AIMIA
INSPIRING LOYALTY

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

For the years ended December 31, 2017 and 2016

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

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

Aimia Inc. (together with its direct and indirect subsidiaries, where the context requires, "Aimia" or the "Corporation") was incorporated on May 5, 2008 under the laws of Canada.

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

The MD&A is prepared as at February 14, 2018 and should be read in conjunction with the accompanying audited consolidated financial statements of Aimia for the year ended December 31, 2017 and the notes thereto, and Aimia's Management Information Circular and Annual Information Form, respectively dated March 13 and March 22, 2017.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on significant Accumulation Partners and clients, reliance on Redemption Partners, greater than expected redemptions for rewards, unfunded future redemption costs, supply and capacity costs, regulatory matters, failure to safeguard databases, cyber security and consumer privacy, retail market/economic conditions, industry competition, Air Canada liquidity issues or air travel industry disruption, airline industry changes and increased airline costs, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, reliance on key personnel, legal proceedings, foreign operations, labour relations, pension liability, technological disruptions, inability to use third-party software and outsourcing, failure to protect intellectual property rights, conflicts of interest, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend declarations and/or payments on either common shares or preferred shares, interest rate and currency fluctuations, credit ratings, audit by tax authorities, as well as the other factors identified throughout this MD&A and throughout Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of February 14, 2018, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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

THIS MD&A CONTAINS THE FOLLOWING SECTIONS:

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

GLOSSARY

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

"Aeroplan" - means Aimia Canada Inc.;

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

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

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

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

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

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

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

"Breakage" - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment. Management's consolidated weighted average breakage estimate at December 31, 2017 is 13% (December 31, 2016: 13%), and is calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs;

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

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

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

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

"Cardlytics" - means Cardlytics, Inc., a US-based company that makes marketing more relevant and measurable through their purchase intelligence platform;

"CGU" - means cash-generating unit;

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

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

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"CRA" - means the Canada Revenue Agency;

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

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

"Future Redemption Costs" - means the total estimated liability of the future costs of rewards for Loyalty Units which have been sold and remain outstanding, net of Breakage and valued at the Average Cost of Rewards per Loyalty Unit, experienced during the most recent rolling twelve-month period;

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

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

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

"IFRS" - means International Financial Reporting Standards;

"i2c" - means Insight 2 Communication LLP;

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

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

"Nectar", "Nectar U.K." or the **"Nectar Program"** - means the coalition loyalty program in the United Kingdom;

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

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

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

"ROIC" - means return on invested capital;

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

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

"Travel Club" - means Air Miles España, S.A., the owner and operator of Travel Club, a Spanish coalition loyalty program. Aimia exited its investment in Travel Club in the first quarter of 2017;

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

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

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

OVERVIEW

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

Aimia, a data-driven marketing and loyalty analytics company, through its subsidiaries, operates in the following business segments: Coalitions and Insights & Loyalty Solutions (“ILS”).

Coalitions

Within the Coalitions segment, Aimia owns and operates the Aeroplan Program, a premier coalition loyalty program in Canada, and the Corporation's Canadian rewards business. The division also includes a 48.9% interest in, and joint control with Grupo Aeromexico of, PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program, and an investment in Think Big, the owner and operator of BIG, AirAsia and Tune Group’s loyalty program.

Insights & Loyalty Solutions

Within the Insights & Loyalty Solutions (“ILS”) segment, Aimia provides clients with comprehensive end-to-end loyalty solutions across the globe with operations in the Americas, Europe and Asia Pacific. The ILS business provides clients with loyalty strategy, program design, implementation, campaign, analytics and rewards fulfillment, as well as deploys Aimia’s loyalty platforms including the Aimia Loyalty Platform - Enterprise and Aimia Loyalty Platform - SAAS as part of its loyalty solutions. The Middle East loyalty solutions business, which includes the Air Miles Middle East program, as well as Aimia's international analytics platform and services business and global product development activities are also included in the ILS division.

Other Businesses

Other Businesses include the results of the Enhancement Services (“ES”) business, the U.S. Channel and Employee Loyalty (“CEL”) business, the New Zealand business, the U.K. card-linked business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals. Please refer to the section *Discontinued Operations and Disposal of Businesses and Other Assets* for additional information.

Other businesses also include minority interests in Cardlytics, a US-based company that makes marketing more relevant and measurable through their purchase intelligence platform, and Fractal Analytics, a provider of advanced analytics.

Discontinued Operations

Discontinued operations include the results of the Nectar U.K. coalition loyalty program, Aimia’s Intelligent Shopper Solutions UK and Intelligent Research businesses, and its 50% participation in i2C, a joint venture with Sainsbury’s. Please refer to the section *Discontinued Operations and Disposal of Businesses and Other Assets* for additional information.

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OUR BUSINESS

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

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

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

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

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

Coalition Loyalty

A coalition program is one that brings together many partners in a loyalty rewards program. Partners benefit from the insights gained from a more complete picture of customer behaviour and preferences they get from pooling data, and members of the program benefit from an ability to collect and redeem rewards in multiple ways.

Loyalty Solutions

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

Analytics and Insights

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

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

PERFORMANCE INDICATORS (INCLUDING CERTAIN NON-GAAP FINANCIAL MEASURES)

GROSS BILLINGS

Gross Billings from the sale of Loyalty Units

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

Gross Billings from Loyalty Services and Other

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

OPERATING INCOME

Revenue

Coalition Loyalty

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

Loyalty Services and Other

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

Loyalty services and other revenue also include:

- analytics and insights service fees from services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment;
- charges to coalition loyalty members for various services;
- loyalty industry related business know-how, trademarks and expertise, including royalties earned with respect to the Air Miles trademark until its disposal in August 2017; and

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

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

Cost of Rewards, Direct Costs and Operating Expenses

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

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

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

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

ADJUSTED EBITDA

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

Unless otherwise noted, Adjusted EBITDA for the current and comparable periods exclude the results of discontinued operations.

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 related to non-financial assets, which are non-cash in nature and can vary significantly depending on accounting methods, and non-operating factors such as historical cost.

Adjusted EBITDA is operating income adjusted to exclude depreciation, amortization and impairment charges related to non-financial assets, as well as adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs. Adjusted EBITDA also includes distributions and dividends received or receivable from equity-accounted investments.

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

Future Redemption Costs represent management's estimated future cost of rewards in respect of Loyalty Units sold which remain outstanding and unbroken at the end of any given period. Future Redemption Costs are revalued at the end of any given period by taking into account the most recently determined average unit cost per Loyalty Unit

redeemed for that period (cost of rewards / Loyalty Units redeemed) and applying it to the total Unbroken Loyalty Units outstanding at the end of that period. As a result, Future Redemption Costs and the Change in Future Redemption Costs must be calculated at the end of any given period and for that period. The simple addition of sequential inter-period changes to arrive at a cumulative change for a particular period may result in inaccurate results depending on the fluctuation in the Average Cost of Rewards per Loyalty Unit redeemed for the period in question.

For a reconciliation of Adjusted EBITDA to GAAP, please refer to the *SELECTED INFORMATION AND RECONCILIATION OF ADJUSTED EBITDA AND FREE CASH FLOW* included in the *Operating and Financial Results* section. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows.

RETURN ON INVESTED CAPITAL

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

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

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

ADJUSTED NET EARNINGS AND ADJUSTED NET EARNINGS PER COMMON SHARE

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

Adjusted Net Earnings and Adjusted Net Earnings per common share are presented for both continuing and discontinued operations.

Adjusted Net Earnings provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA. Net earnings attributable to equity holders of the Corporation are adjusted to exclude Amortization of Accumulation Partners' contracts, customer relationships and technology, share of net earnings (loss) of equity-

accounted investments and impairment charges related to non-financial assets. Adjusted Net Earnings includes the change in deferred revenue and Change in Future Redemption Costs, net of the income tax effect and non controlling interest effect (where applicable) on these items at an entity level basis. Adjusted Net Earnings also includes distributions and dividends received or receivable from equity-accounted investments.

Adjusted Net Earnings per common share provides a measurement of profitability per common share on a basis consistent with Adjusted Net Earnings and is calculated as Adjusted Net Earnings less dividends declared on preferred shares and cumulative undeclared dividends on preferred shares in the period divided by the weighted average number of basic and diluted common shares outstanding for the period.

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

FREE CASH FLOW AND FREE CASH FLOW BEFORE DIVIDENDS PAID

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

Free Cash Flow is defined as cash flows from operating activities (including continuing and discontinued operations), as reported in accordance with GAAP, less adjustments for:

a) total capital expenditures (including continuing and discontinued operations) as reported in accordance with GAAP; and
b) dividends paid.

Free Cash Flow before Dividends Paid is defined as cash flows from operating activities as reported in accordance with GAAP, less capital expenditures as reported in accordance with GAAP. Free Cash Flow before Dividends Paid common share is presented for both continuing and discontinued operations.

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

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

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

CONSTANT CURRENCY

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, help improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant Currency information compares results between periods as if exchange rates had remained constant over the periods. Constant Currency is derived by calculating current period results using foreign currency exchange rates from the same period in the prior year. Results calculated on a Constant Currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Constant Currency is a basis of consideration mostly for Aimia's foreign operations (those with a functional currency which is not the Canadian dollar). The ILS segment and Other Businesses operate under varying foreign currencies.

DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISCONTINUED OPERATIONS

Nectar coalition loyalty program and U.K. analytics businesses

During the fourth quarter of 2017, on the basis of the status of the discussions between Aimia and Sainsbury's for the sale of the Nectar coalition loyalty program, Aimia's Intelligent Shopper Solutions U.K. and Intelligent Research businesses, and its 50% participation in i2C, the related assets and liabilities of the disposal group have been presented as held for sale at December 31, 2017. Refer to the section *Subsequent Events* for more information.

Impairment charges of $180.5 million (included in net loss from discontinued operations in the consolidated statement of operations) were recorded during the fourth quarter of 2017 to reduce the carrying amount of the disposal group to its fair value less costs of disposal. The impairment charges have been applied to reduce the carrying amount of goodwill within the disposal group. The fair value of the disposal group at December 31, 2017 was based on the terms of the transaction that closed on January 31, 2018

The operating results and Adjusted EBITDA from these activities are presented as discontinued operations and prior periods have been restated. For a presentation of the operations results and Adjusted EBITDA including and excluding discontinued operations, please refer to the *Financial measures including and excluding discontinued operations* section.

A discussion of the discontinued operations' operating results for the year and three month periods ended December 31, 2017 and 2016 follows.

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	Years Ended December 31,		Variance		Variance C.C. [b][c]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**409.1**	471.0	(61.9)	(13.1)	(35.7)	(7.6)
Gross Billings from Loyalty Services and Other	**23.8**	30.5	(6.7)	(22.0)	(4.5)	(14.8)
Total Gross Billings	**432.9**	501.5	(68.6)	(13.7)	(40.2)	(8.0)
Revenue from Loyalty Units	**427.9**	498.4	(70.5)	(14.1)	(52.3)	(10.5)
Revenue from Loyalty Services and Other	**23.9**	30.4	(6.5)	(21.4)	(4.3)	(14.1)
Total revenue	**451.8**	528.8	(77.0)	(14.6)	(56.6)	(10.7)
Cost of rewards and direct costs	**338.5**	392.8	(54.3)	(13.8)	(39.5)	(10.1)
Gross margin before depreciation and amortization	**113.3**	136.0	(22.7)	(16.7)	(17.1)	(12.6)
Depreciation and amortization [a]	**10.8**	11.3	(0.5)	(4.4)	0.4	3.5
Gross margin	**102.5**	124.7	(22.2)	(17.8)	(17.5)	(14.0)
Operating expenses before impairment charges	**57.7**	68.9	(11.2)	(16.3)	(6.3)	(9.1)
Impairment of charges	**180.5**	—	180.5	**	180.5	**
Total operating expenses	**238.2**	68.9	169.3	**	174.2	**
Operating income (loss)	**(135.7)**	55.8	(191.5)	**	(191.7)	**
Net financial income (expenses)	**(2.8)**	1.0				
Share of net earnings of equity-accounted investments	**7.5**	5.1				
Income tax recovery (expense)	**(9.6)**	(7.8)				
Net earnings (loss) from discontinued operations	**(140.6)**	54.1	(194.7)	**	**	**
Adjusted EBITDA [b]	**57.1**	68.6	(11.5)	(16.8)	(0.7)	(1.0)
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**13.5**	23.6	(10.1)	(42.8)	**	**
Distributions from equity-accounted investments	**6.9**	5.2	1.7	32.7	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Nectar	**(8.0)%**	(8.5)%	**	**	**	**
Redemption activity - Nectar	**(9.9)%**	(3.4)%	**	**	**	**

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

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

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

Gross Billings generated for the year ended December 31, 2017 amounted to $432.9 million, a decrease of $68.6 million or 13.7%. On a constant currency basis, Gross Billings decreased by $40.2 million or 8.0% and is mostly explained by a decrease of $36.1 million in the Nectar Program driven by lower campaign activity from the program's main grocery partner, due in part to phasing, and the exit of partners in the retail and energy sectors, offset in part by improvement from a new partner in the newspaper sector. The remainder of the decrease is attributable to the U.K. ISS business.

Total Revenue generated for the year ended December 31, 2017 amounted to $451.8 million, a decrease of $77.0 million or 14.6%. On a constant currency basis, total revenue decreased by $56.6 million or 10.7% and is mostly explained by a decrease of $51.0 million in the Nectar Program driven largely by a 9.9% reduction in redemption volumes. The remainder of the decrease is attributable to the U.K. ISS business.

Cost of Rewards and Direct Costs amounted to $338.5 million for the year ended December 31, 2017, a decrease of $54.3 million or 13.8%. On a constant currency basis, cost of rewards and direct costs decreased by $39.5 million or 10.1%, and is mostly attributable to a reduction in cost of rewards in the Nectar Program, representing $37.2 million, related primarily to lower redemption activity.

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Operating Expenses amounted to $238.2 million for the year ended December 31, 2017, an increase of $169.3 million. On a constant currency basis, operating expenses increased by $174.2 million, mostly explained by the impairment charge of $180.5 million recorded in the fourth quarter of 2017 related to the discontinued operations and higher severance expense, offset in part by lower digital marketing spend and operational efficiencies.

Depreciation and Amortization amounted to $10.8 million for the year ended December 31, 2017, a decrease of $0.5 million or 4.4%. On a constant currency basis, depreciation and amortization increased by $0.4 million or 3.5%.

Operating Income (Loss) amounted to $(135.7) million for the year ended December 31, 2017, a deterioration of $191.5 million. On a constant currency basis, operating loss increased by $191.7 million, primarily explained by the factors described above.

Adjusted EBITDA amounted to $57.1 million for the year ended December 31, 2017, a decrease of $11.5 million or 16.8%. On a constant currency basis, Adjusted EBITDA decreased by $0.7 million or 1.0%, mostly explained by lower contribution from the Nectar Program and the U.K. ISS business, offset in part by lower cash operating expenses and a higher distribution from equity accounted investments.

	Three Months Ended December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**143.0**	154.1	(11.1)	(7.2)	(13.2)	(8.6)
Gross Billings from Loyalty Services and Other	**4.1**	8.5	(4.4)	(51.8)	(4.5)	(52.9)
Total Gross Billings	**147.1**	162.6	(15.5)	(9.5)	(17.7)	(10.9)
Revenue from Loyalty Units	**226.1**	240.4	(14.3)	(5.9)	(18.6)	(7.7)
Revenue from Loyalty Services and Other	**4.1**	8.5	(4.4)	(51.8)	(4.5)	(52.9)
Total revenue	**230.2**	248.9	(18.7)	(7.5)	(23.1)	(9.3)
Cost of rewards and direct costs	**175.1**	186.8	(11.7)	(6.3)	(15.1)	(8.1)
Gross margin before depreciation and amortization	**55.1**	62.1	(7.0)	(11.3)	(8.0)	(12.9)
Depreciation and amortization [(a)]	**2.6**	2.6	—	—	—	—
Gross margin	**52.5**	59.5	(7.0)	(11.8)	(8.0)	(13.4)
Operating expenses before impairment charges	**13.1**	16.2	(3.1)	(19.1)	(2.0)	(12.3)
Impairment of charges	**180.5**	—	180.5	**	180.5	**
Total operating expenses	**193.6**	16.2	177.4	**	178.5	**
Operating income (loss)	**(141.1)**	43.3	(184.4)	**	(186.5)	**
Net financial income (expenses)	**(2.7)**	—				
Share of net earnings of equity-accounted investments	**2.2**	2.1				
Income tax recovery (expense)	**(11.9)**	(9.1)				
Net earnings (loss) from discontinued operations	**(153.5)**	36.3	(189.8)	**	**	**
Adjusted EBITDA [(b)]	**20.9**	23.1	(2.2)	(9.5)	(2.0)	(8.7)
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**60.1**	62.1	(2.0)	(3.2)	**	**
Distributions from equity-accounted investments	**1.9**	1.4	0.5	35.7	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Nectar	**(8.9)%**	7.6%	**	**	**	**
Redemption activity - Nectar	**(7.8)%**	10.6%	**	**	**	**

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

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

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

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

Gross Billings generated for the three months ended December 31, 2017 amounted to $147.1 million, a decrease of $15.5 million or 9.5%. On a constant currency basis, Gross Billings decreased by $17.7 million or 10.9% and is mostly explained by a decrease of $15.9 million in the Nectar Program driven by lower campaign activity from the program's main grocery partner, due in part to phasing, and the exit of partners in the retail and energy sectors, offset in part by improvement from a new partner in the newspaper sector.

Total Revenue generated for the three months ended December 31, 2017 amounted to $230.2 million, a decrease of $18.7 million or 7.5%. On a constant currency basis, total revenue decreased by $23.1 million or 9.3% and is mostly explained by a decrease of $21.3 million in the Nectar Program driven largely by a 7.8% reduction in redemption volumes, as well as lower ancillary services related to the loss of an energy partner.

Cost of Rewards and Direct Costs amounted to $175.1 million for the three months ended December 31, 2017, a decrease of $11.7 million or 6.3%. On a constant currency basis, cost of rewards and direct costs decreased by $15.1 million or 8.1%, and is mostly attributable to a reduction in cost of rewards in the Nectar Program, representing $13.8 million, related primarily to lower redemption activity, as well as lower direct costs related to a decrease in ancillary services due to the loss of an energy partner.

Operating Expenses amounted to $193.6 million for the three months ended December 31, 2017, an increase of $177.4 million. On a constant currency basis, operating expenses increased by $178.5 million, mostly explained by the impairment charge of $180.5 million recorded in the fourth quarter of 2017 related to the discontinued operations and higher severance expense, offset in part by lower digital marketing spend and operational efficiencies.

Depreciation and Amortization amounted to $2.6 million for the three months ended December 31, 2017, with no change compared to the same period in the prior year.

Operating Income (Loss) amounted to $(141.1) million for the three months ended December 31, 2017, a deterioration of $184.4 million. On a constant currency basis, operating loss increased by $186.5 million, primarily explained by the factors described above.

Adjusted EBITDA amounted to $20.9 million for the three months ended December 31, 2017, a decrease of $2.2 million or 9.5%. On a constant currency basis, Adjusted EBITDA decreased by $2.0 million or 8.7%, mostly explained by lower contribution from the Nectar program, offset in part by lower cash operating expenses and a higher distribution from equity accounted investments.

Cash flows from (used in) discontinued operations included within the consolidated statements of cash flows are as follows:

	Three Months Ended December 31,		Years Ended December 31,	
(in millions of Canadian dollars)	2017	2016	2017	2016
Net cash flows of discontinued operations				
Cash flows from (used in):				
Operating activities	**66.1**	79.8	**55.4**	64.5
Investing activities (additions to property, equipment, software and technology)	**(0.7)**	(1.1)	**(5.5)**	(6.0)
Free cash flow from discontinued operations [(a)]	**65.4**	78.7	**49.9**	58.5

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

At December 31, 2017, the assets and liabilities related to the disposal group were as follows:

Assets held for sale	
Accounts receivable	76.9
Prepaid expenses	3.9
Equity-accounted investments	2.9
Property and equipment	5.3
Software and technology	12.6
Accumulation partners' contracts and customer relationships	3.4
Trade name	35.2
Goodwill	114.0
Total	**254.2**
Liabilities held for sale	
Accounts payable and accrued liabilities	170.4
Deferred revenue	243.7
Deferred income taxes	1.4
Total	**415.5**

DISPOSAL OF BUSINESSES AND OTHER ASSETS

In 2017 and 2016, the Corporation completed the sale of several businesses and other assets as part of its ongoing process to simplify and refocus the business. These included the sale of the U.S. CEL Business, the New Zealand business, the ES business, the UK card-linked business and the royalty revenue related to the Canadian Air Miles trademarks. Until their disposal, the results of these businesses and other assets were presented under Other Businesses in the segmented information as they did not qualify for discontinued operations classification.

