AIMIA
INSPIRING LOYALTY

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

For the three months ended March 31, 2018 and 2017

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

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

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

The MD&A is prepared as at April 26, 2018 and should be read in conjunction with the accompanying condensed interim consolidated financial statements of Aimia for the three months ended March 31, 2018 and the notes thereto, the audited consolidated financial statements for the year ended December 31, 2017 and the notes thereto, and Aimia's Management Information Circular and Annual Information Form, respectively dated March 21 and March 2, 2018.

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 April 26, 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.

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

GLOSSARY

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

"Aeroplan" - means Aimia Canada Inc.;

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

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

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

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

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

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

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

"Breakage" - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment. Management's consolidated weighted average breakage estimate at March 31, 2018 is 13% (March 31, 2017: 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;

"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 publicly traded 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;

"CRA" - means the Canada Revenue Agency;

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"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, which was sold on January 31, 2018;

"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, which was sold on January 31, 2018;

"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 U.S. Channel and Employee Loyalty ("CEL") business, the New Zealand 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, until their disposal. 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”.

When Aimia determines that it acts as an agent when providing loyalty services and other, Gross Billings from Loyalty Services and Other are recognized on a net basis.

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.

When Aimia acts as principal in the delivery of the rewards to the members, revenue from Loyalty Units are recognized on a gross basis. When Aimia acts as an agent in the delivery of the rewards to the members, revenue from Loyalty Units are recognized on a net basis.

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.

When Aimia determines that it acts as an agent when providing loyalty services and other, revenue from Loyalty Services and Other are recognized on a net basis.

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. When Aimia acts as an agent in the delivery of the rewards to the members, the cost of rewards is recorded against deferred revenue. 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 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, revenue recognized, including recognition of Breakage, and cost of rewards recorded against deferred revenue when Aimia acts as an agent in the delivery of the rewards to the members.

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

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

RETURN ON INVESTED CAPITAL

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

ROIC is calculated as adjusted operating income after taxes expressed as a percentage of the average invested capital. Adjusted operating income after taxes 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), 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.

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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 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.

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

CONSTANT CURRENCY

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

DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISCONTINUED OPERATIONS

Nectar coalition loyalty program and related assets

On January 31, 2018, Aimia sold the Nectar 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 $104.3 million (£60.0 million). Offsetting this cash consideration was cash transferred to cover the Nectar Redemption Liability of $182.7 million (£105.0 million) and net working capital of $84.0 million (£48.3 million). The transaction is subject to customary working capital adjustments based on closing accounts. The current estimate owed to Sainsbury's related to working capital adjustments is $20.5 million (£11.8 million) and was accrued in the three months ended March 31, 2018, offsetting cash generated by the disposed business in January. The final determination of the working capital adjustment will be concluded in the second quarter of 2018.

Aimia and Sainsbury's are to provide each other transition services for a period of up to nine months. These services include finance, technology, human resources and facility management. Aimia has subleased the London office space from one of the disposed entities which went over to Sainsbury's in the transaction. As part of the arrangement, Aimia agreed to pay for the remaining lease term and its share of dilapidation costs at the transaction date. Aimia has recorded this prepayment of $11.8 million (£6.7 million) as an outflow in cash from operating activities.

Consideration associated with the disposal of the Nectar program and related assets	
Cash	104.3
Transaction costs	(4.0)
Consideration relating to disposed assets and liabilities, net of transaction costs	**100.3**
Estimated payment associated with working capital adjustment	(20.5)
Net consideration	**79.8**
Assets and liabilities disposed of	
Cash and cash equivalents	266.7
Accounts receivable	79.9
Prepaid expenses	3.1
Equity-accounted investments	3.4
Property and equipment	5.2
Software and technology	13.5
Accumulation partners' contracts and customer relationships	3.5
Trade names	36.1
Goodwill	116.1
Accounts payable and accrued liabilities	(189.2)
Deferred revenue	(248.0)
Deferred income taxes	(1.9)
Net assets (liabilities) disposed of	**88.4**
Loss before reclassification to net earnings of cumulative translation	**(8.6)**
Reclassification to net earnings of cumulative translation adjustments	14.0
Gain on disposal of the Nectar program and related assets	**5.4**

On the basis of the status of the discussions between Aimia and Sainsbury's for the sale of the Nectar coalition loyalty program and related assets, an impairment charge of $180.5 million (included in net loss from discontinued operations in the consolidated statement of operations) was 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 charge was applied to reduce the carrying amount of goodwill within the disposal group.

