ANNUAL REPORT 2013

AIMIA

INSPIRING LOYALTY

CHAIRMAN'S LETTER

2013 was a transformative year for Aimia. We reset our financial card agreements in the Aeroplan program in Canada and created a firm foundation for growth, including an enhanced value proposition to members. In the UK, an important decision from the Supreme Court brought to an end the long standing question with respect to VAT litigation. By the end of 2013, we achieved healthy levels of Free Cash Flow and delivered solid financial results. We raised our quarterly dividend by 6% to $0.68 per common share annually and will be reviewing the dividend policy again at the Annual General Meeting in May 2014. Total shareholder return in 2013 saw gains of 36%, the highest total shareholder return in any year of our corporate history.

The renegotiation of the financial card agreements in our Aeroplan program absorbed much attention from both Board and management throughout 2013 as we sought the best possible outcome on behalf of shareholders. We were pleased to reach an agreement to partner with one of Canada's leading banks in June 2013. The subsequent tri-party conveyance transaction announced in September 2013 provided more certainty of cash flows and a reduced risk to shareholders, ensuring members could accumulate Aeroplan Miles seamlessly through the transition and maintain a stable cardholder base at CIBC as well as at TD. The addition of TD as a major partner in our coalition program reduces our client concentration risk and we have renewed many of our major contracts in our core Canadian and UK coalition programs over the last three years.

A further area of focus in 2013 was the Board's review of our five-year strategy. We believe the strategy will position the company for sustainable growth, while continuing to aim for increased diversification of revenues and profits over time. A Global Advisory Council has also been established to provide management with insights and feedback on external affairs impacting the company. This council will assist the company to remain nimble and responsive to the changing global loyalty landscape.

2014 will be a transitional year for Aimia with a new primary financial card partner and the launch of our Aeroplan Distinction initiative in Canada. Management's focus in 2014 will be on growing Gross Billings and market share and executing the plan set out in 2013.

We have demonstrated over the years the ability to deliver high total returns to shareholders while making acquisitions and investments to maintain the growth trajectory of our company and diversify our sources of profitability. We will also continue to make the strategic investments to accelerate business growth internationally.

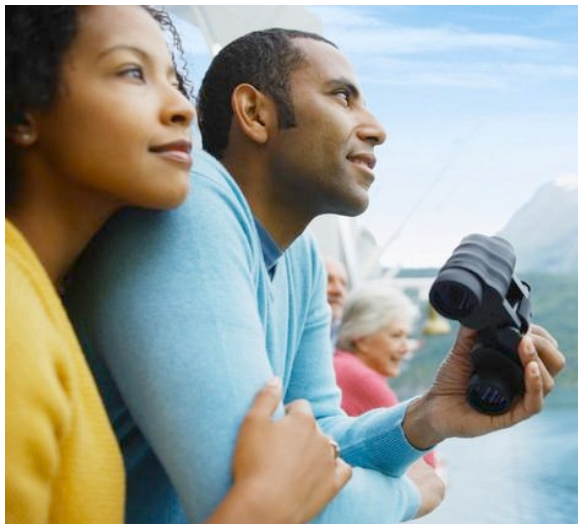
On behalf of the Board, I thank our employees for their efforts in 2013 and our shareholders for their ongoing support and confidence in us.

Robert E. Brown

GROUP CHIEF EXECUTIVE'S LETTER

2013 marked an important milestone in our corporate history. We transformed our Aeroplan program in Canada and reset our financial card agreements, adding TD as our new credit card issuer and extending contracts with CIBC and AMEX; additionally, we made strategic investments in fast-growing regions of Asia as part of our international expansion to drive the level of growth and diversification required beyond our established markets.

CANADA



Canada remains our most significant contributor to consolidated gross billings and profitability[1]. The transformation we made to the Aeroplan program in conjunction with the financial card renewals will provide the momentum for program growth and maintain our leadership position.

In 2013, Gross Billings were $1,300.1 million, driven by higher Gross Billings from the sale of Loyalty Units, as well as positive growth in the proprietary loyalty services business.

The transformation of Aeroplan included the launch of Distinction - a new tiered recognition program that rewards top accumulating members with preferential mileage levels for redemption, the introduction of new Market Fare Flight Rewards, offering lower mileage level redemptions, to replace ClassicPlus Flight Rewards, and lastly, the cancellation of the seven-year mileage redemption policy. As a result of these enhancements, we expect higher member engagement in the Aeroplan Program; therefore we reduced our breakage rate estimate from 18% to 11%.

The TD, CIBC and AMEX agreements all came into effect from January 1, 2014, along with the renewed Aeroplan program and unique new Air Canada benefits now available to TD and CIBC cardholders.

The financial credit card agreements with TD and CIBC included an increase in the price per mile of approximately 15%, a $100 million upfront contribution from TD in January 2014 to help fund program enhancements, and joint marketing spending commitments of $140 million over the next four years with TD to support new cards and new program features.

In 2014, the $100 million contribution from TD will partially offset the increased funding of bonus miles related to card acquisition, increased cost of rewards and increased volume of redemptions. The impact of increased yield is expected to be fully reflected in 2015. Marketing costs rose sharply in 2013 to support the changes made to the Aeroplan program and will remain elevated in 2014 to ensure we have strong momentum behind the program to increase market share.

[1]On an adjusted EBITDA basis.

We also agreed to comprehensive collaboration around data and customer insight analytics in our new agreements with TD, CIBC, and AMEX. As we implement more changes over the 10-year life of our TD and CIBC agreements, we will be building on the trust we already have to better use personal data to deliver relevant benefits and offers with the customer's permission. We will be making the value exchange more transparent - ensuring consumers have a clear understanding of how that data use benefits them.

Over the past three decades, Aeroplan expanded its reach and membership through its co-branded financial card programs, enabling millions of Canadian households and businesses to increase how they earn and redeem rewards. The enhancements made to the Aeroplan program in conjunction with the ten-year financial credit card agreements and renewal of our agreement with American Express is expected to reinvigorate engagement from the 4.8 million member base and will redefine the Canadian loyalty space and reinforce Aeroplan's market leadership in Canada over the next decade.

EMEA

Adjusted EBITDA finished the year at a historic high of $94 million. Excluding the favourable VAT impact, Adjusted EBITDA margin (as a percentage of Gross Billings) was strong at 10% with improved operating leverage at Nectar UK contributing to the record-high profitability in the region. The continued strength of the Nectar program led strong growth in the region with Gross Billings increasing by 10% on a reported basis year over year to $704 million.

Our i2c joint venture with Sainsbury's has demonstrated tremendous insight to suppliers and has driven enhanced targeting promotions and campaigns aimed at Sainsbury's shoppers. Our Air Miles Middle East program saw reinvigorated member engagement from the investments made by the program's main sponsors following our contract renegotiation in 2012. Our Nectar Italia program continues to be challenged by the economic weakness. In 2013, we acquired the remaining 25% equity stake in Nectar Italia and commenced contract renewal discussions with our supermarket partner Groupe Auchan.

US & APAC

Our 2009 acquisition of Carlson Marketing provided an important foundation to expand our position in loyalty globally, particularly in the Proprietary Loyalty market which continues to represent around 75% of annual loyalty spending.

In 2013, we made significant progress to grow the existing base of clients in Asia Pacific. Our win with Thanachart Bank for enhancement services announced in the fourth quarter of 2013, expands this service into a new market in Thailand. New business growth in Australia, consolidation of our Indonesia acquisition, and the continued rollout of services for Standard Chartered Bank contributed to the growth in Gross Billings.

Our presence in Asia Pacific has provided the opportunity to partner with leading businesses in the region to take our coalition models into Asia. In addition to the China Rewards launch, we announced in January of 2014 that we had taken a minority equity position in Air Asia's Think Big loyalty program, with an initial investment of $17 million. This is an exciting part of the world and Air Asia is a significant low cost airline in the region, flying over 40 million people every year. We will bring the expertise and knowledge transfer to help grow the member base and build the loyalty experience with the consumer, while also improving profitability. This will be another Aimia first: real data-driven loyalty in the low cost, low fare airline sector.

GROUP CHIEF EXECUTIVE'S LETTER

The acquisition of a presence in the US region was also an important part of our strategy. While our progress in this market has been slower than we anticipated, we have invested in new relationships in our traditional business through the new talent we have brought in. The integration of Excellence in Motivation (EIM), the acquisition of Smart Button and the launch of the Aimia Loyalty platform have significantly strengthened the offerings we are taking to clients in this competitive loyalty market.

Our expectations for the business going forward are built on what is now a much more stable base with a growing pipeline, and with opportunities such as the potential US coalition or other acquisitions that fit within our strategic plan.

INVESTMENTS

We also saw the benefit being provided by two of our earlier investments – in Club Premier and Cardlytics – in 2013.

In Mexico, the Club Premier program continues to be a success story for Aimia exemplifying our expertise in operating frequent flyer loyalty programs in different regions around the world. In 2013, we received $14.0 million in distributions from this joint venture and anticipate future distributions as the program further develops beyond its existing 3.5 million membership base.

During the year, we invested an additional $31.9 million in Cardlytics, with the proceeds of their financing round aimed at funding international growth. Having signed up Lloyds in the U.K. as the first international client in 2013, there continues to be significant opportunities for the model to be deployed in other markets around the world.

2014 PRIORITIES & OPPORTUNITIES

In Canada, the renewal of key partner contracts and reinvestment in Aeroplan's value proposition will establish a strong platform for sustainable growth, solidifying our leadership position as the leading premium coalition loyalty program in Canada.

In EMEA, Nectar UK remains the primary growth engine in the region supported by our anchor partner, Sainsbury's. Our Air Miles Middle East program is expected to grow, albeit at a slower growth trajectory. Nectar Italia should perform better provided the economy does not worsen and renewal discussions with Group Auchan proceed as expected.

In the US & APAC region, we will look to monetize our Smart Button acquisition, while aggressively marketing the Aimia Loyalty Platform to new and existing clients. Our co-investment in China Rewards, minority investment in Think Big, consolidation of our Indonesia business and agreement with Standard Chartered Bank are expected to drive growth in the region. We also will continue to explore the prospect of launching a regional coalition in the US.

Analytics and insights will continue to be an important element of what differentiates the Aimia offering to partners within our coalitions as well as to our proprietary loyalty clients, with approximately 5 per cent of employees currently engaged in analytics work and continued investment in this space. Our ability to use analytics tools for customer segmentation improves acquisition and retention as well as increasing the commercial impact of loyalty programs. Within the retail space, we signed new client Spartan Stores in late 2013 for our Self-Serve proprietary tool that enables retailers and their vendors to proactively understand and respond to changing customer behaviours. We have built a strong pipeline in this business and expect continued growth in 2014.

GROUP CHIEF EXECUTIVE'S LETTER

CORPORATE SOCIAL RESPONSIBILITY

Since launching our social purpose framework in December 2012, we've made tremendous strides on our commitment. In 2013, conversations held with Aimia leaders around the world helped shape our way forward.
This global dialogue led to the first expression of a five-year social purpose roadmap that aims to explore opportunities associated with three key pillars:

- **Loyalty for Good:** through this pillar, we will further explore loyalty's potential to help businesses, governments and individuals tackle global and local challenges.
- **Responsible Business Practices:** this pillar will focus on continuously improving how we do things and hold ourselves to the highest ethical and business practices, with a specific focus on those areas where we can have the greatest influence and impact.
- **Employees & Communities:** our third pillar will sharpen our focus on skills-based giving, leveraging our unique skills to create the most social value.

During 2014, we will engage with our stakeholders through a structured materiality assessment to identify more precisely where to focus our resources to optimize the creation of shared economic, environmental and social benefits.

CONCLUSION

Loyalty rewards are seen as part of regular life in the markets where our programs have already achieved success and the global loyalty market offers many attractive opportunities. 2013 saw us grasp some of these with a transformational investment in Canada and our work to build on a strong presence and platform for growth around the world. We continue to benefit from the strength of our employee base, which brings some of the best global loyalty experience and knowledge to the work they do and without whom our progress as a global loyalty leader would not be possible.

2014 is shaping up to be an exciting year for Aimia as we have many things to look forward to, including the relocation of our global headquarters to a new office in the heart of Montreal's financial district.

In our coalitions programs in Canada, the UK and the Middle East, we have undertaken transformational contract renewals with our top partners over the last few years and have seen the benefits of those renewals in EMEA in 2013. We have reset the US business and continue to build out and seed investments that maximize our unique expertise.

All of these actions will contribute to a stronger and more diversified business over the longer term and has set us up for a year in which we will be focused on continuing to grow the strong base we have in place.

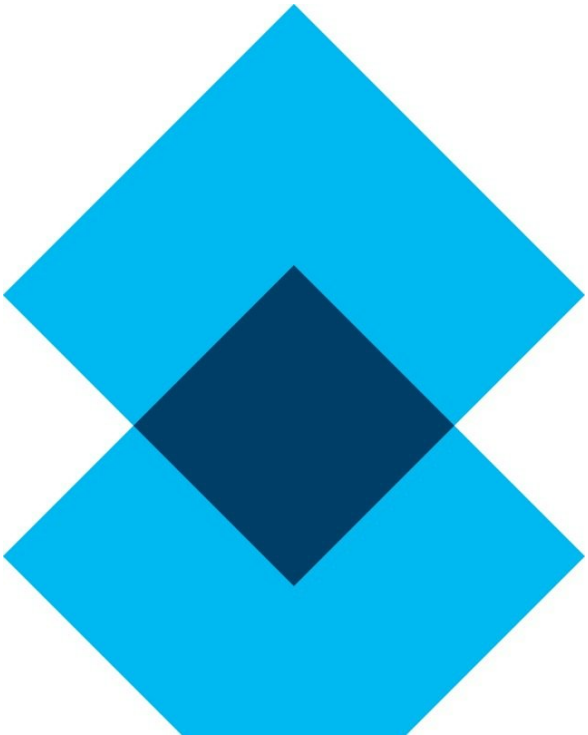
As we grow our business, we will need to ensure that we don't lose the consumer centricity that was key to the product redesign at Aeroplan, that we continue to focus on the things that make us a leading employer in our key markets and that the opportunities we have to deploy capital will deliver strong returns to shareholders over the short, medium and longer term.

Rupert Duchesne

AIMIA
INSPIRING LOYALTY

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

For the years ended December 31, 2013 and 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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"), formerly known as Groupe Aeroplan Inc., was incorporated on May 5, 2008 under the laws of Canada as a wholly-owned subsidiary of Aeroplan Income Fund (the "Fund"). It is the successor to Aeroplan Income Fund following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

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

The MD&A is prepared as at February 26, 2014 and should be read in conjunction with the accompanying audited consolidated financial statements of Aimia for the year ended December 31, 2013 and the notes thereto.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would" and "should",and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on top Accumulation Partners and clients, changes to the Aeroplan Program, failure to safeguard databases and consumer privacy, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues, Air Canada or travel industry disruptions, airline industry changes and increased airline costs, supply and capacity costs, unfunded future redemption costs, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third-party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of February 26, 2014, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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

THIS MD&A CONTAINS THE FOLLOWING SECTIONS:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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., formerly known as Groupe Aeroplan Inc., and where the context requires, includes its subsidiaries and affiliates;

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

"Breakage" - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment. Management's consolidated weighted average breakage estimate at December 31, 2013 is 12% (December 31, 2012: 17%), and is calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs;

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

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

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

"Cardlytics" - means Cardlytics, Inc.;

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

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

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

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

"EIM" - means Excellence in Motivation, Inc.;

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

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

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

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

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

"IFRS" - means International Financial Reporting Standards;

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

"i2c" - means Insight 2 Communication LLP;

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

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

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

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

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

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

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

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

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

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

"Smart Button" - means Smart Button Associates, Inc.;

"Think Big" - means Think Big Digital Sdn Bhd;

"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 CONDITIONS AND RESULTS OF OPERATIONS

OVERVIEW

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

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

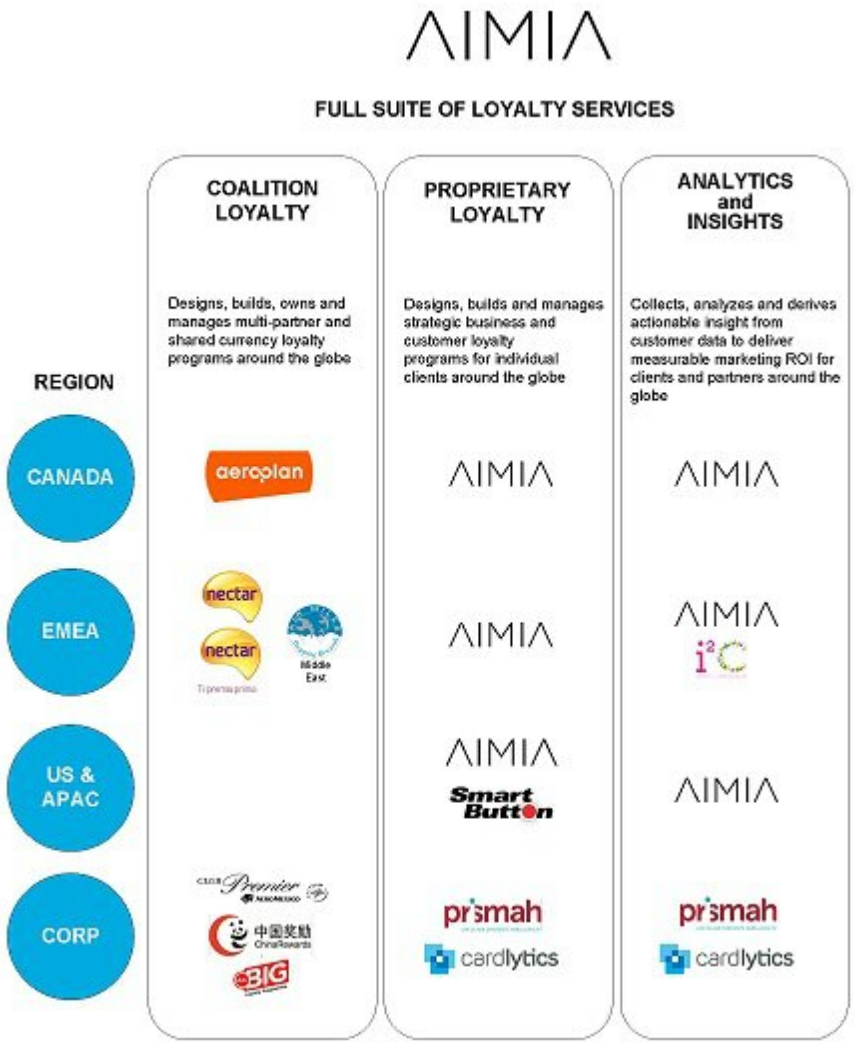
Aimia also holds a 48.9% interest in, and jointly controls with Grupo Aeromexico, PLM, owner and operator of Club Premier, a Mexican coalition loyalty program and a 50% interest in, and jointly controls with Multiplus S.A., Prismah, a company formed to offer loyalty services in Brazil. Additionally, Aimia holds an investment in China Rewards, a Chinese based retail coalition loyalty program start-up, and a minority interest in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking. These investments are reported under Corporate in the segmented information.

Aimia also holds an investment in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program. Please refer to the *SUBSEQUENT EVENTS* section for more information.

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

REGIONAL STRUCTURE AND LOYALTY SERVICES

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



Notes:

- *The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.*
- *As at December 31, 2013 Aimia owned 60% of Air Miles Middle East, 50% of Prismah, 50% of i2c, 48.9% of Club Premier, an investment in China Rewards and a minority interest in Cardlytics. All other businesses listed above are owned 100% by Aimia.*
- *Analytics and Insights incorporates ISS and i2c. Although ISS offers services in each of the regions, for reporting purposes, its results are reported in the EMEA segment only.*
- *Through its strategic alliance, Aimia works with Cardlytics to offer card-linked marketing services for electronic banking in each of our regions other than the US. As at December 31, 2013, the investment in Cardlytics was reported in Corporate and accounted for as an available-for-sale investment.*
- *On February 6, 2014, Aimia acquired a minority stake in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program.*

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

STRATEGY

Aimia's vision is to be recognized as the global leader in loyalty management. Our strategy is to deploy our expertise in building proprietary loyalty solutions, designing, launching and managing coalition loyalty programs, creating value through analytics and insights and driving innovation in the emerging digital, mobile and social communications spaces. We build and run loyalty programs for ourselves and for some of the world's best brands. Our experience in running loyalty programs has taught us innovative ways to unlock data and reveal hidden insights for our clients and partners. Customer data is at the heart of everything we do. We believe in making business personal by inspiring brands to build unparalleled relationships with their customers and making engagement more relevant and rewarding.

Our ability to execute this strategy is grounded in our depth of people, our technology and our operational expertise. As owner-operators in the loyalty industry we have developed advanced technology platforms and operational experience which we leverage to grow profitability for our company, our partners and our customers.

Our strategy and full suite model is delivered on a global basis through the three principal loyalty service streams outlined below:

Coalition Loyalty

Aimia's coalition loyalty experts build value for existing coalition partners, launch greenfield coalitions, partner with legacy programs to spin them off into multi-partner coalitions and deploy the full suite of loyalty services for coalition partners. Through a member and partner-centric approach, these coalitions add value to the eco-system of partners and members by sustaining, enhancing and deepening the members' relationships with partners.

Proprietary Loyalty

Aimia's proprietary loyalty service experts design, launch and operate new client programs, re-launch, refresh and operate existing client programs and bring our technology platforms, digital, mobile and analytical expertise to bear on behalf of clients, to sustain, enhance and deepen relationships with their customers. We also create incentive programs and loyalty solutions to encourage loyalty, increase sales and deliver results for employee and channel networks.

Analytics and Insights

Aimia is at the forefront of insight and analysis. Understanding the customer and their needs enables decisions that transform businesses. We provide cutting-edge data analytics for coalition and proprietary clients, derive insight from program, SKU-level, third-party and other data sources and use data to deliver unparalleled marketing ROI, transform the customer experience and build loyalty. Our analytics and insights services include member analysis and reward, partner and liability optimization.

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

Aimia's strategy is executed through the following initiatives:

- enhancing the value proposition to our partners and customers;
- increasing member engagement in the loyalty programs we own and operate by providing new accumulation opportunities and offering a wider range of redemption opportunities;
- assisting our clients in managing and evolving their proprietary loyalty programs to maximize the impact on their businesses;
- offering loyalty management services and applications that span across coalition and third-party proprietary models, from strategy to execution to optimization;
- assisting our clients to gain unparalleled insight into shopping trends from analysis of product and customer information to help them make strategic decisions; and
- delivering optimum data driven solutions to our clients in their interactions with customers, loyalty and reward programs and other data sources.

We are also well positioned to leverage our full suite of loyalty management services to expand profitability by:

- seeking to acquire interests in existing frequent flyer programs and customer loyalty programs in existing and new geographic markets; and
- pursuing investments in strategic and synergistic acquisitions.

PERFORMANCE INDICATORS

GROSS BILLINGS

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

OPERATING INCOME

Revenue

Coalition Loyalty

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

members, Aimia recognizes revenue based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed.

Proprietary Loyalty

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

Other

Other revenue consists of:

- analytics and insights service fees from services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment;
- charges to coalition loyalty members for various services;
- loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks; and
- the management of Air Canada's tier membership program for its most frequent flyers.

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

Cost of Rewards, Direct Costs and Operating Expenses

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

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

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

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

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

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

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

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

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

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

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

ADJUSTED NET EARNINGS

Adjusted Net Earnings provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA. Net earnings attributable to equity holders of the Corporation are adjusted to exclude Amortization of

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

Accumulation Partners' contracts, customer relationships and technology, share of net earnings (loss) of equity-accounted investments and impairment charges. Adjusted Net Earnings includes the change in deferred revenue and Change in Future Redemption Costs, net of the income tax effect and non controlling interest effect (where applicable) on these items at an entity level basis. Adjusted Net Earnings also includes distributions and dividends received or receivable from equity-accounted investments.

Adjusted Net Earnings is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, and is not comparable to similar measures used by other issuers. For a reconciliation to GAAP, please refer to the *SELECTED INFORMATION AND RECONCILICATION OF EBITDA, ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND FREE CASH FLOW* included in the *Operating and Financial Results* section.

STANDARDIZED FREE CASH FLOW ("FREE CASH FLOW")

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

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

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

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

CAPABILITY TO DELIVER RESULTS

Aimia operates in a relatively new industry with a limited number of peers. As a result, there are few industry comparables and Productive Capacity benchmarks.

Capital Resources

Aimia generates sufficient cash flow internally to fund cash distributions, capital expenditures and to service its debt obligations. Management believes that Aimia's internally generated cash flows, combined with its ability to access external capital, provide sufficient resources to finance its cash requirements for the foreseeable future and to maintain available liquidity, as discussed in the *Liquidity and Capital Resources* section.

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

Non-capital Resources

Aimia's critical non-capital resources are its brands, its strong and large member bases and related data, its relationships with Commercial Partners and clients, its technology platforms and its employees.

Leading Market Position and Brands

Aimia's leading market position and strong brands, including Aeroplan and Nectar, make it attractive to existing and potential Commercial Partners and clients. Management believes that its brands are associated with an attractive base of consumers in terms of household income, spending habits and loyalty program engagement.

Strong Member Bases

Aimia's coalition loyalty programs benefit from growing member bases. Attractive demographics of the membership bases of Aimia's coalition loyalty programs have demonstrated a strong willingness to collect Loyalty Units over other loyalty program units.

Relationship with Commercial Partners

Aimia has relationships with numerous Commercial Partners, including leading financial services, travel services, retailers and consumer products and services companies. The terms of these contractual arrangements typically range from 2 to 5 years and are longer with Air Canada and certain financial services partners with respect to the Aeroplan Program. Management believes that Commercial Partners benefit from members' sustained purchasing behaviour, which translates into a recurring flow of Gross Billings.

Long-Term Strategic Relationship with Air Canada

Aimia benefits from the unique strategic relationship Aeroplan has with Air Canada and its affiliation with the strong Air Canada brand. Aeroplan benefits from a long-term commercial agreement for the purchase of seat capacity from Air Canada and its affiliates, at attractive rates based on its status as Air Canada's largest customer. This is of great importance as travel continues to be one of the most sought after rewards under the Aeroplan Program. In addition, not only does Aeroplan have access to Air Canada's passengers for the purpose of acquiring new Aeroplan members, it also has access to Air Canada's most affluent customers through the management of its frequent flyer tier membership program. As an exclusive benefit, Aeroplan also has the ability to offer qualified members access to Air Canada's global network of Maple Leaf airport lounges.

In addition, Air Canada is one of Aeroplan's leading Commercial Partners, purchasing a high volume of Aeroplan Miles yearly for the purpose of awarding Aeroplan Miles to its customers. Aeroplan is Air Canada's exclusive loyalty marketing provider based in Canada.

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Large Base of Loyalty Marketing Clients Worldwide

Aimia's international footprint spans the globe with some of the world's best known brands, with presence in North America, South America, Europe, the Middle East and Asia, and in sectors as diverse as airlines, automotive, CPG/FMCG, financial services, high tech, pharma/healthcare, retail, telecom and travel hospitality.

Technology

Aimia relies on a number of sophisticated systems in order to operate loyalty management platforms and contact centres, and to manage and analyze member databases and process redemption rewards. Through the use of its distinctive technology platforms, Aimia is able to offer value-added services to Commercial Partners, clients and members. In addition, Aimia uses technology to provide analytical services to its partners, their suppliers and others.

Employees

Our people are what make Aimia a great company. We base our culture on a few simple but powerful values which shape every aspect of the way we do business. These can be summed up by passion. Aimia benefits from a strong and experienced employee base in coalition loyalty, proprietary loyalty services, analytics and insights, which is focused on driving growth and enhancing value to our Commercial Partners, clients and members. Aimia has 32 offices in 20 countries around the world, with its largest employee bases in Canada (where we own and operate the Aeroplan program), the UK (where we own and operate the Nectar program) and the US. Around three-quarters of our 4,300 employees are located in these countries.

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, 2013 and 2012, and the related notes.