Please refer to *Note 5* of the audited consolidated financial statements of Aimia for the year ended December 31, 2017 for additional information on these transactions.

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

STRATEGIC UPDATE

The Corporation and its Board of Directors remain actively engaged in and focused on three principal objectives: (i) the identification, negotiation and execution of long-term strategic partnerships for the post-2020 period, (ii) the ongoing simplification of the Corporation's business through accelerated cost reduction initiatives and the potential further sale of non-core assets, and (iii) the preservation of a strong cash and liquidity position to support the transition period to post-2020 over the next three years.

- **Key coalition partnerships:** Aimia's coalition partnerships are at the core of a cash generative business and the Corporation will continue to explore the way our members accumulate and redeem and the insight and benefits we can continue to bring to our partners.

  The Corporation has a base of 5 million active Aeroplan members and a high-value cardholder base that provides substantial and certain purchasing volume to our travel partners. This includes financial cardholders under its contracts with TD Bank and CIBC, which agreements extend to 2024. Aimia believes that these assets could be highly valuable and compelling to numerous potential strategic partners, including airlines operating within the Canadian market - either domestically, trans-border, or internationally. Aimia is actively pursuing all alternatives with the underlying objective of continuing to offer high-value travel rewards to our Aeroplan members and our strategic commercial partners

- **Ongoing business simplification with acceleration of cost reduction initiatives:** Over the last three years, Aimia has simplified and refocused the business significantly, including the disposal of non-core asset , and has streamlined its core operating model into two divisions: coalitions and ILS. Further operating cost reductions are expected in 2018. The Corporation's focus will remain on protecting the health, sustainability and growth of our coalitions and delivering a profitable service business. The Corporation may also consider further asset sales.

- **Preserving a strong cash and liquidity position:** As the Corporation moves through a transition period following the notice of non-renewal of the CPSA to be effective on June 29, 2020, Aimia believes that a strong cash and liquidity position is critical in order to maintain appropriate financial flexibility during this period. In support of this objective, and in addition to aggressive cost-reduction initiatives and non-core asset sales described above, the Corporation also maintains significant reserves held against its Aeroplan coalition program and, in addition to the suspension of dividend payments on the outstanding Preferred Shares due to restrictions currently in place under the CBCA and the Corporation's credit facility agreements, it has also suspended the payment of common share dividends for the foreseeable future. The Corporation's current credit facility remains in place through 2020.

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

OPERATING AND FINANCIAL RESULTS

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the audited consolidated financial statements for the years ended December 31, 2017 and 2016, and the related notes.

Historically, the Aeroplan Program, which is reported within the Coalitions segment, has been marked by seasonality relating to high redemption activity in the first half of the year and high accumulation activity in the second half of the year. While the reward fulfillment component of insights & loyalty solutions is affected by similar seasonality in the last quarter of the year, related to the holiday season, the impact at the consolidated level is not significant due to the smaller size of the business compared to that of the Aeroplan Program.

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

SELECTED INFORMATION AND RECONCILIATION OF ADJUSTED EBITDA AND FREE CASH FLOW

	Years ended December 31,						Variance %	
(in millions of Canadian dollars , except per share information)	2017		2016		2015		2017 over 2016	2016 over 2015
Gross Billings from the sale of Loyalty Units	**1,314.2**		1,277.1		1,267.0		2.9	0.8
Gross Billings from Loyalty Services and Other	**360.9**		561.1		606.0		(35.7)	(7.4)
Total Gross Billings	**1,675.1**		1,838.2		1,873.0		(8.9)	(1.9)
Total revenue	**1,624.4**		1,759.3		1,853.4		(7.7)	(5.1)
Cost of rewards and direct costs	**(1,004.3)**		(1,073.3)		(1,150.9)		(6.4)	(6.7)
Gross margin before depreciation and amortization [a]	**620.1**		686.0		702.5		(9.6)	(2.3)
Gross margin as a % of total revenue	***38.2%***		*39.0%*		*37.9%*		*(0.8) pp*	*1.1 pp*
Depreciation and amortization	**(37.1)**		(48.6)		(49.8)		(23.7)	(2.4)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(142.2)**		(123.2)		(134.6)		15.4	(8.5)
Gross margin	**440.8**		514.2		518.1		(14.3)	(0.8)
Operating expenses	**(499.9)**	*(e)*	(656.4)	*(f)*	(586.0)	*(f)(h)*	(23.8)	12.0
Operating loss	**(59.1)**	*(e)*	(142.2)	*(f)*	(67.9)	*(f)(h)*	58.4	**
Depreciation and amortization	**37.1**		48.6		49.8		(23.7)	(2.4)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**142.2**		123.2		134.6		15.4	(8.5)
Impairment charges	**—**		66.0		13.5		**	**
Operating income excluding depreciation, amortization and impairment charges [c]	**120.2**	*(e)*	95.6		130.0	*(h)*	25.7	(26.5)
Adjustments:								
Change in deferred revenue								
Gross Billings	**1,675.1**		1,838.2		1,873.0			
Revenue	**(1,624.4)**		(1,759.3)		(1,853.4)			
Change in Future Redemption Costs [b]	**(1.6)**		(28.5)		14.3			
Distributions from equity-accounted investments	**20.6**		19.6		27.2			
Subtotal of Adjustments	**69.7**		70.0		61.1			
Adjusted EBITDA [c]	**189.9**	*(e)*	165.6		191.1	*(h)*	14.7	(13.3)
Adjusted EBITDA as a % of total Gross Billings	***11.3%***		*9.0%*		*10.2%*		*2.3 pp*	*(1.2) pp*
Cash from operating activities	**239.4**		301.8	*(g)*	295.9	*(i)(j)*		
Capital expenditures	**(43.4)**		(68.2)		(93.6)			
Free Cash Flow before Dividends Paid [c]	**196.0**		233.6	*(g)*	202.3	*(i)(j)*	(16.1)	15.5
Free Cash Flow before Dividends Paid - Continuing operations [c]	**146.1**		175.1	*(g)*	145.9	*(i)(j)*		
Free Cash Flow before Dividends Paid - Discontinued operations [c]	**49.9**		58.5		56.4			
Free Cash Flow before Dividends Paid per common share [c][d]	**1.26**		1.42	*(g)*	1.12	*(i)(j)*		
Dividends paid to equity holders of the Corporation	**(34.7)**		(137.2)		(138.9)			
Dividends paid to non-controlling interests	**—**		—		(2.1)			
Free Cash Flow [c]	**161.3**		96.4	*(g)*	61.3	*(i)(j)*	67.3	57.3
Total assets	**4,069.7**		4,508.0		5,224.7			
Total long-term liabilities	**2,385.2**		2,376.6		2,486.9			

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

(b) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.

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

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

(e) For the year ended December 31, 2017, operating expenses, operating loss and Adjusted EBITDA include the unfavourable impact of an onerous contract provision of $20.3 million related to an IT outsourcing arrangement in the US.

(f) For the year ended December 31, 2016, operating expenses and operating loss include impairment charges amounting to $66.0 million, of which $53.2 million relate to the GLS group of CGUs and $12.8 million to the U.S. CEL Business.

For the year ended December 31, 2015, operating expenses and operating loss include impairment charges amounting to $13.5 million related to the Canada Loyalty Solutions group of CGUs.

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

(h) Operating expenses, operating loss and Adjusted EBITDA include the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015.

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

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

** Information not meaningful.

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

	Three Months Ended December 31,		Variance %
(in millions of Canadian dollars, except per share information)	2017	2016	Q4
Gross Billings from the sale of Loyalty Units	**336.9**	331.2	1.7
Gross Billings from Loyalty Services and Other	**81.7**	153.7	(46.8)
Total Gross Billings	**418.6**	484.9	(13.7)
Total revenue	**398.6**	440.1	(9.4)
Cost of rewards and direct costs	**(249.3)**	(266.6)	(6.5)
Gross margin before depreciation and amortization [(a)]	**149.3**	173.5	(13.9)
Gross margin as a % of total revenue	***37.5%***	*39.4%*	*(1.9) pp*
Depreciation and amortization	**(8.9)**	(13.2)	(32.6)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(40.7)**	(27.9)	45.9
Gross margin	**99.7**	132.4	(24.7)
Operating expenses	**(104.4)**	(222.2) [(e)]	(53.0)
Operating loss	**(4.7)**	(89.8) [(e)]	94.8
Depreciation and amortization	**8.9**	13.2	(32.6)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**40.7**	27.9	45.9
Impairment charges	**—**	66.0	**
Operating income excluding depreciation, amortization and impairment charges [(c)]	**44.9**	17.3	**
Adjustments:			
Change in deferred revenue			
Gross Billings	**418.6**	484.9	
Total revenue	**(398.6)**	(440.1)	
Change in Future Redemption Costs [(b)]	**(4.1)**	(25.0)	
Distributions from equity-accounted investments	**5.3**	4.5	
Subtotal of Adjustments	**21.2**	24.3	
Adjusted EBITDA [(c)]	**66.1**	41.6	58.9
Adjusted EBITDA as a % of total Gross Billings	***15.8%***	*8.6%*	*7.2 pp*
Cash from operating activities	**121.1**	139.8	
Capital expenditures	**(7.3)**	(18.2)	
Free Cash Flow before Dividends Paid [(c)]	**113.8**	121.6	(6.4)
Free Cash Flow before Dividends Paid - Continuing operations [(c)]	**48.4**	42.9	
Free Cash Flow before Dividends Paid - Discontinued operations [(c)]	**65.4**	78.7	
Free Cash Flow before Dividends Paid per common share [(c)(d)]	**0.75**	0.77	
Dividends paid to equity holders of the Corporation	**—**	(34.7)	
Free Cash Flow [(c)]	**113.8**	86.9	31.0
Total assets	**4,069.7**	4,508.0	
Total long-term liabilities	**2,385.2**	2,376.6	

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

(b) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.

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

(d) Free Cash Flow before Dividends Paid per common share is calculated after deducting dividends paid on preferred shares.

(e) For the three months ended December 31, 2016, operating expenses and operating loss include impairment charges amounting to $66.0 million, of which $53.2 million relate to the GLS group of CGUs and $12.8 million to the U.S. CEL Business.

** Information not meaningful.

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

YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016

CONSOLIDATED OPERATING RESULTS

	Years Ended December 31,		Variance		Variance C.C. [c][d]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**1,314.2**	1,277.1	37.1	2.9	38.0	3.0
Gross Billings from Loyalty Services and Other	**360.9**	561.1	(200.2)	(35.7)	(195.2)	(34.8)
Total Gross Billings	**1,675.1** *(b)*	1,838.2 *(b)*	(163.1)	(8.9)	(157.2)	(8.6)
Revenue from Loyalty Units	**1,266.3**	1,195.8	70.5	5.9	71.5	6.0
Revenue from Loyalty Services and Other	**358.1**	563.5	(205.4)	(36.5)	(200.3)	(35.5)
Total revenue	**1,624.4**	1,759.3	(134.9)	(7.7)	(128.8)	(7.3)
Cost of rewards and direct costs	**1,004.3**	1,073.3	(69.0)	(6.4)	(67.6)	(6.3)
Gross margin before depreciation and amortization	**620.1**	686.0	(65.9)	(9.6)	(61.2)	(8.9)
Gross margin as a % of total revenue	***38.2%***	*39.0%*	**	*(0.8) pp*	**	*(0.7) pp*
Depreciation and amortization [a]	**179.3**	171.8	7.5	4.4	8.0	4.7
Gross margin	**440.8**	514.2	(73.4)	(14.3)	(69.2)	(13.5)
Operating expenses before share-based compensation and impairment charges	**502.6** *(e)*	580.8	(78.2)	(13.5)	(73.6)	(12.7)
Share-based compensation	**(2.7)**	9.6	(12.3)	**	(12.3)	**
Impairment charges	**—**	66.0	(66.0)	**	(66.0)	**
Total operating expenses	**499.9** *(e)*	656.4	(156.5)	(23.8)	(151.9)	(23.1)
Operating loss	**(59.1)** *(e)*	(142.2)	83.1	58.4	82.7	58.2
Adjusted EBITDA [c]	**189.9** *(e)*	165.6	24.3	14.7	24.3	14.7
Adjusted EBITDA as a % of total Gross Billings	***11.3%***	*9.0%*	**	*2.3 pp*	**	*2.3 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**(1.6)**	(28.5)	26.9	94.4	**	**
Distributions from equity-accounted investments	**20.6**	19.6	1.0	5.1	**	**
Adjusted Net Earnings - Continuing operations [c]	**41.4** *(e)(f)(k)*	113.4 *(h)*	(72.0)	(63.5)	**	**
Adjusted Net Earnings - Discontinued operations [c]	**36.2**	53.0	(16.8)	(31.7)	**	**
Free Cash Flow before Dividends Paid [c][j]	**196.0**	233.6 *(i)*	(37.6)	(16.1)	**	**
Free Cash Flow [c][j]	**161.3**	96.4 *(i)*	64.9	67.3	**	**
ROIC [c]	**6.6%** *(g)*	4.5%	**	2.1 pp	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

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, 2017 amounted to $1,675.1 million, a decrease of $163.1 million or 8.9%. On a constant currency basis, Gross Billings decreased by $157.2 million or 8.6%, driven by Gross Billings from Loyalty Services and Other, representing a decrease of $195.2 million, primarily due to the impact of business disposals and lower rewards fulfillment billings, including the impact of outsourcing the fulfillment of gift cards in Coalitions which resulted in a net revenue accounting treatment. The decrease was offset in part by a $38.0

million increase in Gross Billings from the sale of Loyalty Units, primarily due to a $41.6 million improvement in the Aeroplan Program, mainly due to higher purchase volumes from the main financial partner and increased capacity from the main airline partner.

Aimia's ability to generate Gross Billings is a function of the underlying behaviour of the Accumulation Partners' respective customer base and their spending patterns, as well as ILS clients, which are in each case 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, 2017 amounted to $1,624.4 million, a decrease of $134.9 million or 7.7%. On a constant currency basis, total revenue decreased by $128.8 million or 7.3% and is mostly explained by a decrease of $200.3 million in Revenue from Loyalty Services and Other, primarily due to the impact of business disposals and lower rewards fulfillment revenue, including the impact of outsourcing the fulfillment of gift cards in Coalitions which resulted in a net revenue accounting treatment. The decrease was offset in part by an increase of $71.5 million in Revenue from Loyalty Units driven by a $72.7 million increase in the Aeroplan Program due to increased redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the selling price of a Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of $12.7 million for the year ended December 31, 2017.

Cost of Rewards and Direct Costs amounted to $1,004.3 million for the year ended December 31, 2017, a decrease of $69.0 million or 6.4%. On a constant currency basis, cost of rewards and direct costs decreased by $67.6 million or 6.3% and is mainly explained by the impact of business disposals and lower rewards fulfillment activity, including the impact of outsourcing the fulfillment of gift cards in Coalitions which resulted in a net revenue accounting treatment, as well as a lower redemption cost per Aeroplan Mile redeemed, partially offset by higher redemption volumes 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 $8.7 million for the year ended December 31, 2017.

Gross Margin before Depreciation and Amortization represented 38.2% of total revenue for the year ended December 31, 2017, a decrease of 0.8 percentage-points or 0.7 percentage-points on a constant currency basis compared to 2016, a direct result of the factors described above.

Operating Expenses amounted to $499.9 million for the year ended December 31, 2017, a decrease of $156.5 million or 23.8%. On a constant currency basis, operating expenses decreased by $151.9 million or 23.1%, mostly due to the impact of business disposals, including a $12.8 million impairment charge related to those businesses in the fourth quarter of 2016 and an onerous contract provision of $20.3 million recorded during the current year related to an IT outsourcing arrangement in the US, as well as impairment charges totaling $53.2 million in the fourth quarter of 2016 in ILS related to the GLS group of CGUs and global product development assets. The remaining variance, representing a decrease of $11.9 million or 2.6%, is mostly due to a lower share-based compensation expense related to the revaluation of cash-settled awards, operational efficiencies globally, as well as lower advertising and promotional spend in Coalitions and the reversal of the contingent consideration payable related to the acquisition of

the non-controlling interest in Aimia Middle East. These factors were partially offset by higher severance globally, as well as the impact of previously capitalized costs which are now expensed and increased spend in information technology and operations in ILS.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $179.3 million for the year ended December 31, 2017, an increase of $7.5 million or 4.4%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by $8.0 million or 4.7%, due mainly to the reduction to the estimated life of the Air Canada Accumulation Partner contract in May 2017, which resulted in higher depreciation and amortization expense in the current period. The increase was partially offset by the impairment of assets related to the GLS group of CGUs and global product development assets in the fourth quarter of 2016, as well as the disposal of the U.S CEL Business in May 2017 and the ES Business at the end of July 2016, and the increase to the estimated life of the AMEX Accumulation Partner contract in the fourth quarter of 2016, which resulted in lower asset base and lower depreciation and amortization expense in the current period.

Operating Income (Loss) amounted to $(59.1) million for the year ended December 31, 2017, an improvement of $83.1 million. On a constant currency basis, operating loss decreased by $82.7 million, a direct result of the factors described above.

Net Financial Expenses for the year ended December 31, 2017 consists primarily of a net impairment charge of $57.4 million related to the investment in Cardlytics, interest expense of $29.5 million on long-term debt, which includes a redemption premium of $3.6 million on the early redemption of the Senior Secured Notes Series 5 in June 2017, and other net financial expenses of $7.6 million; offset in part by a fair value gain of $7.7 million on the convertible notes of Cardlytics and interest revenue of $9.3 million earned on cash and cash equivalents, short-term investments on deposit, long-term investments in bonds and convertible notes.

Net Earnings (Loss) for the years ended December 31, 2017 and 2016 include the effect of $(20.6) million and $37.7 million of current income tax (expenses) recoveries, respectively, as well as $13.3 million and $(16.3) million of deferred income tax (expenses) recoveries, respectively. Net earnings (loss) for the years ended December 31, 2017 and 2016 also include the share of net earnings of equity-accounted investments of $27.7 million and $10.1 million, respectively, gain (loss) on disposal of businesses and other assets of $(13.7) million and $25.1 million, respectively, and net earnings from discontinued operations of $(140.6) million and $54.1 million, respectively.

Current income taxes are primarily attributed to our Canadian and foreign operations mainly from the sale of the Canadian Air Miles trademarks. Consistent with the prior year, deferred income tax recoveries related to our international tax structures and foreign operations have not all been recognized. Consequently, the deferred income tax recovery recorded in the current period was primarily attributed to our foreign operations mainly from the sale of the Canadian Air Miles trademarks. The above results in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA amounted to $189.9 million for the year ended December 31, 2017, an increase of $24.3 million or 14.7%. On a constant currency basis, Adjusted EBITDA improved by $24.3 million or 14.7%. Excluding the results of business disposals, which included the impact of the onerous contract provision, Adjusted EBITDA improved by $42.2 million or 26.3%, mainly attributable to improved contribution from the Aeroplan Program and lower operating expenses globally, including lower share-based compensation expense related to the revaluation of cash-settled awards, offset in part by reduced contribution from ILS.

