to close within the next 90 days.

BOARD OF DIRECTORS

Robert Brown
Chairman of the Board

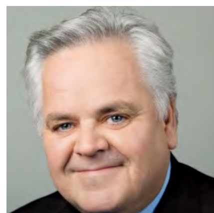
Corporate Director

Emma Griffin [1][2]
Director

Corporate Director

Roman Doroniuk [1][3]
Director

Consultant



Beth S. Horowitz [1][2]
Director

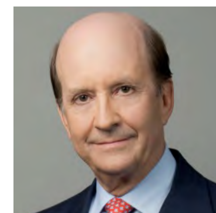
Corporate Director

Rupert Duchesne [4]
Director

Group Chief Executive,
Aimia

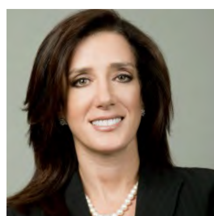
David Laidley [1][2]
Director

Corporate Director



Joanne Ferstman [1][3]
Director

Corporate Director



William McEwan [2][3]
Director

Corporate Director

Hon. Michael Fortier, PC [2][3]
Director

Vice Chairman,
RBC Capital Markets

Douglas Port [2][3]
Director

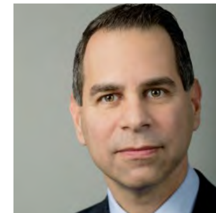
Corporate Director

Thomas D. Gardner [1][3]
Director

Corporate Director

Alan Rossy [1][3]
Director

President and
Chief Executive Officer,
Groupe Copley



(1) Member of the Audit, Finance and Risk Committee
(2) Member of the Governance and Nominating Committee
(3) Member of the Human Resources and Compensation Committee
(4) Rupert Duchesne is on medical leave as of January 20, 2017

EXECUTIVE TEAM

Rupert Duchesne (1)
Group Chief Executive

David Johnston (2)
Executive Vice President and Group Chief Operating Officer

Marc Allsop
Senior Vice President and Head of Global Business Development

Jan-Pieter Lips (3)
President, International Coalitions

Shailesh Baidwan
President, Global Loyalty Solutions

Tor Lønnum
Chief Financial Officer

Liz Graham
Executive Vice President, Operations and Strategic Initiatives

Vince Timpano
President, Americas Coalitions

Sandy Walker
Chief Talent Officer and Head of Corporate Affairs

(1) Rupert Duchesne is on medical leave as of January 20, 2017
(2) David Johnston assumed the role of Interim Group Chief as of January 21, 2017
(3) Jan-Pieter Lips left Aimia on January 31, 2017

CORPORATE INFORMATION

Head Office

Tour Aimia - 525, Viger Avenue West, Suite 1000
Montreal, Quebec
H2Z 0B2
Canada

Transfer Agent

Shareholders are encouraged to contact CST Trust Company for information regarding their security holdings. They can be reached at:

CST Trust Company
P.O. Box 700
Station B
Montreal, Quebec
H3B 3K3
Canada

1-800-387-0825
inquiries@canstockta.com

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
Montreal, Quebec

Aimia Traded Securities

Common Shares (AIM, Cusip 00900Q103)
Cumulative Rate Reset Preferred Shares, Series 1 (AIM.PR.A, Cusip 00900Q202)
Cumulative Floating Rate Preferred Shares, Series 2 (AIM.PR.B, Cusip 00900Q301)
Cumulative Rate Reset Preferred Shares, Series 3 (AIM.PR.C, Cusip 00900Q400)
Senior Secured Notes Series 4 (Cusip 00900QAC74)
Senior Secured Notes Series 5 (Cusip 00900QAD5)

CORPORATE INFORMATION

Investor Relations

Karen Keyes
416-352-3728
karen.keyes@aimia.com

130 King Street West, Suite 1600
Toronto, Ontario
M5X 1C7
Canada

Annual Meeting of Shareholders

Shareholders are invited to attend the annual meeting of shareholders of Aimia being held on Thursday, May 11, 2017 at 10:30 a.m. EDT. at:

TMX Broadcast Centre
130 King Street West
Toronto, Ontario
M5X 1J2
Canada

Aimia's Website

Aimia's website (www.aimia.com) contains a variety of corporate and investor information including

- Share price information
- Annual and quarterly reports
- Management information circular
- News releases
- Investor presentations
- Dividend information
- Social purpose report
- Annual Information Form

Aimia's continuous disclosure documents are filed with the securities regulators in Canada and can be found at www.sedar.com.