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

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

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

	Years ended December 31,					%△	
(in thousands of Canadian dollars , except share and per share information)	2013		2012 [q]	2011		2013 over 2012	2012 over 2011
Gross Billings	**2,366,449**		2,243,023	2,233,226		5.5	0.4
Gross Billings from the sale of Loyalty Units	**1,711,376**		1,628,429	1,560,801		5.1	4.3
Total revenue before change in Breakage estimate	**2,376,360**		2,248,918	2,229,205		5.7	0.9
Change in Breakage estimate [f][p]	**(702,812)**		—	(113,300)		**	**
Total revenue (as reported)	**1,673,548**		2,248,918	2,115,905		(25.6)	6.3
Cost of rewards and direct costs	**(1,301,795)**	[g]	(1,300,925)	(1,332,874)		0.1	(2.4)
Gross margin before depreciation and amortization [a]	**371,753**	[g]	947,993	783,031		(60.8)	21.1
Depreciation and amortization	**(43,474)**		(38,425)	(36,033)		13.1	6.6
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(84,414)**		(87,234)	(93,474)		(3.2)	(6.7)
Gross margin	**243,865**	[g]	822,334	653,524		(70.3)	25.8
Operating expenses	**(908,911)**	[g][h][i]	(566,386)	(612,548)	[i]	60.5	(7.5)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**84,414**		87,234	93,474		(3.2)	(6.7)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**(580,632)**	[g][h][i]	343,182	134,450	[i]	**	**
Depreciation and amortization	**43,474**		38,425	36,033		13.1	6.6
Impairment of goodwill	**19,144**		—	53,901		**	**
EBITDA [a][c]	**(518,014)**	[g][h]	381,607	224,384		**	70.1
Adjustments:							
Change in deferred revenue							
Gross Billings	**2,366,449**		2,243,023	2,233,226			
Revenue	**(1,673,548)**		(2,248,918)	(2,115,905)			
Change in Future Redemption Costs [b]	**(40,070)**	[j]	11,640	472			
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)							
Distributions from equity-accounted investments	**15,700**		15,712	—			
Subtotal of Adjustments	**668,531**		21,457	117,793			
Adjusted EBITDA [c]	**150,517**	[g][h][j]	403,064	342,177		(62.7)	17.8
Net earnings (loss) attributable to equity holders of the Corporation	**(498,281)**	[g][i][k][l][m]	165,507	(59,678)	[i][p]		
Weighted average number of shares	**172,514,527**		173,015,589	179,146,339			
Earnings (loss) per common share [d]	**(2.95)**	[g][i][k][l][m]	0.89	(0.40)	[i][p]		
Net earnings (loss) attributable to equity holders of the Corporation	**(498,281)**	[g][i][k][l][m]	165,507	(59,678)	[i][p]		
Amortization of Accumulation Partners' contracts, customer relationships and technology	**84,414**		87,234	93,474			
Share of net (earnings) loss of equity-accounted investments	**6,556**		(2,917)	4,444			
Impairment of goodwill	**19,144**		—	53,901			
Adjusted EBITDA Adjustments (from above)	**668,531**		21,457	117,793			
Tax on adjustments [e]	**(173,245)**		(196)	6,273			
Non-controlling interests share on adjustments above	**(3,974)**		(2,252)	(18,042)			
Adjusted Net Earnings [c]	**103,145**	[g][l][m][n]	268,833	198,165		(61.6)	35.7
Adjusted Net Earnings per common share [c][d]	**0.53**	[g][l][m][n]	1.49	1.04			
Cash flow from operations	**150,000**	[o]	357,443	242,541			
Capital expenditures	**(54,383)**		(57,955)	(44,919)			
Dividends	**(126,873)**		(119,992)	(113,481)			
Free Cash Flow [c]	**(31,256)**	[o]	179,496	84,141		**	**
Total assets	**5,338,596**		5,246,581	4,931,733			
Total long-term liabilities	**2,107,669**		1,760,871	1,313,201			
Total dividends per preferred share	**1.625**		1.625	1.625			
Total dividends per common share	**0.670**		0.630	0.575			

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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.

(d) After deducting dividends declared on preferred shares.

(e) The effective tax rates, calculated as income tax expense / earnings before taxes for the period on an entity level basis, are applied to the related entity level adjustments noted above.

(f) The impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, resulted in a reduction of $663.6 million to revenue from Loyalty Units, of which $617.0 million is attributable to the years prior to 2013 and $46.6 million to the six month period ended June 30, 2013. For the third and fourth quarter of 2013, the change in Breakage estimate resulted in a reduction of $39.2 million to revenue from Loyalty Units.

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

Prior to the issuance of the final ruling, Aimia had recorded an amount of $2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.

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

(i) Includes goodwill impairment charges of $19.1 million and $53.9 million recorded during the years ended December 31, 2013 and 2011, respectively, related to the US Proprietary Loyalty CGU.

(j) The Change in Future Redemption costs for the year ended December 31, 2013 includes the unfavourable impact resulting from the change in the Breakage estimate in the Aeroplan Program, which occurred during the second quarter of 2013, and amounted to $49.9 million.

(k) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of $512.6 million for the year ended December 31, 2013, net of an income tax recovery of $190.2 million.

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

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

Prior to the issuance of the final ruling, Aimia had recorded an amount of $1.1 million (£0.7 million) as interest expense during the period from January 1, 2013 to March 31, 2013.

(n) Includes the unfavourable impact to the Change in Future Redemption costs resulting from the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of $36.8 million for the year ended December 31, 2013, net of an income tax recovery of $13.1 million.

(o) Includes the CIBC Payment of $150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of $22.5 million.

(p) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of $113.3 million to revenue from Loyalty Units attributable to the years prior to 2011. Of the total adjustment, $82.0 million is attributable to the Nectar Program and $31.3 million is attributable to the Air Miles Middle East program.

(q) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section for additional information.

** Information not meaningful.

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

	Three Months Ended December 31,		%△
(in thousands of Canadian dollars, except share and per share information)	2013	2012 [n]	Q4
Gross Billings	**658,067**	615,055	7.0
Gross Billings from the sale of Loyalty Units	**464,673**	429,534	8.2
Total revenue before change in Breakage estimate	**706,820**	678,179	4.2
Change in Breakage estimate [f]	**(19,193)**	—	**
Total revenue (as reported)	**687,627**	678,179	1.4
Cost of rewards and direct costs	**(427,407)**	(412,651)	3.6
Gross margin before depreciation and amortization [a]	**260,220**	265,528	(2.0)
Depreciation and amortization	**(11,774)**	(12,013)	(2.0)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(23,890)**	(24,831)	(3.8)
Gross margin	**224,556**	228,684	(1.8)
Operating expenses	**(400,318)** [g][h]	(153,435)	**
Amortization of Accumulation Partners' contracts, customer relationships and technology	**23,890**	24,831	(3.8)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**(151,872)** [g][h]	100,080	**
Depreciation and amortization	**11,774**	12,013	(2.0)
Impairment of goodwill	**19,144**	—	**
EBITDA [a][c]	**(120,954)** [g]	112,093	**
Adjustments:			
Change in deferred revenue			
Gross Billings	**658,067**	615,055	
Total revenue	**(687,627)**	(678,179)	
Change in Future Redemption Costs [b]	**34,111** [i]	53,504	
(Change in Net Loyalty Units outstanding x Average Cost of Rewards per Loyalty Unit for the period)			
Distributions from equity-accounted investments	**5,313**	15,712	
Subtotal of Adjustments	**9,864**	6,092	
Adjusted EBITDA [c]	**(111,090)** [g][i]	118,185	**
Net earnings (loss) attributable to equity holders of the Corporation	**(125,592)** [h][j][k]	56,897	
Weighted average number of shares	**172,852,768**	172,123,799	
Earnings (loss) per common share [d]	**(0.74)** [h][j][k]	0.31	
Net earnings (loss) attributable to equity holders of the Corporation	**(125,592)** [h][j][k]	56,897	
Amortization of Accumulation Partners' contracts, customer relationships and technology	**23,890**	24,831	
Share of net (earnings) loss of equity-accounted investments	**(1,516)**	374	
Impairment of goodwill	**19,144**	—	
Adjusted EBITDA Adjustments (from above)	**9,864**	6,092	
Tax on adjustments [e]	**(8,171)**	(1,377)	
Non-controlling interests share on adjustments above	**(1,041)**	(889)	
Adjusted Net Earnings [c]	**(83,422)** [k][l]	85,928	**
Adjusted Net Earnings per common share [c][d]	**(0.50)** [k][l]	0.48	
Cash flow from operations	**(30,243)** [m]	100,570	
Capital expenditures	**(21,858)**	(23,506)	
Dividends	**(32,207)**	(30,374)	
Free Cash Flow [c]	**(84,308)** [m]	46,690	**
Total assets	**5,338,596**	5,246,581	
Total long-term liabilities	**2,107,669**	1,760,871	
Total dividends per preferred share	**0.406**	0.406	
Total dividends per common share	**0.170**	0.160	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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.

(d) After deducting dividends declared on preferred shares.

(e) The effective tax rates, calculated as income tax expense / earnings before taxes for the period on an entity level basis, are applied to the related entity level adjustments noted above.

(f) The impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, resulted in a reduction of $19.2 million to revenue from Loyalty Units for the three months ended December 31, 2013.

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

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

(i) The Change in Future Redemption costs for the three months ended December 31, 2013 includes the unfavourable impact resulting from the change in the Breakage estimate in the Aeroplan Program, which occurred during the second quarter of 2013, and amounted to $12.9 million.

(j) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of $14.2 million, net of an income tax recovery of $5.0 million.

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

(l) Includes the unfavourable impact to the Change in Future Redemption costs resulting from the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of $9.5 million for the three months ended December 31, 2013, net of an income tax recovery of $3.4 million.

(m) Includes the CIBC Payment of $150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of $22.5 million.

(n) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section for additional information.

** Information not meaningful.

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

SEGMENTED INFORMATION

At December 31, 2013, the Corporation had three reportable and operating segments: Canada, EMEA and US & APAC.

The segments are the Corporation's strategic business units. For each of the strategic business units, the Corporation's Group Chief Executive and Group Chief Operating Officer review internal management reports on a monthly basis. The segments have been identified on the basis of geographical regions and are aligned with the organizational structure and strategic direction of the organization. The US & APAC regions have been combined on the basis that they meet the aggregation criteria prescribed under IFRS 8 - *Operating Segments*.

The Canada segment derives its revenues primarily from the Aeroplan Program and from proprietary loyalty services. The US & APAC segment derives its revenues primarily from proprietary loyalty services. The EMEA segment derives its revenues primarily from loyalty programs, including the Nectar and Nectar Italia programs, operating in the United Kingdom and Italy, respectively, and from its interest in the Air Miles Middle East program. In addition, the EMEA segment also generates revenues from proprietary loyalty services and analytics and insights services, including ISS.

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

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

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

	Years Ended December 31,											
(in thousands of Canadian dollars)	2013	2012[f]	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012[f]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**1,300,101**	1,292,551	**704,120** *(c)*	639,851 *(c)*	**362,685** *(c)*	315,205 *(c)*	**—**	—	**(457)**	(4,584)	**2,366,449** *(c)*	2,243,023 *(c)*
Gross Billings from the sale of Loyalty Units	**1,085,820**	1,079,793	**625,556**	548,636	**—**	—	**—**	—	**—**	—	**1,711,376**	1,628,429
Revenue from Loyalty Units before change in Breakage estimate	**1,096,266**	1,109,523	**625,307**	528,359	**—**	—	**—**	—	**—**	—	**1,721,573**	1,637,882
Change in Breakage estimate *(f)*	**(702,812)**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(702,812)**	—
Revenue from Loyalty Units (reported)	**393,454**	1,109,523	**625,307**	528,359	**—**	—	**—**	—	**—**	—	**1,018,761**	1,637,882
Revenue from proprietary loyalty services	**166,512**	158,169	**18,531**	15,191	**362,288**	312,337	**—**	—	**—**	—	**547,331**	485,697
Other revenue	**47,378**	49,731	**60,078**	75,608	**—**	—	**—**	—	**—**	—	**107,456**	125,339
Intercompany revenue	**—**	17	**220**	304	**237**	4,263	**—**	—	**(457)**	(4,584)	**—**	—
Total revenue	**607,344**	1,317,440	**704,136**	619,462	**362,525**	316,600	**—**	—	**(457)**	(4,584)	**1,673,548**	2,248,918
Cost of rewards and direct costs	**689,200**	693,044	**410,900** *(i)*	438,639	**201,695**	169,563	**—**	—	**—**	(321)	**1,301,795** *(i)*	1,300,925
Gross margin before depreciation and amortization	**(81,856)**	624,396	**293,236** *(i)*	180,823	**160,830**	147,037	**—**	—	**(457)**	(4,263)	**371,753** *(i)*	947,993
Depreciation and amortization *(a)*	**98,762**	95,170	**16,663**	17,005	**12,463**	13,484	**—**	—	**—**	—	**127,888**	125,659
Gross margin	**(180,618)**	529,226	**276,573** *(i)*	163,818	**148,367**	133,553	**—**	—	**(457)**	(4,263)	**243,865** *(i)*	822,334
Operating expenses before the undernoted	**438,807** *(g)*	224,579	**195,268** *(i)*	141,995	**164,781**	138,277	**71,925**	53,260	**(457)**	(4,263)	**870,324** *(g)(i)*	553,848
Share-based compensation	**—**	—	**—**	—	**—**	—	**19,443**	12,538	**—**	—	**19,443**	12,538
Impairment of goodwill	**—**	—	**—**	—	**19,144**	—	**—**	—	**—**	—	**19,144**	—
Total operating expenses	**438,807** *(g)*	224,579	**195,268** *(i)*	141,995	**183,925**	138,277	**91,368**	65,798	**(457)**	(4,263)	**908,911** *(g)(i)*	566,386
Operating income (loss)	**(619,425)** *(g)*	304,647	**81,305** *(i)*	21,823	**(35,558)**	(4,724)	**(91,368)**	(65,798)	**—**	—	**(665,046)** *(g)(i)*	255,948
Adjusted EBITDA *(k)*	**137,664** *(g)(h)*	396,598	**94,000** *(i)(j)*	49,187	**(3,791)**	7,365	**(77,356)** *(j)*	(50,086) *(j)*	**—**	—	**150,517** *(g)(h)(i)(j)*	403,064 *(j)*
Additions to non-current assets *(d)*	**33,054**	32,269	**17,693**	18,675	**3,636**	7,011	**—**	2,273	**N/A**	N/A	**54,383**	60,228
Non-current assets *(d)*	**3,131,097**	3,190,837	**516,682** *(e)*	468,782 *(e)*	**78,077** *(e)*	77,805 *(e)*	**2,244**	2,156	**N/A**	N/A	**3,728,100** *(e)*	3,739,580 *(e)*

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

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

(c) Includes third party Gross Billings of $573.2 million in the UK and $227.2 million in the US for the year ended December 31, 2013, compared to third party Gross Billings of $525.2 million in the UK and $191.5 million in the US for the year ended December 31, 2012. 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 $463.5 million in the UK and $69.1 million in the US as of December 31, 2013, compared to non-current assets of $418.2 million in the UK and $71.1 million in the US as of December 31, 2012.

(f) The impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, resulted in a reduction of $663.6 million to revenue from Loyalty Units, of which $617.0 million is attributable to the years prior to 2013 and $46.6 million to the six month period ended June 30, 2013. For the third and fourth quarter of 2013, the change in Breakage estimate resulted in a reduction of $39.2 million to revenue from Loyalty Units.

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

(h) The Change in Future Redemption costs for year ended December 31, 2013 includes the unfavourable impact resulting from the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, and amounted to $49.9 million.

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

Prior to the issuance of the final ruling, Aimia had recorded an amount of $2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.

(j) Adjusted EBITDA includes distributions received or receivable from equity-accounted investments amounting to $15.7 million for the year ended December 31, 2013, of which $14.0 million relates to PLM and is included in Corporate and $1.7 million relates to i2c and is included in the EMEA region. Adjusted EBITDA for the year ended December 31, 2012 includes a distribution received from PLM amounting to $15.7 million reflected in Corporate.

(k) A non-GAAP measurement.

(l) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section for additional information.

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

	Three Months Ended December 31,											
(in thousands of Canadian dollars)	2013	2012[k]	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012[k]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**347,049**	336,232	**200,046** *(c)*	177,586 *(c)*	**111,020** *(c)*	102,265 *(c)*	**—**	—	**(48)**	(1,028)	**658,067** *(c)*	615,055 *(c)*
Gross Billings from the sale of Loyalty Units	**289,388**	278,780	**175,285**	150,754	**—**	—	**—**	—	**—**	—	**464,673**	429,534
Revenue from Loyalty Units before change in Breakage estimate	**244,609**	267,678	**271,069**	223,728	**—**	—	**—**	—	**—**	—	**515,678**	491,406
Change in Breakage estimate *(f)*	**(19,193)**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(19,193)**	—
Revenue from Loyalty Units (reported)	**225,416**	267,678	**271,069**	223,728	**—**	—	**—**	—	**—**	—	**496,485**	491,406
Revenue from proprietary loyalty services	**45,905**	45,314	**5,969**	4,276	**109,010**	101,858	**—**	—	**—**	—	**160,884**	151,448
Other revenue	**11,496**	12,546	**18,762**	22,779	**—**	—	**—**	—	**—**	—	**30,258**	35,325
Intercompany revenue	**—**	5	**48**	48	**—**	975	**—**	—	**(48)**	(1,028)	**—**	—
Total revenue	**282,817**	325,543	**295,848**	250,831	**109,010**	102,833	**—**	—	**(48)**	(1,028)	**687,627**	678,179
Cost of rewards and direct costs	**155,836**	172,597	**210,259**	182,578	**61,312**	57,529	**—**	—	**—**	(53)	**427,407**	412,651
Gross margin before depreciation and amortization	**126,981**	152,946	**85,589**	68,253	**47,698**	45,304	**—**	—	**(48)**	(975)	**260,220**	265,528
Depreciation and amortization *(a)*	**26,812**	25,257	**4,745**	4,881	**4,107**	6,706	**—**	—	**—**	—	**35,664**	36,844
Gross margin	**100,169**	127,689	**80,844**	63,372	**43,591**	38,598	**—**	—	**(48)**	(975)	**224,556**	228,684
Operating expenses before the undernoted	**272,883** *(g)*	58,796	**38,699**	36,910	**41,219**	38,018	**22,573**	18,172	**(48)**	(975)	**375,326** *(g)*	150,921
Share-based compensation	**—**	—	**—**	—	**—**	—	**5,848**	2,514	**—**	—	**5,848**	2,514
Impairment of goodwill	**—**	—	**—**	—	**19,144**	—	**—**	—	**—**	—	**19,144**	—
Total operating expenses	**272,883** *(g)*	58,796	**38,699**	36,910	**60,363**	38,018	**28,421**	20,686	**(48)**	(975)	**400,318** *(g)*	153,435
Operating income (loss)	**(172,714)** *(g)*	68,893	**42,145**	26,462	**(16,772)**	580	**(28,421)**	(20,686)	**—**	—	**(175,762)** *(g)*	75,249
Adjusted EBITDA *(j)*	**(114,962)** *(g)(h)*	100,428	**20,179** *(i)*	16,013	**8,489**	6,718	**(24,796)** *(i)*	(4,974) *(i)*	**—**	—	**(111,090)** *(g)(h)(i)*	118,185 *(i)*
Additions to non-current assets *(d)*	**13,967**	12,351	**6,017**	8,964	**1,874**	2,191	**—**	—	**N/A**	N/A	**21,858**	23,506
Non-current assets *(d)*	**3,131,097**	3,190,837	**516,682** *(e)*	468,782 *(e)*	**78,077** *(e)*	77,805 *(e)*	**2,244**	2,156	**N/A**	N/A	**3,728,100** *(e)*	3,739,580 *(e)*

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

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

(c) Includes third party Gross Billings of $170.3 million in the UK and $68.5 million in the US for the three months ended December 31, 2013, compared to third party Gross Billings of $148.4 million in the UK and $67.0 million in the US for the three months ended December 31, 2012. 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 $463.5 million in the UK and $69.1 million in the US as of December 31, 2013, compared to non-current assets of $418.2 million in the UK and $71.1 million in the US as of December 31, 2012.

(f) The impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, resulted in a reduction of $19.2 million to revenue from Loyalty Units for the three months ended December 31, 2013.

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

(h) The Change in Future Redemption costs for the three months ended December 31, 2013 includes the unfavourable impact of $12.9 million resulting from the change in the Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013.

(i) Adjusted EBITDA includes distributions received or receivable from equity-accounted investments amounting to $5.3 million for the three months ended December 31, 2013, of which $3.6 million relates to PLM and is included in Corporate and $1.7 million relates to i2c and is included in the EMEA region. Adjusted EBITDA for the three months ended December 31, 2012 includes a distribution received from PLM amounting to $15.7 million reflected in Corporate.

(j) A non-GAAP measurement.

(k) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section for additional information.

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

OPERATING RESULTS AND PERFORMANCE INDICATORS IN % TERMS

	Years Ended December 31,		
(as a % of total revenue)	2013		2012[l]
Total Revenue before change in Breakage estimate	**100.0**	(c)	100.0
Cost of rewards and direct costs	**(54.8)**	(d)	(57.8)
Gross margin before depreciation and amortization [a]	**45.2**	(c)(d)	42.2
Operating expenses	**(38.2)**	(d)(e)(f)	(25.2)
Depreciation and amortization	**(1.8)**		(1.7)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**5.1**	(c)(d)(e)(f)	15.3

	Years Ended December 31,		
(as a % of Gross Billings)	2013		2012[l]
Gross Billings	**100.0**		100.0
Total Revenue before change in Breakage estimate	**100.4**	(c)	100.3
Cost of rewards and direct costs	**(55.0)**	(d)	(58.0)
Operating expenses	**(38.4)**	(d)(e)(f)	(25.3)
Operating income before amortization of Accumulation Partners' contracts, customer relationships and technology	**5.2**	(c)(d)(e)(f)	15.3
Adjusted EBITDA [b]	**6.4**	(d)(g)(h)(i)	18.0 (i)
Adjusted Net Earnings [b]	**4.4**	(d)(g)(h)(i)(j)	12.0 (i)
Free Cash Flow [b]	**(1.3)**	(k)	8.0

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

(b) A non-GAAP measurement.

(c) Excludes the impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, and resulted in a reduction to revenue from Loyalty Units of $702.8 million for the year ended December 31, 2013.

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

Prior to the issuance of the final ruling, Aimia had recorded an amount of $2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.

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

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

(g) Adjusted EBITDA and Adjusted Net Earnings include the unfavourable impact to the Change in Future Redemption costs resulting from the change in the Breakage estimate in the Aeroplan Program, which occurred during the second quarter of 2013, and amounted to $49.9 million for the year ended December 31, 2013. Additionally, Adjusted Net Earnings include income tax recovery of $13.1 million for the year ended December 31, 2013, associated with the impact to the Change in Future Redemption costs previously described.

(h) Adjusted EBITDA and Adjusted Net Earnings include the unfavourable impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million. Additionally, Adjusted Net Earnings include income tax recovery of $53.1 million for the year ended December 31, 2013, associated with the impact previously described.

(i) Adjusted EBITDA includes distributions received or receivable from equity-accounted investments amounting to $15.7 million for each of the years ended December 31, 2013 and 2012.

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

Prior to the issuance of the final ruling, Aimia had recorded an amount of $1.1 million (£0.7 million) as interest expense during the period from January 1, 2013 to March 31, 2013.

(k) Includes the CIBC Payment of $150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of $22.5 million.

(l) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section for additional information.

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

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

CONSOLIDATED OPERATING RESULTS

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

Gross Billings generated for the year ended December 31, 2013 amounted to $2,366.4 million compared to $2,243.0 million for the year ended December 31, 2012, representing an increase of $123.4 million or 5.5%, including a $22.4 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mostly explained by the performance of the Nectar, Air Miles Middle East and Aeroplan programs, and additional Gross Billings in the US & APAC region from the inclusion of a full year activity in 2013 for EIM.

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

Total Revenue generated for the year ended December 31, 2013 amounted to $1,673.5 million compared to $2,248.9 million for the year ended December 31, 2012, representing a decrease of $575.4 million. Excluding the impact of $702.8 million resulting from the change in the Breakage estimate in the Aeroplan Program, revised from 18% to 11% in the second quarter of 2013, total revenue for the year ended December 31, 2013 amounted to $2,376.4 million, representing an increase of $127.5 million or 5.7%, including a $31.1 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mostly driven by higher revenue from Loyalty Units resulting from higher redemptions in the Nectar and Air Miles Middle East programs as well as by higher revenue from proprietary loyalty services primarily attributable to the US & APAC segment, offset in part by a reduction in other revenue explained by the fact that a large portion of the ISS UK revenue is reported within the i2c joint venture as of the first quarter of 2013.

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 $16.4 million for the year ended December 31, 2013.

Cost of Rewards and Direct Costs amounted to $1,301.8 million for the year ended December 31, 2013 compared to $1,300.9 million for the year ended December 31, 2012, representing an increase of $0.9 million or 0.1%. Excluding the impact resulting from the final judgment of the VAT litigation, cost of rewards and direct costs amounted to $1,374.6 million for the year ended December 31, 2013, an increase of $73.7 million or 5.7%, including a $19.7

million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mainly explained by increased redemption activity in the Nectar and Air Miles Middle East programs as well as by higher direct costs driven by an increase in proprietary loyalty services in the US & APAC and Canada regions, offset in part by lower cost of rewards in the Aeroplan Program.

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

On a consolidated basis, the impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of $10.6 million for the year ended December 31, 2013.

Gross Margin before Depreciation and Amortization, excluding the impact of the change in Breakage estimate in the Aeroplan Program and the impact resulting from the final judgment of the VAT litigation, remained stable compared to the prior year, and represented 42.2% of total revenue for the year ended December 31, 2013.

Operating Expenses amounted to $908.9 million for the year ended December 31, 2013 and included the following:

- the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million in the Aeroplan Program;
- the impact of the final judgment of the VAT litigation in the current period of $48.8 million, including an amount of $43.2 million (£27.1 million) relating to the contingent consideration payable to the former shareholders of Aimia EMEA Limited; and
- the goodwill impairment charge of $19.1 million related to the Proprietary Loyalty cash-generating unit in the US region (the "US Proprietary Loyalty CGU").

Excluding the above mentioned items, operating expenses amounted to $641.0 million for the year ended December 31, 2013 compared to $566.4 million for the year ended December 31, 2012, representing an increase of $74.6 million or 13.2%, including a $6.7 million impact of currency fluctuation recognized on the translation of foreign operations. This remaining variance is mainly explained by additional operating expenses of $22.5 million resulting from the inclusion of a full year activity in 2013 for EIM in the US & APAC region, higher marketing and promotional fees of $23.5 million mostly associated with program enhancements in the Aeroplan Program, professional fees of $10.3 million associated with the negotiation of the new financial card agreements in Canada and higher corporate expenses.

Depreciation and Amortization amounted to $43.5 million and $38.4 million for the years ended December 31, 2013 and 2012, respectively. The increase is mostly driven by new technology initiatives in the Canada and EMEA regions.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $84.4 million for the year ended December 31, 2013 compared to $87.2 million for the year ended December 31, 2012.

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

Operating Income (Loss), excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $(580.6) million for the year ended December 31, 2013 compared to $343.2 million for the year ended December 31, 2012, representing a decrease of $923.8 million which is explained by the unfavourable impact of $702.8 million related to the change in the Breakage estimate in the Aeroplan Program, the unfavourable impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million in the Aeroplan Program, the goodwill impairment charge of $19.1 million related to the US Proprietary Loyalty CGU and the favourable impact of $24.0 million related to the final judgment of the VAT litigation, with the remainder being a direct result of the factors described above.

Net Financing Costs for the year ended December 31, 2013 consist primarily of interest revenue of $13.1 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, the reversal of previously accrued interest payable relating to the final judgment of the VAT litigation of $16.2 million, net of interest expense accrued of $1.1 million during the current period, and a fair value gain of $4.2 million relating to the Air Canada warrants; offset by interest expense on long-term debt of $51.2 million.

Net Earnings (Loss) for the years ended December 31, 2013 and 2012 include the effect of $95.2 million and $(54.4) million of current income tax recovery (expense), respectively, as well as $101.8 million and $(1.2) million of deferred income tax recovery (expense), respectively. Net earnings (loss) for the years ended December 31, 2013 and 2012 also include the share of net earnings (loss) of equity-accounted investments of $(6.6) million and $2.9 million, respectively.

Excluding the impact of income tax recoveries attributable to the change in Breakage estimate in the Aeroplan Program of $190.2 million, and the impact relating to the CIBC Payment and the Card Migration Provision totaling $53.1 million, current income tax recovery (expense) and deferred income tax recovery (expense) for the year ended December 31, 2013 amounted to $(55.6) million and $9.3 million, respectively.

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

Adjusted EBITDA, amounted to $150.5 million or 6.4% (as a % of Gross Billings) for the year ended December 31, 2013. Adjusted EBITDA was $403.1 million or 18.0% (as a % of Gross Billings) for the year ended December 31, 2012.

Adjusted Net Earnings amounted to $103.1 million or 4.4% (as a % of Gross Billings) for the year ended December 31, 2013. Adjusted Net Earnings for the year ended December 31, 2012 amounted to $268.8 million or 12.0% (as a % of Gross Billings). The effective tax rate has been impacted as described under *Net Earnings.*

A change in Breakage revenue does not affect Adjusted EBITDA and Adjusted Net Earnings. However, a change to the Breakage estimate affects the Change in Future Redemption Costs. An adjustment to the Future Redemption

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

Costs is applied as if the change to the Breakage rate had been in effect from the inception of the program, and therefore the Change in Future Redemption Costs only reflects the impact of the Breakage adjustment related to the current period. The impact of the change to the Breakage estimate on the Change in Future Redemption Costs for the year ended December 31, 2013 was $49.9 million. Adjusted EBITDA for the year ended December 31, 2013 also includes the unfavourable impact of the CIBC Payment and the Card Migration Provision totaling $200.0 million. Adjusted Net Earnings for the year ended December 31, 2013 also includes tax recoveries of $13.1 million attributable to the impact of the change to the Breakage estimate on the Change in Future Redemption Costs and $53.1 million attributable to the impact of the CIBC Payment and the Card Migration Provision. Additionally, Adjusted EBITDA and Adjusted Net Earnings for the year ended December 31, 2013 include the favourable impact resulting from the final judgment of the VAT litigation of $24.0 million. Adjusted Net Earnings for the year ended December 31, 2013 also includes the favourable net impact of the reversal of previously accrued interest of $16.2 million in relation to the VAT litigation. Excluding the items listed above, Adjusted EBITDA and Adjusted Net Earnings for the year ended December 31, 2013 amounted to $376.4 million or 15.9% (as a % of Gross Billings) and $246.6 million or 10.4% (as a % of Gross Billings), respectively.

Adjusted EBITDA and *Adjusted Net Earnings* exclude impairment charges as described under the *PERFORMANCE INDICATORS* section.