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

Adjusted Net Earnings amounted to $77.6 million for the year ended December 31, 2017, of which $41.4 million is attributable to continuing operations and $36.2 million to discontinued operations. Adjusted Net Earnings from continuing operations for the year ended December 31, 2017 included a net impairment charge of $57.4 million related to the investment in Cardlytics, the unfavourable impact of the onerous contract provision of $20.3 million related to an IT outsourcing arrangement in the US, the loss recognized on the disposal of the Canadian Air Miles trademarks of $19.9 million and a related net income tax expense of $1.2 million, a fair value gain on the convertible notes of Cardlytics of $7.7 million and the gain recognized on the disposal of the U.S. CEL Business of $5.4 million. Adjusted Net Earnings for the year ended December 31, 2016 amounted to $166.4 million, of which $113.4 million is attributable to continuing operations and $53.0 million to discontinued operations. Adjusted Net Earnings from continuing operations for the year ended December 31, 2016 included the gain recognized on the disposal of the commercial rights in the U.K. card-linked marketing business of $23.2 million. The effective tax rate has been impacted as described under *Net Earnings (Loss).*

Free Cash Flow for the year ended December 31, 2017 amounted to $161.3 million compared to $96.4 million for the year ended December 31, 2016. The onerous contract provision of $20.3 million had no impact on cash from operating activities for the year ended December 31, 2017, accordingly the explanations provided below exclude any non-cash related impact. The favourable variance of $64.9 million is mainly the result of:

- a decrease in dividends paid on common shares and preferred shares of $102.5 million, primarily due the suspension of the payment of all dividends on the Corporation's common and preferred shares, as announced on June 14, 2017;
- lower capital expenditures of $24.8 million resulting mostly from a reduction in capital expenditures associated to global product development activities in GLS, partly due to previously capitalized costs which are now expensed, and lower capital expenditures in the Coalitions division; offset in part by
- a decrease in cash from operating activities of $62.4 million, explained mostly by the receipt of $50.3 million from the CRA in the third quarter of 2016 related to the income tax refund of loss carry back applied in Canada and an unfavourable contribution from discontinued operations of $9.1 million. The remaining variance, representing a decrease of $3.0 million, is explained primarily by a decrease in Gross Billings of $163.1 million as well as a $15.5 million unfavourable variance in the change in net operating assets, offset in part by lower operating expenses of $98.5 million, before certain non-cash impacting items, lower cost of rewards and direct costs of $69.0 million, and a $4.4 million decrease in net interest paid.

ROIC for the twelve months ended December 31, 2017 of 6.6% compared to 4.5% for the twelve months ended December 31, 2016, an increase of 2.1 percentage-points, explained in part by an improvement in adjusted operating income after taxes, driven by improved margin contribution from the Aeroplan Program and lower operating expenses globally, offset in part by a decrease in margin contribution from ILS and the impact of disposed businesses. The reduction in the average invested capital also contributed favourably to the variance, due in part to impairment charges recorded during the fourth quarter of 2017 and 2016, the disposal of the Canadian Air Miles trademarks in 2017, as well as the the unfavourable impact of changes in foreign currency in 2016.

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

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

SEGMENTED OPERATING RESULTS

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

COALITIONS

	Years Ended December 31,		Variance	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%
Gross Billings from the sale of Loyalty Units	**1,267.7**	1,226.1	41.6	3.4
Gross Billings from Loyalty Services and Other	**73.0**	100.7	(27.7)	(27.5)
Total Gross Billings	**1,340.7**	1,326.8	13.9	1.0
Revenue from Loyalty Units	**1,212.7**	1,140.0	72.7	6.4
Revenue from Loyalty Services and Other	**73.2**	101.0	(27.8)	(27.5)
Total revenue	**1,285.9**	1,241.0	44.9	3.6
Cost of rewards and direct costs	**841.9**	837.8	4.1	0.5
Gross margin before depreciation and amortization	**444.0**	403.2	40.8	10.1
Gross margin as a % of total revenue	***34.5%***	*32.5 %*	**	*2.0 pp*
Depreciation and amortization [(a)]	**169.5**	135.8	33.7	24.8
Gross margin	**274.5**	267.4	7.1	2.7
Operating expenses before share-based compensation	**287.7**	289.9	(2.2)	(0.8)
Share-based compensation	**(2.5)**	8.0	(10.5)	**
Total operating expenses	**285.2**	297.9	(12.7)	(4.3)
Operating income (loss)	**(10.7)**	(30.5)	19.8	64.9
Adjusted EBITDA [(b)]	**225.5**	178.3	47.2	26.5
Adjusted EBITDA as a % of total Gross Billings	***16.8%***	*13.4 %*	**	*3.4 pp*
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	**(5.8)**	(31.1)	25.3	81.4
Distributions from equity-accounted investments	**17.7**	18.3	(0.6)	(3.3)
Operating metrics (*year-over-year variance*):				
Accumulation activity - Aeroplan	**1.8%**	2.4 %	**	**
Redemption activity - Aeroplan	**5.0%**	0.8 %	**	**
Total rewards issued - Aeroplan	**3.1%**	(0.4)%	**	**
Total air rewards issued - Aeroplan	**5.5%**	0.7 %	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

Gross Billings generated for the year ended December 31, 2017 amounted to $1,340.7 million, an increase of $13.9 million or 1.0%.

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, 2017 amounted to $1,267.7 million, an increase of $41.6 million or 3.4%, mostly explained by an improvement of $23.0 million in the financial sector primarily due to strong performance from the program's main financial partner higher purchase volumes driven by more active cards; the impact of a strong conversion campaign by another financial card partner; offset in part by a decrease from another partner driven by lower active cards. Further contributing to the increase

was an improvement of $15.3 million in the airline sector, mainly related to increased capacity, as well as improvement of $8.4 million in the non-air travel sector due to a conversion campaign, partly offset by a decrease of $4.8 million in the retail sector as a result of lower promotional activity.

Accumulation Activity - Aeroplan Miles issued during the year ended December 31, 2017 increased by 1.8% primarily due to the factors described above. Excluding all promotional mileage on new financial cards acquired, Aeroplan Miles issued during the period increased by 3.3%.

Gross Billings from Loyalty Services and Other amounted to $73.0 million for the year ended December 31, 2017, a decrease of $27.7 million or 27.5%, primarily explained by the impact of outsourcing the fulfillment of gift cards which resulted in a net revenue accounting treatment, representing $29.5 million.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the year ended December 31, 2017 increased by 5.0%. The total number of rewards issued increased by 3.1% and the number of air rewards issued increased by 5.5% compared to the prior year.

Total Revenue amounted to $1,285.9 million for the year ended December 31, 2017, an increase of $44.9 million or 3.6%, explained primarily by:

- an increase of $72.7 million in revenue from Loyalty Units mostly due to an increase in redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile; offset in part by,
- a decrease of $27.8 million in revenue from Loyalty Services and Other, primarily explained by the impact of outsourcing the fulfillment of gift cards which resulted in a net revenue accounting treatment, representing $29.5 million.

Cost of Rewards and Direct Costs amounted to $841.9 million for the year ended December 31, 2017, an increase of $4.1 million or 0.5%, mainly attributable to the impact of the following factors:

- a higher volume of redemptions in the Aeroplan Program, representing $40.4 million; offset in part by,
- a decrease in loyalty services direct costs of $28.9 million due mostly to the $29.5 million impact of outsourcing the fulfillment of gift cards; and
- a lower redemption cost per Aeroplan Mile redeemed, representing $7.4 million driven by the favourable impact of foreign exchange, as well as product mix.

Gross Margin before Depreciation and Amortization represented 34.5% of total revenue for the year ended December 31, 2017, an increase of 2.0 percentage-points compared to 2016, a direct result of the factors described above.

Operating Expenses amounted to $285.2 million for the year ended December 31, 2017, a decrease of $12.7 million or 4.3%, mostly explained by a lower share-based compensation expense driven by the revaluation of cash-settled awards, as well as operational efficiencies due mainly to lower headcount and reduced real estate spend and lower advertising and promotional spend in Aeroplan, partially offset by higher severance.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $169.5 million for the year ended December 31, 2017, an increase of $33.7 million or 24.8%, due mostly to the reduction to the estimated life of the Air Canada Accumulation Partner contract in May 2017, which resulted in higher depreciation and amortization expense in the current period, offset in part by the increase to

the estimated life of the AMEX Accumulation Partner contract in the fourth quarter of 2016, which resulted in lower depreciation and amortization expense in the current period.

Operating Income (Loss) amounted to $(10.7) million for the year ended December 31, 2017, an improvement of $19.8 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $225.5 million for the year ended December 31, 2017, an improvement of $47.2 million or 26.5%, mainly attributable to improved contribution from the Aeroplan Program, due primarily to higher Gross Billings from Loyalty Units and a lower unit cost per Aeroplan Mile, and lower operating expenses across the division.

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

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

INSIGHTS & LOYALTY SOLUTIONS

	Years Ended December 31,		Variance		Variance C.C. [b][c]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**46.5**	51.0	(4.5)	(8.8)	(3.6)	(7.1)
Gross Billings from Loyalty Services and Other	**222.3**	233.2	(10.9)	(4.7)	(6.2)	(2.7)
Total Gross Billings	**268.8**	284.2	(15.4)	(5.4)	(9.8)	(3.4)
Revenue from Loyalty Units	**53.6**	55.8	(2.2)	(3.9)	(1.2)	(2.2)
Revenue from Loyalty Services and Other	**222.4**	232.9	(10.5)	(4.5)	(5.7)	(2.4)
Intercompany revenue	**—**	0.4	(0.4)	**	(0.4)	**
Total revenue	**276.0**	289.1	(13.1)	(4.5)	(7.3)	(2.5)
Cost of rewards and direct costs	**140.7**	144.6	(3.9)	(2.7)	(2.1)	(1.5)
Gross margin before depreciation and amortization	**135.3**	144.5	(9.2)	(6.4)	(5.2)	(3.6)
Gross margin as a % of total revenue	***49.0 %***	*50.0 %*	**	*(1.0) pp*	**	*(0.6) pp*
Depreciation and amortization [a]	**9.4**	24.0	(14.6)	(60.8)	(14.1)	(58.8)
Gross margin	**125.9**	120.5	5.4	4.5	8.9	7.4
Operating expenses before share-based compensation and impairment charges	**157.7**	160.0	(2.3)	(1.4)	2.4	1.5
Share-based compensation	**(0.2)**	1.6	(1.8)	**	(1.8)	**
Impairment charges	**—**	53.2	(53.2)	**	(53.2)	**
Total operating expenses	**157.5**	214.8	(57.3)	(26.7)	(52.6)	(24.5)
Operating loss	**(31.6)**	(94.3)	62.7	66.5	61.5	65.2
Adjusted EBITDA [b]	**(22.3)**	(18.1)	(4.2)	(23.2)	(5.0)	(27.6)
Adjusted EBITDA as a % of total Gross Billings	***(8.3)%***	*(6.4)%*	**	*(1.9) pp*	**	*(2.0) pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**4.2**	2.6	1.6	61.5	**	**
Distributions from equity-accounted investments	**2.9**	1.3	1.6	**	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Air Miles Middle East	**(5.9)%**	(3.8)%	**	**	**	**
Redemption activity - Air Miles Middle East	**(1.1)%**	1.8 %	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

Gross Billings generated for the year ended December 31, 2017 amounted to $268.8 million, a decrease of $15.4 million or 5.4%. On a constant currency basis, Gross Billings decreased by $9.8 million or 3.4%, primarily explained by lower billings resulting from a lost client and the impact of signing a new client in the prior year in International ISS, lower Gross Billings in the Air Miles Middle East program due to challenging local market dynamics, lower rewards fulfillment activity and reduced set-up fees related to platform based services, offset in part by an increase in recurring billings from loyalty platforms and related services.

Total Revenue amounted to $276.0 million for the year ended December 31, 2017, a decrease of $13.1 million or 4.5%. On a constant currency basis, total revenue decreased by $7.3 million or 2.5%, and is primarily explained by the following:

- a decrease of $5.7 million in revenue from Loyalty Services and Other explained primarily by a decrease from International ISS due to a lost client and the impact of signing a new client in the prior year, lower

rewards fulfillment activity and reduced set-up fees related to platform based services, offset in part by an increase in recurring revenue from loyalty platforms and related services; and

- a decrease of $1.2 million in revenue from Loyalty Units driven mostly by lower redemption volumes in the Air Miles Middle East program.

Cost of Rewards and Direct Costs amounted to $140.7 million for the year ended December 31, 2017, a decrease of $3.9 million or 2.7%. On a constant currency basis, cost of rewards and direct costs decreased by $2.1 million or 1.5%, and is mostly attributable to lower rewards fulfillment activity and a decrease from International ISS due to the impact of a lost client, offset in part by an increase in direct costs from loyalty platforms and related services

Gross Margin before Depreciation and Amortization represented 49.0% of total revenue for the year ended December 31, 2017, a decrease of 1.0 percentage-point or 0.6 percentage-points on a constant currency basis compared to 2016, a direct result of the factors described above.

Operating Expenses amounted to $157.5 million for the year ended December 31, 2017, a decrease of $57.3 million or 26.7%. On a constant currency basis, operating expenses decreased by $52.6 million or 24.5%, mostly explained by impairment charges totaling $53.2 million in the fourth quarter of 2016 related to the GLS group of CGUs and global product development assets. The remaining variance, representing an increase of $0.6 million or 0.4%, is mostly due to previously capitalized costs which are now expensed, increased spend on information technology and operations, partly to support the implementation of outsourcing arrangements in technology and platform based sales, as well as higher severance, offset in part by the reversal of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East, operational efficiencies and lower share-based compensation expense.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $9.4 million for the year ended December 31, 2017, a decrease of $14.6 million or 60.8%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $14.1 million or 58.8%, mostly due to the impairment of assets related to the GLS group of CGUs and global product development assets in the fourth quarter of 2016, resulting in lower asset base and lower depreciation and amortization expense in the current year.

Operating Income (Loss) amounted to $(31.6) million for the year ended December 31, 2017, an improvement of $62.7 million or 66.5%. On a constant currency basis, operating loss improved by $61.5 million or 65.2%, a direct result of the factors described above.

Adjusted EBITDA amounted to $(22.3) million for the year ended December 31, 2017, a decrease of $4.2 million or 23.2%. On a constant currency basis, Adjusted EBITDA decreased by $5.0 million or 27.6%, mostly explained by lower contribution from International ISS and the Air Miles Middle East program, and higher cash operating expenses across the division, offset in part by higher distributions from equity-accounted investments.

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

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

OTHER BUSINESSES

	Years Ended December 31,		Variance		Variance C.C. [b][c]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**66.8**	229.1	(162.3)	(70.8)	(162.0)	(70.7)
Total Gross Billings	**66.8**	229.1	(162.3)	(70.8)	(162.0)	(70.7)
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**62.5**	229.6	(167.1)	(72.8)	(166.8)	(72.6)
Intercompany revenue	**1.2**	1.5	(0.3)	(20.0)	(0.3)	(20.0)
Total revenue	**63.7**	231.1	(167.4)	(72.4)	(167.1)	(72.3)
Cost of rewards and direct costs	**22.1**	91.8	(69.7)	(75.9)	(70.1)	(76.4)
Gross margin before depreciation and amortization	**41.6**	139.3	(97.7)	(70.1)	(97.0)	(69.6)
Gross margin as a % of total revenue	***65.3 %***	*60.3%*	**	*5.0 pp*	**	*5.8 pp*
Depreciation and amortization [a]	**0.4**	12.0	(11.6)	(96.7)	(11.6)	(96.7)
Gross margin	**41.2**	127.3	(86.1)	(67.6)	(85.4)	(67.1)
Operating expenses before impairment charges	**58.0** *(d)*	131.9	(73.9)	(56.0)	(74.0)	(56.1)
Impairment charges	**—**	12.8	(12.8)	**	(12.8)	**
Total operating expenses	**58.0** *(d)*	144.7	(86.7)	(59.9)	(86.8)	(60.0)
Operating loss	**(16.8)** *(d)*	(17.4)	0.6	3.4	1.4	8.0
Adjusted EBITDA [b]	**(13.3)** *(d)*	5.4	(18.7)	**	(17.9)	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

Gross Billings amounted to $66.8 million for the year ended December 31, 2017, a decrease of $162.3 million or 70.8%. On a constant currency basis, Gross Billings decreased by $162.0 million or 70.7% and is primarily explained by the disposal of the U.S. CEL Business and the New Zealand business in May 2017, the ES Business in July 2016, the U.K. card-linked business in June 2016, as well as the sale of the Canadian Air Miles trademarks in August 2017.

Total Revenue amounted to $63.7 million for the year ended December 31, 2017, a decrease of $167.4 million or 72.4%. On a constant currency basis, total revenue decreased by $167.1 million or 72.3%. The variance is primarily explained by the disposal of the U.S. CEL Business, the New Zealand business, the ES Business, the U.K. card-linked business, as well as the sale of the Canadian Air Miles trademarks.

Cost of Rewards and Direct Costs amounted to $22.1 million for the year ended December 31, 2017, a decrease of $69.7 million or 75.9%. On a constant currency basis, cost of rewards and direct costs decreased by $70.1 million or 76.4% and is primarily explained by the disposal of the U.S. CEL Business, the New Zealand business, the ES Business and the U.K. card-linked business.

Gross Margin before Depreciation and Amortization represented 65.3% of total revenue for the year ended December 31, 2017, an increase of 5.0 percentage-points or 5.8 percentage-points on a constant currency basis, a direct result of the factors described above.

Operating Expenses amounted to $58.0 million for the year ended December 31, 2017, a decrease of $86.7 million or 59.9%. On a constant currency basis, operating expenses decreased by $86.8 million or 60.0%, mainly attributable to the business divestitures, and the impairment charge of $12.8 million recorded during the fourth quarter of 2016

related to the U.S CEL Business, offset in part by the recognition of an onerous contract provision of $20.3 million during the current year related to an IT outsourcing arrangement in the US.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $0.4 million for the year ended December 31, 2017, a decrease of $11.6 million or 96.7% on a reported and constant currency basis, explained by the impact of the business divestitures.

Operating Income (Loss) amounted to $(16.8) million for the year ended December 31, 2017, an improvement of $0.6 million. On a constant currency basis, operating loss decreased by $1.4 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $(13.3) million for the year ended December 31, 2017, a deterioration of $18.7 million. On a constant currency basis, Adjusted EBITDA decreased by $17.9 million due to the recognition of an onerous contract provision of $20.3 million during the current year related to an IT outsourcing arrangement in the US, offset in part by the impact of the business divestitures.

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

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

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

CONSOLIDATED OPERATING RESULTS

	Three Months Ended December 31,		Variance		Variance C.C. [(c)(d)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**336.9**	331.2	5.7	1.7	6.3	1.9
Gross Billings from Loyalty Services and Other	**81.7**	153.7	(72.0)	(46.8)	(70.5)	(45.9)
Total Gross Billings	**418.6** *(b)*	484.9 *(b)*	(66.3)	(13.7)	(64.2)	(13.2)
Revenue from Loyalty Units	**316.4**	286.8	29.6	10.3	30.2	10.5
Revenue from Loyalty Services and Other	**82.2**	153.3	(71.1)	(46.4)	(69.4)	(45.3)
Total revenue	**398.6**	440.1	(41.5)	(9.4)	(39.2)	(8.9)
Cost of rewards and direct costs	**249.3**	266.6	(17.3)	(6.5)	(16.1)	(6.0)
Gross margin before depreciation and amortization	**149.3**	173.5	(24.2)	(13.9)	(23.1)	(13.3)
Gross margin as a % of total revenue	***37.5%***	*39.4%*	**	*(1.9) pp*	**	*(1.9) pp*
Depreciation and amortization [(a)]	**49.6**	41.1	8.5	20.7	8.5	20.7
Gross margin	**99.7**	132.4	(32.7)	(24.7)	(31.6)	(23.9)
Operating expenses before share-based compensation and impairment charges	**104.2**	155.2	(51.0)	(32.9)	(50.3)	(32.4)
Share-based compensation	**0.2**	1.0	(0.8)	(80.0)	(0.8)	(80.0)
Impairment of charges	**—**	66.0	(66.0)	**	(66.0)	**
Total operating expenses	**104.4**	222.2	(117.8)	(53.0)	(117.1)	(52.7)
Operating loss	**(4.7)**	(89.8)	85.1	94.8	85.5	95.2
Adjusted EBITDA [(c)]	**66.1**	41.6	24.5	58.9	24.8	59.6
Adjusted EBITDA as a % of total Gross Billings	***15.8%***	*8.6%*	**	*7.2 pp*	**	*7.2 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**(4.1)**	(25.0)	20.9	83.6	**	**
Distributions from equity-accounted investments	**5.3**	4.5	0.8	17.8	**	**
Adjusted Net Earnings (Loss) - Continuing operations [(c)]	**(11.7)** *(g)*	23.1	(34.8)	**	**	**
Adjusted Net Earnings - Discontinued operations [(c)]	**4.3**	12.0	(7.7)	(64.2)	**	**
Free Cash Flow before Dividends Paid [(c)(f)]	**113.8**	121.6	(7.8)	(6.4)	**	**
Free Cash Flow [(c)(f)]	**113.8**	86.9	26.9	31.0	**	**
ROIC [(c)]	**6.6%** *(e)*	4.5%	**	2.1 pp	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

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, 2017 amounted to $418.6 million, a decrease of $66.3 million or 13.7%. On a constant currency basis, Gross Billings decreased by $64.2 million or 13.2%, driven by Gross Billings from Loyalty Services and Other, representing a decrease of $70.5 million, due mostly to the impact of business disposals, as well as lower rewards fulfillment billings, including the impact of outsourcing the fulfillment of gift cards in Coalitions which resulted in a net revenue accounting treatment. The decrease was offset in part by a $6.3 million increase in Gross Billings from the sale of Loyalty Units, primarily due to a $5.9 million improvement in

the Aeroplan Program, driven mostly by improvement in the financial sector due in part to a conversion campaign, as well as in the airline sector due to higher capacity and the retail sector due to promotional activity.

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, as well as ILS clients, which are in each case 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, 2017 amounted to $398.6 million, a decrease of $41.5 million or 9.4%. On a constant currency basis, total revenue decreased by $39.2 million or 8.9% and is mostly explained by a decrease of $69.4 million in Revenue from Loyalty Services and Other, due mostly to the impact of business disposals, as well as lower rewards fulfillment revenue, including the impact of outsourcing the fulfillment of gift cards in Coalitions which resulted in a net revenue accounting treatment. The variance was offset in part by an increase of $30.2 million in Revenue from Loyalty Units, driven by a $30.9 million increase in the Aeroplan Program due to increased redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the selling price of a Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of $3.2 million for the three months ended December 31, 2017.

Cost of Rewards and Direct Costs amounted to $249.3 million for the three months ended December 31, 2017, a decrease of $17.3 million or 6.5%. On a constant currency basis, cost of rewards and direct costs decreased by $16.1 million or 6.0% and is mainly explained by the impact of business disposals, lower rewards fulfillment costs, including the impact of outsourcing the fulfillment of gift cards in Coalitions which resulted in a net revenue accounting treatment, and a lower redemption cost per Aeroplan Mile redeemed, offset in part by higher redemption volumes in the Aeroplan Program and increased costs associated with platform sales and related services.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the Average Cost of Rewards per Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of $2.1 million for the three months ended December 31, 2017.

Gross Margin before Depreciation and Amortization represented 37.5% of total revenue for the three months ended December 31, 2017, a decrease of 1.9 percentage-points on a reported and constant currency basis compared to the same period in 2016, a direct result of the factors described above.

Operating Expenses amounted to $104.4 million for the three months ended December 31, 2017, a decrease of $117.8 million or 53.0%. On a constant currency basis, operating expenses decreased by $117.1 million or 52.7%, mostly due to the impact of business disposals, including a $12.8 million impairment charge related to the U.S. CEL Business in the fourth quarter of 2016, as well as impairment charges totaling $53.2 million in the fourth quarter of 2016 in ILS related to the GLS group of CGUs and global product development assets. The remaining variance, representing a decrease of $16.4 million or 13.5% is mostly due to operational efficiencies globally, including lower compensation costs and rent, as well as lower advertising and promotional spend in Aeroplan, lower professional fees and the reversal of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East, offset in part by higher severance and the impact of previously capitalized costs which are now expensed.

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

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $49.6 million for the three months ended December 31, 2017, an increase of $8.5 million or 20.7%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by $8.5 million or 20.7%, due mainly to the reduction to the estimated life of the Air Canada Accumulation Partner contract in May 2017, which resulted in higher depreciation and amortization expense in the current period. The increase was offset in part by the impairment of assets related to the GLS group of CGUs and global product development assets in the fourth quarter of 2016, as well as the disposal of the U.S CEL Business in May 2017 and the ES Business at the end of July 2016, resulting in lower asset base and lower depreciation and amortization expense in the current period.

Operating Income (Loss) amounted to $(4.7) million for the three months ended December 31, 2017, an improvement of $85.1 million. On a constant currency basis, operating loss improved by $85.5 million, a direct result of the factors described above.

Net Financial Expenses for the three months ended December 31, 2017 consist of a net impairment charge of $57.4 million related to the investment in Cardlytics, interest expense of $6.6 million on long-term debt and other net financial expenses of $0.3 million; offset in part by interest revenue of $2.2 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds.

Net Earnings (Loss) for the three months ended December 31, 2017 and 2016 include the effect of $(0.8) million and $(3.1) million of current income tax (expenses), respectively, as well as $(1.7) million and $10.7 million of deferred income tax (expenses) recoveries, respectively. Net earnings (loss) for the three months ended December 31, 2017 and 2016 also include the share of net earnings (loss) of equity-accounted investments of $8.1 million and $(5.3) million, respectively, and net earnings (loss) from discontinued operations of $(153.5) million and $36.3 million, respectively.

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

Adjusted EBITDA amounted to $66.1 million for the three months ended December 31, 2017, an increase of $24.5 million or 58.9%. On a constant currency basis, Adjusted EBITDA improved by $24.8 million or 59.6%. Excluding the results of business disposals, Adjusted AEBITDA improved by $30.4 million and is explained mostly by improved contribution from the Aeroplan Program and lower operating expenses globally, as well as higher distributions from equity-accounted investments, offset in part by reduced contribution from ILS.

Adjusted Net Earnings (Loss) amounted to $(7.4) million for the three months ended December 31, 2017, of which $(11.7) million is attributable to continuing operations and $4.3 million to discontinued operations. Adjusted Net Loss from continuing operations for the three months December 31, 2017 included a net impairment charge of $57.4 million related to the investment in Cardlytics. Adjusted Net Earnings for the three months ended December 31, 2016 amounted to $35.1 million, of which $23.1 million is attributable to continuing operations and $12.0 million to discontinued operations. The effective tax rate has been impacted as described under the *Net Earnings (Loss)* section.

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

Free Cash Flow for the three months ended December 31, 2017 amounted to $113.8 million compared to $86.9 million for the three months ended December 31, 2016. The favourable variance of $26.9 million is mainly the result of:

- a decrease in dividends paid on common shares and preferred shares of $34.7 million due to the suspension of the payment of all dividends on the Corporation's common and preferred shares, as announced on June 14, 2017; and
- lower capital expenditures of $10.9 million resulting mostly from a reduction in capital expenditures associated to global product development activities in ILS, partly due to previously capitalized costs which are now expensed, and lower capital expenditures in the Coalitions division; offset in part by
- a decrease in cash from operating activities of $18.7 million, which included an unfavourable contribution from the discontinued operations of $13.7 million. Cash from operating activities attributable to continuing operations decreased by $5.0 million, explained mostly by lower Gross Billings of $66.3 million, as well as an unfavourable variance in the change in net operating assets of $9.0 million, offset in part by lower operating expenses of $51.0 million, before certain non-cash impacting items, lower cost of rewards and direct costs of $17.3 million.

ROIC for the twelve months ended December 31, 2017 of 6.6% compared to 4.5% for the twelve months ended December 31, 2016, an increase of 2.1 percentage-points. Please refer to the *Consolidated Operating Results* sub-section within the *YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016* section for the explanations of the variance.

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

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

SEGMENTED OPERATING RESULTS

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

COALITIONS

	Three Months Ended December 31,		Variance	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%
Gross Billings from the sale of Loyalty Units	**325.4**	319.5	5.9	1.8
Gross Billings from Loyalty Services and Other	**18.7**	28.2	(9.5)	(33.7)
Total Gross Billings	**344.1**	347.7	(3.6)	(1.0)
Revenue from Loyalty Units	**303.5**	272.6	30.9	11.3
Revenue from Loyalty Services and Other	**19.2**	28.5	(9.3)	(32.6)
Total revenue	**322.7**	301.1	21.6	7.2
Cost of rewards and direct costs	**206.9**	204.8	2.1	1.0
Gross margin before depreciation and amortization	**115.8**	96.3	19.5	20.2
Gross margin as a % of total revenue	***35.9 %***	*32.0 %*	**	*3.9 pp*
Depreciation and amortization [(a)]	**47.5**	32.8	14.7	44.8
Gross margin	**68.3**	63.5	4.8	7.6
Operating expenses before share-based compensation	**71.8**	79.4	(7.6)	(9.6)
Share-based compensation	**0.1**	0.4	(0.3)	(75.0)
Total operating expenses	**71.9**	79.8	(7.9)	(9.9)
Operating loss	**(3.6)**	(16.3)	12.7	77.9
Adjusted EBITDA [(b)]	**65.0**	41.5	23.5	56.6
Adjusted EBITDA as a % of total Gross Billings	***18.9 %***	*11.9 %*	**	*7.0 pp*
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	**(4.7)**	(26.1)	21.4	82.0
Distributions from equity-accounted investments	**4.4**	4.5	(0.1)	(2.2)
Operating metrics (*year-over-year variance*):				
Accumulation activity - Aeroplan	**(0.9)%**	0.8 %	**	**
Redemption activity - Aeroplan	**9.9 %**	(1.6)%	**	**
Total rewards issued - Aeroplan	**7.4 %**	(6.4)%	**	**
Total air rewards issued - Aeroplan	**12.3 %**	(2.3)%	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

Gross Billings generated for the three months ended December 31, 2017 amounted to $344.1 million, a decrease of $3.6 million or 1.0%.

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, 2017 amounted to $325.4 million, an increase of $5.9 million or 1.8%, mostly explained by a $3.1 million increase in the financial sector, primarily due to a conversion campaign from a financial card partner. Further contributing to the improvement, the airline sector increased by $2.2 million as a result of increased capacity, and the retail sector increased by $1.2 million related mainly to higher promotional activity.

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

Accumulation Activity - Aeroplan Miles issued during the three month period ended December 31, 2017 decreased by 0.9% relative to the same period of the prior year due mainly to the impact of promotional mileage issued in the prior year. Excluding all promotional mileage on new financial cards acquired, Aeroplan Miles issued during the period increased by 1.6%.

Gross Billings from Loyalty Services and Other amounted to $18.7 million for the three months ended December 31, 2017, a decrease of $9.5 million or 33.7%, primarily explained by the impact of outsourcing the fulfillment of gift cards which resulted in a net revenue accounting treatment, representing $10.0 million.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the three months ended December 31, 2017 increased by 9.9%. The total number of rewards issued increased by 7.4% and the total number of air rewards issued increased by 12.3% compared to the same period in the prior year.

Total Revenue amounted to $322.7 million for the three months ended December 31, 2017, an increase of $21.6 million or 7.2%, explained primarily by:

- an increase of $30.9 million in revenue from Loyalty Units due mainly to an increase in redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile; offset in part by,
- a decrease of $9.3 million in revenue from Loyalty Services and Other, primarily explained by the impact of outsourcing the fulfillment of gift cards which resulted in a net revenue accounting treatment, representing $10.0 million.

Cost of Rewards and Direct Costs amounted to $206.9 million for the three months ended December 31, 2017, an increase of $2.1 million or 1.0%, mainly attributable to the following factors:

- a higher volume of redemptions in the Aeroplan Program, representing $19.1 million; offset in part by,
- a decrease in loyalty services direct costs of $10.0 million due to the impact of outsourcing the fulfillment of gift cards; and
- a lower redemption cost per Aeroplan Mile redeemed, representing $7.0 million, driven by foreign exchange impacts, as well as product mix.

Gross Margin before Depreciation and Amortization represented 35.9% of total revenue for the three month period ended December 31, 2017, an increase of 3.9 percentage-points compared to the same period in 2016, a direct result of the factors described above.

Operating Expenses amounted to $71.9 million for the three months ended December 31, 2017, a decrease of $7.9 million or 9.9%, mostly explained by lower advertising and promotional spend in Aeroplan, operational efficiencies related to lower headcount and rent, and lower professional fees, offset in part by higher severance.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $47.5 million for the three months ended December 31, 2017, an increase of $14.7 million or 44.8%, due mostly to the reduction to the estimated life of the Air Canada Accumulation Partner contract in May 2017, which resulted in higher depreciation and amortization expense in the current period.

Operating Income (Loss) amounted to $(3.6) million for the three months ended December 31, 2017, an improvement of $12.7 million, a direct result of the factors described above.

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

Adjusted EBITDA amounted to $65.0 million for the three months ended December 31, 2017, an improvement of $23.5 million or 56.6%, mainly attributable to improved contribution from the Aeroplan Program, due primarily to higher Gross Billings from Loyalty Units and a lower unit cost per Aeroplan Mile, as well as lower operating expenses across the division.

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

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

INSIGHTS & LOYALTY SOLUTIONS

	Three Months Ended December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**11.5**	11.7	(0.2)	(1.7)	0.4	3.4
Gross Billings from Loyalty Services and Other	**63.3**	60.8	2.5	4.1	4.0	6.6
Total Gross Billings	**74.8**	72.5	2.3	3.2	4.4	6.1
Revenue from Loyalty Units	**12.9**	14.2	(1.3)	(9.2)	(0.7)	(4.9)
Revenue from Loyalty Services and Other	**63.5**	60.8	2.7	4.4	4.4	7.2
Intercompany revenue	**—**	0.1	(0.1)	**	(0.1)	**
Total revenue	**76.4**	75.1	1.3	1.7	3.6	4.8
Cost of rewards and direct costs	**42.4**	36.9	5.5	14.9	6.7	18.2
Gross margin before depreciation and amortization	**34.0**	38.2	(4.2)	(11.0)	(3.1)	(8.1)
Gross margin as a % of total revenue	***44.5 %***	*50.9 %*	**	*(6.4) pp*	**	*(6.3) pp*
Depreciation and amortization [(a)]	**2.1**	6.2	(4.1)	(66.1)	(4.1)	(66.1)
Gross margin	**31.9**	32.0	(0.1)	(0.3)	1.0	3.1
Operating expenses before share-based compensation and impairment charges	**32.9**	41.8	(8.9)	(21.3)	(8.2)	(19.6)
Share-based compensation	**0.1**	0.6	(0.5)	(83.3)	(0.5)	(83.3)
Impairment charges	**—**	53.2	(53.2)	**	(53.2)	**
Total operating expenses	**33.0**	95.6	(62.6)	(65.5)	(61.9)	(64.7)
Operating loss	**(1.1)**	(63.6)	62.5	98.3	62.9	98.9
Adjusted EBITDA [(b)]	**0.9**	(5.7)	6.6	**	6.9	**
Adjusted EBITDA as a % of total Gross Billings	***1.2 %***	*(7.9)%*	**	*9.1 pp*	**	*9.5 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**0.6**	1.1	(0.5)	(45.5)	**	**
Distributions from equity-accounted investments	**0.9**	—	0.9	**	**	**
Operating metrics (*year-over-year variance*):						
Accumulation activity - Air Miles Middle East	**0.8 %**	(6.6)%	**	**	**	**
Redemption activity - Air Miles Middle East	**(4.2)%**	6.8 %	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

Gross Billings generated for the three months ended December 31, 2017 amounted to $74.8 million, an increase of $2.3 million or 3.2%. On a constant currency basis, Gross Billings increased by $4.4 million or 6.1% is primarily explained by an increase in rewards fulfillment activity as well as higher recurring billings from loyalty platforms and related services, offset in part by a decrease from International ISS due mainly to a lost client and reduced set-up fees related to platform based services.

Total Revenue amounted to $76.4 million for the three months ended December 31, 2017, an increase of $1.3 million or 1.7%. On a constant currency basis, total revenue increased by $3.6 million or 4.8% and is explained mostly by the following:

- an increase of $4.4 million in revenue from Loyalty Services and Other, primarily explained by an increase in rewards fulfillment activity as well as higher recurring revenue from loyalty platforms and related services,

offset in part by a decrease from International ISS due mainly to a lost client and reduced set-up fees related to platform based services; and

- a decrease of $0.7 million in revenue from Loyalty Units driven mostly by lower redemptions in the Air Miles Middle East program.

Cost of Rewards and Direct Costs amounted to $42.4 million for the three months ended December 31, 2017, an increase of $5.5 million or 14.9%. On a constant currency basis, cost of rewards and direct costs increased by $6.7 million or 18.2% and is mostly attributable to an increase in rewards fulfillment activity as well as higher direct costs from loyalty platforms and related services, offset in part by a decrease from International ISS due mainly to a lost client.

Gross Margin before Depreciation and Amortization represented 44.5% of total revenue for the three month period ended December 31, 2017, a decrease of 6.4 percentage-points or 6.3 percentage-points on a constant currency basis, a direct result of the factors described above.

Operating Expenses amounted to $33.0 million for the three months ended December 31, 2017, a decrease of $62.6 million. On a constant currency basis, operating expenses decreased by $61.9 million or 64.7%, mostly explained by impairment charges totaling $53.2 million in the fourth quarter of 2016 related to the GLS group of CGUs and global product development assets. The remaining variance, representing a decrease of $8.7 million or 20.5%, is mostly explained by operational efficiencies, lower professional fees and information technology spend, as well as the reversal of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East and a lower share-based compensation expense, offset in part by the impact of previously capitalized costs which are now expensed and higher severance.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $2.1 million for the three months ended December 31, 2017, a decrease of $4.1 million or 66.1% on a reported and constant currency basis, mostly due to the impairment of assets related to the GLS group of CGUs and global product development assets in the fourth quarter of 2016, resulting in lower asset base and lower depreciation and amortization expense in the current period.

Operating Income (Loss) amounted to $(1.1) million for the three months ended December 31, 2017, an improvement of $62.5 million. On a constant currency basis, operating loss improved by $62.9 million, a direct result of the factors described above.

Adjusted EBITDA amounted to $0.9 million for the three months ended December 31, 2017, an improvement of $6.6 million. On a constant currency basis, Adjusted EBITDA improved by $6.9 million, mostly explained by lower operating expenses across the division and higher distributions from equity-accounted investments, offset in part by reduced margin contribution.

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

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

OTHER BUSINESSES

	Three Months Ended December 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2017	2016	$	%	$	%
Gross Billings from the sale of Loyalty Units	**—**	—	—	—	—	—
Gross Billings from Loyalty Services and Other	**(0.2)**	65.1	(65.3)	**	(65.3)	**
Total Gross Billings	**(0.2)**	65.1	(65.3)	**	(65.3)	**
Revenue from Loyalty Units	**—**	—	—	—	—	—
Revenue from Loyalty Services and Other	**(0.5)**	64.0	(64.5)	**	(64.5)	**
Intercompany revenue	**0.1**	0.3	(0.2)	**	(0.2)	**
Total revenue	**(0.4)**	64.3	(64.7)	**	(64.7)	**
Cost of rewards and direct costs	**—**	25.0	(25.0)	**	(25.0)	**
Gross margin before depreciation and amortization	**(0.4)**	39.3	(39.7)	**	(39.7)	**
Depreciation and amortization [(a)]	**—**	2.1	(2.1)	**	(2.1)	**
Gross margin	**(0.4)**	37.2	(37.6)	**	(37.6)	**
Operating expenses before impairment charges	**(0.4)**	34.3	(34.7)	**	(34.7)	**
Impairment charges	**—**	12.8	(12.8)	**	(12.8)	**
Total operating expenses	**(0.4)**	47.1	(47.5)	**	(47.5)	**
Operating loss	**—**	(9.9)	9.9	**	9.9	**
Adjusted EBITDA [(b)]	**0.2**	5.8	(5.6)	**	(5.6)	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 101.