Free Cash Flow for the year ended December 31, 2013 amounted to $(31.3) million compared to $179.5 million for the year ended December 31, 2012. Excluding the impact of the CIBC Payment of $150.0 million and related harmonized sales tax of $22.5 million during the fourth quarter of 2013, Free Cash Flow for the year ended December 31, 2013 amounted to $141.2 million. The final judgment of the VAT litigation had no impact on cash from operating activities, with the exception of the provision payable to certain employees amounting to $7.2 million (£4.5 million) which was paid during the third quarter of 2013, accordingly the explanations provided below exclude any non-cash related impact. The unfavourable variance of $38.3 million is mainly the result of:

- a decrease in cash from operating activities of $34.9 million, explained primarily by changes in the net operating assets. Additionally, the decrease is driven by higher cost of rewards and direct costs of $73.7 million, higher operating expenses of $74.9 million and higher net interest paid of $3.1 million, offset in part by an increase in Gross Billings of $123.4 million and lower income taxes paid of $32.9 million;
- lower capital expenditures of approximately $3.6 million; and
- increased dividends paid on common shares of $6.9 million, explained primarily by the increase in the quarterly dividend rate paid per share.

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

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

SEGMENTED OPERATING RESULTS

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

CANADA

Gross Billings generated for the year ended December 31, 2013 amounted to $1,300.1 million compared to $1,292.6 million for the year ended December 31, 2012, representing an increase of $7.5 million or 0.6%.

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, 2013 amounted to $1,085.8 million compared to $1,079.8 million for the year ended December 31, 2012, representing an increase of $6.0 million or 0.6%. The variance is mostly explained by an increase in the financial sector driven by higher card acquisitions and partner program conversions, offset by the lower average consumer spend per active credit card. Additionally, the variance reflects an increase in the retail and non-air travel sectors due to promotional activity and higher partner performance all of which was partly offset by a decrease in accumulation at Air Canada relating to changes in the accumulation grid.

Aeroplan Miles issued during the year ended December 31, 2013 decreased by 0.6% in comparison to the year ended December 31, 2012.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $214.3 million for the year ended December 31, 2013 compared to $212.8 million for the year ended December 31, 2012, representing an increase of $1.5 million or 0.7%, mainly explained by higher Gross Billings from proprietary loyalty services due to a net increase in new business, offset in part by the compensation amount of $5.5 million received from Air Canada in the comparable period in relation to the transfer of all pension assets and obligations related to pension benefits accrued by contact centre employees prior to 2009 transferred to Aeroplan in 2009. Please refer to the *Total Revenue* section for details explaining the remaining variance.

Redemption Activity - Under the Aeroplan Program, Total Miles redeemed for the year ended December 31, 2013 amounted to 73.0 billion compared to 74.2 billion for the year ended December 31, 2012, a decrease of 1.2 billion or 1.6%, driven mostly by a decrease in air redemptions, in anticipation of enhanced travel reward offerings under the Distinction program commencing on January 1, 2014.

Total Revenue amounted to $607.3 million for the year ended December 31, 2013 compared to $1,317.4 million for the year ended December 31, 2012, a decrease of $710.1 million. Excluding the impact of $702.8 million resulting from the change in the Breakage estimate in the Aeroplan Program, revised from 18% to 11% in the second quarter of 2013, total revenue for the year ended December 31, 2013 amounted to $1,310.2 million, representing a decrease of $7.2 million or 0.6%. The decrease is mostly explained by:

- a decrease of $13.3 million in revenue from Loyalty Units resulting primarily from a decrease in redemption volumes; offset in part by

- an increase of $8.3 million in revenue from proprietary loyalty services primarily resulting from a net increase in new business.

Cost of Rewards and Direct Costs amounted to $689.2 million for the year ended December 31, 2013 compared to $693.0 million for the year ended December 31, 2012, representing a decrease of $3.8 million or 0.6%. This change is mainly attributable to the following factors:

- a lower redemption cost per Aeroplan Mile redeemed of $13.3 million due to redemption mix; and
- a lower volume of air and non-air redemptions for the period, representing $9.6 million; offset in part by
- an increase in proprietary loyalty services direct costs of approximately $19.1 million due mostly to higher cost volumes.

Gross Margin before Depreciation and Amortization, excluding the impact of the change in Breakage estimate in the Aeroplan Program, remained stable compared to the prior year, and represented 47.4% of total revenue for the year ended December 31, 2013.

Operating Expenses amounted to $438.8 million for the year ended December 31, 2013 compared to $224.6 million for the year ended December 31, 2012, representing an increase of $214.2 million. Excluding the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million, operating expenses amounted to $238.8 million for the year ended December 31, 2013, representing an increase of $14.2 million or 6.3% compared to the prior year. The increase is explained by higher marketing and promotional expenses of $23.5 million mostly related to program enhancements and professional fees of $1.7 million related to the negotiation of the new financial card agreements in the Aeroplan Program, offset in part by ongoing synergies and lower information technology costs.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $98.8 million and $95.2 million for the years ended December 31, 2013 and 2012, respectively.

Operating Income (Loss) amounted to $(619.4) million for the year ended December 31, 2013 compared to $304.6 million for the year ended December 31, 2012, representing a decrease of $924.0 million. Excluding the impact of the change in the Breakage estimate in the Aeroplan Program of $702.8 million and the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million, operating income amounted to $283.4 million for the year ended December 31, 2013, a decrease of $21.2 million or 7.0% in comparison to the prior year, a direct result of the factors described above.

Adjusted EBITDA amounted to $137.7 million or 10.6% (as a % of Gross Billings) for the year ended December 31, 2013. Adjusted EBITDA was $396.6 million or 30.7% (as a % of Gross Billings) for the year ended December 31, 2012.

The impact of the change to the Breakage estimate on the Change in Future Redemption Costs for the year ended December 31, 2013 was $49.9 million. Additionally, Adjusted EBITDA also includes the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million. Excluding these items, Adjusted EBITDA for the year ended December 31, 2013 amounted to $387.6 million or 29.8% (as a % of Gross Billings).

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

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

EMEA

Gross Billings generated for the year ended December 31, 2013 amounted to $704.1 million compared to $639.9 million for the year ended December 31, 2012, representing an increase of $64.2 million or 10.0%, including a $17.0 million impact of currency fluctuation recognized on the translation of foreign operations.

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, 2013 amounted to $625.6 million compared to $548.6 million for the year ended December 31, 2012, representing an increase of $77.0 million or 14.0%, including a $14.9 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $62.1 million is mostly explained by a $51.3 million increase in Gross Billings from the sale of Loyalty Units in the Nectar Program, driven by the grocery sector and new Accumulation Partner billings, and from the benefit of the new contract terms initiated with the program's main Accumulation Partner in the second quarter of 2012. Additionally, Gross Billings from the sale of Loyalty Units in the Air Miles Middle East program increased by $20.8 million also due to new contract terms, including funding provided by the program's main Accumulation Partner to support enhanced member engagement. Gross Billings from the sale of Loyalty Units in the Nectar Italia Program decreased by $10.0 million compared to the prior year mostly due to a decrease in promotional bonus point activity during the current year and difficult economic conditions.

Nectar UK Points issued during the year ended December 31, 2013 increased by 13.5% compared to the prior year driven by higher issuance in the grocery sector, as well as growth from new Accumulation Partners added in the fourth quarter of 2012.

Air Miles Middle East Loyalty Units issued during the year ended December 31, 2013 increased by 19.4% in comparison to the prior year, mostly due to program growth due to new contract terms with the program's main Accumulation Partner and increased member engagement.

Nectar Italia Points issued during the year ended December 31, 2013 decreased by 14.7% in comparison to the prior year, mostly due to a decrease in promotional bonus point activity during the current year and difficult economic conditions.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $78.6 million for the year ended December 31, 2013 compared to $91.2 million for the year ended December 31, 2012, representing a decrease of $12.6 million or 13.9%, net of a $2.1 million impact of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $14.7 million is primarily explained by the fact that a large portion of the ISS UK Gross Billings is reported within the i2c joint venture as of the first quarter of 2013. The decrease was partly offset by growth in Gross Billings from ISS international activities, proprietary loyalty and analytics and insights services.

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

Redemption Activity - Redemption activity in the Nectar Program increased by 12.4% compared to the prior year, mainly driven by an increase in the number of Nectar Points in circulation.

Total points redeemed in the Nectar Italia Program for the year ended December 31, 2013 decreased by 7.9% in comparison to the prior year.

Redemption activity in the Air Miles Middle East program increased significantly due to promotional activity to enhance member engagement as part of the new contract terms.

Total Revenue amounted to $704.1 million for the year ended December 31, 2013 compared to $619.5 million for the year ended December 31, 2012, representing an increase of $84.6 million or 13.7%, and is explained by the following:

- an increase of $96.9 million in revenue from Loyalty Units, including an impact of $23.7 million of currency fluctuation recognized on the translation of foreign operations. The operational variance of $73.2 million is mostly explained by increased redemptions in the Nectar and Air Miles Middle East programs and an increase in the average cumulative selling price of an Air Miles Middle East Loyalty Unit as a result of the new contract terms, including funding provided by the program's main Accumulation Partner to support enhanced member engagement; and
- an increase of $3.3 million in revenue from proprietary loyalty services; offset in part by
- a decrease of $15.5 million in other revenue, net of a $1.7 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $17.2 million is driven by the fact that a large portion of the ISS UK revenue is reported within the i2C joint venture as of the first quarter of 2013. The decrease was partly offset by growth in revenue from ISS's international activities and analytics and insights services.

Cost of Rewards and Direct Costs amounted to $410.9 million for the year ended December 31, 2013 compared to $438.6 million for the year ended December 31, 2012, representing a decrease of $27.7 million or 6.3% . Excluding the impact resulting from the final judgment of the VAT litigation, cost of rewards and direct costs amounted to $483.7 million for the year ended December 31, 2013, an increase of $45.1 million or 10.3% in comparison to the prior year, including a $17.7 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $27.4 million is mainly attributable to the following factors:

- an increase driven by redemption activity in the Nectar Program, representing $31.4 million; and
- an increase in redemption activity and a higher redemption cost per Loyalty Unit in the Air Miles Middle East program driven by promotional activity and the new contract terms with the program's main Accumulation Partner, representing $13.0 million; offset in part by
- a decrease in direct costs of $13.4 million resulting mostly from the transfer of the ISS UK business into the i2c joint venture; and
- a reduction in redemption activity in the Nectar Italia Program, representing $3.6 million.

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

Gross Margin before Depreciation and Amortization increased by 12.4 percentage-points, a direct result of the factors described above, and represented 41.6% of total revenue for the year ended December 31, 2013. Excluding the impact resulting from the final judgment of the VAT litigation in the current year, gross margin before depreciation and amortization increased by 2.1 percentage-points, and represented 31.3% of total revenue for the year ended December 31, 2013.

Operating Expenses amounted to $195.3 million for the year ended December 31, 2013 compared to $142.0 million for year ended December 31, 2012, representing an increase of $53.3 million or 37.5%. Excluding the impact resulting from the final judgment of the VAT litigation in the current year of $48.8 million, operating expenses amounted to $146.5 million for the year ended December 31, 2013, representing an increase of $4.5 million or 3.2%, including a $3.2 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $1.3 million is mainly explained by an underlying growth of the EMEA region, offset by a reduction in costs associated with the transfer of the ISS UK business into the i2C joint venture.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $16.7 million and $17.0 million for the years ended December 31, 2013 and 2012, respectively.

Operating Income (Loss) amounted to $81.3 million for the year ended December 31, 2013 compared to $21.8 million for the year ended December 31, 2012, representing an improvement of $59.5 million, a direct result of the factors described above. Excluding the impact resulting from the final judgment of the VAT litigation, operating income amounted to $57.3 million for the year ended December 31, 2013.

Adjusted EBITDA amounted to $94.0 million or 13.3% (as a % of Gross Billings) for the year ended December 31, 2013, and includes a distribution receivable from i2c of $1.7 million. Excluding the favourable impact resulting from the final judgment of the VAT litigation of $24.0 million (£15.0 million), Adjusted EBITDA amounted to $70.0 million or 9.9% (as a % of Gross Billings) for the year ended December 31, 2013. Adjusted EBITDA was $49.2 million or 7.7% (as a % of Gross Billings) for the year ended December 31, 2012.

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

US & APAC

Gross Billings, consisting of proprietary loyalty service fees, amounted to $362.7 million for the year ended December 31, 2013 compared to $315.2 million for the year ended December 31, 2012, representing an increase of $47.5 million or 15.1%, including a $5.4 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $42.1 million is primarily explained by an increase in Gross Billings from EIM of $32.2 million due to the inclusion of a full year activity in 2013, higher reward fulfillment volume and a net increase in new business. The variance is partially offset by the exit of the Qantas business representing $7.2 million in the first quarter of 2012.

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

Total Revenue amounted to $362.5 million for the year ended December 31, 2013 compared to $316.6 million for the year ended December 31, 2012, representing an increase of $45.9 million or 14.5%, including a $5.2 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $40.7 million is primarily explained by an increase in revenue from EIM of $35.9 million due to the inclusion of a full year activity in 2013, higher reward fulfillment volume and a net increase in new business. The variance is partially offset by the exit of the Qantas business representing $7.2 million in the first quarter of 2012.

Cost of Rewards and Direct Costs amounted to $201.7 million for the year ended December 31, 2013 compared to $169.6 million for the year ended December 31, 2012, representing an increase of $32.1 million or 18.9%, including a $1.9 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $30.2 million is primarily due to an increase in direct costs from EIM due to the inclusion of a full year activity in 2013, higher reward fulfillment volume and a net increase in new business, partially offset by the impact of the Qantas exit.

Gross Margin before Depreciation and Amortization decreased by 2.0 percentage-points, a direct result of the factors described above, and represented 44.4% of total revenue for the year ended December 31, 2013.

Operating Expenses amounted to $183.9 million for the year ended December 31, 2013 compared to $138.3 million for the year ended December 31, 2012, representing an increase of $45.6 million or 33.0%. Excluding the goodwill impairment charge recorded during the fourth quarter of 2013 of $19.1 million related to the US Proprietary Loyalty CGU, operating expenses amounted to $164.8 million for the year ended December 31, 2013, representing an increase of $26.5 million or 19.2%, including a $3.4 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $23.1 million is driven mostly by an increase in operating expenses from EIM of $22.5 million, including incremental deferred compensation and integration expenses, due to the inclusion of a full year activity in 2013, offset in part by $1.8 million of transaction costs incurred during the prior year related to the acquisition of EIM.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $12.5 million and $13.5 million for the year ended December 31, 2013 and 2012, respectively. The decrease is mainly explained by the acceleration of the amortization of certain intangible assets during the fourth quarter of 2012, offset in part by an increase in depreciation and amortization expenses from EIM due to the inclusion of a full year activity in 2013 and by the inclusion of depreciation and amortization expenses from Smart Button.

Operating Income (Loss) amounted to $(35.6) million for the year ended December 31, 2013 compared to $(4.7) million for the year ended December 31, 2012, representing a decline of $30.9 million, mostly explained by the goodwill impairment charge recorded during the fourth quarter of 2013 of $19.1 million related to the US Proprietary Loyalty CGU, with the remainder being a direct result of the factors described above.

Adjusted EBITDA amounted to $(3.8) million or (1.0)% (as a % of Gross Billings) for the year ended December 31, 2013. Adjusted EBITDA was $7.4 million or 2.3% (as a % of Gross Billings) for the year ended December 31, 2012.

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

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

CORPORATE

Operating Expenses amounted to $91.4 million for the year ended December 31, 2013 compared to $65.8 million for the year ended December 31, 2012, representing an increase of $25.6 million or 38.9%. The increase is mainly attributable to higher costs of $7.0 million to support growth in the global businesses, including consulting and business development initiatives, and professional fees of $8.6 million related to the negotiation of the new financial card agreements in the Aeroplan program. In addition, the variance is due to higher share-based compensation expense of $6.9 million explained by an increase in the share price and share-based awards granted.

Adjusted EBITDA amounted to $(77.4) million for the year ended December 31, 2013 compared to $(50.1) million for the year ended December 31, 2012. Adjusted EBITDA for the years ended December 31, 2013 and 2012 included distributions received from PLM of $14.0 million and $15.7 million, respectively.

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

QUARTER ENDED DECEMBER 31, 2013 COMPARED TO QUARTER ENDED DECEMBER 31, 2012

CONSOLIDATED OPERATING RESULTS

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

Gross Billings generated for the three months ended December 31, 2013 amounted to $658.1 million compared to $615.1 million for the three months ended December 31, 2012, representing an increase of $43.0 million or 7.0%, including a $16.7 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mostly explained by the performance of the Nectar and Aeroplan programs as well as the increase in Gross Billings in the US & APAC region.

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

Total Revenue generated for the three months ended December 31, 2013 amounted to $687.6 million compared to $678.2 million for the three months ended December 31, 2012, representing an increase of $9.4 million or 1.4%. Excluding the impact of $19.2 million resulting from the change in the Breakage estimate in the Aeroplan Program, revised from 18% to 11% in the second quarter of 2013, total revenue for the three months ended December 31,

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

2013 amounted to $706.8 million, representing an increase of $28.6 million or 4.2%, and included a $25.5 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mostly driven by higher revenue from Loyalty Units in the EMEA region driven by increased redemption activity in the Nectar Program, partly offset by lower revenue from Loyalty Units in the Canada region driven by lower redemption activity in the Aeroplan Program.

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 $5.0 million for the three months ended December 31, 2013.

Cost of Rewards and Direct Costs amounted to $427.4 million for the three months ended December 31, 2013 compared to $412.7 million for the three months ended December 31, 2012, representing an increase of $14.7 million or 3.6%. The variance is explained by a $17.1 million unfavourable impact of currency fluctuation recognized on the translation of foreign operations and by higher redemptions in the Nectar Program partially offset by lower cost of rewards in the Canada region.

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 $3.3 million for the three months ended December 31, 2013.

Gross Margin before Depreciation and Amortization, excluding the impact of the change in Breakage estimate in the Aeroplan Program, increased by 0.3 percentage-point, a direct result of the factors described above, and represented 39.5% of total revenue for the three month period ended December 31, 2013.

Operating Expenses amounted to $400.3 million for the three months ended December 31, 2013 and included the following:

- the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million in the Aeroplan Program; and
- the goodwill impairment charge of $19.1 million related to the US Proprietary Loyalty CGU.

Excluding the above mentioned items, operating expenses amounted to $181.2 million compared to $153.4 million for the same period in 2012, representing an increase of $27.8 million or 18.1%, including a $4.3 million impact of currency fluctuation recognized on the translation of foreign operations. The remaining variance is mainly explained by higher marketing and promotional fees of $14.7 million mostly associated with program enhancements in the Aeroplan Program, professional fees of $4.7 million associated with the negotiation of the new financial card agreements and other corporate expenses.

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

Depreciation and Amortization amounted to $11.8 million and $12.0 million for the three months ended December 31, 2013 and 2012, respectively.

Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology amounted to $23.9 million for the three months ended December 31, 2013 compared to $24.8 million for the same period in 2012.

Operating Income (Loss), excluding the amortization of Accumulation Partners' contracts, customer relationships and technology, referred to above, amounted to $(151.9) million for the three months ended December 31, 2013 compared to $100.1 million for the three months ended December 31, 2012, representing a decrease of $252.0 million. The variance is explained mostly by the unfavourable impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million in the Aeroplan Program, the unfavourable impact of $19.2 million related to the change in the Breakage estimate in the Aeroplan Program and the goodwill impairment charge of $19.1 million related to the US Proprietary Loyalty CGU, with the remainder being a direct result of the factors described above.

Net Financing Costs for the three months ended December 31, 2013 consist primarily of interest revenue of $3.2 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, and a fair value gain of $1.8 million relating to the Air Canada warrants; offset by interest expense on long-term debt of $12.9 million.

Net Earnings for the three months ended December 31, 2013 and 2012 include the effect of $2.2 million and $13.1 million of current income tax expenses, respectively, as well as $58.9 million and $5.3 million of deferred income tax recoveries, respectively. Net earnings (loss) for the three months ended December 31, 2013 and 2012 also include the share of net earnings (loss) of equity-accounted investments of $1.5 million and $(0.4) million, respectively.

Excluding the impact of income tax recoveries attributable to the CIBC Payment and the Card Migration Provision totaling $53.1 million, and the impact related to the change in Breakage estimate in the Aeroplan Program of $5.0 million, deferred income tax recovery for the three months ended December 31, 2013 amounted to $0.8 million.

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

Adjusted EBITDA amounted to $(111.1) million or (16.9)% (as a % of Gross Billings) for the three months ended December 31, 2013, and includes distributions received or receivable from equity-accounted investments of $5.3 million. Adjusted EBITDA was $118.2 million or 19.2% (as a % of Gross Billings) for the same period in 2012, and includes distributions received from equity-accounted investments of $15.7 million.

Adjusted Net Earnings amounted to $(83.4) million or (12.7)% (as a % of Gross Billings) for the three months ended December 31, 2013, and includes distributions received or receivable from equity-accounted investments of $5.3 million. Adjusted Net Earnings for the three months ended December 31, 2012 amounted to $85.9 million or 14.0%

(as a % of Gross Billings), and includes distributions received from equity-accounted investments of $15.7 million. The effective tax rate has been impacted as described under *Net Earnings.*

The impact of the change to the Breakage estimate on the Change in Future Redemption Costs for the three months ended December 31, 2013 was $12.9 million. Adjusted Net Earnings for the three months ended December 31, 2013 also includes an income tax recovery of $3.4 million attributable to the impact of the change to the Breakage estimate on the Change in Future Redemption Costs.

Adjusted EBITDA for the year ended December 31, 2013 also includes the unfavourable impact of the CIBC Payment and the Card Migration Provision totaling $200.0 million. Adjusted Net Earnings for the three months ended December 31, 2013 also includes an income tax recovery of $53.1 million attributable to the impact of the CIBC Payment and the Card Migration Provision.

Excluding the impact of the items listed above, Adjusted EBITDA and Adjusted Net Earnings for the three months ended December 31, 2013 amounted to $101.8 million or 15.5% (as a % of Gross Billings) and $73.0 million or 11.1% (as a % of Gross Billings), respectively.

Adjusted EBITDA and *Adjusted Net Earnings* exclude impairment charges as described under the *PERFORMANCE INDICATORS* section.

Free Cash Flow for the three months ended December 31, 2013, amounted to $(84.3) million compared to $46.7 million for the three months ended December 31, 2012. Excluding the impact of the CIBC Payment of $150.0 million and related harmonized sales tax of $22.5 million during the fourth quarter of 2013, Free Cash Flow for the three months ended December 31, 2013 amounted to $88.2 million. The variance of $41.5 million is mainly the result of:

- an increase in cash from operating activities of $41.7 million, explained primarily by changes in the net operating assets. Additionally, the increase is also driven by an increase in Gross Billings of $43.0 million and lower income taxes paid of $12.5 million, offset in part by higher operating expenses of $24.4 million, higher cost of rewards and direct costs of $14.7 million and by lower distributions received from PLM of $12.1 million;
- lower capital expenditures of approximately $1.6 million; and
- increased dividends paid on common shares of $1.8 million, explained primarily by the increase in the quarterly dividend rate paid from $0.160 to $0.170 per share.

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

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

SEGMENTED OPERATING RESULTS

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

CANADA

Gross Billings generated for the three months ended December 31, 2013 amounted to $347.0 million compared to $336.2 million for the three months ended December 31, 2012, representing an increase of $10.8 million or 3.2%.

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, 2013 amounted to $289.4 million compared to $278.8 million for the three months ended December 31, 2012, representing an increase of $10.6 million or 3.8%. The variance is mainly explained by an increase in the financial sector driven by higher partner program conversions and higher card acquisitions, and an increase in the non-air travel sector resulting from higher promotional activity.

Aeroplan Miles issued during the three month period ended December 31, 2013 increased by 2.1% in comparison to the three month period ended December 31, 2012.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $57.7 million for the three months ended December 31, 2013 compared to $57.5 million for the three months ended December 31, 2012, representing an increase of $0.2 million or 0.4%. Please refer to the *Total Revenue* section for details explaining the variance.

Redemption Activity - Under the Aeroplan Program, Total Miles redeemed for the three months ended December 31, 2013 amounted to 16.3 billion compared to 17.9 billion for the same period in 2012, representing a decrease of 1.6 billion or 8.9%, resulting mostly from a decrease in air redemptions, in anticipation of enhanced travel reward offerings under the Distinction program commencing on January 1, 2014.

Total Revenue amounted to $282.8 million for the three months ended December 31, 2013 compared to $325.5 million for the three months ended December 31, 2012, a decrease of $42.7 million or 13.1%. Excluding the impact of $19.2 million resulting from the change in the Breakage estimate in the Aeroplan Program, revised from 18% to 11% in the second quarter of 2013, total revenue for the three months ended December 31, 2013 amounted to $302.0 million, representing a decrease of $23.5 million or 7.2%. This variance is mostly explained by a decrease in revenue from Loyalty Units due to lower redemption volumes.

Cost of Rewards and Direct Costs amounted to $155.8 million for the three months ended December 31, 2013 compared to $172.6 million for the three months ended December 31, 2012, representing a decrease of $16.8 million or 9.7%. This change is mainly attributable to the following factors:

- a lower volume of air and non-air redemptions for the quarter, representing $13.8 million; and
- a lower redemption cost per Aeroplan Mile redeemed of $7.5 million due to redemption mix; offset in part by

- an increase in proprietary loyalty services direct costs of approximately $4.5 million due mostly to an increase in higher cost volumes.

Gross Margin before Depreciation and Amortization, excluding the impact of the change in Breakage estimate in the Aeroplan Program, increased by 1.4 percentage-points, a direct result of the factors described above, and represented 48.4% of total revenue for the three month period ended December 31, 2013.

Operating Expenses amounted to $272.9 million for the three months ended December 31, 2013 compared to $58.8 million for the same period in 2012, representing an increase of $214.1 million. Excluding the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million, operating expenses amounted to $72.9 million for the three months ended December 31, 2013, representing an increase of $14.1 million or 24.0% compared to the same period in 2012. The variance is mostly explained by higher marketing and promotional expenses of $14.7 million, relating mostly to the launch of program enhancements, increased compensation costs offset in part by lower information technology costs.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $26.8 million and $25.3 million for the three months ended December 31, 2013 and 2012, respectively.

Operating Income (Loss) amounted to $(172.7) million for the three months ended December 31, 2013 compared to $68.9 million for the same period in 2012, representing a decrease of $241.6 million. Excluding the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million and the impact of the change in the Breakage estimate in the Aeroplan Program of $19.2 million, operating income amounted to $46.5 million for the three months ended December 31, 2013, a decrease of $22.4 million or 32.5% in comparison to same period in 2012, a direct result of the factors described above.

Adjusted EBITDA amounted to $(115.0) million or (33.1)% (as a % of Gross Billings) for the three months ended December 31, 2013. Adjusted EBITDA was $100.4 million or 29.9% (as a % of Gross Billings) for the same period in 2012.

The impact of the change to the Breakage estimate on the Change in Future Redemption Costs for the three months ended December 31, 2013 was $12.9 million. Additionally, Adjusted EBITDA also includes the impact of the CIBC Payment of $150.0 million and the Card Migration Provision of $50.0 million. Excluding these items, Adjusted EBITDA for the three months ended December 31, 2013 amounted to $97.9 million or 28.2% (as a % of Gross Billings).

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

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

EMEA

Gross Billings generated for the three months ended December 31, 2013 amounted to $200.0 million compared to $177.6 million for the three months ended December 31, 2012, representing an increase of $22.4 million or 12.6%, including a $13.3 million impact of currency fluctuation recognized on the translation of foreign operations.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2013 amounted to $175.3 million compared to $150.8 million for the three months ended December 31, 2012, representing an increase of $24.5 million or 16.3%, including a $11.7 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $12.8 million is mostly explained by a $14.5 million increase in Gross Billings from the sale of Loyalty Units in the Nectar Program, driven by the grocery sector and new Accumulation Partner billings, offset in part by a reduction of $2.2 million in the Nectar Italia Program.

Nectar UK Points issued during the three months ended December 31, 2013 increased by 14.4% compared to the same period in the prior year driven by higher issuance from the grocery sector and by new Accumulation Partners.

Air Miles Middle East Loyalty Units issued during the three months ended December 31, 2013 increased by 4.9% in comparison to the same period in the prior year, mostly due to increased member engagement.

Nectar Italia Points issued during the three months ended December 31, 2013 decreased by 12.5% in comparison to the same period in 2012, mostly due to difficult economic conditions and lower promotional bonus point activity.

Other Gross Billings, consisting of proprietary loyalty service fees and other revenues, amounted to $24.8 million for the three months ended December 31, 2013 compared to $26.8 million for the three months ended December 31, 2012, representing a decrease of $2.0 million or 7.7%, net of a $1.6 million impact of currency fluctuation recognized on the translation of foreign operations. The operational decrease of $3.6 million is primarily explained by the fact that a large portion of the ISS UK Gross Billings is reported within the i2c joint venture as of the first quarter of 2013. The decrease was partly offset by growth in Gross Billings from ISS international activities and proprietary loyalty services.

Redemption Activity - Redemption activity in the Nectar Program increased by 12.5% compared to the same quarter of 2012, mainly driven by an increase in the number of Nectar Points in circulation and promotional activity.

Total points redeemed in the Nectar Italia Program for the three months ended December 31, 2013 decreased by 6.8% in comparison to the same period of 2012.

Redemption activity in the Air Miles Middle East program decreased significantly compared to the same quarter in 2012. The decrease is explained primarily by significant level of redemptions in the first quarter of 2013 ahead of the first expiry anniversary, which caused a subsequent reduction in redemptions in the remaining quarters of 2013.