Gross Billings decreased by $65.3 million on a reported and constant currency basis, explained by the disposal of the U.S. CEL Business and the New Zealand business in May 2017, as well as the sale of the Canadian Air Miles trademarks in August 2017.

Total Revenue decreased by $64.7 million on a reported and constant currency basis, explained by the disposal of the U.S. CEL Business and the New Zealand business in May 2017, as well as the sale of the Canadian Air Miles trademarks in August 2017.

Cost of Rewards and Direct Costs decreased by $25.0 million on a reported and constant currency basis, explained by the disposal of the U.S. CEL Business and the New Zealand business in May 2017, as well as the sale of the Canadian Air Miles trademarks in August 2017.

Operating Expenses decreased by $47.5 million on a reported and constant currency basis, explained by the disposal divestitures as well as the impairment charge of $12.8 million recorded in the fourth quarter of 2016 related to the U.S. CEL Business.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by $2.1 million on a reported and constant currency basis, explained by the business divestitures.

Operating Loss decreased by $9.9 million, mainly attributable to the impairment charge of $12.8 million recorded in the fourth quarter of 2016 related to the U.S. CEL Business, with the remaining variance being a direct result of the factors described above.

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

Adjusted EBITDA decreased by $5.6 million due to the impact of the business divestitures.

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

SEGMENTED INFORMATION

Effective October 1, 2017, the Corporation was reorganized into a new divisional structure, which consists of the following reportable and operating segments: Coalitions and ILS. Previously, the divisional structure and its reportable and operating segments were: Americas Coalitions, International Coalitions and Global Loyalty Solutions. The changes were made as part of the ongoing efforts to simplify and focus the operations of the Corporation. As a result of those changes, the comparative information has been restated to conform with the new segmentation.

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

The Coalitions segment derives its revenues primarily from the Aeroplan Program and from non-platform based loyalty solutions services in Canada. The ILS segment derives its revenues primarily from loyalty services, including revenue from the Aimia Loyalty Platform - Enterprise and Aimia Loyalty Platform - SAAS. In addition, the ILS segment derives its revenues from Aimia's Middle East loyalty business, which includes the Air Miles Middle East loyalty program, as well as from Aimia's international analytics platform and services business.

The operating results and the financial position of the U.S. Channel and Employee Loyalty business, the New Zealand business, the U.K. card-linked business and the royalty revenue and asset related to the Canadian Air Miles trademarks were reported under Other Businesses until their disposal as they did not qualify for discontinued operations classification.

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

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

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

	Years Ended December 31,									
(in millions of Canadian dollars)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating Segments	**Coalitions**		**ILS**		**Other Businesses**		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**1,267.7**	1,226.1	**46.5**	51.0	**—**	—	**—**	—	**1,314.2**	1,277.1
Gross Billings from Loyalty Services and Other	**73.0**	100.7	**222.3**	233.2	**66.8**	229.1	**(1.2)**	(1.9)	**360.9**	561.1
Total Gross Billings	**1,340.7**	1,326.8	**268.8**	284.2	**66.8**	229.1	**(1.2)**	(1.9)	**1,675.1** *(b)*	1,838.2 *(b)*
Revenue from Loyalty Units	**1,212.7**	1,140.0	**53.6**	55.8	**—**	—	**—**	—	**1,266.3**	1,195.8
Revenue from Loyalty Services and Other	**73.2**	101.0	**222.4**	232.9	**62.5**	229.6	**—**	—	**358.1**	563.5
Intercompany revenue	**—**	—	**—**	0.4	**1.2**	1.5	**(1.2)**	(1.9)	**—**	—
Total revenue	**1,285.9**	1,241.0	**276.0**	289.1	**63.7**	231.1	**(1.2)**	(1.9)	**1,624.4**	1,759.3
Cost of rewards and direct costs	**841.9**	837.8	**140.7**	144.6	**22.1**	91.8	**(0.4)**	(0.9)	**1,004.3**	1,073.3
Gross margin before depreciation and amortization	**444.0**	403.2	**135.3**	144.5	**41.6**	139.3	**(0.8)**	(1.0)	**620.1**	686.0
Depreciation and amortization *(a)*	**169.5**	135.8	**9.4**	24.0	**0.4**	12.0	**—**	—	**179.3**	171.8
Gross margin	**274.5**	267.4	**125.9**	120.5	**41.2**	127.3	**(0.8)**	(1.0)	**440.8**	514.2
Operating expenses before share-based compensation and impairment charges	**287.7**	289.9	**157.7**	160.0	**58.0** *(g)*	131.9	**(0.8)**	(1.0)	**502.6** *(g)*	580.8
Share-based compensation	**(2.5)**	8.0	**(0.2)**	1.6	**—**	—	**—**	—	**(2.7)**	9.6
Impairment charges	**—**	—	**—**	53.2	**—**	12.8	**—**	—	**—**	66.0
Total operating expenses	**285.2**	297.9	**157.5**	214.8	**58.0** *(g)*	144.7	**(0.8)**	(1.0)	**499.9** *(g)*	656.4
Operating income (loss)	**(10.7)**	(30.5)	**(31.6)**	(94.3)	**(16.8)** *(g)*	(17.4)	**—**	—	**(59.1)** *(g)*	(142.2)
Adjusted EBITDA *(f)*	**225.5**	178.3	**(22.3)**	(18.1)	**(13.3)** *(g)*	5.4	**—**	—	**189.9** *(g)*	165.6
Included in Adjusted EBITDA:										
Change in Future Redemption Costs	**(5.8)**	(31.1)	**4.2**	2.6	**—**	—	**—**	—	**(1.6)**	(28.5)
Distributions from equity-accounted investments	**17.7**	18.3	**2.9**	1.3	**—**	—	**—**	—	**20.6**	19.6
Additions to non-current assets *(c)*	**23.1**	32.7	**14.7**	27.2	**0.1**	2.3	**N/A**	N/A	**37.9**	62.2
Non-current assets *(c)*	**2,634.1**	3,131.5 *(e)*	**65.0**	61.8	**—**	76.9	**N/A**	N/A	**2,699.1** *(d)*	3,270.2 *(d)(e)*

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

(b) Includes third party Gross Billings of $1,340.7 million in Canada, $47.1 million in the UK and $72.0 million in the US for the year ended December 31, 2017, compared to third party Gross Billings of $1,348.3 million in Canada, $58.6 million in the UK and $175.9 million in the US for the year ended December 31, 2016. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

(c) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment. Additions to non-current assets presented in the segmented information table relate to continuing operations only. The additions to non-current assets related to discontinued operations are presented in the section *Discontinued Operations and Disposal of Businesses and Other Assets*.

(d) Includes non-current assets of $2,634.1 million in Canada, $29.5 million in the UK and $5.5 million in the US as of December 31, 2017, compared to non-current assets of $2,781.0 million in Canada, $455.8 million in the UK and $8.4 million in the US as of December 31, 2016.

(e) Includes non-current assets related to the discontinued operations of $350.6 million at December 31, 2016. At December 31, 2017, non-current assets related to the discontinued operations are presented as assets held for sale. For additional information, refer to the section *Discontinued Operations and Disposal of Businesses and Other Assets*.

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

(g) Includes the unfavourable impact of an onerous contract provision of $20.3 million recorded during the year ended December 31, 2017 related to an IT outsourcing arrangement in the US.

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

	Three Months Ended December 31,									
(in millions of Canadian dollars)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating Segments	**Coalitions**		**ILS**		**Other Businesses**		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**325.4**	319.5	**11.5**	11.7	**—**	—	**—**	—	**336.9**	331.2
Gross Billings from Loyalty Services and Other	**18.7**	28.2	**63.3**	60.8	**(0.2)**	65.1	**(0.1)**	(0.4)	**81.7**	153.7
Total Gross Billings	**344.1**	347.7	**74.8**	72.5	**(0.2)**	65.1	**(0.1)**	(0.4)	**418.6** *(b)*	484.9 *(b)*
Revenue from Loyalty Units	**303.5**	272.6	**12.9**	14.2	**—**	—	**—**	—	**316.4**	286.8
Revenue from Loyalty Services and Other	**19.2**	28.5	**63.5**	60.8	**(0.5)**	64.0	**—**	—	**82.2**	153.3
Intercompany revenue	**—**	—	**—**	0.1	**0.1**	0.3	**(0.1)**	(0.4)	**—**	—
Total revenue	**322.7**	301.1	**76.4**	75.1	**(0.4)**	64.3	**(0.1)**	(0.4)	**398.6**	440.1
Cost of rewards and direct costs	**206.9**	204.8	**42.4**	36.9	**—**	25.0	**—**	(0.1)	**249.3**	266.6
Gross margin before depreciation and amortization	**115.8**	96.3	**34.0**	38.2	**(0.4)**	39.3	**(0.1)**	(0.3)	**149.3**	173.5
Depreciation and amortization [(a)]	**47.5**	32.8	**2.1**	6.2	**—**	2.1	**—**	—	**49.6**	41.1
Gross margin	**68.3**	63.5	**31.9**	32.0	**(0.4)**	37.2	**(0.1)**	(0.3)	**99.7**	132.4
Operating expenses before share-based compensation and impairment charges	**71.8**	79.4	**32.9**	41.8	**(0.4)**	34.3	**(0.1)**	(0.3)	**104.2**	155.2
Share-based compensation	**0.1**	0.4	**0.1**	0.6	**—**	—	**—**	—	**0.2**	1.0
Impairment charges	**—**	—	**—**	53.2	**—**	12.8	**—**	—	**—**	66.0
Total operating expenses	**71.9**	79.8	**33.0**	95.6	**(0.4)**	47.1	**(0.1)**	(0.3)	**104.4**	222.2
Operating income (loss)	**(3.6)**	(16.3)	**(1.1)**	(63.6)	**—**	(9.9)	**—**	—	**(4.7)**	(89.8)
Adjusted EBITDA [(f)]	**65.0**	41.5	**0.9**	(5.7)	**0.2**	5.8	**—**	—	**66.1**	41.6
Included in Adjusted EBITDA:										
Change in Future Redemption Costs	**(4.7)**	(26.1)	**0.6**	1.1	**—**	—	**—**	—	**(4.1)**	(25.0)
Distributions from equity-accounted investments	**4.4**	4.5	**0.9**	—	**—**	—	**—**	—	**5.3**	4.5
Additions to non-current assets [(c)]	**4.0**	7.9	**2.6**	8.8	**—**	0.4	**N/A**	N/A	**6.6**	17.1
Non-current assets [(c)]	**2,634.1**	3,131.5 *(e)*	**65.0**	61.8	**—**	76.9	**N/A**	N/A	**2,699.1** *(d)*	3,270.2 *(d)(e)*

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

(b) Includes third party Gross Billings of $344.1 million in Canada, $11.7 million in the UK and $6.7 million in the US for the three months ended December 31, 2017, compared to third party Gross Billings of $347.8 million in Canada, $13.0 million in the UK and $51.7 million in the US for the three months ended December 31, 2016. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

(c) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment. The additions to non-current assets related to discontinued operations are presented in the section *Discontinued Operations and Disposal of Businesses and Other Assets*.

(d) Includes non-current assets of $2,634.1 million in Canada, $29.5 million in the UK and $5.5 million in the US as of December 31, 2017, compared to non-current assets of $2,781.0 million in Canada, $455.8 million in the UK and $8.4 million in the US as of December 31, 2016.

(e) Includes non-current assets related to the discontinued operations of $350.6 million at December 31, 2016. At December 31, 2017, non-current assets related to the discontinued operations are presented as assets held for sale. For additional information, refer to the section *Discontinued Operations and Disposal of Businesses and Other Assets*.

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

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended December 31, 2017.

	2017				2016			
(in millions of Canadian dollars, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross Billings from the sale of Loyalty Units	**336.9**	331.7	334.8	310.8	331.2	323.7	325.0	297.2
Gross Billings from Loyalty Services and Other	**81.7**	72.7	86.7	119.8	153.7	132.2	134.2	141.0
Total Gross Billings	**418.6**	404.4	421.5	430.6	484.9	455.9	459.2	438.2
Revenue	**398.6**	382.1	395.7	448.0	440.1	426.2	434.1	458.9
Cost of rewards and direct costs	**(249.3)**	(233.4)	(246.4)	(275.2)	(266.6)	(253.5)	(265.4)	(287.8)
Gross margin before depreciation and amortization [a]	**149.3**	148.7	149.3	172.8	173.5	172.7	168.7	171.1
Operating expenses	**(104.4)**	(117.2)	(140.8) [f]	(137.5)	(222.2) [h]	(143.5)	(146.4)	(144.3)
Depreciation and amortization	**(8.9)**	(9.1)	(9.6)	(9.5)	(13.2)	(11.7)	(12.6)	(11.1)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(40.7)**	(40.7)	(35.6)	(25.2)	(27.9)	(31.3)	(31.9)	(32.1)
Operating income (loss)	**(4.7)**	(18.3)	(36.7) [f]	0.6	(89.8) [h]	(13.8)	(22.2)	(16.4)
Net earnings (loss) attributable to equity holders of the Corporation	**(214.7)** [d][k]	(40.3) [e]	(25.1) [f][g]	9.6	(57.2) [h]	(1.5)	7.2 [j]	(14.8)
Adjusted EBITDA [b]	**66.1**	51.3	29.5 [f]	43.5	41.6	50.5	39.6	34.7
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	**(4.1)**	(6.7)	(10.6)	20.3	(25.0)	(12.9)	(13.1)	23.3
Distributions from equity-accounted investments	**5.3**	4.2	5.8	5.3	4.5	4.5	5.3	5.3
Net earnings (loss) attributable to equity holders of the Corporation	**(214.7)** [d][k]	(40.3) [e]	(25.1) [f][g]	9.6	(57.2) [h]	(1.5)	7.2 [j]	(14.8)
Earnings (loss) per common share [c]	**(1.44)** [d][k]	(0.29) [e]	(0.19) [f][g]	0.04	(0.40) [h]	(0.04)	0.02 [j]	(0.12)
Earnings (loss) per common share - Continuing operations [c]	**(0.43)** [k]	(0.31) [e]	(0.22) [f][g]	(0.01)	(0.64) [h]	(0.05)	(0.03) [j]	(0.18)
Earnings (loss) per common share - Discontinued operations	**(1.01)** [d]	0.02	0.03	0.05	0.24	0.01	0.05	0.06
Free Cash Flow before Dividends Paid [b]	**113.8**	51.9	54.1	(23.8)	121.6	86.7 [i]	44.2	(18.9)
Free Cash Flow before Dividends Paid - Continuing operations [b]	**48.4**	28.8	32.6	36.3	42.9	70.4 [i]	7.7	54.1
Free Cash Flow before Dividends Paid - Discontinued operations [b]	**65.4**	23.1	21.5	(60.1)	78.7	16.3	36.5	(73.0)
Free Cash Flow [b]	**113.8**	51.9	54.1	(58.5)	86.9	52.0 [i]	9.6	(52.1)
Future Redemption Cost liability - Unbroken Loyalty Units	**2,014.8**	2,024.0	2,021.1	2,007.3	2,031.0	1,996.4	2,011.1	2,027.0
Potential redemption liability - Broken Loyalty Units	**572.6**	577.5	574.3	578.5	586.8	598.6	576.7	585.1

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

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

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

(c) After deducting dividends declared on preferred shares and cumulative undeclared dividends on preferred shares in the period.

(d) Net loss from discontinued operations attributable to equity holders of the Corporation includes an impairment charge of $180.5 million recorded during the three months ended December 31, 2017 related to the Nectar coalition loyalty program and U.K. analytics businesses.

(e) Includes the impact of the loss of $19.9 million on the disposal of the Canadian Air Miles trademarks and a related net income tax expense of $1.2 million which were recorded during the three months ended September 30, 2017.

(f) Operating expenses, operating loss, Adjusted EBITDA and net loss attributable to equity holders of the Corporation include the unfavourable impact of an onerous contract provision of $20.3 million recorded during the three months ended June 30, 2017 related to an IT outsourcing arrangement in the US.

(g) Includes the impact of the gain on the disposal of the U.S. CEL Business of $5.4 million and the fair value gain on the convertible notes of Cardlytics of $7.7 million which were recorded during the three months ended June 30, 2017.

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

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

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

(k) Includes a net impairment charge of $57.4 million related to the investment in Cardlytics which was recorded during the three months ended December 31, 2017.

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

FINANCING STRATEGY, LIQUIDITY AND CAPITAL RESOURCES

Aimia generates sufficient cash flow internally to fund capital expenditures and to service its debt obligations. Management believes that Aimia's internally generated cash flows, combined with its ability to access undrawn credit facilities and external capital, provide sufficient resources to finance its cash requirements for the foreseeable future and to maintain available liquidity. Dividends, if and when declared and paid, would be funded from internally generated cash flows. Please refer to the *Dividends* section for more information.

At December 31, 2017, Aimia had $489.9 million of cash and cash equivalents, $17.9 million of restricted cash, $65.2 million of short-term investments and $207.1 million of long-term investments in bonds, for a total of $780.1 million. Approximately $1.0 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to January 2018 and $272.3 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between May 2018 and September 2021. The Aeroplan Miles redemption reserve described under *Redemption Reserve* is included in cash and cash equivalents, short-term investments and long-term investments.

On January 31, 2018, Aimia sold the Nectar loyalty program and related assets to J Sainsbury plc. The Corporation received gross consideration of $105 million (£60 million). Offsetting this cash consideration was cash transferred to Sainsbury to cover the Nectar Redemption Liability of $183 million (£105 million) and net working capital of $96 million (£55 million).

A condition precedent to the transaction required Aimia to obtain the consent of its lenders, as required for the release of one of Aimia’s subsidiary guarantors under its senior credit agreement. In connection with this consent, Aimia has reduced its overall debt level with a $100 million repayment made at closing and the overall size of the facility has been reduced to $208 million. In addition, Aimia has agreed to certain amendments to the credit agreement. Please refer to *Subsequent Events* section for further information on the transaction and amendments to the credit agreement.

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

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

	Years Ended December 31,	
(in millions of Canadian dollars , except per share information)	2017	2016
Adjusted EBITDA [(a)]	**189.9**	165.6
Change in Future Redemption Costs [(b)]	**1.6**	28.5
Share-based compensation	**(2.7)**	9.6
Income taxes received (paid), net	**(6.8)**	40.8
Net cash interest paid	**(26.0)**	(30.4)
Cash from operating activities from continuing operations before change in operating assets and liabilities and other	**156.0**	214.1
Change in operating assets and liabilities and other	**28.0**	23.2
Cash from operating activities - Continuing operations	**184.0**	237.3
Cash from operating activities - Discontinued operations	**55.4**	64.5
Cash from operating activities	**239.4**	301.8
Capital expenditures	**(43.4)**	(68.2)
Free Cash Flow before Dividends Paid [(a)]	**196.0**	233.6
Free Cash Flow before Dividends Paid per common share [(a)(c)]	**1.26**	1.42
Dividends paid to equity holders of the Corporation	**(34.7)**	(137.2)
Free Cash Flow [(a)]	**161.3**	96.4

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

(b) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.

(c) After deducting dividends paid on preferred shares.

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

	Years Ended December 31,	
(in millions of Canadian dollars)	2017	2016
Cash and cash equivalents, beginning of year	**293.0**	**482.2**
Cash from operating activities	239.4	301.8
Cash used in investing activities	(3.5)	(66.7)
Cash used in financing activities	(37.7)	(383.2)
Translation adjustment related to cash	(1.3)	(41.1)
Cash and cash equivalents, end of year	**489.9**	**293.0**

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

OPERATING ACTIVITIES

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

Cash flows from operating activities amounted to $239.4 million for the year ended December 31, 2017, compared to $301.8 million for the year ended December 31, 2016. The onerous contract provision of $20.3 million had no impact on cash from operating activities for the year ended December 31, 2017, accordingly the explanations provided below exclude any non-cash related impact.

The unfavourable variance of $62.4 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 is explained mostly by the receipt of $50.3 million from the CRA in the third quarter of 2016 related to the income tax refund of loss carry back applied in Canada and an unfavourable contribution from discontinued operations of $9.1 million. The remaining variance, representing a decrease of $3.0 million, is explained primarily by a decrease in Gross Billings of $163.1 million as well as a $15.5 million unfavourable variance in the change in net operating assets, offset in part by lower operating expenses of $98.5 million, before certain non-cash impacting items, lower cost of rewards and direct costs of $69.0 million, and a $4.4 million decrease in net interest paid.