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

Total Revenue amounted to $295.8 million for the three months ended December 31, 2013 compared to $250.8 million for the three months ended December 31, 2012, representing an increase of $45.0 million or 17.9% and is explained by the following:

- an increase of $47.3 million in revenue from Loyalty Units, including an impact of $20.6 million of currency fluctuation recognized on the translation of foreign operations. The operational variance of $26.7 million is mostly explained by increased redemptions in the Nectar Program; and
- an increase of $1.7 million in revenue from proprietary loyalty services; offset in part by
- a decrease of $4.0 million in other revenue, net of a $1.2 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $5.2 million is explained by the fact that a large portion of the ISS UK revenue is reported within the i2C joint venture as of the first quarter of 2013. The decrease was partly offset by growth in revenue from ISS international activities.

Cost of Rewards and Direct Costs amounted to $210.3 million for the three months ended December 31, 2013 compared to $182.6 million for the three months ended December 31, 2012, representing an increase of $27.7 million or 15.2%, including a $15.7 million unfavourable impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $12.0 million is mainly attributable to the following factors:

- an increase driven by redemption activity in the Nectar Program, representing $15.1 million; offset in part by
- a decrease in direct costs of $3.5 million resulting mostly from the transfer of the ISS UK business into the i2c joint venture.

Gross Margin before Depreciation and Amortization increased by 1.7 percentage-points, a direct result of the factors described above, and represented 28.9% of total revenue for the three month period ended December 31, 2013.

Operating Expenses amounted to $38.7 million for the three months ended December 31, 2013 compared to $36.9 million for the same period in 2012, representing an increase of $1.8 million or 4.8%, explained by a $2.6 million unfavourable impact of currency fluctuation recognized on the translation of foreign operations and by increased expenses resulting from the underlying growth of the EMEA region, offset in part by the timing of marketing initiatives and by a reduction in costs associated with the transfer of the ISS UK business into the i2C joint venture.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $4.7 million and $4.9 million for the three months ended December 31, 2013 and 2012, respectively.

Operating Income amounted to $42.1 million for the three months ended December 31, 2013 compared to $26.5 million for the same period in 2012, representing an improvement of $15.6 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $20.2 million or 10.1% (as a % of Gross Billings) for the three months ended December 31, 2013, and includes a distribution receivable from i2c of $1.7 million. Adjusted EBITDA was $16.0 million or 9.0% (as a % of Gross Billings) for the same period in 2012.

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

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

US & APAC

Gross Billings, consisting of proprietary loyalty service fees, amounted to $111.0 million for the three months ended December 31, 2013 compared to $102.3 million for the three months ended December 31, 2012, representing an increase of $8.7 million or 8.6%, including a $3.4 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $5.3 million is primarily explained by a net increase in new business in the APAC region.

Total Revenue amounted to $109.0 million for the three months ended December 31, 2013 compared to $102.8 million for the three months ended December 31, 2012, representing an increase of $6.2 million or 6.0%, including a $3.3 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $2.9 million is primarily explained by a net increase in new business in the APAC region.

Cost of Rewards and Direct Costs amounted to $61.3 million for the three months ended December 31, 2013 compared to $57.5 million for the three months ended December 31, 2012, representing an increase of $3.8 million or 6.6%, including a $1.5 million impact of currency fluctuation recognized on the translation of foreign operations. The operational variance of $2.3 million is primarily due to a net increase in new business in the APAC region.

Gross Margin before Depreciation and Amortization decreased by 0.3 percentage-points, a direct result of the factors described above, and represented 43.8% of total revenue for the three month period ended December 31, 2013.

Operating Expenses amounted to $60.4 million for the three months ended December 31, 2013 compared to $38.0 million for the same period in 2012, representing an increase of $22.4 million or 58.8%. Excluding the goodwill impairment charge recorded during the fourth quarter of 2013 of $19.1 million related to the US Proprietary Loyalty CGU, operating expenses amounted to $41.2 million for the three months ended December 31, 2013, representing an increase of $3.2 million or 8.4%, which included a $1.7 million impact of currency fluctuation recognized on the translation of foreign operations and operating expenses from Smart Button.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $4.1 million and $6.7 million for the three months ended December 31, 2013 and 2012, respectively. The decrease is mainly explained by the acceleration of the amortization of certain intangible assets during the fourth quarter of 2012, offset in part by the inclusion of depreciation and amortization expenses of Smart Button.

Operating Income (Loss) amounted to $(16.8) million for the three months ended December 31, 2013 compared to $0.6 million for the same period in 2012, representing a decline of $17.4 million, mostly explained by the goodwill impairment charge recorded during the fourth quarter of 2013 of $19.1 million related to the US Proprietary Loyalty CGU, with the remainder being a direct result of the factors described above.

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

Adjusted EBITDA amounted to $8.5 million or 7.6% (as a % of Gross Billings) for the three months ended December 31, 2013. Adjusted EBITDA was $6.7 million or 6.6% (as a % of Gross Billings) for the same period in 2012.

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

CORPORATE

Operating Expenses amounted to $28.4 million for the three months ended December 31, 2013 compared to $20.7 million for the same period in 2012, representing an increase of $7.7 million or 37.4%. The increase is mostly attributable to professional fees of $4.7 million to support the negotiation of the new financial card agreements in the Aeroplan Program, higher share-based compensation expense of $3.3 million explained by an increase in the share price and share based awards granted, offset in part by lower corporate expenses.

Adjusted EBITDA amounted to $(24.8) million for the three months ended December 31, 2013 compared to $(5.0) million for the three months ended December 31, 2012. Adjusted EBITDA for the three months ended December 31, 2013 and 2012 included distributions received from PLM of $3.6 million and $15.7 million, respectively.

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

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended December 31, 2013.

	2013				2012 [s]			
(in thousands of Canadian Dollars, except per share amounts)	Q4	Q3	Q2	Q1 [r]	Q4 [r]	Q3 [r]	Q2 [r]	Q1 [r]
Gross Billings	**658,067**	**576,727**	570,540	561,115	615,055	537,030	554,302	536,636
Gross Billings from the sale of Loyalty Units	**464,673**	**419,143**	414,211	413,349	429,534	398,885	414,026	385,984
Revenue	**687,627** [d]	**499,730** [e]	(123,312) [f]	609,503	678,179	498,781	504,233	567,725
Cost of rewards and direct costs	**(427,407)**	**(290,467)**	(230,513) [i]	(353,408)	(412,651)	(285,978)	(279,900)	(322,396)
Gross margin before depreciation and amortization [a]	**260,220** [d]	**209,263** [e]	(353,825) [f][i]	256,095	265,528	212,803	224,333	245,329
Operating expenses	**(400,318)** [g][h]	**(157,059)**	(198,221) [i]	(153,313)	(153,435)	(131,186)	(140,949)	(140,816)
Depreciation and amortization	**(11,774)**	**(10,867)**	(10,513)	(10,320)	(12,013)	(9,407)	(8,543)	(8,462)
Operating income (loss) before amortization of Accumulation Partners' contracts, customer relationships and technology	**(151,872)** [d][g][h]	**41,337** [e]	(562,559) [f][i]	92,462	100,080	72,210	74,841	96,051
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(23,890)**	**(20,126)**	(20,091)	(20,307)	(24,831)	(20,788)	(20,820)	(20,795)
Operating income (loss)	**(175,762)** [d][g][h]	**21,211** [e]	(582,650) [f][i]	72,155	75,249	51,422	54,021	75,256
Net earnings (loss) attributable to equity holders of the Corporation	**(125,592)** [h][j][m]	**2,070** [k]	(415,286) [f][i][l][n]	40,527	56,897	28,295	34,937	45,378
Adjusted EBITDA [b]	**(111,090)** [g][o][p]	**85,652** [o][p]	101,953 [i][o][p]	82,815	118,185 [p]	93,719	102,116	88,977
Net earnings (loss) attributable to equity holders of the Corporation	**(125,592)** [h][j][m]	**2,070** [k]	(415,286) [f][i][l][n]	40,527	56,897	28,295	34,937	45,378
Earnings (loss) per common share [c]	**(0.74)** [h][j][m]	**0.00** [k]	(2.43) [f][i][l][n]	0.22	0.31	0.15	0.19	0.24
Free Cash Flow [b]	**(84,308)** [q]	**36,428**	56,553	(39,929)	46,690	99,556	43,841	(10,591)

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

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

(b) A non-GAAP measurement.

(c) After deducting dividends declared on preferred shares.

(d) The impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, resulted in a reduction of $19.2 million to revenue from Loyalty Units for the three months ended December 31, 2013.

(e) The impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, resulted in a reduction of $20.0 million to revenue from Loyalty Units for the three months ended September 30, 2013.

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

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

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

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

(j) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of $14.2 million, net of an income tax recovery of $5.0 million.

(k) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of $14.6 million, net of an income tax recovery of $5.4 million.

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

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

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

(o) The Change in Future Redemption costs for the three months ended December 31, 2013 includes the unfavourable impact of $12.9 million resulting from the change in the Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013.

The Change in Future Redemption costs for the three months ended September 30, 2013 includes the unfavourable impact of $12.2 million resulting from the change in the Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013.

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

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

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

(q) Includes the CIBC Payment of $150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of $22.5 million.

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

(s) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to the *CHANGES IN ACCOUNTING POLICIES* section for additional information.

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

FINANCING STRATEGY

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

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, Aimia had $449.1 million of cash and cash equivalents, $33.7 million of restricted cash, $60.7 million of short-term investments and $269.7 million of long-term investments in bonds, for a total of $813.2 million. Approximately $18.5 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to May 2014 and $310.5 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between September 2014 and June 2020. The Aeroplan Miles redemption reserve described under *Redemption Reserve* is included in short-term investments and long-term investments. Aimia's cash and cash equivalents, restricted cash, short-term investments and long-term investments in bonds are not invested in any asset-backed commercial paper.

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

	Years Ended December 31,	
(in thousands of Canadian dollars)	2013	2012
Cash and cash equivalents, beginning of year	**497,976**	**202,147**
Cash from operating activities	150,000	357,443
Cash used in investing activities	(92,092)	(131,304)
Cash from (used in) financing activities	(129,207)	66,659
Translation adjustment related to cash	22,431	3,031
Cash and cash equivalents, end of year	**449,108**	**497,976**

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

OPERATING ACTIVITIES

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

Cash flows from operating activities amounted to $150.0 million for the year ended December 31, 2013 compared to $357.4 million for the year ended December 31, 2012.

The final judgment of the VAT litigation had no impact on cash from operating activities, with the exception of the provision payable to certain employees amounting to $7.2 million (£4.5 million) which was paid during the third quarter of 2013, accordingly the explanations provided below exclude any non-cash related impact.

The unfavourable variance of $207.4 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 is partly explained by the CIBC Payment of $150.0 million and related harmonized sales tax of $22.5 million made during the fourth quarter of 2013. The remaining variance is explained primarily by changes in the net operating assets. Additionally, the decrease is driven by higher cost of rewards and direct costs of $73.7 million, higher operating expenses of $74.9 million and higher net interest paid of $3.1 million, offset in part by an increase in Gross Billings of $123.4 million and lower income taxes paid of $32.9 million.

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

INVESTING ACTIVITIES

Investing activities for the year ended December 31, 2013 reflect proceeds from short-term investments of $24.7 million. Investing activities for the year ended December 31, 2013 also reflect long-term investments made of $36.0 million, including additional investments totaling $31.9 million in Cardlytics and investments in Air Canada Class B shares of $3.7 million upon the exercise of warrants.

Also, investing activities for the year ended December 31, 2013 include a payment made of $8.9 million, net of cash acquired of $0.7 million, related to the acquisition of Smart Button and an amount of $6.0 million which was put in escrow. Aimia also acquired the remaining 60% interest of a privately-owned company based in Indonesia for cash consideration of $2.1 million. Refer to the *Business Acquisitions* section for additional information.

During the year ended December 31, 2013, Aimia invested an additional amount of $5.5 million in Prismah as well as investments totaling $4.3 million in China Rewards.

Capital expenditures for the year ended December 31, 2013, amounted to $54.4 million. Anticipated capital expenditures for 2014 are expected to approximate between $60.0 million and $70.0 million.

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

FINANCING ACTIVITIES

Cash used in financing activities for the year ended December 31, 2013 related primarily to the payment of common and preferred dividends amounting to $126.9 million. Financing activities for the year ended December 31, 2013 also reflect the receipt of $7.0 million by the Corporation upon the exercise of stock options. During the year ended December 31, 2013, Aimia also acquired the remaining 25% of the issued shares of Nectar Italia for cash consideration of $9.3 million.

LIQUIDITY

Aimia anticipates that total capital requirements for the 2014 fiscal year will be between $197.8 million and $207.8 million, including $137.8 million in respect of anticipated cash dividends to its common and preferred shareholders and between $60.0 million and $70.0 million in respect of capital expenditures. The capital requirements will be funded from operations, available cash on deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

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, 2013, 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, 2013, the Reserve was invested in corporate, federal and provincial bonds.

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

At December 31, 2013, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 23.9% of the consolidated Future Redemption Cost liability or $437.0 million.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $1,828.1 million.

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

CREDIT FACILITIES AND LONG-TERM DEBT

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

(in thousands of Canadian dollars)	Authorized at December 31, 2013	Drawn at December 31, 2013	Drawn at December 31, 2012
Revolving facility [(a)]	300,000	—	—
Senior Secured Notes Series 1 [(b)]	N/A	—	—
Senior Secured Notes Series 2 [(c)]	N/A	150,000	150,000
Senior Secured Notes Series 3 [(d)]	N/A	200,000	200,000
Senior Secured Notes Series 4 [(e)]	N/A	250,000	250,000
Senior Secured Notes Series 5 [(f)]	N/A	200,000	200,000
Unamortized transaction costs [(g)]	N/A	(5,147)	(6,874)
		794,853	**793,126**
Less: current portion [(c)]		150,000	—
Total		**644,853**	**793,126**

(a) On April 13, 2012, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by two years to April 23, 2016. 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 $14.4 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 1, in the principal amount of $200.0 million, matured on April 23, 2012 and were repaid with funds drawn from the revolving facility.

(c) On September 2, 2009, Aimia issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. These notes bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014.

(d) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. These notes bear interest at 6.95% per annum, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017.

(e) 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. The proceeds from the notes issued were used to repay the funds drawn on the revolving facility and for general corporate purposes.

(f) 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. The proceeds from the notes issued were used to finance the acquisition of the additional 20% equity participation in PLM and for general corporate purposes.

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

Each of the Senior Secured Notes Series 2, 3, 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	2.38	≤ 2.75
Debt service [(a)]	0.01	≤ 2.00
Interest coverage	8.57	≥ 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.

BUSINESS ACQUISITIONS

A) SMART BUTTON ASSOCIATES, INC.

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

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

Purchase price *(in thousands of Canadian Dollars)*	
Total consideration	**19,808**
Deferred compensation	(4,170)
Total consideration to allocate	**15,638**

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

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

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

B) EXCELLENCE IN MOTIVATION, INC.

On September 24, 2012, Aimia acquired EIM, a privately-owned U.S. based full-service channel and employee performance improvement and business loyalty solutions provider, by purchasing all outstanding common shares for a total purchase price of $27.0 million (US$27.7 million). This included an amount of $3.1 million (US$3.2 million) of deferred compensation, of which $1.1 million (US$1.1 million) was part of cash held in escrow, payable to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time. The deferred compensation was excluded from the purchase price and is accrued on a straight line basis over the vesting period as compensation expense in the general and administrative expenses of Aimia's consolidated financial statements.

The acquisition was made to further advance Aimia's position as a full-suite loyalty management company delivering world-class channel, employee and customer solutions across all verticals, industries, geographies and channels for consumer and business to business brands.

In order to complete the transaction, Aimia incurred $1.8 million (US$1.9 million) of acquisition-related costs during the third quarter of 2012 which were included in general and administrative expenses.

The final allocation was completed during the fourth quarter of 2012.

The following table details the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date on the basis of the final purchase price allocation:

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

Final purchase price allocation	
(in thousands of Canadian Dollars)	
Cash	19,242
Contingent consideration [(a)]	1,473
Consideration payable [(b)]	2,891
Other consideration payable	243
Deferred compensation [(c)]	3,063
Total consideration	**26,912**
Deferred compensation [(c)]	(3,063)
Total consideration to allocate	**23,849**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,441
Restricted cash	4,712
Accounts receivable	17,133
Prepaid expenses	3,396
Property and equipment	1,206
Software and technology	3,405
Customer relationships	18,100
Other intangible assets [(d)]	461
Accounts payable and accrued liabilities	(4,658)
Customer deposits	(23,336)
Deferred revenue	(12,116)
Deferred income taxes	(4,902)
Total identifiable net assets (liabilities)	**6,842**
Goodwill [(e)]	17,007
Total	**23,849**

(a) Amount held in escrow on September 24, 2012, net of deferred compensation of $0.4 million (US$0.4 million), payable upon the achievement of a performance target in 2013. The amount represented the fair value of the consideration on the acquisition date, and as determined by management was equal to the maximum consideration payable. On December 13, 2013, upon the achievement of the performance target, the contingent consideration was released to the selling shareholders. As of December 31, 2012, the contingent consideration was included in other long-term liabilities.

(b) Amount held in escrow on September 24, 2012, net of deferred compensation of $0.7 million (US$0.7 million), to cover any payment resulting from working capital adjustments and potential indemnification claims. On December 24, 2012, following the completion of the working capital audit, an amount of $0.7 million (US$0.7 million) was released from escrow, of which $0.1 million (US$0.1 million), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition if certain conditions are met and $0.5 million (US$0.5 million) was remitted to the selling shareholders. As of December 31, 2013, the consideration payable was included in accounts payable and accrued liabilities. As of December 31, 2012, the consideration payable was included in other long-term liabilities.

(c) Includes an amount of $1.1 million (US$1.1 million) which was part of the cash held in escrow on September 24, 2012.

(d) Represents non-competition restrictions agreed to by certain of the selling shareholders, pursuant to the acquisition agreement.

(e) The goodwill is mainly attributable to the talent of EIM's workforce and the synergies expected to be achieved from integrating its operations. The goodwill is not tax deductible.

C) OTHER

During the year ended December 31, 2013, Aimia acquired the remaining 60% interest of a privately-owned company based in Indonesia, and reported in the APAC region, for cash consideration of $2.1 million (US$2.0 million).

EQUITY-ACCOUNTED INVESTMENTS

As at	December 31,	December 31,
(in thousands of Canadian Dollars)	2013	2012
Investment in PLM Premier, S.A.P.I. de C.V. [(a)]	97,156	107,830
Other equity-accounted investments in joint ventures [(b)]	4,099	2,024
Equity-accounted investments in associates [(c)]	4,159	—
Total	**105,414**	109,854

(a) During the year ended December 31, 2013, Aimia received distributions from PLM totaling $14.0 million (US$13.7 million) (2012: $15.7 million (US$15.9 million)).

(b) During the year ended December 31, 2013, Aimia invested an additional amount of $5.5 million (US$5.5 million) in Prismah.

(c) During the year ended December 31, 2013, Aimia invested a total of $4.3 million (US$4.2 million) in China Rewards, a Chinese based retail coalition loyalty program start-up.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
(in thousands of Canadian Dollars)	2013	2012
Investment in PLM Premier, S.A.P.I. de C.V.	(3,702)	4,370
Other equity-accounted investments in joint ventures	(1,301)	(1,453)
Equity-accounted investments in associates	(1,553)	—
Total	**(6,556)**	2,917

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

On September 13, 2010, Aimia acquired an initial participation in PLM, for cash consideration of $24.1 million (US $23.3 million), including transaction costs of $1.4 million (US$1.3 million). PLM is the owner and operator of Club Premier, a Mexican coalition loyalty program. Until February 27, 2011, the investment was accounted for as an

available-for-sale investment with fair value changes being recorded through other comprehensive income. Fair value was determined to approximate cost.

On February 28, 2011, after PLM achieved the remaining performance milestone, Aimia completed the second tranche of its investment in PLM of $11.8 million (US$11.8 million), increasing its equity interest to 28.86%. The investment, which is now subject to joint control with Grupo Aeromexico S.A.B. de C.V., is accounted for under the equity method.

On December 17, 2012, Aimia received a distribution of $15.7 million (US$15.9 million) from PLM. On the same date, following the receipt of the distribution, Aimia acquired an additional 20% equity participation in PLM for cash consideration of $87.7 million (US$89.1 million), including transaction costs of $1.1 million (US$1.1 million). The third tranche of the investment was accounted on a step basis. The independent valuation of the intangible assets of the third tranche was completed during the fourth quarter of 2012.

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. The proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche on the basis of management's valuation of the identifiable assets of PLM.

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 thousands of Canadian Dollars)	2013	2012
Revenue	**111,076**	99,859
Cost of rewards and operating expenses	(105,844)	(81,923)
Depreciation and amortization	(599)	(203)
Operating income	**4,633**	17,733
Net financing income	3,680	4,204
Income tax recovery (expense)	215	(4,207)
Net earnings	**8,528**	17,730
Other comprehensive loss	(5,397)	(264)
Comprehensive income	**3,131**	17,466

PLM reported Gross Billings of $40.6 million and $156.8 million for the three and twelve months ended December 31, 2013, respectively, compared to $43.8 million and $152.1 million for the three and twelve months ended December 31, 2012, respectively.

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

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 4* of the audited consolidated financial statements for the year ended December 31, 2013.

MEASUREMENT UNCERTAINTY

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the revenue has been recognized or deferred and for which no liability has been recorded. The potential redemption cost for such Loyalty Units is estimated to be $681.6 million at December 31, 2013.

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 $142.5 million for the period in which the change occurred, with $123.8 million relating to prior years and $18.7 million relating to the current year.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

A) VAT Litigation

(in thousands of Canadian dollars)	VAT Provision
Balance at December 31, 2011	**147,748**
Provision recorded during the year	8,761
Provision used during the year	—
Provision reversed during the year	—
Foreign exchange translation adjustment	2,947
Balance at December 31, 2012	**159,456**
Provision recorded during the year	3,249
Provision used during the year	—
Provision reversed during the year	(161,282)
Foreign exchange translation adjustment	(1,423)
Balance at December 31, 2013	**—**

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

Aimia EMEA Limited (formerly Loyalty Management Group Limited) was in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the VAT treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed.

On October 7, 2010, the Europeen Court of Justice ("ECJ") ruled against Aimia EMEA Limited and in favour of HMRC. The case was referred back to the UK Supreme Court for judgment based on the guidance of the ECJ. The hearing took place on October 24 and October 25, 2012. On March 13, 2013, the UK Supreme Court issued its judgment. While the ruling was in favour of Aimia EMEA Limited, the UK Supreme Court asked for further written submissions from both Aimia EMEA Limited and HMRC to fully determine the case. On June 20, 2013, the UK Supreme Court issued its final judgment in favour of Aimia.

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

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

Prior to the issuance of the final ruling by the UK Supreme Court, $2.1 million (£1.4 million) had been recorded in cost of rewards and $1.1 million (£0.7 million) had been recorded in interest expense during the period from January 1, 2013 to March 31, 2013. As a result of the final ruling, no amounts were recorded during the period from April 1 to June 20, 2013.

During the year ended December 31, 2012, $4.3 million (£2.7 million) was recorded in cost of rewards and $4.5 million (£2.8 million) was recorded in interest expense.

B) Asset Purchase Agreement

In relation to the asset purchase and migration agreements with TD and CIBC and the net migration of Aeroplan-branded credit card accounts between CIBC and TD, a provision totaling $50.0 million was recorded in general and administrative expenses for the year ended December 31, 2013. At this time, the provision represents management's best estimate. Please refer to the *NEW FINANCIAL CARD AGREEMENTS* section for more information.

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

CONTINGENT LIABILITIES AND GUARANTEES

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

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At December 31, 2013, Aimia's maximum exposure under such guarantees was estimated to amount to $204.7 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

On July 2, 2009, Aimia was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. The motion was heard on May 9 and 10, 2011 and Aeroplan was added as a potential defendant. In a judgment dated March 6, 2012, the Superior Court of Quebec authorized the motion for the petitioner to bring a class action. That motion was the first procedural step before any class action could be instituted. A notice of the judgment authorizing the class action was published on April 6, 2013.

On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member. The parties have agreed upon a timetable for procedural matters leading up to readiness for trial. The next step is for Aimia to file its defence. Management does not expect a ruling on the merits for at least 2 years.

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

From time to time, Aimia becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Aimia's financial position and results of operations.

INCOME TAXES

On August 30, 2013, Aimia received a notice of reassessment from the Canada Revenue Agency ("CRA") with respect to the taxation year ended December 31, 2008. The reassessment relates to the timing of recognition for tax purposes of deferred revenues from Breakage. Aimia recognizes the deferred revenue from Breakage for tax purposes in the same manner as for accounting purposes. The CRA is of the view that Aimia should recognize for tax

purposes all of its deferred revenue from Breakage in the year that it is billed. The impact of this reassessment is to increase taxable income at December 31, 2008 by $222.5 million, representing the deferred Breakage revenue balance reflected in the accounts at December 31, 2008, with a corresponding increase in current income tax liability of $54.0 million. Interest and penalties of $24.0 million were also assessed.

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

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

Since management believes that it is more likely than not that its position will be sustained, no amounts related to this issue have been recorded in the financial statements as of December 31, 2013.

NEW FINANCIAL CARD AGREEMENTS

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD has become Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards. The financial credit card agreement with TD includes a $100.0 million upfront contribution payable by TD to Aimia to help fund program enhancements effective as of January 1, 2014. As such, no amount in relation to this contribution was recorded in the financial statements for the year ended December 31, 2013. The contribution from TD was received on January 2, 2014.

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 for the year ended December 31, 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. For the year ended December 31, 2013, a provision totaling $50.0 million,

representing management's best estimate of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over 5 years, was recorded in general and administrative expenses. Please refer to the *Provisions* section for more information. In accordance with the migration agreement, the payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made within the first 45 days of each year, with the first payment being due in 2015.

On November 13, 2013, Aeroplan entered into agreements to extend its partnership with American Express, effective January 1, 2014, at the expiry of the existing agreements, for a 4 year term.

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 21, 2013.

Air Canada is one of Aimia's largest Accumulation Partners, representing 10% of Gross Billings for the year ended December 31, 2013 compared to 12% for the year ended December 31, 2012. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $218.0 million for 2014. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the year ended December 31, 2013, 37% 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 38% for the year ended December 31, 2012. Excluding the impact of the final judgment of the VAT litigation, the cost of rewards provided by Air Canada as a percentage of total cost of rewards and direct costs is 35% for the year ended December 31, 2013.

CONTACT CENTRE EMPLOYEES

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

In June 2009, the Corporation implemented a defined benefit pension plan as a result of the termination of the GSA and the transfer of the contact centre agents. As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan.

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales and service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from the Office of the Superintendant of Financial

Institutions ("OSFI") which is expected to occur within 18 to 24 months of the agreement date. As such, as of December 31, 2013, the financial statements do not reflect assets and obligations in relation to this plan. The transfer is not expected to result in Aeroplan assuming a material unfunded pension plan obligation on the basis of the most recent actuarial valuation report.

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

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

AIR CANADA WARRANTS AND CLASS B SHARES

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

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

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

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

At December 31, 2012, the total fair value of the 2,500,000 warrants amounted to $1.1 million.

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

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2013, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

(in millions of Canadian dollars)	Total	2014	2015	2016	2017	2018	Thereafter
Contractual Obligations							
Operating leases	111.6	21.6	19.6	11.8	7.9	7.5	43.2
Technology infrastructure and other	39.9	19.7	10.6	5.2	3.5	0.9	—
Marketing support and other	384.6	61.3	49.4	47.7	46.7	43.7	135.8
Long-term debt [(a)]	979.0	199.5	37.6	36.9	229.6	218.4	257.0
Purchase obligation under the CPSA	2,757.3	424.2	424.2	424.2	424.2	424.2	636.3
Contractual Obligations	**4,272.4**	**726.3**	**541.4**	**525.8**	**711.9**	**694.7**	**1,072.3**
Commitments							
Letters of Credit and Surety Bonds	22.0	17.0	4.4	0.6	—	—	—
Commitments	**22.0**	**17.0**	**4.4**	**0.6**	**—**	**—**	**—**
Total Contractual Obligations and Commitments	**4,294.4**	**743.3**	**545.8**	**526.4**	**711.9**	**694.7**	**1,072.3**

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

Marketing support amounts represent maximum obligations in connection with the Corporation's undertakings to promote the loyalty programs it operates.

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, 2013, Aimia complied with all such covenants.

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

DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2013 and 2012 were as follows:

	2013 [(a)]		2012 [(b)]	
(in thousands of Canadian dollars, except per-share amounts)	Amount	Per common share	Amount	Per common share
March	27,589	0.160	26,102	0.150
June	29,320	0.170	27,546	0.160
September	29,348	0.170	27,561	0.160
December	29,403	0.170	27,570	0.160
Total	**115,660**	**0.670**	108,779	0.630

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

(b) On May 3, 2012, the Board of Directors of Aimia approved an increase to the common share dividend from $0.150 to $0.160 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2013 and 2012 were as follows:

	2013		2012	
(in thousands of Canadian dollars, except per-share amounts)	Amount	Per preferred share	Amount	Per preferred share
March	2,803	0.40625	2,803	0.40625
June	2,803	0.40625	2,803	0.40625
September	2,803	0.40625	2,803	0.40625
December	2,804	0.40625	2,804	0.40625
Total	**11,213**	**1.62500**	11,213	1.62500

The dividend policy is subject to the discretion of the Board of Directors of Aimia and may vary depending on, among other things, Aimia's earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the Canada Business Corporations Act (the “CBCA”) for the declaration of dividends and other conditions existing at such future time. The Preferred Shares, Series 1, outstanding at December 31, 2013 bear a 6.5% annual cumulative dividend or $0.40625 per preferred share per quarter. The Preferred Shares, Series 3, issued on January 15, 2014 bear a 6.25% annual cumulative dividend or $0.390625 per preferred share per quarter.