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

INVESTING ACTIVITIES

Investing activities for the year ended December 31, 2017 reflect the net receipt of $52.8 million from the sale of the Canadian Air Miles trademarks and the net payments made of $47.3 million for the sale of the U.S. CEL and the New Zealand businesses.

Investing activities for the year ended December 31, 2017 also reflect the receipt of $3.7 million from the exit of Aimia's investment in Travel Club, proceeds from short-term investments of $79.3 million and long-term investments made of $48.6 million.

Capital expenditures for the year ended December 31, 2017 amounted to $43.4 million. Anticipated capital expenditures for 2018 are expected to approximate between $30.0 million and $35.0 million.

FINANCING ACTIVITIES

Financing activities for the year ended December 31, 2017 reflect funds drawn on the revolving facility of $200.0 million which were used for the early repayment of the Senior Secured Notes Series 5 on June 12, 2017.

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

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

LIQUIDITY

Aimia anticipates that total capital requirements for the 2018 fiscal year will consist of between of $30.0 million and $35.0 million in respect of capital expenditures.

While Aimia declared dividends with respect to its common shares and preferred shares on May 10, 2017 representing $30.4 million and $4.3 million, respectively, there can be no assurance that such dividends will be paid during the 2018 fiscal year or thereafter. To the extent such additional aggregate amount of $34.7 million in declared dividends was paid during the 2018 fiscal year, capital requirements would increase by such amount. In addition, there can be no assurance that further dividends will be declared and paid with respect to the preferred shares for the 2018 year (which would represent an additional aggregate amount of approximately $16.9 million). Please refer to the *Dividends* section.

The capital requirements will be funded from operations, cash and securities, available cash on deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Miles redemption reserve (the “Reserve”), which, 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. To date, Aimia has not used the funds held in the Reserve. At December 31, 2017, the Reserve amounted to $300.0 million and was included in cash and cash equivalents, short-term investments and long-term investments. At December 31, 2017, access by the Corporation to the Reserve was subject to compliance with the provisions of the Corporation's credit facilities.

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. Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of business.

At December 31, 2017, the Reserve amounted to $300.0 million, representing 14.9% of the consolidated Future Redemption Cost liability.

In addition, Aimia held cash of $156.9 million at December 31, 2017, representing 90% of the Nectar program future redemption cost liability, to comply with a contractual covenant with Sainsbury's.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $2,014.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION 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 millions of Canadian dollars)	Authorized at December 31, 2017	Drawn at December 31, 2017	Drawn at December 31, 2016
Revolving facility [(a)]	300.0	200.0	—
Senior Secured Notes Series 4 [(b)]	N/A	250.0	250.0
Senior Secured Notes Series 5 [(c)]	N/A	—	200.0
Unamortized transaction costs [(d)]	N/A	(0.7)	(1.7)
Total long-term debt		**449.3**	**448.3**
Less: current portion		—	—
Long-term debt		**449.3**	**448.3**

(a) On April 11, 2016, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by one year to April 23, 2020. Depending on the Corporation's credit ratings, the interest rates applicable to the revolving facility ranged, at December 31, 2017, between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%. On January 31, 2018, the credit facility was amended, including with respect to applicable interest rates. Please refer to the *Subsequent Events* section for more information.

At December 31, 2017, amounts borrowed under the revolving facility were in the form of Bankers' Acceptances, bearing an interest rate of 4.10%.

Aimia has issued irrevocable letters of credit in the aggregate amount of $8.1 million. This amount reduces the available credit under the revolving facility.

(b) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of $250.0 million. These notes were issued with a coupon interest of 5.60% per annum, subject to adjustment depending on the Corporation's credit ratings, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019. Based on credit rating downgrades by DBRS and S&P in August 2017, the notes currently bear interest at 6.85% per annum.

(c) The issued Senior Secured Notes Series 5, in the principal amount of $200.0 million bearing interest at 4.35% per annum, were early redeemed on June 12, 2017 with cash drawn from the revolving facility. Additionally, Aimia paid interest accrued on the Senior Secured Notes Series 5 up to repayment date, representing $3.4 million, as well as an early redemption premium of $3.6 million, during the second quarter of 2017.

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

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

The Senior Secured Notes Series 4 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.

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

The following table illustrates the financial ratios calculated as at December 31, 2017 on a trailing twelve-month basis:

Ratio	Result	Test [(b)]
Leverage	1.68	≤ 3.50
Debt service [(a)]	(1.64)	≤ 2.00
Interest coverage	13.05	≥ 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.

(b) Financial ratios as at December 31, 2017. On January 31, 2018, the credit facility was amended, including with respect to the applicable leverage ratio. Please refer to the *Subsequent Events* section for more information.

INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS

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

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

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

EQUITY-ACCOUNTED INVESTMENTS

As at	December 31,	December 31,
(in millions of Canadian dollars)	2017	2016
Investment in PLM [(a)]	82.5	80.4
Other equity-accounted investments in joint ventures [(b)]	17.2	22.5
Equity-accounted investments in associates [(c)]	—	0.9
Total	**99.7**	103.8

(a) During the years ended December 31, 2017 and 2016, Aimia received distributions from PLM of $17.7 million (US$13.7 million) and $18.3 million (US$13.7 million), respectively.

(b) During the years ended December 31, 2017 and 2016, Aimia received distributions from equity-accounted investments in joint ventures of $9.8 million and $6.5 million, respectively. These amounts include distributions from i2c of $6.9 million and $5.2 million, respectively, for the years ended December 31, 2017 and 2016. At December 31, 2017, the carrying amount of the investment in i2c is presented in assets held for sale. The share of net earnings of i2c for the years ended December 31, 2017 and 2016 is presented in net earnings from discontinued operations in the consolidated statements of operations.

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

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

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
(in millions of Canadian dollars)	2017	2016
Investment in PLM	25.7	15.7
Other equity-accounted investments in joint ventures [(b)]	(0.7)	0.1
Equity-accounted investments in associates [(c)]	2.7	(5.7)
Total	**27.7**	10.1

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

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

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

Summarized statement of comprehensive income

	Years Ended December 31,	
(in millions of Canadian dollars)	2017	2016
Revenue	**250.7**	244.8
Cost of rewards and operating expenses	(177.9)	(189.8)
Depreciation and amortization	(2.1)	(1.7)
Operating income	**70.7**	53.3
Net financing income	10.4	5.3
Income tax expense	(21.7)	(16.1)
Net earnings	**59.4**	42.5
Other comprehensive income (loss)	7.5	4.4
Comprehensive income	**66.9**	46.9

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 10* of the audited consolidated financial statements for the year ended December 31, 2017.

PLM reported Gross Billings of $75.2 million and $290.2 million for the three and twelve months ended December 31, 2017, respectively, compared to $75.1 million and $255.5 million for the three and twelve months ended December 31, 2016, respectively.

MEASUREMENT UNCERTAINTY

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the revenue has been recognized or deferred and for which no liability has been recorded. The potential redemption cost for such Loyalty Units is estimated to be $572.6 million at December 31, 2017.

The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

At December 31, 2017, the Corporation does not have historical data on the Aeroplan Program without Air Canada as a partner. Accordingly, while Air Canada will remain a partner of the Aeroplan Program on its current terms until June 2020, the model used to estimate Breakage cannot accurately project expected member behaviour based on this expected change to the Aeroplan Program after June 2020 or any changes to member behaviour following Air Canada's announcement of non-renewal. Management has reviewed the activity within the Aeroplan Program since

the date of the non-renewal notice of Air Canada's participation in the Aeroplan program and compared it to historical patterns. There have been no sustained changes in members' behavior that would cause the Corporation to revise its Breakage assumption at this time. Accordingly management considers that the Breakage estimate remains adequate.

Management has calculated that the cumulative effect of a 1% change in Breakage in each individual program would have a consolidated impact on revenue and earnings before income taxes of $149.9 million for the period in which the change occurred, with $135.4 million relating to prior years and $14.5 million relating to the current year.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

(in millions of Canadian dollars)	Card Migration Provision	Onerous Contract Provision	Total
Balance at December 31, 2015	**6.0**	**—**	**6.0**
Provision recorded during the year	—	—	—
Provision received (used) during the year	(0.6)	—	(0.6)
Provision reversed during the year	—	—	—
Balance at December 31, 2016	**5.4**	**—**	**5.4**
Provision recorded during the year	—	20.3	20.3
Provision received (used) during the year	(1.0)	(1.8)	(2.8)
Provision reversed during the year	(2.0)	—	(2.0)
Foreign exchange translation adjustment	—	(1.3)	(1.3)
Balance at December 31, 2017	**2.4**	**17.2**	**19.6**
Represented by:			
Current portion	**1.1**	**3.3**	**4.4**
Long-term portion	**1.3**	**13.9**	**15.2**

Asset Purchase Agreement

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

At December 31, 2015, the provision amounted to $6.0 million. During the first quarter of 2016, an amount of $0.6 million was paid by Aimia, representing the payment relating to the 2015 calendar year in accordance with the terms of the migration agreement. There was no change to the total provision during the remaining nine months of 2016.

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

During the third quarter of 2017, based on actual card migration data and management's estimate of migration patterns going forward, the Card Migration Provision was reduced by an amount of $2.0 million. The adjustment was recorded as a reduction to general and administrative expenses.

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

Onerous Contract Provision

Upon the disposal the U.S. CEL Business, the costs under an IT outsourcing arrangement in the US were considered onerous as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As a result, a provision of $20.3 million was recorded during the second quarter of 2017 in general and administrative expenses. The provision represents the remaining payments to be made under the arrangement in the US until May 2025.

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, 2017, Aimia's maximum exposure under such guarantees was estimated to amount to $20.8 million. No amount has been recorded in the financial statements with respect to the indemnification and guarantee agreements.

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

On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member. The parties have agreed upon a timetable for procedural matters leading up to readiness for trial.

Management has filed a strong defence to this class action. If the ultimate resolution of this class action lawsuit differs from management's assessment and assumptions, a material adjustment to the financial position and results of operations could result.

On December 17, 2014, Aimia was served with two motions for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. These proceedings seek reimbursement of fuel surcharges paid by Aeroplan members since December 12, 2011 when redeeming miles for flights operated by Air Canada, Air Canada Rouge and Air Canada Express within North America, and the reimbursement of airport

improvement fees paid by Aeroplan members when redeeming miles for flights departing from a number of Canadian airports, as well as $100 in punitive damages for each class member in each action. On June 5, 2015, Aimia was served with another motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. This proposed proceeding seeks reimbursement of passenger charges paid by Aeroplan members since June 9, 2012 when redeeming miles for Air Canada flight tickets with segments to and/or from a number of airports in Europe and Japan, as well as $100 in punitive damages for each class member.

These three motions were heard concurrently on February 24, 2017. In judgments rendered on July 11, 2017, the Superior Court of Quebec authorized the motions for the petitioners to bring class actions. These motions were the first procedural step before any class action could be instituted. Aimia is appealing from the judgments authorizing the motions and the class action proceedings have not yet been served.

Management has filed a strong defence to these proposed class actions. If the ultimate resolution of these proposed class action lawsuits differs from management’s assessment and assumptions, a material adjustment to the financial position and results of operations could result.

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

TRANSACTIONS WITH AIR CANADA

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

Air Canada is one of Aimia's largest Accumulation Partners, representing 16% of Gross Billings for the three and twelve months ended December 31, 2017, compared to 14% of Gross Billings for the three and twelve months ended December 31, 2016. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be $214.0 million for 2018. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the three and twelve months ended December 31, 2017, 67% and 71%, respectively, of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 61% and 64% for the three and twelve months ended December 31, 2016, respectively.

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, 2017, Aeroplan is required to purchase reward travel seats amounting to approximately $581.3 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.

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

On May 11, 2017, Aimia received a formal notice of non-renewal from Air Canada pursuant to the terms of the CPSA. Unless the parties come to an alternative agreement or Air Canada withdraws such notice, the current agreement will expire on June 29, 2020. Please refer to the audited consolidated financial statements for the year ended December 31, 2017 for management's assessment of this occurrence on its financial statements.

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

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

(in millions of Canadian dollars)	Total	2018	2019	2020	2021	2022	Thereafter
Contractual Obligations							
Long-term debt	450.0	—	250.0	200.0	—	—	—
Interest on long-term debt [(a)]	42.1	25.8	16.2	0.1	—	—	—
Total long-term debt and interest	492.1	25.8	266.2	200.1	—	—	—
Operating leases	70.7	11.1	9.1	7.4	6.8	6.8	29.5
Technology infrastructure and other [(b)]	142.8	32.9	28.3	22.5	16.1	10.7	32.3
Marketing support and other	136.2	33.7	30.5	25.5	15.5	15.5	15.5
Purchase obligation under the CPSA	2,034.6	581.3	581.3	581.3	290.7	—	—
Contractual Obligations	**2,876.4**	**684.8**	**915.4**	**836.8**	**329.1**	**33.0**	**77.3**
Commitments							
Letters of Credit and Surety Bonds	8.2	6.8	—	1.4	—	—	—
Commitments	**8.2**	**6.8**	**—**	**1.4**	**—**	**—**	**—**
Total Contractual Obligations and Commitments	**2,884.6**	**691.6**	**915.4**	**838.2**	**329.1**	**33.0**	**77.3**

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

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

Under the terms of certain contractual obligations with Sainsbury's, Aimia was required to maintain certain minimum working capital amounts in accordance with pre-established formulae. At December 31, 2017, Aimia complied with this covenant.

CAPITAL STOCK

At December 31, 2017, Aimia had 152,307,196 common shares, 3,953,365 Series 1 Preferred Shares, 2,946,635 Series 2 Preferred Shares and 6,000,000 Series 3 Preferred Shares issued and outstanding for an aggregate amount of $1,665.1 million. In addition, there were 8,791,479 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

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

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

PREFERRED SHARES, SERIES 1 AND PREFERRED SHARES, SERIES 2

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

On March 31, 2015, the holders of 2,946,635 Series 1 Preferred Shares exercised their option to convert their Series 1 Preferred Shares into an equivalent number of Series 2 Preferred Shares. Holders of the Series 2 Preferred Shares are entitled to receive quarterly floating rate, cumulative, preferential cash dividends, calculated on the basis of the actual number of days elapsed in such quarterly period divided by 365, as and when declared by the Board of Directors of Aimia, subject to the provisions of the Canada Business Corporations Act (the “CBCA”). The dividend rate for the Series 2 Preferred Shares, if and when declared, for the floating rate period from and including December 31, 2017 to, but excluding March 31, 2018, will be 4.622%, being 3.75% over the 90-day Government of Canada Treasury Bill yield, as determined in accordance with the terms of the Series 2 Preferred Shares.

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

PREFERRED SHARES, SERIES 3

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

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

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

DIVIDENDS

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

Three months ended	2017		2016 [(a)]	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per common share	Amount	Per common share
March 31,	30.5	0.20	29.0	0.19
June 30,	30.4	0.20	30.4	0.20
September 30,	—	—	30.5	0.20
December 31,	—	—	30.4	0.20
Total	**60.9**	**0.40**	120.3	0.79

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

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

Three months ended	2017		2016	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March 31,	1.1	0.28125	1.1	0.28125
June 30,	1.1	0.28125	1.1	0.28125
September 30,	—	—	1.1	0.28125
December 31,	—	—	1.1	0.28125
Total	**2.2**	**0.56250**	4.4	1.12500
Series 2				
March 31,	0.8	0.262541	0.8	0.264049
June 30,	0.8	0.263651	0.7	0.261811
September 30,	—	—	0.8	0.270281
December 31,	—	—	0.8	0.267831
Total	**1.6**	**0.526192**	3.1	1.063972
Series 3				
March 31,	2.3	0.390625	2.3	0.390625
June 30,	2.4	0.390625	2.4	0.390625
September 30,	—	—	2.3	0.390625
December 31,	—	—	2.4	0.390625
Total	**4.7**	**0.781250**	9.4	1.562500

As communicated on June 14, 2017, the Corporation is prohibited from paying dividends declared on May 10, 2017 originally scheduled to have been paid on June 30, 2017, as well as declaring any further dividends on any of the

outstanding common shares or preferred shares, based on Aimia's determination that the capital impairment test set forth in paragraph 42(b) of the *Canada Business Corporations Act* (the "CBCA") would not be satisfied.

At December 31, 2017, the dividends declared but not paid to common and preferred shareholders of record at June 16, 2017 are presented in pension and other long-term liabilities. In addition, cumulative preferred dividends not declared and not recorded at December 31, 2017 amounted to $8.5 million.

The Series 1 Preferred Shares outstanding at December 31, 2017 bear a 4.5% annual cumulative dividend or $0.28125 per preferred share per quarter. The Series 2 Preferred Shares outstanding at December 31, 2017 bear a cumulative quarterly floating dividend yielding 4.622% annually or $0.284918 per preferred share per quarter, as determined for the floating rate period from and including December 31, 2017 to, but excluding March 31, 2018. The Series 3 Preferred Shares outstanding at December 31, 2017 bear a 6.25% annual cumulative dividend or $0.390625 per preferred share per quarter. Dividends continue to accrue on the Preferred Shares in accordance with their terms even if they are not declared.

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 preserve a strong cash and liquidity position as the Corporation moves through a transition period following the notice of non-renewal from Air Canada of the CPSA upon its expiry on June 29, 2020; 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.

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

The total capital as at December 31, 2017 and 2016 is calculated as follows:

	December 31,	
(in millions of Canadian dollars)	2017	2016
Cash and cash equivalents	(489.9)	(293.0)
Short-term investments	(65.2)	(80.4)
Long-term investments in corporate and government bonds	(207.1)	(226.0)
Long-term debt (including current portion)	449.3	448.3
Share Capital	1,665.1	1,665.0
Contributed surplus	1,155.4	1,153.2
Deficit	(3,092.4)	(2,743.2)
Total capital	**(584.8)**	(76.1)

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

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

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

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

Aimia has also established the Reserve, which at December 31, 2017 amounted to $300.0 million and is included in cash and cash equivalents, short-term investments and long-term investments. The reserve may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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), investments in convertible notes, accounts payable and accrued liabilities, contingent consideration receivable and 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, short-term investments and borrowings under the revolving facility, 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, 2017, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
(in millions of Canadian dollars)	2017	2016
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**573.0**	393.7
Credit facilities	**(200.0)**	—

For the year ended December 31, 2017, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash, short-term investments and borrowings under the revolving facility would have an impact of approximately $3.7 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, 2016.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2017, 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, 2017, 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.

The Corporation is exposed to liquidity risk on its accounts payable and accrued liabilities, long-term debt and on the cost of redemption of Loyalty Units outstanding and not yet redeemed. Management estimates the amount of Loyalty Units outstanding to be redeemed over the next twelve months based on historical redemption patterns. This amount is included, along with the applicable margin, in the short-term portion of deferred revenues in the Statement of Financial Position. Should the redemption pattern differ significantly from historical behaviour, there would be an important impact on the Corporation’s liquidity position. During the year ended December 31, 2017, the Corporation has not experienced sustained changes in redemption patterns when compared to prior years.

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, 2017, Aimia had issued Senior Secured Notes in the amount of $250.0 million maturing on May 17, 2019. In addition, Aimia had drawn $200.0 million against its revolving facility, maturing on April 23, 2020, with $100.0 million remaining authorized and available. The revolving facility is provided by a syndicate that consists of eight institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately $8.2 million (of which $8.1 million were issued against the revolving facility) at December 31, 2017 issued as security in the normal course of business.