On February 26, 2014, the Board of Directors of Aimia declared quarterly dividends of $0.17 per common share, $0.40625 per Preferred Share, Series 1 and $0.3211 per Preferred Share, Series 3 payable on March 31, 2014.

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

CAPITAL STOCK

From January 1 to May 15, 2012, Aimia repurchased and cancelled 1,961,900 common shares for total cash consideration of $24.2 million. Share capital was reduced by $17.2 million and the remaining $7.0 million was accounted for as reduction of contributed surplus.

On May 3, 2012, Aimia received approval from the Toronto Stock Exchange and announced the renewal of its Normal Course Issuer Bid ("NCIB") to repurchase up to 17,179,599 of its issued and outstanding common shares during the period from May 16, 2012 to no later than May 15, 2013.

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

No shares were repurchased during the period from May 16, 2012 to December 31, 2013.

At December 31, 2013, Aimia had 172,970,396 common shares and 6,900,000 Preferred Shares, Series 1, issued and outstanding for an aggregate amount of $1,693.8 million. In addition, there were 7,090,723 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

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. Please refer to the *SUBSEQUENT EVENTS* section for more information.

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.

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

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, 2013 and December 31, 2012 is calculated as follows:

	December 31,	
(in thousands of Canadian Dollars)	2013	2012
Cash and cash equivalents	(449,108)	(497,976)
Short-term investments	(60,654)	(42,479)
Long-term investments in corporate and government bonds	(269,651)	(313,250)
Long-term debt (including current portion)	794,853	793,126
Share Capital	1,693,791	1,683,456
Contributed surplus	1,221,532	1,218,427
Deficit	(2,181,156)	(1,542,700)
Total capital	**749,607**	1,298,604

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 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 and Adjusted Net Earnings as measurements to monitor operating performance. Free cash flow is used as an indicator of financial 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, 2013 amounted to $300.0 million and is 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 upon policies established by management. 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. To date, Aimia has not used any of the funds held in the Reserve. 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.

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), Air Canada warrants, forward exchange contract, 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, 2013, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
(in thousands of Canadian Dollars)	2013	2012
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**543,483**	568,797

For the year ended December 31, 2013, 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 $5.4 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, 2012.

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

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2013, 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, 2013, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

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, 2013, Aimia had issued Senior Secured Notes in the amount of $800.0 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, 2016. The revolving facility is provided by a syndicate that consists of nine 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 $15.0 million (of which $14.4 million were issued against the revolving facility) at December 31, 2013 issued as security in the normal course of business.

At December 31, 2013, maturities of the financial liabilities are as follows:

	Total	2014	2015	2016	2017	2018	Thereafter
(in thousands of Canadian Dollars)							
Long-term debt including interest	978,961	199,450	37,600	36,911	229,650	218,350	257,000
Accounts payable and accrued liabilities	482,820	482,820	—	—	—	—	—
Contingent consideration payable	4,278	—	2,139	2,139	—	—	—
Total	**1,466,059**	**682,270**	**39,739**	**39,050**	**229,650**	**218,350**	**257,000**

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, 2013, Aimia held net financial assets denominated in pound sterling of approximately £89.3 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $1.6 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, 2012.

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 thousands of Canadian Dollars)	Hierarchy	December 31, 2013	December 31, 2012
Financial assets			
Air Canada Class B shares	Level 1	**18,525**	—
Air Canada warrants	Level 2	**—**	1,072
Investments in equity instruments (excluding Air Canada shares)	Level 3	**72,412**	23,702
Financial liabilities			
Contingent considerations payable	Level 3	**4,278**	1,509
Forward exchange contract [(a)]	Level 2	**—**	180

(a) The forward exchange contract, entered into to manage the risk and mitigate the currency fluctuations associated with an intercompany loan, was settled on December 6, 2013 upon the reimbursement of the intercompany loan. At that time, the fair value of the forward contract was favourable and amounted to $2.5 million. The changes in the fair value of the forward exchange contract were offset against the currency fluctuations associated with the intercompany loan and recorded in financial expenses.

The fair value of the investments in equity instruments, excluding Air Canada Class B shares, is based on the discounted cash flow analysis used to value the initial investment, adjusted to reflect changes to budgeted cash flows and key assumptions used in the analysis between the initial investment date and December 31, 2013. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at December 31, 2013, the fair value of investments in equity instruments were determined to approximate cost, with the exception of the investment in Cardlytics where a fair value adjustment of $13.7 million was recorded in other comprehensive income during the second quarter of 2013 on the basis of the valuation performed in connection with the additional investment made on May 23, 2013.

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. The fair value of the contingent consideration related to the EIM acquisition and paid on December 13, 2013 was determined on the basis of the maximum consideration payable as per management's best estimate at December 31, 2012.

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.

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

		December 31, 2013		December 31, 2012	
(in thousands of Canadian Dollars)	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	310,460	318,442	313,250	325,671
Long-term debt (including current portion)	Level 1	794,853	846,553	793,126	841,366

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial liabilities		Amounts offset		Amounts not offset	Net
(in thousands of Canadian Dollars)	Gross liabilities	Gross assets offset	Net amounts presented	Financial assets	
December 31, 2013					
Accounts payable and accrued liabilities [(a)]	545,539	(62,719)	482,820	—	482,820
Provisions [(b)]	50,000	—	50,000	(3,127)	46,873
December 31, 2012					
Accounts payable and accrued liabilities [(a)]	443,078	(62,531)	380,547	—	380,547

Financial assets		Amounts offset		Amounts not offset	Net
(in thousands of Canadian Dollars)	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2013					
Accounts receivable [(a)(b)]	476,257	(62,719)	413,538	(3,127)	410,411
December 31, 2012					
Accounts receivable [(a)]	448,604	(62,531)	386,073	—	386,073

(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 reward purchases as described under *Note 11* of the audited consolidated financial statements for the year ended December 31, 2013.

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

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

SUBSEQUENT EVENTS

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 $146.5 million, net of issue costs of $3.5 million. 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 ending March 31, 2019. The net proceeds of the issue will be used by Aimia to supplement its financial resources and for general corporate purposes.

On February 6, 2014, Aimia invested approximately $17.0 million, with up to an additional $7.0 million to be invested if certain milestones are achieved by December 31, 2015, for a minority stake in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program.

EARNINGS (LOSS) PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted $(2.95) and $0.89 for the years ended December 31, 2013 and December 31, 2012, respectively. Earnings (loss) per share are calculated after dividends on preferred shares.

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 - *Consolidation - Special Purpose Entities*, and parts of IAS 27 - *Consolidated and Separate Financial Statements*. The Corporation determined that the adoption of this standard had no impact on its consolidated financial statements.

IFRS 11, Joint Arrangements
IAS 28R, Investments in Associates and Joint Ventures

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will

recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures*, and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. The Corporation has classified its joint arrangements and concluded that the adoption of IFRS 11 and the amendments to IAS 28 resulted in no changes in the accounting of its joint arrangements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard introduces additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation has provided the disclosure requirements under IFRS 12 in these financial statements.

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The adoption of the standard did not result in any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Corporation has provided the new disclosure requirements, as applicable, in these financial statements.

IFRS 7 Amendment, New Offsetting Disclosures

IFRS 7 - *Financial Instruments* was amended to incorporate additional disclosure requirements related to offsetting financial assets and financial liabilities. The Corporation has provided the new disclosure requirements in these financial statements.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

The amendment requires the grouping of other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Corporation has reclassified other comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 36 Amendment, Disclosure of Information about the Recoverable Amount of Impaired Assets

IAS 36- *Impairment of Assets* was amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are required to be applied for accounting periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has elected to early adopt the amended standard for the year ended December 31, 2013.

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

IAS 19R, Employee Benefits

IAS 19 was amended to reflect significant changes to recognition and measurement of defined benefit liabilities (assets), and provide expanded disclosure requirements. The main changes include the elimination of the corridor approach and the elimination of the option to recognize actuarial gains and losses in profit and loss. Actuarial gains and losses, renamed 'remeasurements', need to be recognized immediately in other comprehensive income. This change is consistent with the Corporation's current accounting policy. The revised standard also requires the immediate recognition of past service costs when those occur and the computation of the annual expense for a funded benefit plan to be based on the application of the discount rate to the net defined benefit asset or liability as opposed to the expected return on plan assets.

The Corporation adopted these amendments retrospectively and adjusted its opening equity as at January 1, 2012 to recognize previously unrecognized past service costs. The defined benefit pension plan expense for the comparable period has been adjusted to reflect the application of the discount rate to the net defined benefit asset or liability as opposed to the expected return on plan assets. The adjustments for each financial statement line item affected are presented in the tables below.

Adjustments to consolidated statements of operations	Years Ended December 31,	
(in thousands of Canadian Dollars)	2013	2012
Net earnings (loss) before accounting changes	(492,953)	166,659
Decrease in selling and marketing expenses	361	461
Increase in deferred income tax expense	(96)	(121)
Net earnings (loss) after accounting changes	(492,688)	166,999
Net earnings (loss) after accounting changes attributable to:		
Equity holders of the corporation	(498,281)	165,507
Non-controlling interests	5,593	1,492
Net earnings (loss) after accounting changes	(492,688)	166,999

Adjustments to consolidated statements of comprehensive income	Years Ended December 31,	
(in thousands of Canadian Dollars)	2013	2012
Comprehensive income (loss) before accounting changes	(429,564)	169,055
Decrease in defined benefit plans actuarial loss, net of tax	316	241
Increase in net earnings	265	340
Comprehensive income (loss) after accounting changes	(428,983)	169,636
Comprehensive income (loss) after accounting changes attributable to:		
Equity holders of the corporation	(434,634)	168,111
Non-controlling interests	5,651	1,525
Comprehensive income (loss) after accounting changes	(428,983)	169,636

Adjustments to consolidated statements of financial position	December 31,	December 31,	January 1,
(in thousands of Canadian Dollars)	2013	2012	2012
Total equity before accounting changes	775,061	1,327,402	1,291,507
Increase in pension and other long-term liabilities	(2,912)	(3,699)	(4,486)
Decrease in deferred income tax liabilities	761	967	1,173
Total equity after accounting changes	772,910	1,324,670	1,288,194
Total equity after accounting changes attributable to:			
Equity holders of the corporation	768,872	1,334,547	1,302,248
Non-controlling interests	4,038	(9,877)	(14,054)
Total equity after accounting changes	772,910	1,324,670	1,288,194

The amendments to IAS 19 had no impact on the total reported cash from (used in) operating activities, investing activities and financing activities presented in the Corporation's statements of cash flows.

FUTURE ACCOUNTING CHANGES

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

A. International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. 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 November 2013, amendments to IFRS 9 removed the previous mandatory effective date of January 1, 2015. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

B. In December 2011, the IASB amended IAS 32- *Financial Instruments*: Presentation, to clarify certain requirements for offsetting financial assets and liabilities. This amendment is required for accounting periods beginning on or after January 1, 2014. At this time, the Corporation does not anticipate that these amendments will have an impact on its consolidated financial statements.

C. In November 2013, the IASB issued an amendment to clarify the application of IAS 19- *Employee Benefits* to plans that require employees or third parties to contribute towards the cost of benefits. The amendment

allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment is effective for years beginning on or after July 1, 2014 with early adoption permitted. At this time, the Corporation is reviewing the impact that this amendment will have, if any, on its consolidated financial statements.

D. In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. The following is a summary of the key clarifications and amendments:

- IFRS 2- *Share-based payment* was amended to clarify the definition of vesting conditions applicable to share-based payment transactions with a grant date on or after July 1, 2014.
- IFRS 3- *Business Combinations* was amended to clarify contingent consideration effective for business combinations with an acquisition date on or after July 1, 2014. Consequential amendments will be applicable to the following standards under IFRS: IAS 37, IAS 39 and IFRS 9. Additionally, the scope exception for joint arrangements is clarified and effective for years beginning on or after July 1, 2014.

These publications also include the following amendments which are effective for years beginning on or after July 1, 2014:

- IFRS 8- *Operating Segments*: Amended to require disclosure of judgments made by management in aggregating segments and the reconciliation of segment assets to the entity's assets if reported.
- IAS 24- *Related Party Disclosures*: Amended to revise the definition of related party and clarify certain disclosures.

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, 2013 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.

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, 2013 is 12% (December 31, 2012: 17%), 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 2013, including management's revised expectations around Aeroplan member engagement and the cancellation of the Aeroplan seven-year mileage redemption policy following the announcement of the enhancements to the Aeroplan Program on June 27, 2013.

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 proprietary loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These proprietary loyalty service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured

reliably and it is probable that the economic benefits associated with the service will be realized. Other 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 proprietary 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 11.5 years as at December 31, 2013. The amortization period reflects contract terms and renewals.

During the year ended December 31, 2013, the estimated lives of certain Accumulation Partners' contracts and customer relationships have been revised on the basis of changes to their contractual terms. The effect of these changes on the amortization of accumulation partners' contracts and customer relationships for the current and future accounting periods is presented in the following table.

Year ending December 31,	Increase (decrease)
2013	2,914
2014	48,708
2015 to 2017	144,600
2018	15,478
2019 to 2031	(211,700)

Other intangibles, which include non-competition restrictions agreed to by the vendors, pursuant to certain acquisition agreements, and the right to use proprietary intangible assets, 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 as 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 to sell. 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 beyond the highest of:

- the fair value less costs to sell; 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.

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 management, under the supervision of the Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and CFO. Based on this evaluation, the GCE and CFO have concluded that, as of December 31, 2013, 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.

Internal control over financial reporting has been designed, based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), 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.

Management, under the supervision of the GCE and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above. 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, 2013.

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.

There has been no change in Aimia's internal control over financial reporting that occurred during the year ended December 31, 2013 that has materially affected, or is reasonable likely to materially affect, Aimia's internal control over financial reporting.

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.

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

RISKS AND UNCERTAINTIES

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

Aimia's top three Accumulation Partners were responsible for approximately 47% of Gross Billings for the year ended December 31, 2013. A decrease in sales of Loyalty Units to any 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 and Amex Bank of Canada ("AMEX").

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD and CIBC, which became effective on January 1, 2014 (the "New Credit Card Agreements"). Under the New Credit Card Agreements, TD has become Aeroplan's primary financial services partner and credit card issuer, while CIBC also continues to be an issuer of the Aeroplan credit cards. Concurrent with the execution of the New Credit Card Agreements, Aimia entered into a purchase agreement with TD and CIBC under which TD acquired on December 27, 2013 approximately half of the current Aeroplan card portfolio and CIBC retained the balance, comprised of Aeroplan cardholders who have broader banking relationships with CIBC.

The terms of the New Credit Card Agreements are materially different from the previous agreement with CIBC (the "Old CIBC Agreement") which expired on December 31, 2013, pursuant to which CIBC administered various Visa and other products through which Aeroplan members could accumulate Aeroplan Miles from the credit cards and other spending. There can be no assurance that the New Credit Card Agreements will provide a financial contribution to Aimia similar to the historical contribution of the Old CIBC Agreement and/or at the levels Aimia anticipates and, in the event the New Credit Card Agreements provide a lesser financial contribution to Aimia as compared to the historical contribution of the Old CIBC Agreement or as compared to the levels Aimia anticipates, there would be an adverse effect on our Gross Billings, revenue, redemption costs and profitability.

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

The New 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 CIBC New Credit Card Agreement, 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 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. 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 in a significant reduction in Gross Billings.

Aeroplan and AMEX were parties to certain agreements dated as of January 1, 2004, as amended (the "Old AMEX Agreements") pursuant to which AMEX administered various American Express products through which Aeroplan members could accumulate Aeroplan Miles from their card spending. The Old AMEX Agreements had a term expiring on January 1, 2014. On November 13, 2013, the Corporation entered into a number of four-year agreements with AMEX, effective January 1, 2014 (the "New AMEX Agreements"). The terms of the New AMEX Agreements are materially different from the Old AMEX Agreements. There can be no assurance that the New AMEX Agreements will provide a financial contribution to Aimia similar to the historical contribution of the Old AMEX Agreements and/or at the levels Aimia anticipates and, in the event the New Amex Agreements provide a lesser financial contribution to Aimia as compared to the historical contribution of the Old Amex Agreements or as compared to the levels Aimia anticipates, there would be an adverse effect on our Gross Billings, revenue, redemption costs and profitability.

The Nectar Program derives a significant portion of its Gross Billings from its founding coalition partner, Sainsbury's. The commercial agreements governing the participation of Sainsbury's as an Accumulation Partner and Redemption Partner in the Nectar Program expire in 2019, unless renewed by the parties.

The Nectar Italia Program derives a significant portion of its Gross Billings from its agreements with Simply Sma Stores and Auchan Hypermarkets and the Air Miles Middle East program derives a significant portion of its Gross Billings from its founding coalition partner, HSBC. The commercial agreements relating to the participation of these anchor partners in the respective coalition loyalty programs are long-term in nature (i.e. at least two years in length), with early exit rights in the case of HSBC.

Aimia's proprietary loyalty services 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 proprietary loyalty services 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 proprietary loyalty service revenues and impact Aimia's results of operations and financial condition.

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

Changes to the Aeroplan Program

Aimia implemented significant changes to the Aeroplan Program on January 1, 2014, including: new Market Fare Flight Rewards which replaced ClassicPlus Flight Rewards, offering members significantly improved value; the launch of Distinction, a new tiered recognition program that rewards top accumulating members with preferential mileage levels for redemption; and the cancellation of the seven-year mileage redemption policy, with miles no longer expiring for members active in the program each year. Successful financial implementation of the enhanced Aeroplan Program is partially dependent on expectations of increased engagement by current Aeroplan members and the attraction of new members to the Aeroplan Program. There can be no assurance that the introduction of the changes to the Aeroplan Program will result in the increased member engagement and/or the attraction of new Aeroplan members at the levels expected by Aimia, which may have an adverse effect on Aimia's Gross Billings and revenue. In addition, there can be no assurance that the actual level of redemption activity and/or anticipated costs of rewards will be achieved at the levels expected by Aimia. Higher than expected redemption activity and/or costs may have an adverse impact on Aimia's profitability.

Failure to Safeguard Databases and Consumer Privacy

As part of our coalition and proprietary loyalty programs and in connection with the activities of Aimia's proprietary loyalty 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 have established rigorous security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data. If we 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. The use of loyalty marketing services by partners and clients could decline in the event of any publicized compromise of security. 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 legal claims from consumers or regulatory enforcement actions.

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. As announced on June 27, 2013, the estimate of the Breakage rate for the Aeroplan Program was adjusted from 18% to approximately 11%, resulting in a decrease to the consolidated weighted average Breakage estimate to 12% at December 31, 2013 (December 31, 2012: 17%). 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 2013, including management's revised expectations around Aeroplan member engagement and the cancellation of the Aeroplan seven-year mileage redemption policy. 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 and PIPEDA

In Canada, we are subject to the *Privacy Act* and the *Personal Information Protection and Electronic Documents Act* (PIPEDA). PIPEDA sets out rules for how private sector organizations may collect, use or disclose personal information in the course of commercial activities. In addition, the federal government introduced the

Safeguarding Canadians' Personal Information Act on September 29, 2011. This legislation includes provisions that would clarify an individuals' consent to the collection, use or disclosure of their personal information.

The enactment of new, or amendments to existing, legislation or industry regulations relating to consumer privacy issues and/or marketing, in Canada and in any of the markets where Aimia conducts business, including regulations associated with PIPEDA, may materially impact our relationships with members and our Commercial Partners. Any such legislation or industry regulations could 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 pressures from retailers demanding better control and transparency over their costs associated with accepting electronic payments at the point of sale and in particular the differentiated cost of accepting "premium" card products vs "standard" card products. At the same time, a Task Force for the Payments Systems Review was formed. The Task Force was designed to review the safety, soundness and efficiency of the Canadian payments system and to submit its final report with recommendations to the Minister of Finance by the end of 2011. In 2012, the Canadian Government announced the creation of the FinPay advisory committee, a forum of public and private sector representatives, to further review and provide recommendations to the Department of Finance on the Canadian payments eco-system. Aimia will work with the FinPay advisory committee to provide input on the future of the payments eco-system. In order to further the ecosystem's evolution, the Department of Finance has invited payments eco-system participants, including Aimia, to provide comments to the Department of Finance. Any downward change in the interchange rates of credit cards could lead to a decrease in revenue for credit card companies and, as a result, could have an adverse effect on our Gross Billings.

On December 15, 2010 the Canadian Competition Bureau filed an application with the Competition Tribunal to strike down what it considers to be restrictive and anti-competitive rules imposed by Visa and MasterCard on merchants who accept their credit cards. The claim specifically targeted rules prohibiting merchants from applying a surcharge to payments made by a credit card, as well as rules requiring merchants to accept all types of credit cards from a given credit card network, regardless of fee structure and interchange rate.

On July 23, 2013, the Competition Tribunal dismissed the application filed by the Canadian Competition Bureau and shortly thereafter, the Competition Commissioner announced that it would not appeal the tribunal's decision. In dismissing the application, the Competition Tribunal noted that the proper solution to the concerns raised in the submission could be a regulatory framework that should be reviewed by the Department of Finance. As a result of the Competition Tribunal's comments, the Minister of Finance referred the matter to the FinPay advisory committee. FinPay has held consultations with its members to develop potential options and solutions to address the concerns raised. In parallel, the Department of Finance met with various industry participants on a bi-lateral basis to encourage the implementation of a voluntary solution that would avoid regulatory intervention. On February 11, 2014, as part of the 2014/2015 federal budget, the Canadian

government announced that it will 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 intends to strengthen the voluntary Code of Conduct for the credit and debit card industry, in consultation with stakeholders.

Should a voluntary non-regulatory solution be implemented by industry participants resulting in a downward change and/or cap in the interchange rates of credit cards, or a material change in the admissibility criteria or should it otherwise result in changes that would significantly reduce the number of individuals who can apply for and hold premium card products, this could have an adverse effect on our Gross Billings.

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. Loyalty and database marketing strategies are relatively new to retailers, and there can be no guarantee that merchants will continue to use these types of 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

In the past, Air Canada has sustained significant operating losses and may sustain significant losses in the future. In its recent public filings, Air Canada has indicated that it is currently faced with several risks that may have a material impact on future operating results including risks related to leverage, the need for additional capital and liquidity, foreign exchange, economic and geopolitical conditions, market volatility in the price of fuel, increased competitive pressures, pension plan funding, as well as risks relating to restrictive terms under its financing agreements.

There can be no assurance that Air Canada will continue to achieve sustainable profitability in the future or to meet its financial liabilities and other contractual obligations as they become due. 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.

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.

Air Canada or 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. 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, such as those which resulted from the terrorist attacks on September 11, 2001, or as might result from political instability, other terrorist acts or war, from 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, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel. 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.

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

The airline industry has been subject to a number of increasing costs over the last several years, including increases in the cost of fuel and insurance, and increased 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, Jazz 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 30 months for the Aeroplan Program and 15 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 necessarily 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 are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.

The proprietary loyalty 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF 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 center employees are unionized. The collective agreement for these employees is effective from November 15, 2012 and will expire on November 14, 2015. 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 center 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 transfer of over 800 contact centre employees from Air Canada to Aeroplan was fully effected on June 14, 2009. As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan.

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales & service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from the Office of the Superintendant of Financial Institutions (“OSFI”) which is expected to occur within 18 to 24 months of the agreement date. As such, as of December 31, 2013, the financial statements do not reflect assets and obligations in relation to this plan.

The funding requirements of the defined benefit pension plan 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

Aimia's ability to protect the data and contact centres of our coalition loyalty programs and those of our clients 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 contact centres, any failure of telecommunication links that interrupts operations or any impairment of the ability to use licensed software could adversely affect the 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.

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.

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 the 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. Substantially all of Aimia EMEA Limited's revenues and expenses 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. Aimia US & APAC's 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.

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 with a stable trend by DBRS and BBB- by S&P. The Notes have also been assigned credit ratings of BBB with a stable trend by DBRS and BBB- 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.

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

MEASURING OUR PERFORMANCE AGAINST 2013 GUIDANCE

On February 27, 2013, Aimia issued guidance for the year ending December 31, 2013, which was updated on August 12, 2013, and subsequently updated on September 16, 2013 and November 13, 2013. A comparison of Aimia's actual reported results for the year ended December 31, 2013 against the guidance issued and updated for such year is presented below:

Guidance[1] Issued February 27, 2013, as Updated	Comparison to Actual Results[1]
Consolidated Guidance for the Year Ending December 31, 2013	
Gross Billings[1] growth between 3% and 5%.	Gross Billings growth[1] rate was 4.5%.
Adjusted EBITDA to approximate $350.0 million (excluding the impact of the Aeroplan credit card portfolio conveyance transaction among TD, CIBC and Aimia)	Adjusted EBITDA excluding the impact of conveyance was $350.5 million. Reported Adjusted EBITDA $150.5 million CIBC Payment 150.0 million Card Migration Provision 50.0 million Adjusted EBITDA excluding the impact of conveyance $350.5 million
Free Cash Flow before dividends paid between $230.0 and $250.0 million (excluding the impact of the Aeroplan credit card portfolio conveyance transaction among TD, CIBC and Aimia)	Free Cash Flow before dividends paid excluding the impact of the conveyance transaction was above our guided range at $268.1 million as a result of lower fourth quarter redemptions in Canada, lower capital expenditures and a stronger cashflow performance than expected in the US & APAC region. Reported Free Cash Flow before dividends paid $ 95.6 million CIBC Payment 150.0 million Harmonized Sales Tax on CIBC Payment 22.5 million Free Cash Flow excluding the impact of conveyance $268.1 million
Capital expenditures to approximate $65.0 million.	Capital expenditures were reported at $54.4 million. Expenditures were lower than expected due to timing of payments. Expenditures of $12 million were accrued at the end of the year to be paid in 2014.
Canada's 2013 current income tax rate is expected to be 27%. Aimia does not expect any further cash tax instalments in Canada after realization of tax losses from the Breakage adjustment to earnings of approximately $664.0 million recorded in the second quarter. No significant cash taxes are expected in foreign operations.	The current income tax rate for Canada was 26.48%. Cash taxes in Canada were limited to instalments of $14.2 million made prior to the Breakage adjustment recorded in June 2013 after which, no further cash tax instalments were recorded in Canada. Cash taxes in foreign operations were not significant.

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

Guidance[1] Issued February 27, 2013, as Updated	Comparison to Actual Results[1]
Business Segment Guidance for the Year Ending December 31, 2013	
Canada Gross Billings growth at the lower end of a 1% and 3% range	Canada reported Gross Billings growth of 0.6%, just below the low end of the guided range. Gross Billings were unfavourably impacted by changes to the accumulation grid at Air Canada and lower financial services activity.
EMEA Gross Billings[1] growth between 5% and 7%.	EMEA reported Gross Billings growth[1] of 7.4%. Gross Billings growth was slightly above the upper end of the range due to strong accumulation in the Nectar UK and Air Miles Middle East programs, offset by weaker accumulation in the Nectar Italia Program.
US & APAC Gross Billings growth[1] above 5%.	US & APAC Gross Billings growth[1] of 13.4%, favourable to guidance due to higher reward fulfillment volume and net new business.

Notes:

1. The 2013 guidance and reported results exclude the effects of fluctuations in currency exchange rates, where applicable.

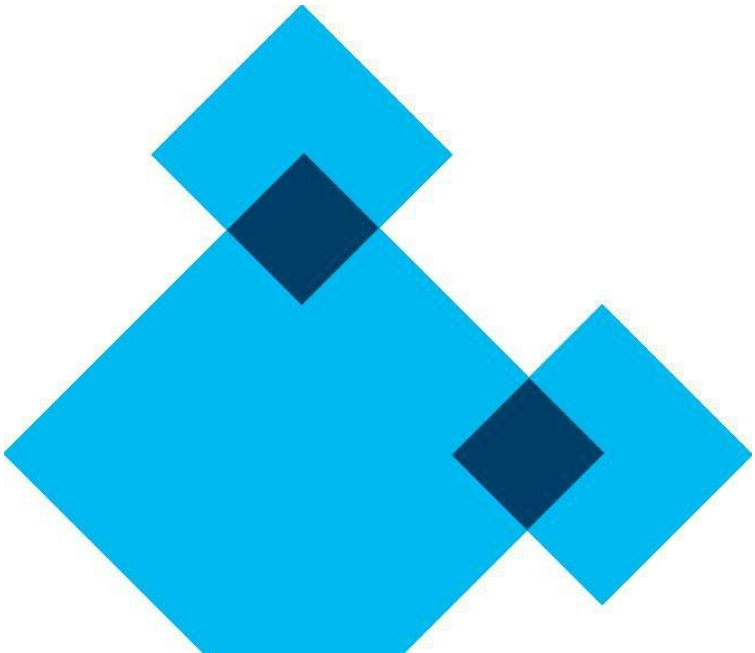
ADDITIONAL INFORMATION

Additional information relating to Aimia and its operating businesses, including Aimia's Management Information Circular and Annual Information Form, respectively dated March 15 and March 21, 2013, is available on SEDAR at www.sedar.com or on Aimia's website at www.aimia.com under “Investors”.

AIMIA
INSPIRING LOYALTY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012



AIMIA
INSPIRING LOYALTY

MANAGEMENT'S REPORT

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

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

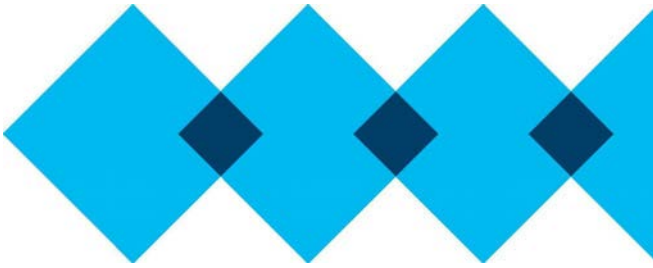
February 26, 2014

(signed) "Rupert Duchesne"

RUPERT DUCHESNE
Group Chief Executive

(signed) "David L. Adams"

DAVID L. ADAMS
Executive Vice President and Chief Financial Officer



February 26, 2014

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, 2013 and 2012 and at January 1, 2012 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012, 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.

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

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

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, 2013 and 2012 and at January 1, 2012 and their financial performance and their cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A113048

AIMIA

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except share and per share amounts)		Years Ended December 31, 2013	2012 (Note 2)
Revenue	Notes 16 & 26	**$ 1,673,548**	$ 2,248,918
Cost of sales			
Cost of rewards and direct costs	Notes 11 & 17	**1,301,795**	1,300,925
Depreciation and amortization		**43,474**	38,425
Amortization of accumulation partners' contracts, customer relationships and technology		**84,414**	87,234
		1,429,683	1,426,584
Gross margin		**243,865**	822,334
Operating expenses			
Selling and marketing expenses		**432,728**	407,877
General and administrative expenses	Notes 3, 11 & 17	**457,039**	158,509
Impairment of goodwill	Note 14	**19,144**	—
		908,911	566,386
Operating income (loss)		**(665,046)**	255,948
Financial income	Notes 7 & 17	**35,572**	13,785
Financial expenses	Notes 7 & 17	**(53,684)**	(50,049)
Net financing costs		**(18,112)**	(36,264)
Share of net earnings (loss) of equity-accounted investments	Note 4	**(6,556)**	2,917
Earnings (loss) before income taxes		**(689,714)**	222,601
Income tax (expense) recovery			
Current	Notes 16 & 21	**95,182**	(54,444)
Deferred	Notes 16 & 21	**101,844**	(1,158)
		197,026	(55,602)
Net earnings (loss) for the year		**$ (492,688)**	$ 166,999
Net earnings (loss) attributable to:			
Equity holders of the Corporation		**(498,281)**	165,507
Non-controlling interests		**5,593**	1,492
Net earnings (loss) for the year		**$ (492,688)**	$ 166,999
Weighted average number of shares		**172,514,527**	173,015,589
Earnings (loss) per common share			
Basic and fully diluted	Note 8	**$ (2.95)**	$ 0.89

AIMIA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)		Years Ended December 31, 2013	2012 (Note 2)
Net earnings (loss) for the year		**$ (492,688)**	$ 166,999
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss)			
Foreign currency translation adjustments on consolidation of foreign operations		**37,450**	4,430
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30	**21,949**	—
Items that will not be reclassified subsequently to net earnings (loss)			
Defined benefit plans actuarial gains (losses), net of tax	Note 30	**4,306**	(4,981)
Variation of the minimum funding requirement liability for the defined benefit plan, net of tax	Note 30	**—**	3,188
Other comprehensive income (loss) for the year		**63,705**	2,637
Comprehensive income (loss) for the year		**$ (428,983)**	$ 169,636
Comprehensive income (loss) attributable to:			
Equity holders of the Corporation		**(434,634)**	168,111
Non-controlling interests		**5,651**	1,525
Comprehensive income (loss) for the year		**$ (428,983)**	$ 169,636

AIMIA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(in thousands of Canadian dollars)*		December 31, 2013	December 31, 2012 (Note 2)	January 1, 2012 (Note 2)
ASSETS				
Current assets				
Cash and cash equivalents	Note 2	**$ 449,108**	$ 497,976	$ 202,147
Restricted cash	Note 2	**33,721**	28,342	15,074
Short-term investments	Note 2	**60,654**	42,479	58,372
Income taxes receivable	Notes 16 & 21	**109,529**	—	—
Accounts receivable	Notes 9 & 17	**413,538**	386,073	382,823
Inventories	Note 2	**10,226**	15,671	41,965
Prepaid expenses		**58,300**	41,105	29,144
Cash held in escrow	Notes 3 & 6	**5,674**	—	—
Note receivable	Note 10	**—**	—	61,611
		1,140,750	1,011,646	791,136
Long-term assets				
Cash held in escrow	Notes 3 & 6	**3,744**	48,549	42,804
Long-term investments	Notes 2 & 5	**360,588**	336,952	302,735
Equity-accounted investments	Note 4	**105,414**	109,854	31,407
Property and equipment	Notes 13 & 14	**26,915**	23,444	16,142
Intangible assets	Notes 3 & 14	**1,674,056**	1,708,709	1,761,906
Goodwill	Notes 3 & 14	**2,027,129**	2,007,427	1,985,603
		$ 5,338,596	$ 5,246,581	$ 4,931,733
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	Note 17	**$ 482,820**	$ 380,547	$ 382,130
Income taxes payable	Note 21	**—**	3,427	1,083
Provisions	Note 17	**—**	159,456	147,748
Customer deposits		**77,215**	76,056	38,195
Deferred revenue	Note 16	**1,747,982**	1,541,554	1,557,869
Current portion of long-term debt	Note 18	**150,000**	—	200,000
		2,458,017	2,161,040	2,327,025
Long-term liabilities				
Provisions	Note 17	**50,000**	—	—
Long-term debt	Note 18	**644,853**	793,126	386,678
Pension and other long-term liabilities	Notes 19 & 20	**46,006**	40,618	35,489
Deferred income taxes	Note 21	**121,074**	215,023	209,482
Deferred revenue	Note 16	**1,245,736**	712,104	684,865
		4,565,686	3,921,911	3,643,539
Total equity attributable to equity holders of the Corporation	Note 24	**768,872**	1,334,547	1,302,248
Non-controlling interests	Note 29	**4,038**	(9,877)	(14,054)
Total equity		**772,910**	1,324,670	1,288,194
		$ 5,338,596	$ 5,246,581	$ 4,931,733
Contingencies and commitments	Notes 22 & 25			

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

AIMIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2012 and 2013 (Note 2)		Common shares outstanding	Share capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Contributed surplus	Total attributable to the equity holders of the corporation	Non-controlling interests	Total equity
(In thousands of Canadian dollars, except share amounts)									
Balance, January 1, 2012		173,817,381	$ 1,695,642	$ (1,586,422)	$ (29,033)	$ 1,222,061	$ 1,302,248	$ (14,054)	$ 1,288,194
Total comprehensive income for the year									
Net earnings for the year				165,507			165,507	1,492	166,999
Other comprehensive income (loss):									
Foreign currency translation adjustments on consolidation of foreign subsidiaries					4,397		4,397	33	4,430
Defined benefit plans actuarial losses, net of tax	Note 30			(4,981)			(4,981)		(4,981)
Variation of minimum funding requirement liability for the defined benefit plan, net of tax	Note 30			3,188			3,188		3,188
Total comprehensive income for the year		—	—	163,714	4,397	—	168,111	1,525	169,636
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options	Note 24	321,833	4,383			(995)	3,388		3,388
Common shares repurchased	Note 24	(1,961,900)	(17,233)			(6,975)	(24,208)		(24,208)
Quarterly dividends, common and preferred	Note 23			(119,992)			(119,992)		(119,992)
Investment from non-controlling interest	Note 29						—	2,652	2,652
Shares released from stock-based compensation plans	Note 24	80,000	664			(664)	—		—
Accretion related to other stock-based compensation plans						5,000	5,000		5,000
Total contributions by and distributions to owners		(1,560,067)	(12,186)	(119,992)	—	(3,634)	(135,812)	2,652	(133,160)
Balance, December 31, 2012		**172,257,314**	**$ 1,683,456**	**$ (1,542,700)**	**$ (24,636)**	**$ 1,218,427**	**$ 1,334,547**	**$ (9,877)**	**$ 1,324,670**
Balance, December 31, 2012		**172,257,314**	**$ 1,683,456**	**$ (1,542,700)**	**$ (24,636)**	**$ 1,218,427**	**$ 1,334,547**	**$ (9,877)**	**$ 1,324,670**
Total comprehensive income (loss) for the year									
Net earnings (loss) for the year				**(498,281)**			**(498,281)**	**5,593**	**(492,688)**
Other comprehensive income:									
Foreign currency translation adjustments on consolidation of foreign subsidiaries					**37,392**		**37,392**	**58**	**37,450**
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30				**21,949**		**21,949**		**21,949**
Defined benefit plans actuarial gains, net of tax	Note 30			**4,306**			**4,306**		**4,306**
Total comprehensive income (loss) for the year		**—**	**—**	**(493,975)**	**59,341**	**—**	**(434,634)**	**5,651**	**(428,983)**
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options	Note 24	**633,082**	**9,183**			**(2,173)**	**7,010**		**7,010**
Quarterly dividends, common and preferred	Note 23			**(126,873)**			**(126,873)**		**(126,873)**
Shares released from stock-based compensation plans	Note 24	**80,000**	**1,152**			**(1,152)**	**—**		**—**
Acquisition of non-controlling interest	Note 29			**(17,608)**			**(17,608)**	**8,264**	**(9,344)**
Accretion related to other stock-based compensation plans						**6,430**	**6,430**		**6,430**
Total contributions by and distributions to owners		**713,082**	**10,335**	**(144,481)**	**—**	**3,105**	**(131,041)**	**8,264**	**(122,777)**
Balance, December 31, 2013		**172,970,396**	**$ 1,693,791**	**$ (2,181,156)**	**$ 34,705**	**$ 1,221,532**	**$ 768,872**	**$ 4,038**	**$ 772,910**

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

AIMIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)		Years Ended December 31, 2013	2012 (Note 2)
CASH FLOWS FROM (USED IN)			
Operating activities			
Net earnings (loss) for the year		**$ (492,688)**	$ 166,999
Adjustments for:			
Depreciation and amortization		**127,888**	125,659
Stock-based compensation	Note 24	**19,443**	12,538
Share of net (earnings) loss of equity-accounted investments	Note 4	**6,556**	(2,917)
Net financing costs	Note 7	**18,112**	36,264
Income tax expense (recovery)	Note 21	**(197,026)**	55,602
Impairment of goodwill	Note 14	**19,144**	—
Changes to operating assets and liabilities	Note 30	**682,314**	22,515
Other		**2,498**	5,094
		678,929	254,755
Cash generated from operating activities		**186,241**	421,754
Interest received		**15,723**	15,693
Distributions received from an equity-accounted investment	Note 4	**14,013**	15,712
Interest paid		**(47,225)**	(44,068)
Income taxes paid		**(18,752)**	(51,648)
Net cash from operating activities		**150,000**	357,443
Investing activities			
Business acquisitions, net of cash acquired	Note 3	**(10,976)**	(16,329)
Cash held in escrow	Note 6	**(5,566)**	(4,802)
Investments in equity-accounted investments	Note 4	**(9,917)**	(91,115)
Short-term investments		**24,723**	17,703
Long-term investments	Note 5	**(35,973)**	(40,343)
Note receivable	Note 10	**—**	63,810
Additions to property, equipment, software and technology		**(54,383)**	(57,955)
Additions to other intangible assets		**—**	(2,273)
Net cash used in investing activities		**(92,092)**	(131,304)
Financing activities			
Quarterly dividends	Note 23	**(126,873)**	(119,992)
Acquisition of non-controlling interest	Note 29	**(9,344)**	—
Investment from non-controlling interest	Note 29	**—**	2,652
Issuance of common shares	Note 24	**7,010**	3,388
Repurchase of common shares	Note 24	**—**	(24,208)
Borrowings of long-term debt	Note 18	**—**	650,000
Repayment of long-term debt	Note 18	**—**	(440,000)
Financing costs	Note 18	**—**	(5,181)
Net cash from (used in) financing activities		**(129,207)**	66,659
Net change in cash and cash equivalents		**(71,299)**	292,798
Translation adjustment related to cash		**22,431**	3,031
Cash and cash equivalents, beginning of year		**497,976**	202,147
Cash and cash equivalents, end of year	Note 2	**$ 449,108**	$ 497,976

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

THESE NOTES CONTAIN THE FOLLOWING SECTIONS:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

1. STRUCTURE OF THE CORPORATION

Aimia Inc. ("Aimia" or the "Corporation"), formerly known as Groupe Aeroplan Inc., was incorporated on May 5, 2008 under the *Canada Business Corporations Act* and is the successor to Aeroplan Income Fund, following the completion of the reorganization of Aeroplan Income Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

The registered and head office of Aimia is located at 5100 de Maisonneuve Blvd. West, Montreal, Québec, Canada, H4A 3T2.

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

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

Aimia also holds a 48.9% interest in, and jointly controls with Grupo Aeromexico, PLM, owner and operator of Club Premier, a Mexican coalition loyalty program and a 50% interest in, and jointly controls with Multiplus S.A., Prismah, a company formed to offer loyalty services in Brazil. Additionally, Aimia holds an investment in China Rewards, a Chinese based retail coalition loyalty program start-up, and a minority interest in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking. These investments are reported under Corporate in the segmented information.

On February 6, 2014, Aimia acquired an investment in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program (*Note 31*).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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 26, 2014.

Basis of Measurement

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

- Air Canada warrants (included in accounts receivable) are measured at fair value;
- Investments in equity instruments are measured at fair value;
- Forward exchange contract is measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- Accrued pension benefit liability is recognized as the net total of the fair value plan assets, less the present value of the defined benefit obligation;
- Contingent considerations related to business acquisitions are measured at fair value.

Functional and Presentation Currency

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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)*.

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)*.

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 DECEMBER 31, 2013

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

The Corporation had the following significant operating subsidiaries at December 31, 2013:

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	Canada	Canada	100	
Aimia Proprietary Loyalty Canada Inc.	Proprietary Loyalty	Canada	Canada		100
Aimia Coalition Loyalty UK Limited	Coalition Loyalty	EMEA	United Kingdom		100
Nectar Italia S.r.l. (“Nectar Italia”) (*Note 29*)	Coalition Loyalty	EMEA	Italy		100
Rewards Management Middle East Free Zone LLC	Coalition Loyalty	EMEA	United Arab Emirates		60
Aimia Loyalty Analytics UK Limited	Analytics and Insights	EMEA	United Kingdom		100
Aimia Proprietary Loyalty U.K. Limited	Proprietary Loyalty	EMEA	United Kingdom		100
Aimia Proprietary Loyalty U.S. Inc.	Proprietary Loyalty	US & APAC	United States		100
Excellence in Motivation, Inc.	Proprietary Loyalty	US & APAC	United States		100
Smart Button Associates Inc.	Proprietary Loyalty	US & APAC	United States		100
Aimia Proprietary Loyalty Australia Pty Ltd.	Proprietary Loyalty	US & APAC	Australia		100
Aimia Proprietary Loyalty Singapore Pte Ltd.	Proprietary Loyalty	US & APAC	Singapore		100
Aimia Proprietary Loyalty (NZ) Limited	Proprietary Loyalty	US & APAC	New Zealand		100

Investments in Associates and Joint Arrangements (Note 4)

Associates are entities over which the Corporation has significant influence. Joint arrangements 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, net of any accumulated impairment losses. 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 DECEMBER 31, 2013

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

The Corporation had the following significant investments in joint arrangements and associates at December 31, 2013:

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.	Coalition Loyalty	Joint venture	Corporate	Mexico	48.9	Equity
Prismah Fidelidade S.A.	Proprietary Loyalty & Analytics and Insights	Joint venture	Corporate	Brazil	50.0	Equity
Insight 2 Communication LLP	Analytics and Insights	Joint venture	EMEA	United Kingdom	50.0	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, 2013 is 12% (December 31, 2012: 17%), 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 2013, including management's revised expectations around Aeroplan member engagement and the cancellation of the Aeroplan seven-year mileage redemption policy following the announcement of the enhancements to the Aeroplan Program on June 27, 2013 (*Note 16*).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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.

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 group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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 $1.9 million as a reduction of selling and marketing expenses for the year ended December 31, 2013 (2012: $0.8 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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 [(a)]		X			
Long-term investments in corporate and government bonds				X	
Accounts payable and accrued liabilities [(b)]					X
Long-term debt					X
Measured at fair value					
Investments in equity instruments [(c)]			X		
Air Canada warrants	X				
Forward exchange contract	X				
Contingent consideration payable	X				

(a) Excluding Air Canada warrants.

(b) Excluding the forward exchange contract.

(c) 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Financial Income and Expenses

Financial income includes interest income on cash equivalents, short term investments, loans and notes receivable, and long-term investments in corporate and government bonds. Interest income is recognized as it accrues in earnings, using the effective interest method. Financial income also includes the gain or loss related to the fair value adjustment of the Air Canada warrants and 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.

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, 2013 was 0.2% (2012: 0.4%). At December 31, 2013 and 2012, cash and cash equivalents consisted of funds in current operating bank accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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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.

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, 2013 was 1.6% (2012: 0.5%).

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market. These bonds have a remaining term to maturity varying between 1.4 years and 6.4 years and yield an effective interest rate of 3.14% at December 31, 2013 (2012: 3.03%).

Long-term investments also include investments in equity instruments (*Note 5*).

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, 2013, cost of rewards and direct costs included cost of merchandise of $219.5 million (2012: $202.2 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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 11.5 years as at December 31, 2013. The amortization period reflects contract terms and renewals.

During the year ended December 31, 2013, the estimated lives of certain Accumulation Partners' contracts and customer relationships have been revised on the basis of changes to their contractual terms. The effect of these changes on the amortization of accumulation partners' contracts and customer relationships for the current and future accounting periods is presented in the following table.

Year ending December 31,	Increase (decrease)
2013	2,914
2014	48,708
2015 to 2017	144,600
2018	15,478
2019 to 2031	(211,700)

Other intangibles, which include non-competition restrictions agreed to by the vendors, pursuant to certain acquisition agreements, and the right to use proprietary intangible assets, 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 as 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 to sell. 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 beyond the highest of:

- the fair value less costs to sell; 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.

PROVISIONS

The amount recognized as a provision shall be 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.

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STOCK-BASED COMPENSATION PLANS

Omnibus Plan

The Omnibus Plan was established in order to attract and/or retain employees. Vesting conditions varied at the time of grant but were typically time and performance based, with shares, which were held in a trust for the benefit of the eligible employees, vesting at the end of the third calendar year following the year of grant. Aimia purchased the shares on the secondary market, which were accounted for as an acquisition of treasury shares. Dividends declared by Aimia on any shares granted under this plan, could be invested in additional shares, which vested concurrently with the shares granted. Forfeited shares and accumulated dividends thereon accrued to Aimia. The trust is consolidated with Aimia's financial statements. The fair value of Aimia's shares, at the grant date, was charged to earnings as compensation expense over the vesting period, with a corresponding increase to equity. Aimia's cost of the shares held was presented as a reduction of share capital. Effective June 25, 2008, except for outstanding commitments to certain individuals which were completely fulfilled in 2013, the Omnibus Plan was replaced by the Aimia Long-Term Incentive Plan.

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.

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 “Plan”), which upon the Fund's conversion to a corporation effectively replaced the Initial Long-Term Incentive Plan, the On-Going Long-Term Incentive Plan, and the Omnibus Plan, 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. The maximum number of shares reserved and available for grant and issuance under the Plan is limited to 16,381,000 common shares. 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. 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 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 as PSUs have historically been settled in cash. In addition, PSUs are fair valued at the end of every reporting period. 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 amount recognized as an expense is adjusted for forfeitures to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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.

EARNINGS PER COMMON SHARE

Earnings per common share are calculated by dividing the earnings attributable to common share holders of the Corporation by the weighted average number of common shares outstanding for the period. Shares held under the various stock-based compensation plans reduce the weighted average diluted number of Aimia's outstanding shares from the date they are contributed into the respective plans.

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.

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 26*).

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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. Unallocated items include mainly head office expenses, share-based compensation, long-term debt and holding company or corporate income tax assets and liabilities.

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 - *Consolidation - Special Purpose Entities*, and parts of IAS 27 - *Consolidated and Separate Financial Statements*. The Corporation determined that the adoption of this standard had no impact on its consolidated financial statements.

IFRS 11, Joint Arrangements
IAS 28R, Investments in Associates and Joint Ventures

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures*, and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. The Corporation has classified its joint arrangements and concluded that the adoption of IFRS 11 and the amendments to IAS 28 resulted in no changes in the accounting of its joint arrangements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard introduces additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation has provided the disclosure requirements under IFRS 12 in these financial statements.

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The adoption of the standard did not result in any

adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Corporation has provided the new disclosure requirements, as applicable, in these financial statements.

IFRS 7 Amendment, New Offsetting Disclosures

IFRS 7 - *Financial Instruments* was amended to incorporate additional disclosure requirements related to offsetting financial assets and financial liabilities. The Corporation has provided the new disclosure requirements in these financial statements.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

The amendment requires the grouping of other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Corporation has reclassified other comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 36 Amendment, Disclosure of Information about the Recoverable Amount of Impaired Assets

IAS 36- *Impairment of Assets* was amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are required to be applied for accounting periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has elected to early adopt the amended standard for the year ended December 31, 2013.

IAS 19R, Employee Benefits

IAS 19 was amended to reflect significant changes to recognition and measurement of defined benefit liabilities (assets), and provide expanded disclosure requirements. The main changes include the elimination of the corridor approach and the elimination of the option to recognize actuarial gains and losses in profit and loss. Actuarial gains and losses, renamed 'remeasurements', need to be recognized immediately in other comprehensive income. This change is consistent with the Corporation's current accounting policy. The revised standard also requires the immediate recognition of past service costs when those occur and the computation of the annual expense for a funded benefit plan to be based on the application of the discount rate to the net defined benefit asset or liability as opposed to the expected return on plan assets.

The Corporation adopted these amendments retrospectively and adjusted its opening equity as at January 1, 2012 to recognize previously unrecognized past service costs. The defined benefit pension plan expense for the comparable period has been adjusted to reflect the application of the discount rate to the net defined benefit asset or liability as opposed to the expected return on plan assets. The adjustments for each financial statement line item affected are presented in the tables below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Adjustments to consolidated statements of operations	Years Ended December 31,	
	2013	2012
Net earnings (loss) before accounting changes	(492,953)	166,659
Decrease in selling and marketing expenses	361	461
Increase in deferred income tax expense	(96)	(121)
Net earnings (loss) after accounting changes	(492,688)	166,999
Net earnings (loss) after accounting changes attributable to:		
Equity holders of the corporation	(498,281)	165,507
Non-controlling interests	5,593	1,492
Net earnings (loss) after accounting changes	(492,688)	166,999

Adjustments to consolidated statements of comprehensive income	Years Ended December 31,	
	2013	2012
Comprehensive income (loss) before accounting changes	(429,564)	169,055
Decrease in defined benefit plans actuarial loss, net of tax	316	241
Increase in net earnings	265	340
Comprehensive income (loss) after accounting changes	(428,983)	169,636
Comprehensive income (loss) after accounting changes attributable to:		
Equity holders of the corporation	(434,634)	168,111
Non-controlling interests	5,651	1,525
Comprehensive income (loss) after accounting changes	(428,983)	169,636

Adjustments to consolidated statements of financial position	December 31,	December 31,	January 1,
	2013	2012	2012
Total equity before accounting changes	775,061	1,327,402	1,291,507
Increase in pension and other long-term liabilities	(2,912)	(3,699)	(4,486)
Decrease in deferred income tax liabilities	761	967	1,173
Total equity after accounting changes	772,910	1,324,670	1,288,194
Total equity after accounting changes attributable to:			
Equity holders of the corporation	768,872	1,334,547	1,302,248
Non-controlling interests	4,038	(9,877)	(14,054)
Total equity after accounting changes	772,910	1,324,670	1,288,194

The amendments to IAS 19 had no impact on the total reported cash from (used in) operating activities, investing activities and financing activities presented in the Corporation's statements of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

FUTURE ACCOUNTING CHANGES

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

A. International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. 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 November 2013, amendments to IFRS 9 removed the previous mandatory effective date of January 1, 2015. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

B. In December 2011, the IASB amended IAS 32- *Financial Instruments*: Presentation, to clarify certain requirements for offsetting financial assets and liabilities. This amendment is required for accounting periods beginning on or after January 1, 2014. At this time, the Corporation does not anticipate that these amendments will have an impact on its consolidated financial statements.

C. In November 2013, the IASB issued an amendment to clarify the application of IAS 19- *Employee Benefits* to plans that require employees or third parties to contribute towards the cost of benefits. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment is effective for years beginning on or after July 1, 2014 with early adoption permitted. At this time, the Corporation is reviewing the impact that this amendment will have, if any, on its consolidated financial statements.

D. In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. The following is a summary of the key clarifications and amendments:

- IFRS 2- *Share-based payment* was amended to clarify the definition of vesting conditions applicable to share-based payment transactions with a grant date on or after July 1, 2014.
- IFRS 3- *Business Combinations* was amended to clarify contingent consideration effective for business combinations with an acquisition date on or after July 1, 2014. Consequential

amendments will be applicable to the following standards under IFRS: IAS 37, IAS 39 and IFRS 9. Additionally, the scope exception for joint arrangements is clarified and effective for years beginning on or after July 1, 2014.

These publications also include the following amendments which are effective for years beginning on or after July 1, 2014:

- IFRS 8- *Operating Segments*: Amended to require disclosure of judgments made by management in aggregating segments and the reconciliation of segment assets to the entity's assets if reported.
- IAS 24- *Related Party Disclosures*: Amended to revise the definition of related party and clarify certain disclosures.

At this time, the Corporation does not anticipate that these changes will have a significant impact, if any, on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

A) SMART BUTTON ASSOCIATES, INC.

On July 17, 2013, Aimia purchased all outstanding common shares of Smart Button, which offers clients a turnkey, feature rich, software as a service loyalty solution, for a total purchase price of $19.8 million (US$19.0 million). Of this amount, $9.6 million (US$9.2 million) was paid with cash on hand on the acquisition date, $4.2 million (US$4.0 million) represents the fair value of a contingent consideration payable upon the achievement of a revenue target in 2015 (*Note 28*) and $6.0 million (US$5.8 million) was placed in escrow. Of the amount placed in escrow, $4.2 million (US$4.0 million) represents deferred compensation payable to certain selling shareholders *(Note 6)*.

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

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

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

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

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

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

B) EXCELLENCE IN MOTIVATION, INC.

On September 24, 2012, Aimia acquired EIM, a privately-owned U.S. based full-service channel and employee performance improvement and business loyalty solutions provider, by purchasing all outstanding common shares for a total purchase price of $27.0 million (US$27.7 million). This included an amount of $3.1 million (US$3.2 million) of deferred compensation, of which $1.1 million (US$1.1 million) was part of cash held in escrow *(Note 6)*, payable to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time. The deferred compensation was excluded from the purchase price and is accrued on a straight line basis over the vesting period as compensation expense in the general and administrative expenses of Aimia's consolidated financial statements.

The acquisition was made to further advance Aimia's position as a full-suite loyalty management company delivering world-class channel, employee and customer solutions across all verticals, industries, geographies and channels for consumer and business to business brands.

In order to complete the transaction, Aimia incurred $1.8 million (US$1.9 million) of acquisition-related costs during the third quarter of 2012 which were included in general and administrative expenses.

The final allocation was completed during the fourth quarter of 2012.

The following table details the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date on the basis of the final purchase price allocation:

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Final purchase price allocation	
Cash	19,242
Contingent consideration [(a)]	1,473
Consideration payable [(b)]	2,891
Other consideration payable	243
Deferred compensation [(c)]	3,063
Total consideration	**26,912**
Deferred compensation [(c)]	(3,063)
Total consideration to allocate	**23,849**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,441
Restricted cash	4,712
Accounts receivable	17,133
Prepaid expenses	3,396
Property and equipment	1,206
Software and technology	3,405
Customer relationships	18,100
Other intangible assets [(d)]	461
Accounts payable and accrued liabilities	(4,658)
Customer deposits	(23,336)
Deferred revenue	(12,116)
Deferred income taxes	(4,902)
Total identifiable net assets (liabilities)	**6,842**
Goodwill [(e)]	17,007
Total	**23,849**

(a) Amount held in escrow on September 24, 2012, net of deferred compensation of $0.4 million (US$0.4 million), payable upon the achievement of a performance target in 2013 (*Note 6*). The amount represented the fair value of the consideration on the acquisition date, and as determined by management was equal to the maximum consideration payable. On December 13, 2013, upon the achievement of the performance target, the contingent consideration was released to the selling shareholders. As of December 31, 2012, the contingent consideration was included in other long-term liabilities (*Note 19*).

(b) Amount held in escrow on September 24, 2012, net of deferred compensation of $0.7 million (US$0.7 million), to cover any payment resulting from working capital adjustments and potential indemnification claims (*Note 6*). On December 24, 2012, following the completion of the working capital audit, an amount of $0.7 million (US$0.7 million) was released from escrow, of which $0.1 million (US$0.1 million), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition if certain conditions are met and $0.5 million (US$0.5 million) was remitted to the selling shareholders. As of December 31, 2013, the consideration payable was included in accounts payable and accrued liabilities. As of December 31, 2012, the consideration payable was included in other long-term liabilities (*Note 19*).

(c) Includes an amount of $1.1 million (US$1.1 million) which was part of the cash held in escrow on September 24, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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(d) Represents non-competition restrictions agreed to by certain of the selling shareholders, pursuant to the acquisition agreement.