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

At December 31, 2017, maturities of the financial liabilities are as follows:

(in millions of Canadian dollars)	Total	2018	2019	2020	2021	2022	Thereafter
Long-term debt including interest	492.1	25.8	266.2	200.1	—	—	—
Accounts payable and accrued liabilities (excluding current portion of base and contingent consideration payable)	186.6	186.6	—	—	—	—	—
Base and contingent consideration payable (including current and non-current portions)	5.3	2.6	2.7	—	—	—	—
Total	**684.0**	**215.0**	**268.9**	**200.1**	**—**	**—**	**—**

CURRENCY RISK

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

(in millions of Canadian dollars)	Hierarchy	December 31, 2017	December 31, 2016
Financial assets			
Investments in equity instruments	Level 3	**52.0**	76.9
Investments in convertible notes	Level 3	**—**	39.2
Contingent consideration receivable	Level 3	**5.3**	—
Financial liabilities			
Contingent consideration payable - Aimia Middle East	Level 3	**—**	4.7

The fair value of the investments in equity instruments is determined using a market approach including a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and comparison of financial indicators for similar companies. The value determined is then adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. This approach requires management to use judgement in identifying similar transactions, instruments and companies and to make estimates in determining the fair value of such instruments. Actual results could differ from such estimate. No adjustment to the fair value of the investment in Cardlytics was recorded during the year ended December 31, 2017. During the year ended December 31, 2017, on the basis of the valuation performed by management using financial indicators for similar companies, an impairment charge of $57.4 million was recorded in financial expenses, net of $7.5 million of foreign currency translation adjustments reclassified from accumulated other comprehensive income, related to the investment in Cardlytics. During the year ended December 31, 2016, on the basis of the valuation performed by management using financial indicators for similar companies, fair value losses amounting to $46.6 million were recorded in other comprehensive income for the investment in Cardlytics.

The fair value of the investments in convertible notes was determined using an expected value model. Concurrently to the conversion of the notes into equity instruments of Cardlytics, a fair value gain of $7.7 million was recorded in

financial income to reflect the favourable conversion features of the convertible notes during the second quarter of 2017.

The fair value of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks was determined using an expected value model and represents management's best estimate.

The fair value of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East was determined on the basis of management's projected financial performance of the business during the remaining contingent period and represents management's best estimate. During the fourth quarter of 2017, a fair value adjustment of $4.0 million was recorded in general and administrative expenses as a reduction to the contingent consideration. During the fourth quarter of 2016, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration.

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

The fair value of the Senior Secured Notes is estimated as being the quoted market value for the publicly traded debt securities, while the fair value of borrowings under the revolving facility is calculated using a discounted cash flow model. 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, 2017		December 31, 2016	
(in millions of Canadian dollars)	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	272.3	272.4	306.4	311.8
Long-term debt (including current portion)	Levels 1 & 3	449.3	435.1	448.3	458.9

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

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial liabilities		Amounts offset		Amounts not offset	Net
(in millions of Canadian dollars)	Gross liabilities	Gross assets offset	Net amounts presented	Financial assets	
December 31, 2017					
Accounts payable and accrued liabilities [(a)]	252.0	(62.8)	189.2	—	189.2
Provisions [(b)]	19.6	—	19.6	(2.4)	17.2
December 31, 2016					
Accounts payable and accrued liabilities [(a)]	457.0	(61.4)	395.6	—	395.6
Provisions [(b)]	5.4	—	5.4	(5.4)	—

Financial assets		Amounts offset		Amounts not offset	Net
(in millions of Canadian dollars)	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2017					
Accounts receivable [(a)(b)]	218.9	(62.8)	156.1	(2.4)	153.7
December 31, 2016					
Accounts receivable [(a)(b)]	348.1	(61.4)	286.7	(5.4)	281.3

(a) Under the terms of a contractual agreement with Air Canada, Aimia Canada Inc. has a right of offset in the normal course of business for amounts relating to Gross Billings and rewards purchases as described under *Note 4* of Aimia's audited consolidated financial statements for the year ended December 31, 2017.

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

LOSS PER COMMON SHARE

Aimia's earnings (loss) per share attributable to the equity holders of the Corporation amounted to $(1.89) and $(0.55) for the years ended December 31, 2017 and 2016, respectively. Aimia's earnings (loss) from continuing operations per share attributable to the equity holders of the Corporation amounted to $(0.96) and $(0.90) for the years ended December 31, 2017 and 2016, respectively. Earnings (loss) per share and earnings (loss) from continuing operations per share are calculated after deducting dividends declared on preferred shares and cumulative undeclared dividends on preferred shares in the period.

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

SUBSEQUENT EVENTS

On January 31, 2018, Aimia sold the Nectar U.K. coalition loyalty program and related assets to J Sainsbury plc. The related assets include the Nectar trademarks, the Intelligent Shopper Solutions U.K and Intelligent Research businesses, and its 50% equity stake in its i2c joint venture.

The Corporation received gross consideration of $105 million (£60 million). Offsetting this cash consideration was cash transferred to Sainsbury to cover the Nectar Redemption Liability of $183 million (£105 million) and net working capital of $96 million (£55 million). The transaction is subject to customary working capital adjustments based on closing accounts. Aimia and Sainsbury's are to provide each other transition services for a period of up to nine months.

In connection with the consent required for the release of one of Aimia's subsidiary guarantors under its senior credit agreement, Aimia has reduced its overall debt level with a $100 million repayment made at closing of the Nectar transaction. The overall size of the facility has been reduced to $208 million.

In addition, Aimia has agreed to certain amendments to the credit agreement, which include:

- quarterly debt pay-downs contingent on positive free cash flow performance
- elimination of the Deferred Revenue Reserve (DRR) Fund requirement alongside insertion of a minimum liquidity covenant
- tighter leverage ratio covenants
- tighter restrictions on common and preferred share dividend payments and
- revised conditions around acquisitions and disposals.

The full amendments to the company's credit facility are available on the SEDAR website maintained by the Canadian Securities Authorities at **www.sedar.com**

In addition, the revolving facility will bear interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 2.75% to 3.00%, depending on the Corporation's credit ratings.

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

CHANGES IN ACCOUNTING POLICIES

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

IAS 7 Amendments, Disclosures related to financing activities

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

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

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

FUTURE ACCOUNTING CHANGES

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

IFRS 9 Financial Instruments

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

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments*. The new standard will replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is

effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required.

The key difference that will affect the Corporation's financial statements is the classification and measurement of its investment in equity instruments, mainly composed of its investment in Cardlytics. Under IFRS 9, the Corporation will have to make the irrevocable election, at initial recognition, to either designate its investments in equity instruments as "fair value through profit and loss" ("FVPL") or "fair value through other comprehensive income" ("FVOCI"). Under the current accounting policy, change in fair value of the investment have been recorded in other comprehensive income while the impairment on the investment has been recorded through profit and loss as it is considered impaired. At this time, the Corporation intends to designate its investment in equity instruments of Cardlytics at FVPL.

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

IFRS 15 Revenue from Contracts with Customers

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

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

Management has performed a detailed impact assessment that this standard and its amendments will have on its consolidated financial statements. Key differences between IFRS 15 and IAS 18 and areas of focus relating to the Corporation's coalition loyalty programs were identified as follows:

- Whether the sale of a loyalty unit includes one or multiple performance obligations and the implications on the transaction price allocation. Management has concluded that the points issued by all of its coalition loyalty programs are a single performance obligation, which is consistent with the current accounting treatment.
- Whether Aimia acts as the principal or an agent for the respective coalition loyalty programs that the Corporation is currently managing. The key elements to determine if Aimia acts as a principal or an agent are whether Aimia is primarily responsible to fulfill the promise to deliver the goods or services associated

with the loyalty units redemption, whether Aimia has inventory risk and whether Aimia has discretion in establishing the prices for the goods and services it is providing. Management has concluded the following:

- Aimia acts as the principal for its Aeroplan program. Therefore, there will be no change to the current revenue recognition for the program.
- Aimia acts as an agent for its Nectar and Air Miles Middle-East programs. As a result, revenues from loyalty units and services of those programs will be recognized on a net basis. This is a change from current accounting policy where the revenues of those programs are recognized on a gross basis. While the impact of this change will reduce Gross Billings and Revenue, there would be no impact on Gross Margin, Operating Income or Cash flow from Operating Activities related to this change.

Additionally, other key differences between IFRS 15 and IAS 18 relating to other loyalty services rendered by the Corporation were identified as follows:

- Whether Aimia acts as the principal or an agent for other loyalty services, including rewards fulfillment activities. Management has completed this assessment and has concluded that Aimia is acting as an agent in its rewards fulfillment activities and will therefore recognize the revenues associated with these activities on a net basis. This is a change from current revenue recognition practice as these activities were previously recorded on a gross basis.
- Whether loyalty platforms licensing agreements include one or multiple performance obligations and the implications on the transaction price allocation. Given the high volume of contracts across numerous different loyalty platforms, combined with the nature of these agreements that are customized to the customer's needs, the Corporation is still in the process of finalizing its assessment on this revenue stream.

The Corporation awaits the completion of its assessment to conclude on the transition method and the practical expedient it will use. The Corporation will present its 2018 first quarter financial statements under this new standard.

IFRS 16 Leases

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

IFRS 2 Amendments, Share-based payments

The IASB issued amendments to IFRS 2 - *Share-based payments* to clarify the classification and measurement of share-based payment transactions. The amendments clarify the accounting requirements for cash-settled share-based payment transactions that include a performance condition introducing guidance that follows the same approach as used for equity-settled share-based payments. The amendments also address the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018 and are to be applied prospectively. Earlier application is

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

IFRIC 23, Uncertainty over income tax treatments

The IFRS Interpretations Committee issued IFRIC 23 - *Uncertainty over income tax treatments* which clarifies how the recognition and measurement requirements of IAS 12 - *Income Taxes* are applied where there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. At this time, the Corporation is still evaluating the impact of this Interpretation but does not anticipate that they 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, 2017 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, 2017 is 13% (December 31, 2016: 13%), 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 2017.

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

In addition, Aimia derives loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These loyalty service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or in accordance with the substance of the agreements in the case of royalties. Other revenue also includes analytics and insights service fees from services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment. These analytics and insights service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

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

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

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

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

The average remaining amortization period of individually significant Accumulation Partners' contracts is 4.7 years as at December 31, 2017. The amortization period reflects contract terms and renewals.

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

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

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

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

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

TRADE NAMES AND GOODWILL

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

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

Acquisitions

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

INCOME TAXES

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

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

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

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

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

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

An evaluation of the design and effectiveness of the operation of Aimia's disclosure controls and procedures has been conducted by Aimia, under the oversight of the Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and the CFO. Based on this evaluation, the GCE and CFO have concluded that, as of December 31, 2017, Aimia's disclosure controls and procedures, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Aimia, under the oversight of the GCE and CFO, has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to assess the effectiveness of Aimia's internal controls over financial reporting. Based on this evaluation, the GCE and CFO have concluded that internal control over financial reporting, as defined by National Instrument 52-109, was effective as at December 31, 2017 based on the applicable criteria.

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in Aimia's internal control over financial reporting that occurred during the year ended December 31, 2017 that has materially affected, or is reasonable likely to materially affect, Aimia's internal control over financial reporting.

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

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

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Dependency on Significant Accumulation Partners and Clients

Aimia's top four Accumulation Partners, namely TD, CIBC, Air Canada and Amex, were responsible for approximately 68% of Gross Billings for the year ended December 31, 2017. A decrease in sales of Loyalty Units to these partners or to any other significant Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings and revenue. There is no assurance that contracts with Aimia's principal Accumulation Partners will be renewed on similar terms, or at all when they expire.

The CPSA between Aeroplan and Air Canada expires on June 29, 2020, subject to four automatic renewals of five years each, unless either party provides written notice to the other of its intention not to renew at least 12 months prior to the expiry of the initial term or the then current renewal term. Please see the section "Supply and Capacity

Costs" below. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could lead to a significant reduction in Gross Billings. On May 11, 2017, the Corporation received formal notice of non-renewal of the CPSA from Air Canada. Unless the parties come to an alternative agreement or Air Canada withdraws such notice, the current agreement will expire in 2020. The Corporation is exploring other post-2020 alternatives with the goal of ensuring that Aeroplan members retain access to a strong redemption offering around air rewards in the future. There is no assurance that Aimia will be able to successfully secure such alternatives on similar terms. The failure to secure an alternative on similar terms or on terms that are commercially beneficial to Aimia would likely negatively impact the Aeroplan program and would have an adverse effect on Aimia's Gross Billings, revenues, redemption cost and profitability.

Further to this, our ten year financial credit card agreements with each of TD and CIBC **(the "Credit Card Agreements")**, which became effective on January 1, 2014, contain a number of obligations, including with respect to the maintenance of a competitive Aeroplan Program and the value attributable to Aeroplan miles for certain categories of rewards, There can be no assurance that the Credit Card Agreements will continue to provide, over the course of their term, a financial contribution to Aimia that is similar to the past. In the event that the Credit Card Agreements provide a lesser financial contribution to Aimia in the future, there would be a significant adverse effect on Aimia's Gross Billings, revenue, redemption costs and profitability.

Aimia's ILS 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 ILS 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 ILS revenues and impact Aimia's results of operations and financial condition.

Reliance on Redemption Partners

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

As noted above, on May 11, 2017, the Corporation received formal notice of non-renewal of the CPSA from Air Canada, a significant redemption Partner. The Corporation is exploring other post-2020 alternatives with the goal of ensuring that Aeroplan members retain access to a strong redemption offering around air rewards in the future. There is no assurance that Aimia will be able to successfully secure such alternatives on similar terms. The failure to secure an alternative on terms that are reasonably competitive with the current CPSA would have an adverse effect on Aimia's redemption cost for air rewards and profitability.

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, has developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis. The consolidated weighted average Breakage estimate at December 31, 2017 is 13% (December 31, 2016: 13%). 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 2017. 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 Program could decrease due to focus by Aeroplan members on redemptions prior to the expiry of the CPSA due to the notice of non-renewal of the CPSA received from Air Canada. 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.

Unfunded Future Redemption Costs

In the coalition loyalty program model, Gross Billings are derived from the sale of Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a Loyalty Unit is sold as most of the costs are incurred on the redemption thereof. Based on historical data, the estimated period between the issuance of a Loyalty Unit and its redemption is currently approximately 30 months for the Aeroplan Program; however, Aeroplan has no control over the timing of the redemption or the number of units redeemed. Aeroplan currently uses 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 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, it would face unfunded Future Redemption Costs, which could materially increase the need for working capital.

Supply and Capacity Costs

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

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

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

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, as well as the interplay between these areas and the Internet. For example, the applicability to the Internet to existing laws governing personal privacy, intellectual property ownership and infringement and other issues continues to develop. There is also the possibility that additional laws and regulations are adopted to specifically regulate the loyalty industry, or portions thereof.

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

A. Privacy

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

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

B. Payments in Canada

On November 4, 2014, Visa and MasterCard submitted separate and individual voluntary undertakings to reduce their credit card fees to an average effective rate of 1.50% for the next five years.

On September 14, 2016, after a first-year report from each of Visa and MasterCard on the results of their undertakings, the Government of Canada said that it would "conduct a further assessment of the fees charged by credit card networks and review the effects of the fee reductions."

Any further changes to the current payments system, including further changes to the system for setting interchange rates of credit cards, could affect revenue for credit card companies, require further negotiations and possible amendment of financial terms pursuant to the Credit Card Agreements and, as a result, could have an adverse effect on our Gross Billings.

C. Consumer Protection in Canada

Since 2017, there have been several consumer protection legislative initiatives related to expiry or other aspects of loyalty. While such legislative initiatives have not, to-date, affected the Aeroplan program in a material way, future legislation or regulations could have a material impact on the Aeroplan business and, as a result, could have a material adverse effect on our results from operations.

Failure to Safeguard Databases, Cyber Security and Consumer Privacy

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

Retail Market/Economic Conditions

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

Industry Competition

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

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

Air Canada Liquidity Issues or Air Travel Industry Disruptions

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

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

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

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

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

Any disruptions or other material adverse changes in the airline industry, whether domestic or international, affecting Air Canada or a Star Alliance member airline, could have a material adverse impact on the business. This could manifest itself in Aeroplan's inability to fulfill member's flight redemption requests or to provide sufficient accumulation opportunities. As a result of airline or travel services industry disruption or delays, including those which may result from terrorist attacks and security measures, epidemic diseases, casualty losses, changes in domestic and foreign regulation, availability of insurance coverage and increased insurance costs, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel and on the number of passengers traveling on Air Canada’s flights. Consequently, members might forego redeeming miles for air travel and therefore might not participate in the Aeroplan Program to the extent they previously did which could adversely affect revenue from the Aeroplan Program. A reduction in member use of the Aeroplan Program could impact Aeroplan's ability to retain its current Commercial Partners and members and to attract new Commercial Partners and members.

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

Airline Industry Changes and Increased Airline Costs

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

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

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.

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

The ILS 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION 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 strategic 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.

Legal Proceedings

From time to time, Aimia becomes involved in various claims and litigation as a result of carrying on its business. 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.

Foreign Operations

A portion of Aimia's Gross Billings is generated outside Canada. 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.

Labour Relations

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

Pension Liability

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

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

Aimia's ability to protect the data and information technology infrastructure assets of our coalition loyalty programs and those of our clients that are within our control against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While we have in place, and

continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any damage to data and information technology infrastructure assets, any failure of telecommunication links that interrupts operations or any impairment of the ability to use licensed software could adversely affect our ability to meet our Commercial Partners', clients' and members' needs and their confidence in utilizing our services or programs in the future. In addition, proper implementation and operation of technology initiatives is fundamental to the ability to operate a profitable business. We continuously invest in new technology initiatives to remain competitive, and our continued ability to invest sufficient amounts to enhance technology will affect our ability to operate successfully.

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

Failure to Protect Intellectual Property Rights

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

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.

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

RISKS RELATED TO AIMIA

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, including minimum liquidity requirements, 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 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 Declarations and/or Payments on either Common Shares or Preferred Shares

The declaration and payment of dividends are dependent upon operating cash flows generated by Subsidiaries of Aimia, financial requirements of Aimia and the satisfaction of both solvency and “capital impairment” tests on the declaration and payment of dividends pursuant to the CBCA. On June 14, 2017, Aimia announced that its Board of Directors had suspended payment of all dividends on both its outstanding common shares and its Series 1, Series 2 and Series 3 Cumulative Rate Reset Preferred Shares (collectively, the "Preferred Shares") effective immediately, including the previously declared dividends originally scheduled to have been paid on June 30, 2017, to shareholders of record as of June 16, 2017 because Aimia determined that the capital impairment test set forth in paragraph 42(b) of the CBCA would not be satisfied on June 30, 2017. In addition, recognizing the need to preserve the Corporation’s financial flexibility, liquidity and capital resources in the coming years, the Board has further determined that the Corporation will not declare dividends on its common shares for the foreseeable future, irrespective of the capital impairment test. In addition, pursuant to recent amendments to our credit agreement, Aimia is restricted from paying any dividends on its common shares at any time when outstanding borrowings (together with specified amounts available for drawing) under the credit agreement are greater than $25 million, and, with respect to Aimia’s preferred shares, Aimia is restricted to paying no more than $18 million in aggregate dividends on its preferred shares in any fiscal year, subject to the condition that, at any time when outstanding borrowings (together with specified amounts

available for drawing) are greater than $25 million, Aimia concurrently repays credit agreement borrowings in an aggregate amount equal to the amount of any such preferred shares distribution. Although dividends on the outstanding Preferred Shares are cumulative and will continue to accrue in accordance with the rights, privileges, restrictions and conditions attaching to each series of Preferred Shares, there can be no assurance that Aimia will, at some future point in time, be in a position either to pay the dividends on the outstanding common shares and the Preferred Shares previously declared and originally scheduled to have been paid on June 30, 2017 or to declare and/or pay any other dividends on any of its outstanding classes of share capital. Any continued inability by Aimia to declare and/or pay dividends on its common shares and/or Preferred Shares could have an adverse effect on the trading price or value of such shares.

Interest Rate and Currency Fluctuations

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

Aimia's results are sensitive to fluctuations in the Canada/U.S. dollar exchange rate and to the exchange rate from pound sterling ("**GBP**") to Canadian dollars. Aeroplan incurs expenses in U.S. dollars for such items as air, car rental and hotel rewards issued to redeeming Aeroplan members, while a substantial portion of its revenues are generated in Canadian dollars. A significant deterioration of the Canadian dollar relative to the U.S. dollar would increase the costs of Aimia. A material portion of our ILS activities are located in the U.S. 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.