(e) The goodwill is mainly attributable to the talent of EIM's workforce and the synergies expected to be achieved from integrating its operations. The goodwill is not tax deductible.

C) OTHER

During the year ended December 31, 2013, Aimia acquired the remaining 60% interest of a privately-owned company based in Indonesia, and reported in the APAC region, for cash consideration of $2.1 million (US$2.0 million).

4. EQUITY-ACCOUNTED INVESTMENTS

As at	December 31, 2013	December 31, 2012
Investment in PLM Premier, S.A.P.I. de C.V. [(a)]	97,156	107,830
Other equity-accounted investments in joint ventures [(b)]	4,099	2,024
Equity-accounted investments in associates [(c)]	4,159	—
Total	**105,414**	109,854

(a) During the year ended December 31, 2013, Aimia received distributions from PLM totaling $14.0 million (US$13.7 million) (2012: $15.7 million (US$15.9 million)).

(b) During the year ended December 31, 2013, Aimia invested an additional amount of $5.5 million (US$5.5 million) in Prismah.

(c) During the year ended December 31, 2013, Aimia invested a total of $4.3 million (US$4.2 million) in China Rewards, a Chinese based retail coalition loyalty program start-up.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31, 2013	2012
Investment in PLM Premier, S.A.P.I. de C.V.	(3,702)	4,370
Other equity-accounted investments in joint ventures	(1,301)	(1,453)
Equity-accounted investments in associates	(1,553)	—
Total	**(6,556)**	2,917

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

On September 13, 2010, Aimia acquired an initial participation in PLM, for cash consideration of $24.1 million (US $23.3 million), including transaction costs of $1.4 million (US$1.3 million). PLM is the owner and operator of Club Premier, a Mexican coalition loyalty program. Until February 27, 2011, the investment was accounted for as an

available-for-sale investment with fair value changes being recorded through other comprehensive income. Fair value was determined to approximate cost.

On February 28, 2011, after PLM achieved the remaining performance milestone, Aimia completed the second tranche of its investment in PLM of $11.8 million (US$11.8 million), increasing its equity interest to 28.86%. The investment, which is now subject to joint control with Grupo Aeromexico S.A.B. de C.V., is accounted for under the equity method.

On December 17, 2012, Aimia received a distribution of $15.7 million (US$15.9 million) from PLM. On the same date, following the receipt of the distribution, Aimia acquired an additional 20% equity participation in PLM for cash consideration of $87.7 million (US$89.1 million), including transaction costs of $1.1 million (US$1.1 million). The third tranche of the investment was accounted on a step basis. The independent valuation of the intangible assets of the third tranche was completed during the fourth quarter of 2012.

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. The proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche on the basis of management's valuation of the identifiable assets of PLM.

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 balance sheet

As at	December 31, 2013	December 31, 2012
Cash and cash equivalents	28,935	53,355
Other current assets	69,604	52,837
Total current assets	98,539	106,192
Total non current assets	64,807	54,059
Total assets	163,346	160,251
Total current liabilities	(126,467)	(140,553)
Total non-current liabilities	(99,412)	(56,680)
Total liabilities	(225,879)	(197,233)
Net assets (liabilities)	**(62,533)**	(36,982)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Summarized statement of comprehensive income

	Years Ended December 31,	
	2013	2012
Revenue	**111,076**	99,859
Cost of rewards and operating expenses	(105,844)	(81,923)
Depreciation and amortization	(599)	(203)
Operating income	**4,633**	17,733
Net financing income	3,680	4,204
Income tax recovery (expense)	215	(4,207)
Net earnings	**8,528**	17,730
Other comprehensive loss	(5,397)	(264)
Comprehensive income	**3,131**	17,466

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

	2013	2012
PLM net assets (liabilities), beginning of year	**(36,982)**	—
Net earnings for the year	8,528	17,730
Other comprehensive loss for the year	(5,397)	(264)
Distributions declared during the year	(28,682)	(54,448)
PLM net assets (liabilities), end of year	**(62,533)**	(36,982)
Interest in PLM @ 48.9%	(30,550)	(18,068)
Net book value of identifiable assets and goodwill recognized on a step basis	127,706	125,898
Carrying value, end of year	**97,156**	107,830

	Years Ended December 31,	
	2013	2012
Net earnings for the year	**8,528**	17,730
Share of net earnings of PLM [(a)]	4,166	5,116
Amortization expense related to identifiable assets recognized on a step basis	(7,868)	(746)
Aimia's share of PLM net earnings (loss)	**(3,702)**	4,370

(a) Aimia's share of the net earnings (loss) of PLM was 48.9% and 28.9%, respectively for the years ended December 31, 2013 and 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

5. LONG-TERM INVESTMENTS

	December 31, 2013	December 31, 2012
Investments in equity instruments [(a) (b)]	90,937	23,702
Investment in corporate and government bonds *(Note 12)* [(c)]	269,651	313,250
Total	**360,588**	336,952

(a) Includes a minority participation in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking. During the year ended December 31, 2013, Aimia made additional investments in Cardlytics totaling $31.9 million (US$31.0 million). The investment in Cardlytics is accounted for as an available-for-sale investment, measured at fair value with changes in fair value recognized in other comprehensive income. During the year ended December 31, 2013, a fair value gain of $13.7 million was recorded in other comprehensive income related to the investment in Cardlytics (*Note 28*).

(b) Includes an investment in Air Canada Class B shares (*Notes 11 & 28*).

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

6. CASH HELD IN ESCROW

A) ACQUISITION OF LMG

Cash held in escrow, in the amount of $42.9 million (£27.1 million), representing contingent consideration related to the December 2007 acquisition of Aimia EMEA Limited (formerly Loyalty Management Group Limited or LMG), was released to the former shareholders of Aimia EMEA Limited on July 19, 2013 pursuant to the escrow agreement entered into at the time of the acquisition and based on the UK Supreme Court's final judgment issued on June 20, 2013 (*Note 17*).

B) ACQUISITION OF EIM *(NOTE 3)*

On September 24, 2012, pursuant to the acquisition agreement, an amount of $5.5 million (US$5.7 million) was placed in escrow, representing $3.6 million (US$3.8 million) to cover working capital adjustments and potential indemnification claims, and a contingent consideration of $1.9 million (US$1.9 million) payable upon the achievement of a performance target in 2013. Of the total amount of cash held in escrow, $1.1 million (US$1.1 million), or 20.1%, represents deferred compensation payable to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time.

On December 24, 2012, as a result of the completion of the working capital audit, an amount of US$710,000 was released from escrow. Of this amount, US$43,000 was released to Aimia as an adjustment to the original targeted

working capital. Of the remaining amount, US$134,000 (20.1% of the residual amount), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time, and US$533,000 was released to the selling shareholders.

On December 13, 2013, the amount of $2.0 million (US$1.9 million) related to the contingent consideration was released from escrow upon the achievement of the performance target. Of this amount, $1.6 million (US$1.5 million) was released to the selling shareholders and $0.4 million (US$0.4 million), representing deferred compensation, was released to Aimia and will be paid to certain selling shareholders on the second anniversary of the acquisition provided that they remain employed with Aimia at such time.

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

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

7. FINANCIAL INCOME AND EXPENSES

	Years Ended December 31,	
	2013	2012
Interest income on loans and receivables	(3,688)	(3,683)
Interest income on investments in bonds	(9,444)	(9,358)
Other financial income (*Notes 11 & 17*)	(22,440)	(744)
Financial income	**(35,572)**	(13,785)
Interest on long-term debt	51,176	44,846
Other financial expenses (*Note 17*)	2,508	5,203
Financial expenses	**53,684**	50,049
Net financing costs	**18,112**	36,264

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

8. EARNINGS (LOSS) PER COMMON SHARE

	Years Ended December 31,	
	2013	2012
Net earnings (loss) attributable to equity holders of the Corporation	**(498,281)**	165,507
Less: Dividends declared on preferred shares	**(11,213)**	(11,213)
Net earnings (loss) attributable to common shareholders	**(509,494)**	154,294
Weighted average number of basic and diluted common shares	**172,514,527**	173,015,589
Earnings (loss) per common share – Basic and fully diluted	**$ (2.95)**	$ 0.89

9. ACCOUNTS RECEIVABLE

As at	December 31,	December 31,
	2013	2012
Trade receivables	300,401	296,393
Other receivables (*Note 17*)	113,137	88,608
Air Canada warrants (*Note 11*)	—	1,072
Total	**413,538**	386,073

10. NOTE RECEIVABLE

This unsecured, non-interest bearing loan, in the principal amount of £40.0 million, which has been discounted using an effective interest rate of 6%, due from a major Accumulation Partner, matured on July 1, 2012 and was collected on July 2, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

11. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

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

		Years Ended December 31,	
	Operating segment	2013	2012
		%	%
Air Canada	Canada	10	12
Accumulation Partner A	Canada	23	25
Accumulation Partner B	EMEA	14	13

NEW FINANCIAL CARD AGREEMENTS

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD has become Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards. The financial credit card agreement with TD includes a $100.0 million upfront contribution payable by TD to Aimia to help fund program enhancements effective as of January 1, 2014. As such, no amount in relation to this contribution was recorded in the financial statements for the year ended December 31, 2013. The contribution from TD was received on January 2, 2014.

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 for the year ended December 31, 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. For the year ended December 31, 2013, a provision totaling $50.0 million, representing management's best estimate of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over 5 years, was recorded in general and administrative expenses (*Note 17*). In accordance with the migration agreement, the payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made within the first 45 days of each year, with the first payment being due in 2015.

On November 13, 2013, Aeroplan entered into agreements to extend its partnership with American Express, effective January 1, 2014, at the expiry of the existing agreements, for a 4 year term.

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,	
	2013	2012
	%	%
Air Canada (and other Star Alliance Partners) [(a)]	37	38

(a) Excluding the impact of the final judgment of the VAT litigation (*Note 17*), the cost of rewards provided by Air Canada as a percentage of total cost of rewards and direct costs is 35% for the year ended December 31, 2013.

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aimia Canada Inc. (formerly Aeroplan 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, 2013, Aeroplan is required to purchase reward travel seats amounting to approximately $424.2 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's

consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

AIR CANADA WARRANTS AND CLASS B SHARES

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

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

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

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

At December 31, 2012, the total fair value of the 2,500,000 warrants amounted to $1.1 million.

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, 2013, the Reserve amounted to $300.0 million and was included in short-term investments and long-term investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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, 2013, the Reserve was invested in corporate, federal and provincial bonds.

13. PROPERTY AND EQUIPMENT

As at	December 31, 2013			December 31, 2012		
	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment
Cost	**45,259**	**22,653**	**67,912**	32,083	17,533	49,616
Accumulated depreciation	**(27,735)**	**(13,262)**	**(40,997)**	(19,570)	(6,602)	(26,172)
Net carrying amount	**17,524**	**9,391**	**26,915**	12,513	10,931	23,444

Additions to furniture, fixtures and computer hardware amounted to $9.7 million for the year ended December 31, 2013 (2012: $7.7 million). Additions to leasehold improvements amounted to $0.9 million for the year ended December 31, 2013 (2012: $4.5 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

(Tables in thousands 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 [d]	Goodwill [e]
Year ended December 31, 2012						
Opening net carrying amount	16,142	1,264,624	103,444	389,012	4,826	1,985,603
Additions - Internally generated	—	—	39,697	—	—	—
Additions - Purchased	12,192	—	—	—	2,273	—
Additions - Business combination	1,206	18,100	3,405	—	461	17,007
Depreciation and amortization expense [a] [b]	(6,245)	(75,142)	(39,444)	—	(4,828)	—
Exchange differences	149	(14)	411	2,169	(285)	4,817
Closing net carrying amount	**23,444**	**1,207,568**	**107,513**	**391,181**	**2,447**	**2,007,427**
At December 31, 2012						
Cost	49,616	1,627,528	301,669	391,181	9,344	2,007,427
Accumulated depreciation and amortization	26,172	419,960	194,156	—	6,897	—
Closing Net carrying amount	**23,444**	**1,207,568**	**107,513**	**391,181**	**2,447**	**2,007,427**
Year ended December 31, 2013						
Opening net carrying amount	23,444	1,207,568	107,513	391,181	2,447	2,007,427
Additions - Internally generated	—	—	51,674	—	—	—
Additions - Purchased	10,565	—	—	—	—	—
Additions - Business combination (*Note 3*)	315	2,260	10,122	—	887	9,712
Depreciation and amortization expense [a] [b]	(8,267)	(78,977)	(40,400)	—	(244)	—
Impairment charge [c]	—	—	—	—	—	(19,144)
Exchange differences	858	4,656	4,301	11,066	2	29,134
Closing net carrying amount	**26,915**	**1,135,507**	**133,210**	**402,247**	**3,092**	**2,027,129**
At December 31, 2013						
Cost	67,912	1,638,082	374,171	402,247	10,448	2,027,129
Accumulated depreciation and amortization	40,997	502,575	240,961	—	7,356	—
Closing Net carrying amount	**26,915**	**1,135,507**	**133,210**	**402,247**	**3,092**	**2,027,129**

(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 charge is included in operating expenses in the consolidated statement of operations.

(d) Includes non-competition restrictions agreed to by the vendors, pursuant to certain acquisition agreements, and the right to use proprietary intangible assets.

(e) The closing net carrying amounts at December 31, 2013 and 2012 were net of accumulated impairment losses since January 1, 2010 of $75.9 million (US$71.0 million) and $52.8 million (US$53.0 million), respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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GOODWILL AND TRADE NAMES

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.

The aggregate carrying amounts of goodwill and trade names allocated by CGU or group of CGUs are as follows:

As at	December 31,	
	2013	2012
Goodwill		
Canada		
Aeroplan	1,675,842	1,675,842
Canada Proprietary Loyalty	15,888	15,888
EMEA		
EMEA group of CGUs	312,064	285,245
US & APAC		
US Proprietary Loyalty	13,427	30,452
Smart Button (*Note 3*)	7,783	—
APAC Proprietary Loyalty	2,125	—
Total	**2,027,129**	**2,007,427**
Trade Names		
Aeroplan	275,000	275,000
EMEA group of CGUs	127,247	116,181
Total	**402,247**	**391,181**

The recoverable amounts of Aimia's cash-generating units for the year ended December 31, 2013 were based on a fair value less costs to sell calculation. The valuation technique is classified as level 3 in accordance with the fair value hierarchy described in *Note 28*.

Fair value less costs to sell 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 rates assumed for each CGU are presented in the following table:

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

Segments	Canada		EMEA	US & APAC	
Cash-Generating Units	Aeroplan	Canada Proprietary Loyalty	EMEA Group of CGUs	US Proprietary Loyalty	APAC Proprietary Loyalty
	%	%	%	%	%
2013 Assumptions					
Terminal Growth Rate	2.5	2.5	2.5	2.5	3.0
Discount Rate	10.8	15.5	13.6	19.0	19.2
2012 Assumptions					
Terminal Growth Rate	2.5	2.5	2.5	2.5	3.0
Discount Rate	13.0	17.5	17.3	19.8	19.1

The key assumptions for the market approach include:

- Adjusted EBITDA projected on the basis of past experience, actual operating results and the 2014 budget. 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.

Based on the results of the impairment tests conducted in 2013, the carrying amounts of the units were determined to be lower than their recoverable amounts, with the exception of the US Proprietary Loyalty CGU for which an impairment charge of $19.1 million (US$18.0 million) was recorded against goodwill.

The impairment charge in the US Proprietary Loyalty CGU relates primarily to delays in the execution of management's business plan. As a result, projected Gross Billings and Adjusted EBITDA have been reduced, resulting in lower projected cash flows.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2013	December 31, 2012
Trade payables and redemption accruals	296,294	249,981
Non-trade payables and other accrued expenses	179,063	124,857
Share-based compensation liability	6,173	3,498
Restructuring liabilities	1,290	2,211
Total	**482,820**	380,547

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

16. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Other		Total	
As at	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Opening balance	**2,188,044**	2,192,798	**65,614**	49,936	**2,253,658**	2,242,734
Loyalty Units issued – Gross Billings	**1,711,376**	1,628,429	**—**	—	**1,711,376**	1,628,429
Other – Gross Billings	**—**	—	**655,073**	614,594	**655,073**	614,594
Revenue recognized	**(1,018,761)**	(1,637,882)	**(654,787)**	(611,036)	**(1,673,548)**	(2,248,918)
Deferred revenue assumed on the acquisition of EIM	**—**	—	**—**	12,116	**—**	12,116
Foreign currency and other adjustments	**51,054**	4,699	**(3,895)**	4	**47,159**	4,703
Ending balance	**2,931,713**	2,188,044	**62,005**	65,614	**2,993,718**	2,253,658
Represented by:						
Current portion [(a)]	**1,687,291**	1,485,001	**60,691**	56,553	**1,747,982**	1,541,554
Long-term	**1,244,422**	703,043	**1,314**	9,061	**1,245,736**	712,104

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

CHANGES IN THE BREAKAGE ESTIMATE

The Breakage estimate in the Aeroplan Program was revised from 18% to 11% due to the program enhancements announced on June 27, 2013, specifically to reflect the expectation of an increase in member engagement and the cancellation of the seven-year mileage redemption expiry. The impact of the change in the Breakage estimate resulted in a reduction of $663.6 million to revenue from Loyalty Units and a corresponding increase to deferred revenue during the three and six months ended June 30, 2013, of which $617.0 million is attributable to the years prior to 2013 and $46.6 million to the six month period ended June 30, 2013.

As a result of the adjustment recorded in the second quarter of 2013, Aimia recorded an income tax recovery of $179.8 million during the three and six months ended June 30, 2013, of which $167.5 million is attributable to the years prior to 2013 and $12.3 million to the six month period ended June 30, 2013. Of the total amount, $135.4 million was recorded as a current income tax recovery and $44.4 million as a deferred income tax recovery.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

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 $681.6 million at December 31, 2013.

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 $142.5 million for the period in which the change occurred, with $123.8 million relating to prior years and $18.7 million relating to the current year.

17. PROVISIONS

A) VAT LITIGATION *(NOTE 6)*

	VAT Provision
Balance at December 31, 2011	**147,748**
Provision recorded during the year	8,761
Provision used during the year	—
Provision reversed during the year	—
Foreign exchange translation adjustment	2,947
Balance at December 31, 2012	**159,456**
Provision recorded during the year	3,249
Provision used during the year	—
Provision reversed during the year	(161,282)
Foreign exchange translation adjustment	(1,423)
Balance at December 31, 2013	**—**

Aimia EMEA Limited (formerly Loyalty Management Group Limited) was in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the VAT treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed.

On October 7, 2010, the Europeen Court of Justice ("ECJ") ruled against Aimia EMEA Limited and in favour of HMRC. The case was referred back to the UK Supreme Court for judgment based on the guidance of the ECJ. The hearing took place on October 24 and October 25, 2012. On March 13, 2013, the UK Supreme Court issued its judgment. While the ruling was in favour of Aimia EMEA Limited, the UK Supreme Court asked for further written

submissions from both Aimia EMEA Limited and HMRC to fully determine the case. On June 20, 2013, the UK Supreme Court issued its final judgment in favour of Aimia.

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

Additionally, as set out in the agreement at the time of acquisition, an amount of $7.2 million (£4.5 million) relating to a provision payable to certain employees in the event of a favourable judgment as well as an amount of $43.2 million (£27.1 million) relating to the contingent consideration payable to the former shareholders of Aimia EMEA Limited were recorded in accounts payable and general and administrative expenses for the period ending June 30, 2013. The contingent consideration payable was settled on July 19, 2013 upon the release of the funds held in escrow to the former shareholders of Aimia EMEA Limited (*Note 6*).

Prior to the issuance of the final ruling by the UK Supreme Court, $2.1 million (£1.4 million) had been recorded in cost of rewards and $1.1 million (£0.7 million) had been recorded in interest expense during the period from January 1, 2013 to March 31, 2013. As a result of the final ruling, no amounts were recorded during the period from April 1 to June 20, 2013.

During the year ended December 31, 2012, $4.3 million (£2.7 million) was recorded in cost of rewards and $4.5 million (£2.8 million) was recorded in interest expense.

B) ASSET PURCHASE AGREEMENT *(NOTE 11)*

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 for the year ended December 31, 2013. 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, 2013	Drawn at December 31, 2013	Drawn at December 31, 2012
Revolving facility [(a)]	300,000	—	—
Senior Secured Notes Series 1 [(b)]	N/A	—	—
Senior Secured Notes Series 2 [(c)]	N/A	150,000	150,000
Senior Secured Notes Series 3 [(d)]	N/A	200,000	200,000
Senior Secured Notes Series 4 [(e)]	N/A	250,000	250,000
Senior Secured Notes Series 5 [(f)]	N/A	200,000	200,000
Unamortized transaction costs [(g)]	N/A	(5,147)	(6,874)
		794,853	**793,126**
Less: current portion [(c)]		150,000	—
Total		**644,853**	**793,126**

(a) On April 13, 2012, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by two years to April 23, 2016. 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 $14.4 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 1, in the principal amount of $200.0 million, matured on April 23, 2012 and were repaid with funds drawn from the revolving facility.

(c) On September 2, 2009, Aimia issued Senior Secured Notes Series 2 in the principal amount of $150.0 million. These notes bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014.

(d) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of $200.0 million. These notes bear interest at 6.95% per annum, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017.

(e) 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. The proceeds from the notes issued were used to repay the funds drawn on the revolving facility and for general corporate purposes.

(f) 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. The proceeds from the notes issued were used to finance the acquisition of the additional 20% equity participation in PLM (*Note 4*) and for general corporate purposes.

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

Each of the Senior Secured Notes Series 2, 3, 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

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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	2.38	≤ 2.75
Debt service [(a)]	0.01	≤ 2.00
Interest coverage	8.57	≥ 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, 2013	December 31, 2012
Pension and other future benefits obligations (*Notes 2 and 20*)	**16,921**	21,831
Share-based compensation liability	**15,865**	9,785
Contingent consideration payable related to business acquisitions *(Note 3)*	**4,278**	1,509
Consideration payable related to business acquisitions *(Note 3)*	**1,604**	2,680
Other	**7,338**	4,813
Total	**46,006**	40,618

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, 2013 amounted to $392.2 million (2012: $342.0 million).

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Employee Share Purchase Plan

The employee share purchase plan allows eligible employees to invest up to 5% 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, 2013 and 2012, Aimia's contributions to the plan were not significant.

Labour Relations

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

DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit accounting practices, amounted to $8.3 million for the year ended December 31, 2013 (2012: $7.0 million).

DEFINED BENEFIT PLAN

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

In June 2009, the Corporation implemented a defined benefit pension plan as a result of the termination of the GSA and the transfer of the contact centre agents. As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan.

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, 2012. Such report presents the Corporation's minimum funding requirements. The next required actuarial valuation will be conducted as at December 31, 2013 and will be completed and filed with regulatory authorities no later than June 30, 2014.

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

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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 table summarizes 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.

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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	Impact of minimum funding requirement	Total	Total
At January 1, 2012	(24,825)	14,191	(10,634)	(4,319)	(14,953)	(10,930)
Current service cost	(1,898)	—	(1,898)	—	(1,898)	(455)
Interest (expense) income	(1,556)	733	(823)	—	(823)	(598)
Remeasurement gain (loss)	—	—	—	—	—	(75)
Impact on earnings	(3,454)	733	(2,721)	—	(2,721)	(1,128)
Remeasurements:						
- Return on plan assets, excluding amounts in interest income	—	836	836	—	836	—
- Gain (loss) from change in demographic assumptions	(341)	—	(341)	—	(341)	(76)
- Gain (loss) from change in financial assumptions	(5,839)	—	(5,839)	—	(5,839)	(1,225)
- Experience gains (losses)	(218)		(218)	—	(218)	117
- Variation of minimum funding requirement	—	—	—	4,319	4,319	—
Impact of remeasurements on other comprehensive income	(6,398)	836	(5,562)	4,319	(1,243)	(1,184)
- Employer contribution	—	10,135	10,135	—	10,135	—
- Participant contributions	(1,714)	1,714	—	—	—	—
- Benefits paid	311	(311)	—	—	—	193
At December 31, 2012	**(36,080)**	**27,298**	**(8,782)**	**—**	**(8,782)**	**(13,049)**
Current service cost	(3,243)	—	(3,243)	—	(3,243)	(510)
Interest (expense) income	(1,873)	1,373	(500)	—	(500)	(620)
Remeasurement gain (loss)	—	—	—	—	—	(251)
Administrative expenses	—	(429)	(429)	—	(429)	—
Impact on earnings	(5,116)	944	(4,172)	—	(4,172)	(1,381)
Remeasurements:						
- Return on plan assets, excluding amounts in interest income	—	4,930	4,930	—	4,930	—
- Gain (loss) from change in demographic assumptions	(1,099)	—	(1,099)	—	(1,099)	(257)
- Gain (loss) from change in financial assumptions	2,985	—	2,985	—	2,985	(38)
- Experience gains (losses)	(595)		(595)	—	(595)	(68)
- Change in minimum funding requirement	—	—	—	—	—	—
Impact of remeasurements on other comprehensive income	1,291	4,930	6,221	—	6,221	(363)
- Employer contribution	—	4,438	4,438	—	4,438	—
- Participant contributions	(1,702)	1,702	—	—	—	—
- Benefits paid	600	(600)	—	—	—	167
At December 31, 2013	**(41,007)**	**38,712**	**(2,295)**	**—**	**(2,295)**	**(14,626)**

(a) Measured at December 31st of each year.

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The defined benefit pension plan assets, which all have a quoted market price, consist of:

	December 31,			
	2013		2012	
	$	%	$	%
Asset category [(a)]				
Cash and cash equivalents	2,080	5.4	1,517	5.6
Equity securities				
- Canadian equities	11,419		8,247	
- Foreign equities	14,748		10,056	
	26,167	67.6	18,303	67.0
Debt securities				
- Canadian government bonds	6,179		3,899	
- Canadian corporate bonds	3,708		3,147	
- Foreign corporate bonds	578		432	
	10,465	27.0	7,478	27.4
Total	**38,712**	**100.0**	**27,298**	**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.

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The weighted average assumptions used to determine the accrued benefit liability are as follows:

	Pension Benefits [b]		Other Employee Future Benefits [b]	
December 31,	2013	2012	2013	2012
	%	%	%	%
Discount rate	4.9	4.6	4.8	4.6
Rate of compensation increase	2.0 for 2013 and thereafter	2.0 until 2012; 2.5 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 downgraded, in and after 2020, 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,	2013	2012
(in years)		
Retiring at the end of the reporting period:		
- Male	22	20
- Female	24	22
Retiring 20 years after the end of the reporting period:		
- Male	23	21
- Female	25	23

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 8.3	Increase by 9.6	Decrease by 6.8	Increase by 7.5
Rate of compensation increase	0.5%	Increase by 1.8	Decrease by 1.7	N/A	N/A
Health care cost trend	1.0%	N/A	N/A	Increase by 5.7	Decrease by 5.1
Health care claims cost	10.0%	N/A	N/A	Increase by 3.8	Decrease by 4.0
Life expectancy	1 year	Increase by 1.2	Decrease by 1.3	Increase by 0.8	Decrease by 0.9

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

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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, 2013 was 18.2 years (2012: 18.8 years). The duration of the other defined benefits obligation at December 31, 2013 was 14.4 years (2012: 14.8 years).

The expected maturity analysis of undiscounted pension and other benefits is presented below:

	Pension Benefits		Other Employee Future Benefits	
December 31,	2013	2012	2013	2012
Less than a year	1,380	1,312	251	199
Between 1-2 years	1,331	1,264	368	305
Between 2-5 years	3,956	3,859	1,624	1,305
Over 5 years	87,191	85,439	42,894	39,789
Total	93,858	91,874	45,137	41,598

According to the most recent actuarial valuation performed at December 31, 2012 for funding purposes, the plan deficit amounts to $6.8 million on a going-concern basis while it amounts to $3.5 million on a solvency basis. As such, the Corporation is required to make annual special payments of $0.8 million until May 31, 2024 to fund the plan deficit. The Corporation current service cost is equal to 9.02% of members' pensionable earnings.

The Corporation expects $6.4 million in contributions to be paid to its benefit plans in 2014.

Pension Transfer Agreement

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales and service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer is subject to regulatory approval from OSFI which is expected to occur within 18 to 24 months of the agreement date. As such, as of December 31, 2013, the financial statements do not reflect assets and obligations in relation to this plan.

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

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21. INCOME TAXES

Income Tax Expense

Income tax expense (recovery) for the year is as follows:

	December 31,	
	2013	2012
Current tax expense (recovery)		
Current tax (recovery) on profits (loss) for the year	(95,718)	53,833
Adjustment in respect of prior years	536	611
Total current tax expense (recovery)	**(95,182)**	**54,444**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(81,564)	6,147
Recognition of previously unrecognized deferred tax assets	(23,537)	(4,989)
Change in Canadian tax rate	3,257	—
Total deferred tax expense (recovery)	**(101,844)**	**1,158**
Income tax expense (recovery)	**(197,026)**	**55,602**

Income taxes included in the statement of earnings differ from the statutory rate as follows:

	December 31,			
	2013		2012	
	%	$	%	$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	26.48	(182,636)	26.16	58,233
Adjusted for the effect of:				
Temporary differences for which no deferred income tax asset has been recorded	(1.83)	12,610	1.67	3,719
Permanent differences - other	(0.68)	4,720	—	5
Foreign operations - subject to lower tax rates	1.31	(9,034)	(0.34)	(755)
Recognition of previously unrecognized deferred tax assets	3.41	(23,537)	(2.24)	(4,989)
Prior year adjustments	(0.08)	536	(0.27)	(611)
Effect of tax rate changes on deferred income taxes	(0.47)	3,257	—	—
Effect of higher tax recovery due to loss carryback to prior periods	0.43	(2,942)	—	—
Income tax expense (recovery) as reported in the consolidated statements of operations and effective tax rate	28.57	(197,026)	24.98	55,602

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The applicable statutory tax rates are 26.48% in 2013 and 26.16% in 2012. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates. The increase is mainly due to the change in British Columbia income tax rate from 10.0% to 11.0%.