Credit Ratings

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

Audits by Tax Authorities

In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While Aimia believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. Should an outcome of any such review or challenge materially differ from existing provisions, the Corporation's effective tax rate, its earnings, and its liquidity and working capital position could be materially affected (positively or negatively) in the period in which matters are resolved.

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

MEASURING OUR PERFORMANCE AGAINST 2017 GUIDANCE

On February 16, 2017, Aimia issued consolidated guidance for the year ending December 31, 2017, which was updated on November 8, 2017. A comparison of Aimia's actual reported results (on a basis consistent with the guidance) for the year ended December 31, 2017 against the guidance issued and updated for such year is presented below:

	2017 Guidance, as Updated on November 8, 2017	Comparison of Actual Results to most recent guidance
Gross Billings - Core business[1]	Between $2.0 billion and $2.1 billion	Gross Billings from core business[1] were $2.06 billion.
Adjusted EBITDA margin - Core business[1,2]	To be around 13.0%	Adjusted EBITDA[1,2] margin of 14.1%, which was better than expected due to a stronger margin contribution from our loyalty programs, benefits of operational efficiencies related to headcount reduction and the benefit from release of contingent consideration in the Air Middle East Program.
Free Cash Flow before dividends paid[3]	Above $220 million	Free Cash Flow before dividends paid[3] was $227 million.
Capital expenditures	Between $45 million and $50 million	Capital expenditures were $43.4 million.

Notes:

1. The 2017 guidance and reported results include the results of discontinued operations but exclude the results of the U.S CEL Business and the impact of the onerous contract provision. For the year ended December 31, 2017, Gross Billings and Adjusted EBITDA (including the impact of the onerous contract provision of $20.3 million) related to the U.S. CEL Business amounted to $44.2 million and $(20.7) million, respectively.
2. The 2017 guidance and reported results exclude restructuring expenses related to the organizational changes. Restructuring expenses related to the organizational changes amounted to $23.9 million for the year ended December 31, 2017.
3. The 2017 guidance and reported results exclude severance payments related to the organizational changes, as well as incremental interest expense and financing costs related to the early redemption of Senior Secured Notes Series 5 of $10 million. For the year ended December 31, 2017, severance payments related to the organizational changes amounted to $20.6 million.

** Not meaningful

(in millions of Canadian dollars unless otherwise noted)	Continuing operations	Discontinued operations	Non-core	Other adjustments	Total for guidance comparison
Gross Billings[1]	1,675.1	432.9	(44.2)	—	2,063.8
Adjusted EBITDA[1,2]	189.9	57.1	20.7	23.9	291.6
Adjusted EBITDA margin[1,2]	11.3%	13.2%	**	**	14.1%
Free Cash Flow before dividends paid[3]	146.1	49.9	N/A	30.6	226.6
Capital expenditures	37.9	5.5	N/A	—	43.4

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

RECONCILIATION OF ROIC AND ADJUSTED NET EARNINGS

ROIC

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

	Twelve Months Ended December 31,	
(in millions of Canadian dollars unless otherwise noted)	2017	2016
Calculation of adjusted operating income after taxes		
Operating loss	**(59.1)**	(142.2)
Depreciation, amortization & impairment charges [(b)]	**179.3**	237.8
Operating income excluding depreciation, amortization and impairment charges [(a)]	**120.2**	95.6
Adjustments:		
Change in deferred revenue		
Gross Billings	**1,675.1**	1,838.2
Total revenue	**(1,624.4)**	(1,759.3)
Change in Future Redemption Costs [(c)]	**(1.6)**	(28.5)
Distributions from equity-accounted investments	**20.6**	19.6
Subtotal of Adjustments	**69.7**	70.0
Adjusted EBITDA [(a)]	**189.9**	165.6
Depreciation and amortization	**(37.1)**	(48.6)
Tax [(d)]	**(40.6)**	(31.1)
Adjusted operating income after taxes [(a)]	**112.2**	85.9
Calculation of invested capital		
Net equity:		
Total equity	**(243.0)**	115.5
Net liabilities (assets) of discontinued operations	**161.3**	(13.8)
Deferred revenue margin from continuing operations:		
Deferred revenue	**3,024.5**	2,986.1
Future Redemption Cost liability - Unbroken Loyalty Units	**(2,014.8)**	(2,031.0)
Tax [(d)]	**(268.0)**	(253.9)
Accumulated amortization of accumulation partners' contracts and customer relationships related to continuing operations	**955.3**	817.5
Net debt:		
Long-term debt (including current portion)	**449.3**	448.3
Cash and cash equivalents	**(489.9)**	(293.0)
Contractually required redemption reserve included in cash & cash equivalents related to continuing operations	**27.7**	—
Total Invested capital [(a)]	**1,602.4**	1,775.7
Average Invested capital [(a)(e)]	**1,689.1**	1,925.0
ROIC [(a)]	**6.6%**	4.5%

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

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

(c) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.

(d) Tax was calculated at the Canadian statutory tax rate of 26.54% and 26.58% for each of the above items for the twelve month periods presented, respectively. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

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

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

ADJUSTED NET EARNINGS

The tables below present a reconciliation from net earnings (loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the years ended December 31, 2017, 2016 and 2015 and for the three months ended December 31, 2017 and 2016:

	Years ended December 31,		
(in millions of Canadian dollars, except share and per share information)	2017	2016	2015
Net earnings (loss) attributable to equity holders of the Corporation	**(270.5)** *(e)(f)(g)(h)(l)*	(66.3) *(d)(i)*	0.1 *(d)(j)(k)*
Net earnings (loss) attributable to equity holders of the Corporation - Continuing operations	**(129.9)** *(f)(g)(h)(l)*	(120.4) *(d)(i)*	(69.6) *(d)(j)(k)*
Net earnings (loss) attributable to equity holders of the Corporation - Discontinued operations	**(140.6)** *(e)*	54.1	69.7
Weighted average number of shares	**152,303,955**	152,404,849	162,678,128
Earnings (loss) per common share [(b)]	**(1.89)** *(e)(f)(g)(h)(l)*	(0.55) *(d)(i)*	(0.11) *(d)(j)(k)*
Earnings (loss) per common share - Continuing operations [(b)]	**(0.96)** *(f)(g)(h)(l)*	(0.90) *(d)(i)*	(0.54) *(d)(j)(k)*
Earnings (loss) per common share - Discontinued operations	**(0.93)** *(e)*	0.35	0.43
Net earnings (loss) attributable to equity holders of the Corporation - Continuing operations	**(129.9)** *(f)(g)(h)(l)*	(120.4) *(d)(i)*	(69.6) *(d)(j)(k)*
Amortization of Accumulation Partners' contracts, customer relationships and technology	**142.2**	123.2	134.6
Share of net (earnings) loss of equity-accounted investments	**(27.7)**	(10.1)	(5.9)
Impairment charges	**—**	66.0	13.5
Adjusted EBITDA Adjustments	**69.7**	70.0	61.1
Tax on adjustments [(c)]	**(12.9)**	(16.1)	(21.3)
Non-controlling interests share on adjustments above	**—**	0.8	0.1
Adjusted Net Earnings - Continuing operations [(a)]	**41.4** *(f)(g)(h)(l)*	113.4 *(i)*	112.5 *(j)(k)*
Adjusted Net Earnings per common share - Continuing operations [(a)(b)]	**0.16** *(f)(g)(h)(l)*	0.63 *(i)*	0.58 *(j)(k)*
Net earnings (loss) attributable to equity holders of the Corporation - Discontinued operations	**(140.6)** *(e)*	54.1	69.7
Amortization of Accumulation Partners' contracts, customer relationships and technology	**2.3**	2.5	2.7
Share of net (earnings) loss of equity-accounted investments	**(7.5)**	(5.1)	(5.7)
Impairment charges	**180.5**	—	—
Adjusted EBITDA Adjustments	**1.5**	1.5	(4.4)
Tax on adjustments [(c)]	**—**	—	—
Non-controlling interests share on adjustments above	**—**	—	—
Adjusted Net Earnings - Discontinued operations [(a)]	**36.2**	53.0	62.3
Adjusted Net Earnings per common share - Discontinued operations [(a)]	**0.24**	0.35	0.38

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

(b) After deducting dividends declared on preferred shares and cumulative undeclared dividends on preferred shares in the period.

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

(d) For the year ended December 31, 2016, includes impairment charges amounting to $66.0 million, of which $53.2 million relate to the GLS group of CGUs and $12.8 million to the U.S. CEL business.

For the year ended December 31, 2015, includes impairment charges amounting to $9.9 million related to the Canada Loyalty Solutions group of CGUs, net of an income tax recovery of $3.6 million.

(e) Includes an impairment charge of $180.5 million recorded during the year ended December 31, 2017 related to the Nectar coalition loyalty program and U.K. analytic businesses.

(f) Includes the impact of the loss of $19.9 million on the disposal of the Canadian Air Miles trademarks and a related net income tax expense of $1.2 million which were recorded during the year ended December 31, 2017.

(g) Includes the unfavourable impact of an onerous contract provision of $20.3 million recorded during the year ended December 31, 2017 related to an IT outsourcing arrangement in the US.

(h) Includes the impact of the gain on the disposal of the U.S. CEL Business of $5.4 million and the fair value gain on the convertible notes of Cardlytics of $7.7 million which were recorded during the year ended December 31, 2017.

(i) Includes the impact of the gain on the disposal of the commercial rights in the U.K. card-linked marketing business of $23.2 million recorded during the year ended December 31, 2016.

(j) Includes the favourable impact of $33.6 million, net of an income tax expense of $12.1 million, resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015.

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

(l) Includes a net impairment charge of $57.4 million related to the investment in Cardlytics which was recorded during the three months ended December 31, 2017.

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

	Three Months Ended December 31,	
(in millions of Canadian dollars, except share and per share information)	2017	2016
Net loss attributable to equity holders of the Corporation	**(214.7)** *(e)(f)*	(57.2) *(d)*
Net earnings (loss) attributable to equity holders of the Corporation - Continuing operations	**(61.2)** *(f)*	(93.5) *(d)*
Net earnings (loss) attributable to equity holders of the Corporation - Discontinued operations	**(153.5)** *(e)*	36.3
Weighted average number of shares	**152,307,196**	152,294,611
Earnings (loss) per common share [(b)]	**(1.44)** *(e)(f)*	(0.40) *(d)*
Earnings (loss) per common share - Continuing operations [(b)]	**(0.43)** *(f)*	(0.64) *(d)*
Earnings (loss) per common share - Discontinued operations	**(1.01)** *(e)*	0.24
Net loss attributable to equity holders of the Corporation - Continuing operations	**(61.2)** *(f)*	(93.5) *(d)*
Amortization of Accumulation Partners' contracts, customer relationships and technology	**40.7**	27.9
Share of net (earnings) loss of equity-accounted investments	**(8.1)**	5.3
Impairment charges	**—**	66.0
Adjusted EBITDA Adjustments	**21.2**	24.3
Tax on adjustments [(c)]	**(4.3)**	(6.9)
Non-controlling interests share on adjustments above	**—**	—
Adjusted Net Earnings (Loss) - Continuing operations [(a)]	**(11.7)** *(f)*	23.1
Adjusted Net Earnings (Loss) per common share - Continuing operations [(a)(b)]	**(0.11)** *(f)*	0.12
Net earnings (loss) attributable to equity holders of the Corporation - Discontinued operations	**(153.5)** *(e)*	36.3
Amortization of Accumulation Partners' contracts, customer relationships and technology	**0.6**	0.6
Share of net (earnings) loss of equity-accounted investments	**(2.2)**	(2.1)
Impairment charges	**180.5**	—
Adjusted EBITDA Adjustments	**(21.1)**	(22.8)
Tax on adjustments [(c)]	**—**	—
Non-controlling interests share on adjustments above	**—**	—
Adjusted Net Earnings - Discontinued operations [(a)]	**4.3**	12.0
Adjusted Net Earnings per common share - Discontinued operations [(a)]	**0.03**	0.08

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

(b) After deducting dividends declared on preferred shares and cumulative undeclared dividends on preferred shares in the period.

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

(d) For the three months ended December 31, 2016, includes impairment charges amounting to $66.0 million, of which $53.2 million relate to the GLS group of CGUs and $12.8 million to the U.S. CEL business.

(e) Includes an impairment charge of $180.5 million recorded during the three months ended December 31, 2017 related to the Nectar coalition loyalty program and U.K. analytic businesses.

(f) Includes a net impairment charge of $57.4 million related to the investment in Cardlytics which was recorded during the three months ended December 31, 2017.

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

FINANCIAL MEASURES INCLUDING AND EXCLUDING DISCONTINUED OPERATIONS

	Year Ended December 31, 2017			Year Ended December 31, 2016		
(in millions of Canadian dollars unless otherwise noted)	Reported	Discontinued operations	Total including discontinued operations	Reported	Discontinued operations	Total including discontinued operations
Gross Billings from the sale of Loyalty Units	**1,314.2**	**409.1**	**1,723.3**	1,277.1	471.0	1,748.1
Gross Billings from Loyalty Services and Other	**360.9**	**23.8**	**384.7**	561.1	30.5	591.6
Total Gross Billings	**1,675.1**	**432.9**	**2,108.0**	1,838.2	501.5	2,339.7
Revenue from Loyalty Units	**1,266.3**	**427.9**	**1,694.2**	1,195.8	498.4	1,694.2
Revenue from Loyalty Services and Other	**358.1**	**23.9**	**382.0**	563.5	30.4	593.9
Total revenue	**1,624.4**	**451.8**	**2,076.2**	1,759.3	528.8	2,288.1
Cost of rewards and direct costs	**1,004.3**	**338.5**	**1,342.8**	1,073.3	392.8	1,466.1
Gross margin before depreciation and amortization	**620.1**	**113.3**	**733.4**	686.0	136.0	822.0
Depreciation and amortization [(a)]	**179.3**	**10.8**	**190.1**	171.8	11.3	183.1
Gross margin	**440.8**	**102.5**	**543.3**	514.2	124.7	638.9
Operating expenses before share-based compensation and impairment charges	**502.6**	**57.7**	**560.3**	580.8	68.9	649.7
Share-based compensation	**(2.7)**	**—**	**(2.7)**	9.6	—	9.6
Impairment charges	**—**	**180.5**	**180.5**	66.0	—	66.0
Total operating expenses	**499.9**	**238.2**	**738.1**	656.4	68.9	725.3
Operating income (loss)	**(59.1)**	**(135.7)**	**(194.8)**	(142.2)	55.8	(86.4)
Adjusted EBITDA [(b)]	**189.9**	**57.1**	**247.0**	165.6	68.6	234.2
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**(1.6)**	**13.5**	**11.9**	(28.5)	23.6	(4.9)
Distributions from equity-accounted investments	**20.6**	**6.9**	**27.5**	19.6	5.2	24.8

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

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

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

	Three Months Ended December 31, 2017			Three Months Ended December 31, 2016		
(in millions of Canadian dollars unless otherwise noted)	Reported	Discontinued operations	Total including discontinued operations	Reported	Discontinued operations	Total including discontinued operations
Gross Billings from the sale of Loyalty Units	**336.9**	**143.0**	**479.9**	331.2	154.1	485.3
Gross Billings from Loyalty Services and Other	**81.7**	**4.1**	**85.8**	153.7	8.5	162.2
Total Gross Billings	**418.6**	**147.1**	**565.7**	484.9	162.6	647.5
Revenue from Loyalty Units	**316.4**	**226.1**	**542.5**	286.8	240.4	527.2
Revenue from Loyalty Services and Other	**82.2**	**4.1**	**86.3**	153.3	8.5	161.8
Total revenue	**398.6**	**230.2**	**628.8**	440.1	248.9	689.0
Cost of rewards and direct costs	**249.3**	**175.1**	**424.4**	266.6	186.8	453.4
Gross margin before depreciation and amortization	**149.3**	**55.1**	**204.4**	173.5	62.1	235.6
Depreciation and amortization [(a)]	**49.6**	**2.6**	**52.2**	41.1	2.6	43.7
Gross margin	**99.7**	**52.5**	**152.2**	132.4	59.5	191.9
Operating expenses before share-based compensation and impairment charges	**104.2**	**13.1**	**117.3**	155.2	16.2	171.4
Share-based compensation	**0.2**	**—**	**0.2**	1.0	—	1.0
Impairment of charges	**—**	**180.5**	**180.5**	66.0	—	66.0
Total operating expenses	**104.4**	**193.6**	**298.0**	222.2	16.2	238.4
Operating income (loss)	**(4.7)**	**(141.1)**	**(145.8)**	(89.8)	43.3	(46.5)
Adjusted EBITDA [(b)]	**66.1**	**20.9**	**87.0**	41.6	23.1	64.7
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**(4.1)**	**60.1**	**56.0**	(25.0)	62.1	37.1
Distributions from equity-accounted investments	**5.3**	**1.9**	**7.2**	4.5	1.4	5.9

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

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

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

NOTATIONS TO FINANCIAL TABLES

This section includes the notations to the tables included under the *Year Ended December 31, 2017 Compared to Year Ended December 31, 2016* and *Quarter Ended December 31, 2017 Compared to Quarter Ended December 31, 2016* sections.

YEAR ENDED DECEMBER 31, 2017 COMPARED TO YEAR ENDED DECEMBER 31, 2016

CONSOLIDATED OPERATING RESULTS

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

(b) Includes third party Gross Billings of $1,340.7 million in Canada, $47.1 million in the UK and $72.0 million in the US for the year ended December 31, 2017, compared to third party Gross Billings of $1,348.3 million in Canada, $58.6 million in the UK and $175.9 million in the US for the year ended December 31, 2016. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

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

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

(e) Includes the unfavourable impact of an onerous contract provision of $20.3 million recorded during the year ended December 31, 2017 related to an IT outsourcing arrangement in the US.

(f) Includes the impact of the loss of $19.9 million on the disposal of the Canadian Air Miles trademarks and a related net income tax expense of $1.2 million, the gain on the disposal of the U.S. CEL Business of $5.4 million and the fair value gain on the convertible notes of Cardlytics of $7.7 million which were recorded during the year ended December 31, 2017.

(g) ROIC for the twelve-month period ended December 31, 2017 includes the unfavourable impact of the onerous contract provision of $14.9 million, net of an income tax recovery of $5.4 million, calculated on the basis of the Canadian statutory tax rate in effect during the period.

(h) Includes the impact of the gain on the disposal of the commercial rights in the U.K. card-linked marketing business of $23.2 million recorded during the year ended December 31, 2016.

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

(j) Includes cash flows from continuing and discontinued operations.

(k) Includes a net impairment charge of $57.4 million related to the investment in Cardlytics which was recorded during the year ended December 31, 2017.

** Information not meaningful or not applicable.

COALITIONS

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

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

** Information not meaningful or not applicable.

ILS

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

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

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

** Information not meaningful or not applicable.

OTHER BUSINESSES

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

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

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

(d) Includes the unfavourable impact of an onerous contract provision of $20.3 million recorded during the year ended December 31, 2017 related to an IT outsourcing arrangement in the US.

** Information not meaningful or not applicable.

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

CONSOLIDATED OPERATING RESULTS

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

(b) Includes third party Gross Billings of $344.1 million in Canada, $11.7 million in the UK and $6.7 million in the US for the three months ended December 31, 2017, compared to third party Gross Billings of $347.8 million in Canada, $13.0 million in the UK and $51.7 million in the US for the three months ended December 31, 2016. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

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

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

(e) ROIC for the twelve-month period ended December 31, 2017 includes the unfavourable impact of the onerous contract provision of $14.9 million, net of an income tax recovery of $5.4 million, calculated on the basis of the Canadian statutory tax rate in effect during the period.

(f) Includes cash flows from continuing and discontinued operations.

(g) Includes a net impairment charge of $57.4 million related to the investment in Cardlytics which was recorded during the three months ended December 31, 2017.

** Information not meaningful or not applicable.

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

COALITIONS

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

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

** Information not meaningful or not applicable.

ILS

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

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

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

** Information not meaningful or not applicable.

OTHER BUSINESSES

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

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

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

** Information not meaningful or not applicable.

ADDITIONAL INFORMATION

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