Deferred income tax assets and liabilities

At December 31, 2013, no deferred tax liabilities were recognized for temporary differences of $14.3 million (2012: $10.5 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,	
	2013	2012
Deferred tax liabilities - to be settled within 12 months	—	5,642
Deferred tax liabilities - to be settled after 12 months	121,074	209,381
	121,074	**215,023**

Movements in temporary differences during the year were as follows:

	Balance at January 1, 2013	Arising on acquisition (*Note 3*)	Recognized in Earnings 2013	Recognized in OCI 2013	Recognized in Equity 2013	Balance at December 31, 2013
Deferred tax assets						
Eligible capital expenditures	157,134	—	(8,746)	—	—	148,388
Deferred revenue	1,729	—	(1,729)	—	—	—
Losses available for carryforward	37,515	—	91,349	—	2,118	130,982
Deferred transaction costs	1,336	—	(784)	—	—	552
Other	7,455	—	(280)	(2,814)	—	4,361
Deferred tax liabilities						
Accumulation Partners' contracts, customer relationships and trade names	(407,785)	(772)	21,834	—	(2,413)	(389,136)
Software and technology	(12,407)	(4,014)	200	—	—	(16,221)
	(215,023)	**(4,786)**	**101,844**	**(2,814)**	**(295)**	**(121,074)**

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Movements in temporary differences during the prior year were as follows:

	Balance, January 1, 2012	Arising on acquisition (Note 3)	Recognized in Earnings 2012	Recognized in OCI 2012	Recognized in Equity 2012	Balance at December 31, 2012
Deferred tax assets						
Eligible capital expenditures	168,746	—	(11,612)	—	—	157,134
Deferred revenue	18,870	1,687	(18,893)	—	65	1,729
Losses available for carryforward	24,794	—	12,145	—	576	37,515
Deferred transaction costs	2,069	—	(733)	—	—	1,336
Other	7,080	—	(259)	634	—	7,455
Deferred tax liabilities						
Accumulation Partners' contracts, customer relationships and trade names	(419,732)	(6,589)	19,292	—	(756)	(407,785)
Software and technology	(11,309)	—	(1,098)	—	—	(12,407)
	(209,482)	**(4,902)**	**(1,158)**	**634**	**(115)**	**(215,023)**

At December 31, 2013, Aimia had the following operating tax losses available for carryforward and temporary differences which may be used to reduce taxable income in future years:

Country		Carryforward period
(i) Canada		
losses available for carryforward	348,258	2033
(ii) United Kingdom		
losses available for carryforward	129,245	Indefinite
(iii) United States		
losses available for carryforward	2,188	2028
	2,064	2029
	8,570	2030
	26,094	2031
	20,389	2032
	28,954	2033
	88,259	

At December 31, 2013, Aimia had operating tax losses of $113.4 million (included in (ii) and (iii) above) and other deductible temporary differences of $187.0 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.

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CANADA REVENUE AGENCY NOTICE OF REASSESSMENT

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

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

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

Since management believes that it is more likely than not that its position will be sustained, no amounts related to this issue have been recorded in the financial statements as of December 31, 2013.

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, 2013, Aimia's maximum exposure under such guarantees was estimated to amount to $204.7 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

On July 2, 2009, Aimia was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. The motion was heard on May 9 and 10, 2011 and Aeroplan was added as a potential defendant. In a judgment dated March 6, 2012, the Superior Court of Quebec authorized the motion for the petitioner to bring a class action. That motion was the first procedural step before any class action could be instituted. A notice of the judgment authorizing the class action was published on April 6, 2013.

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On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member. The parties have agreed upon a timetable for procedural matters leading up to readiness for trial. The next step is for Aimia to file its defence. Management does not expect a ruling on the merits for at least 2 years.

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

From time to time, Aimia becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Aimia's financial position and results of operations.

23. DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2013 and 2012 were as follows:

	2013 [(a)]		2012 [(b)]	
	Amount	Per common share	Amount	Per common share
March	27,589	0.160	26,102	0.150
June	29,320	0.170	27,546	0.160
September	29,348	0.170	27,561	0.160
December	29,403	0.170	27,570	0.160
Total	**115,660**	**0.670**	108,779	0.630

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

(b) On May 3, 2012, the Board of Directors of Aimia approved an increase to the common share dividend from $0.150 to $0.160 per share per quarter.

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Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2013 and 2012 were as follows:

	2013		2012	
	Amount	Per preferred share	Amount	Per preferred share
March	2,803	0.40625	2,803	0.40625
June	2,803	0.40625	2,803	0.40625
September	2,803	0.40625	2,803	0.40625
December	2,804	0.40625	2,804	0.40625
Total	**11,213**	**1.62500**	11,213	1.62500

On February 26, 2014, the Board of Directors of Aimia declared quarterly dividends of $0.17 per common share, $0.40625 per Series 1 preferred share and $0.3211 per Series 3 preferred share (*Note 31*), payable on March 31, 2014.

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, 2013		December 31, 2012	
	Number of shares	$	Number of shares	$
Opening balance	**172,257,314**	**1,514,669**	**173,817,381**	**1,526,855**
Shares repurchased under the normal course issuer bid program	—	—	(1,961,900)	(17,233)
Shares released from stock-based compensation plans	80,000	1,152	80,000	664
Common shares issued upon exercise of stock options	633,082	9,183	321,833	4,383
Closing balance	**172,970,396**	**1,525,004**	**172,257,314**	**1,514,669**

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PREFERRED SHARES:

Issued and outstanding	December 31, 2013		December 31, 2012	
	Number of shares	$	Number of shares	$
Opening and Closing balance	**6,900,000**	**168,787**	**6,900,000**	**168,787**

NORMAL COURSE ISSUER BID

From January 1 to May 15, 2012, Aimia repurchased and cancelled 1,961,900 common shares for total cash consideration of $24.2 million. Share capital was reduced by $17.2 million and the remaining $7.0 million was accounted for as reduction of contributed surplus.

On May 3, 2012, Aimia received approval from the Toronto Stock Exchange and announced the renewal of its Normal Course Issuer Bid ("NCIB") to repurchase up to 17,179,599 of its issued and outstanding common shares during the period from May 16, 2012 to no later than May 15, 2013.

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

No shares were repurchased during the period from May 16, 2012 to December 31, 2013.

PREFERRED SHARES, SERIES 1

On January 20, 2010 and January 26, 2010, pursuant to a prospectus supplement dated January 13, 2010, Aimia issued a total of 6,900,000 Preferred Shares, Series 1, for total cash consideration of $167.3 million, net of issue costs of $5.2 million. Additionally, a related income tax benefit of $1.5 million was recorded. The Preferred Shares, Series 1, bear a 6.5% annual cumulative, quarterly dividend, which is subject to a rate reset on March 31, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 3.75%. The Preferred Shares, Series 1 are redeemable by Aimia on March 31, 2015, and every five years thereafter in accordance with their terms.

Holders of Preferred Shares, Series 1 will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 2 (the “Preferred Shares, Series 2”), subject to certain conditions, on March 31, 2015 and on March 31 every five years thereafter. Holders of the Preferred Shares, Series 2 will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.75% (*Note 31*).

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B) STOCK-BASED COMPENSATION

Aimia Long-Term Incentive 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:

	December 31,	
	2013	2012
Compensation expense relating to the options granted	$ 2,517	$ 2,105
Number of stock options granted	2,145,425	2,547,180
Weighted average fair value per option granted	$ 3.30	$ 2.70
Aggregate fair value of options granted	$ 7,089	$ 6,873
Weighted average assumptions:		
Share price	$ 15.67	$ 12.85
Exercise price	$ 15.67	$ 12.85
Risk-free interest rate	1.42%	1.48%
Expected volatility	31.68%	33.88%
Dividend yield	4.07%	4.76%
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 the activity related to the employees participating in the Aimia Long-Term Incentive Plan is as follows:

	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	**5,861,266**	**12.04**	**4,004,069**	**11.42**
Granted	2,145,425	15.67	2,547,180	12.85
Exercised	(633,082)	11.07	(321,833)	10.53
Forfeited	(282,886)	13.26	(368,150)	12.16
Options outstanding - end of year	**7,090,723**	**13.18**	**5,861,266**	**12.04**
Options exercisable - end of year	**2,410,525**	**11.63**	**1,637,662**	**11.15**

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The weighted average share price at the date of exercise for the share options exercised in 2013 was $16.77 (2012: $13.64).

The details of options outstanding and exercisable at December 31, 2013 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
2008	230,000	15.07	230,000	15.07	2015
2008	66,875	7.52	66,875	7.52	2015
2009	320,008	8.47	320,008	8.47	2016
2009	71,219	9.55	71,219	9.55	2016
2009	85,111	9.35	85,111	9.35	2016
2010	741,343	10.85	515,715	10.85	2017
2010	150,792	11.50	110,000	11.50	2017
2011	1,015,758	12.79	460,205	12.79	2018
2011	164,000	12.50	63,250	12.71	2018
2012	1,721,672	12.50	373,142	12.50	2019
2012	215,000	14.52	53,750	14.52	2019
2012	225,000	14.08	56,250	14.08	2019
2013	1,872,180	15.62	—	—	2020
2013	165,738	15.43	—	—	2020
2013	46,027	18.55	5,000	18.55	2020
	7,090,723	**13.18**	**2,410,525**	**11.63**	

The details of Aimia shares held under stock-based compensation plans described in *Note 2* are as follows:

	Omnibus Plan	
December 31,	2013	2012
Number of shares outstanding - beginning of year	**80,000**	**160,000**
Number of shares granted during the year	—	—
Number of shares forfeited during the year	—	—
Number of shares vested during the year	(80,000)	(80,000)
Number of shares outstanding - end of year	**—**	**80,000**
Weighted average remaining life (years)	—	1.0

Pursuant to the terms of the Omnibus plan, Aimia shares were purchased on the open market of the Toronto Stock Exchange and were held by a trustee for the benefit of the eligible employees until their vesting.

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The details of Aimia's PSUs and DSUs described in *Note 2* are as follows:

	PSU		DSU	
December 31,	2013	2012	2013	2012
Number of units outstanding - beginning of year	**1,138,443**	**909,333**	**336,190**	**284,324**
Number of units granted during the year	636,071	540,770	62,791	51,866
Number of units forfeited during the year	(75,088)	(129,984)	—	—
Number of units settled during the year	(254,680)	(181,676)	(9,375)	—
Number of units outstanding - end of year	**1,444,746**	**1,138,443**	**389,606**	**336,190**
Weighted average fair value per unit on date of grant ($)	$ 15.63	$ 12.50	$ 16.03	$ 13.43

The PSUs vest 3 years after the grant, subject to performance conditions. 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, 2013, the intrinsic value of vested DSUs amounted to $7.6 million (2012: $4.3 million).

Total stock-based compensation expense for the years ended December 31, 2013 and 2012:

	Years Ended December 31,	
	2013	2012
Stock options compensation	6,238	4,675
PSU and DSU compensation	12,930	7,481
Other share based payment compensation	275	382
Total stock-based compensation expense	**19,443**	**12,538**

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25. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

The minimum lease payments under various non-cancellable operating leases, not yet incurred at the end of the reporting period, are as follows:

Year ending December 31,	
2014	21,579
2015 to 2018	46,818
Thereafter	43,240
Total	**111,637**

During the year ended December 31, 2013 an expense of $24.0 million was recognized as an expense in earnings in respect of operating leases (2012: $22.5 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	39,923
Marketing support and other	384,628

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, 2013, Aimia complied with all such covenants.

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26. SEGMENTED INFORMATION

At December 31, 2013, the Corporation had three reportable and operating segments: Canada, EMEA and US & APAC.

The segments are the Corporation's strategic business units. For each of the strategic business units, the Corporation's Group Chief Executive and Group Chief Operating Officer review internal management reports on a monthly basis. The segments have been identified on the basis of geographical regions and are aligned with the organizational structure and strategic direction of the organization. The US & APAC regions have been combined on the basis that they meet the aggregation criteria prescribed under IFRS 8 - *Operating Segments*.

The Canada segment derives its revenues primarily from the Aeroplan Program and from proprietary loyalty services. The US & APAC segment derives its revenues primarily from proprietary loyalty services. The EMEA segment derives its revenues primarily from loyalty programs, including the Nectar and Nectar Italia programs, operating in the United Kingdom and Italy, respectively, and from its interest in the Air Miles Middle East program. In addition, the EMEA segment also generates revenues from proprietary loyalty services and analytics and insights services, including ISS.

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

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

	Years Ended December 31,											
(in thousands of Canadian dollars)	2013	2012[i]	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012[i]
Operating Segments	**Canada**		**EMEA**		**US & APAC**		**Corporate[b]**		**Eliminations**		**Consolidated**	
Gross Billings	**1,300,101**	1,292,551	**704,120** *(c)*	639,851 *(c)*	**362,685** *(c)*	315,205 *(c)*	**—**	—	**(457)**	(4,584)	**2,366,449** *(c)*	2,243,023 *(c)*
Gross Billings from the sale of Loyalty Units	**1,085,820**	1,079,793	**625,556**	548,636	**—**	—	**—**	—	**—**	—	**1,711,376**	1,628,429
Revenue from Loyalty Units	**393,454** *(f)*	1,109,523	**625,307**	528,359	**—**	—	**—**	—	**—**	—	**1,018,761** *(f)*	1,637,882
Revenue from proprietary loyalty services	**166,512**	158,169	**18,531**	15,191	**362,288**	312,337	**—**	—	**—**	—	**547,331**	485,697
Other revenue	**47,378**	49,731	**60,078**	75,608	**—**	—	**—**	—	**—**	—	**107,456**	125,339
Intercompany revenue	**—**	17	**220**	304	**237**	4,263	**—**	—	**(457)**	(4,584)	**—**	—
Total revenue	**607,344** *(f)*	1,317,440	**704,136**	619,462	**362,525**	316,600	**—**	—	**(457)**	(4,584)	**1,673,548** *(f)*	2,248,918
Cost of rewards and direct costs	**689,200**	693,044	**410,900** *(h)*	438,639	**201,695**	169,563	**—**	—	**—**	(321)	**1,301,795** *(h)*	1,300,925
Depreciation and amortization [a]	**98,762**	95,170	**16,663**	17,005	**12,463**	13,484	**—**	—	**—**	—	**127,888**	125,659
Gross margin	**(180,618)** *(f)*	529,226	**276,573** *(h)*	163,818	**148,367**	133,553	**—**	—	**(457)**	(4,263)	**243,865** *(f)(h)*	822,334
Operating expenses before the undernoted	**438,807** *(g)*	224,579	**195,268** *(h)*	141,995	**164,781**	138,277	**71,925**	53,260	**(457)**	(4,263)	**870,324** *(g)(h)*	553,848
Share-based compensation	**—**	—	**—**	—	**—**	—	**19,443**	12,538	**—**	—	**19,443**	12,538
Impairment of goodwill	**—**	—	**—**	—	**19,144**	—	**—**	—	**—**	—	**19,144**	—
Total operating expenses	**438,807** *(g)*	224,579	**195,268** *(h)*	141,995	**183,925**	138,277	**91,368**	65,798	**(457)**	(4,263)	**908,911** *(g)(h)*	566,386
Operating income (loss) [i]	**(619,425)** *(f)(g)*	304,647	**81,305** *(h)*	21,823	**(35,558)**	(4,724)	**(91,368)**	(65,798)	**—**	—	**(665,046)** *(f)(g)(h)*	255,948
Additions to non-current assets [d]	**33,054**	32,269	**17,693**	18,675	**3,636**	7,011	**—**	2,273	**N/A**	N/A	**54,383**	60,228
Non-current assets [d]	**3,131,097**	3,190,837	**516,682** *(e)*	468,782 *(e)*	**78,077** *(e)*	77,805 *(e)*	**2,244**	2,156	**N/A**	N/A	**3,728,100** *(e)*	3,739,580 *(e)*

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

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

(c) Includes third party Gross Billings of $573.2 million in the UK and $227.2 million in the US for the year ended December 31, 2013, compared to third party Gross Billings of $525.2 million in the UK and $191.5 million in the US for the year ended December 31, 2012. 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 $463.5 million in the UK and $69.1 million in the US as of December 31, 2013, compared to non-current assets of $418.2 million in the UK and $71.1 million in the US as of December 31, 2012.

(f) Includes the impact of the change in the Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013 and resulted in a reduction of $663.6 million to revenue from Loyalty Units, of which $617.0 million is attributable to the years prior to 2013 and $46.6 million to the six month period ended June 30, 2013.

(g) Includes an expense totaling $150.0 million recorded and paid upon the closing of the asset purchase agreement and a provision totaling $50.0 million relating to the net migration of Aeroplan-branded credit card accounts between CIBC and TD (*Note 11*).

(h) Includes a favourable impact of $26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation (*Note 17*). Of this amount, $74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and $48.8 million (£30.6 million) as an increase to operating expenses.

Prior to the issuance of the final ruling, Aimia had recorded an amount of $2.1 million (£1.4 million) in cost of rewards, representing input tax credit accrued during the period from January 1, 2013 to March 31, 2013.

(i) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the years ended December 31, 2013 and December 31, 2012 is presented in the consolidated statements of operations.

(j) 2012 financial information was restated to reflect the retroactive application of the amendments to IAS 19. Refer to *Note 2* for additional information.

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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, 2013 and December 31, 2012 is calculated as follows:

	December 31,	
	2013	2012
Cash and cash equivalents	(449,108)	(497,976)
Short-term investments	(60,654)	(42,479)
Long-term investments in corporate and government bonds	(269,651)	(313,250)
Long-term debt (including current portion)	794,853	793,126
Share Capital	1,693,791	1,683,456
Contributed surplus	1,221,532	1,218,427
Deficit	(2,181,156)	(1,542,700)
Total capital	**749,607**	1,298,604

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 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 and Adjusted Net Earnings as measurements to monitor operating performance. Free cash flow is used as an indicator of financial 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, 2013 amounted to $300.0 million and is 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 upon policies established by management. 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. To date, Aimia has not used any of the funds held in the Reserve. 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.

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), Air Canada warrants, forward exchange contract, 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.

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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, 2013, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2013	2012
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**543,483**	568,797

For the year ended December 31, 2013, 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 $5.4 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, 2012.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2013, 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, 2013, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

With respect to accounts receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners, as identified in *Note 11*. 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

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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, 2013, Aimia had issued Senior Secured Notes in the amount of $800.0 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, 2016. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit (*Note 18*). Aimia also had outstanding letters of credit totaling approximately $15.0 million (of which $14.4 million were issued against the revolving facility) at December 31, 2013 issued as security in the normal course of business.

At December 31, 2013, maturities of the financial liabilities are as follows:

	Total	2014	2015	2016	2017	2018	Thereafter
Long-term debt including interest	978,961	199,450	37,600	36,911	229,650	218,350	257,000
Accounts payable and accrued liabilities	482,820	482,820	—	—	—	—	—
Contingent consideration payable	4,278	—	2,139	2,139	—	—	—
Total	**1,466,059**	**682,270**	**39,739**	**39,050**	**229,650**	**218,350**	**257,000**

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, 2013, Aimia held net financial assets denominated in pound sterling of approximately £89.3 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $1.6 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, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

	Hierarchy	December 31, 2013	December 31, 2012
Financial assets			
Air Canada Class B shares	Level 1	**18,525**	—
Air Canada warrants	Level 2	**—**	1,072
Investments in equity instruments (excluding Air Canada shares)	Level 3	**72,412**	23,702
Financial liabilities			
Contingent considerations payable (*Note 3*)	Level 3	**4,278**	1,509
Forward exchange contract [(a)]	Level 2	**—**	180

(a) The forward exchange contract, entered into to manage the risk and mitigate the currency fluctuations associated with an intercompany loan, was settled on December 6, 2013 upon the reimbursement of the intercompany loan. At that time, the fair value of the forward contract was favourable and amounted to $2.5 million. The changes in the fair value of the forward exchange contract were offset against the currency fluctuations associated with the intercompany loan and recorded in financial expenses.

The fair value of the investments in equity instruments, excluding Air Canada Class B shares, is based on the discounted cash flow analysis used to value the initial investment, adjusted to reflect changes to budgeted cash flows and key assumptions used in the analysis between the initial investment date and December 31, 2013. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at December 31, 2013, the fair value of investments in equity instruments were determined to approximate cost, with the exception of the investment in Cardlytics where a fair value adjustment of $13.7 million

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

was recorded in other comprehensive income during the second quarter of 2013 on the basis of the valuation performed in connection with the additional investment made on May 23, 2013 (*Note 5*).

The fair value of the contingent consideration payable related to the Smart Button acquisition *(Note 3)* was determined on the basis of management's best estimate and could represent a maximum of US$5.0 million. The fair value of the contingent consideration related to the EIM acquisition *(Note 3)* and paid on December 13, 2013 was determined on the basis of the maximum consideration payable as per management's best estimate at December 31, 2012.

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, 2013		December 31, 2012	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	310,460	318,442	313,250	325,671
Long-term debt (including current portion)	Level 1	794,853	846,553	793,126	841,366

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, 2013					
Accounts payable and accrued liabilities [(a)]	545,539	(62,719)	482,820	—	482,820
Provisions [(b)]	50,000	—	50,000	(3,127)	46,873
December 31, 2012					
Accounts payable and accrued liabilities [(a)]	443,078	(62,531)	380,547	—	380,547

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Financial assets	Amounts offset			Amounts not offset	Net
	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2013					
Accounts receivable [(a)(b)]	476,257	(62,719)	413,538	(3,127)	410,411
December 31, 2012					
Accounts receivable [(a)]	448,604	(62,531)	386,073	—	386,073

(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 reward purchases as described under the section entitled *Contractual and Commercial Practices with Air Canada (Note 11)*.

(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 AND NON-CONTROLLING INTERESTS

A) RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the year ended December 31, 2013, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

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 share-based award plans, the Aimia Long-term Incentive Plan (including stock options and performance share units) and DSU Plan. Directors participate in the DSU Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

The compensation paid or payable to directors and to key management for services is shown below:

	Years Ended December 31,	
	2013	2012
Director compensation, and key management salaries and benefits [(a)]	**11,300**	9,427
Post-employment benefits	**471**	434
Share-based compensation	**8,429**	5,713
Total	**20,200**	15,574

(a) Salaries and benefits include short-term incentive compensation.

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 EMEA segment recorded revenue of $7.1 million relating to services rendered to i2c during the year ended December 31, 2013 (2012: none). At December 31, 2013, an amount of $10.6 million was receivable from i2c (December 31, 2012: none).

The US & APAC region recorded $5.2 million in revenue related to consulting services rendered to PLM during the year ended December 31, 2013 (2012: $1.7 million).

B) NON-CONTROLLING INTERESTS

NECTAR ITALIA

During the year ended December 31, 2013, Aimia acquired the remaining 25% of the issued shares of Nectar Italia for cash and contingent consideration totaling $9.3 million. The carrying amount of the non-controlling interests in Nectar Italia on the date of acquisition was $(8.3) million. As a result, the Corporation derecognized the non-controlling interest and recorded a decrease to retained earnings of $17.6 million.

OTHER

During the year ended December 31, 2012, an amount of $2.7 million was invested by a minority shareholder in an Indian subsidiary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013

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

30. ADDITIONAL FINANCIAL INFORMATION

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

A) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Years Ended December 31,	
	2013	2012
Restricted cash	**(4,335)**	(8,580)
Accounts receivable	**(18,510)**	1,875
Inventories	**5,510**	26,275
Prepaid expenses	**(15,038)**	(8,561)
Accounts payable and accrued liabilities	**112,220**	3,133
Customer deposits	**(3,456)**	14,510
Provisions	**(91,881)**	4,229
Pensions and other long-term liabilities	**9,278**	(800)
Deferred revenue	**688,526**	(9,566)
Total	**682,314**	22,515

B) STATEMENTS OF COMPREHENSIVE INCOME

The defined benefit plans actuarial gains for the year ended December 31, 2013 were net of deferred income taxes of $1.6 million, compared to deferred income tax recoveries of $1.8 million for the year ended December 31, 2012.

The changes in fair value of available-for-sale investments for the year ended December 31, 2013 were net of deferred income taxes of $1.3 million.

The variations of the minimum funding requirement liability for the year ended December 31, 2012 were net of deferred income taxes of $1.1 million.

31. SUBSEQUENT EVENTS

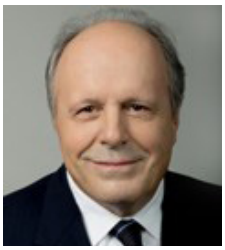
On January 15, 2014, pursuant to a prospectus supplement dated January 8, 2014, Aimia issued 6,000,000 Cumulative Rate Reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares"), including 1,000,000 Series 3 Preferred Shares that were issued upon the exercise in full of the underwriters' option to purchase additional shares, for total cash consideration of $146.5 million, net of issue costs of $3.5 million. 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 ending March 31, 2019. The net proceeds of the issue will be used by Aimia to supplement its financial resources and for general corporate purposes.

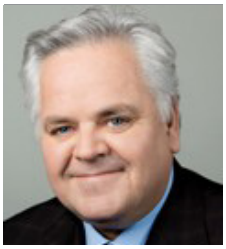
On February 6, 2014, Aimia invested approximately $17.0 million, with up to an additional $7.0 million to be invested if certain milestones are achieved by December 31, 2015, for a minority stake in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program.

BOARD OF DIRECTORS

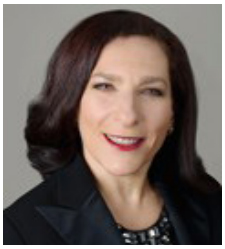
ROBERT BROWN
Chairman
since January 1, 2008



JOHN FORZANI (2) (3)
Director
since July 17, 2007

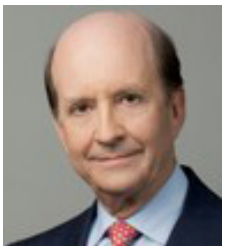


ROMAN DORONIUK (1) (2)
Director
since June 21, 2005



BETH S. HOROWITZ (1) (2)
Director
since December 20, 2012

RUPERT DUCHESNE
Director
since June 21, 2005

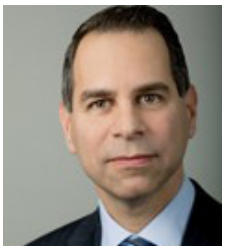


DAVID LAIDLEY (1) (2)
Director
since January 19, 2009

JOANNE FERSTMAN (1) (3)
Director
since June 21, 2005

DOUGLAS PORT (2) (3)
Director
since July 17, 2007

HON. MICHAEL FORTIER, PC (2) (3)
Director
since January 19, 2009



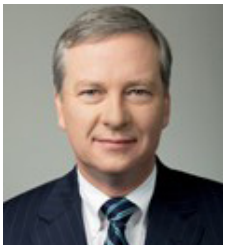
ALAN ROSSY (1) (3)
Director
since July 17, 2007

(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

EXECUTIVE TEAM

RUPERT DUCHESNE
Group Chief Executive

DAVID JOHNSTON
Group Chief Operations Officer



DAVID ADAMS
Executive Vice President
and Chief Financial Officer

JAN-PIETER LIPS
President – Europe,
Middle East and Africa

MARC ALLSOP
Senior Vice President
and Head of Global Business
Development, Aimia

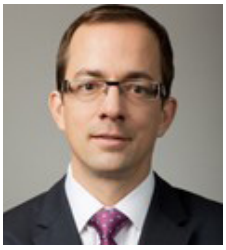
ERIC MONTEIRO
Chief Strategy
& Analytics Officer

SUSAN DONIZ
Global Chief Information Officer

VINCE TIMPANO
Executive Vice President;
President and Chief Executive
Officer – Canada

LIZ GRAHAM
Executive Vice President,
Operations and Strategic
Initiatives

SANDY WALKER
Chief Talent Officer



MARK HOUNSELL
Chief Legal Officer
and Corporate Secretary

MICHAEL ZEA
Executive Vice President;
President and Chief Executive
Officer – U.S.

CORPORATE INFORMATION

HEAD OFFICE

5100 de Maisonneuve Blvd. West
Montreal, Quebec
Canada, H4A 3T2

On April 22, we move to 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
Canada, H3B 3K3

Telephone: 1.800.387.0825
Email: 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 Rate Reset Preferred Shares, Series 3 (AIM.PR.C, Cusip 00900Q400)
Senior Secured Notes Series 2 (Cusip 00900QAA1)
Senior Secured Notes Series 3 (Cusip 00900QAB9)
Senior Secured Notes Series 4 (Cusip 00900QAC74)
Senior Secured Notes Series 5 (Cusip 00900QAD5)

INVESTOR RELATIONS

Karen Keyes
416-352-3728
karen.keyes@aimia.com

111 Richmond Street West, Suite 700
Toronto, Ontario M5H 2G4
Canada

CORPORATE INFORMATION

ANNUAL MEETING OF SHAREHOLDERS

Shareholders are invited to attend the annual meeting of shareholders of Aimia being held on Wednesday May 14, 2014 at 11 a.m. ET. Location:

Bourse de Montréal Inc.
Tour de la Bourse
800 Victoria Square
Montreal, Quebec
H4Z 1A9

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.