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The operating results and Adjusted EBITDA from these activities were presented as discontinued operations until their disposal 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 operating results of the discontinued operations for the three months ended ended March 31, 2018 and 2017 follows.

	Three Months Ended March 31,		Variance		Variance C.C. [(b)(c)]	
(in millions of Canadian dollars unless otherwise noted)	2018	2017	$	%	$	%
Gross Billings from the sale of Loyalty Units	**25.7**	87.1	(61.4)	(70.5)	(62.6)	(71.9)
Gross Billings from Loyalty Services and Other	**1.5**	7.5	(6.0)	(80.0)	(6.1)	(81.3)
Total Gross Billings	**27.2**	94.6	(67.4)	(71.2)	(68.7)	(72.6)
Revenue from Loyalty Units	**6.5**	15.6	(9.1)	(58.3)	(9.4)	(60.3)
Revenue from Loyalty Services and Other	**1.5**	7.5	(6.0)	(80.0)	(6.1)	(81.3)
Total revenue	**8.0**	23.1	(15.1)	(65.4)	(15.5)	(67.1)
Cost of rewards and direct costs	**—**	2.5	(2.5)	**	(2.5)	**
Gross margin before depreciation and amortization	**8.0**	20.6	(12.6)	(61.2)	(13.0)	(63.1)
Depreciation and amortization [(a)]	**—**	2.5	(2.5)	**	(2.4)	**
Gross margin	**8.0**	18.1	(10.1)	(55.8)	(10.6)	(58.6)
Operating expenses before impairment charges	**4.6**	13.2	(8.6)	(65.2)	(8.9)	(67.4)
Impairment of charges	**—**	—	—	**	—	**
Total operating expenses	**4.6**	13.2	(8.6)	(65.2)	(8.9)	(67.4)
Operating income	**3.4**	4.9	(1.5)	(30.6)	(1.7)	(34.7)
Gain on disposal of businesses and other assets	**5.4**	—				
Net financial income (expenses)	**(1.7)**	—				
Share of net earnings of equity-accounted investments	**0.5**	1.4				
Income tax recovery (expense)	**—**	0.4				
Net earnings from discontinued operations	**7.6**	6.7	0.9	13.4	**	**
Adjusted EBITDA [(b)]	**3.2**	15.3	(12.1)	(79.1)	(12.2)	(79.7)
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**3.6**	(11.9)	15.5	**	**	**
Cost of rewards recorded against deferred revenue	**(23.0)**	(53.7)	30.7	57.2	**	**
Distributions from equity-accounted investments	**—**	2.0	(2.0)	**	**	**

(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.

Variances in operating results generated for the three months ended March 31, 2018 compared to the same period in the prior year are mostly explained by the sale of the Nectar Program and related assets on January 31, 2018.

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

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

	Three Months Ended March 31,	
(in millions of Canadian dollars)	2018	2017
Net cash flows of discontinued operations		
Cash flows from (used in):		
Operating activities	**15.3**	(58.6)
Investing activities - Additions to property, equipment, software and technology	**—**	(1.5)
Free cash flow from discontinued operations [(a)]	**15.3**	(60.1)
Investing activities - Payment made for the disposal of businesses and other assets	**(166.4)**	—
Total	**(151.1)**	(60.1)

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

DISPOSAL OF BUSINESSES AND OTHER ASSETS

In 2017, 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 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 condensed interim consolidated financial statements of Aimia for the three months ended March 31, 2018 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.

- **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 assets, 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 holds significant cash and investments within its Aeroplan coalition program. In addition, further liquidity is provided through the suspension of dividend payments on the outstanding Preferred Shares due to restrictions under the CBCA and the Corporation's credit facility, it has also suspended the payment of common share dividends for the foreseeable future. The Corporation's current credit facility remains in place through to 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 condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017, 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

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

	Three Months Ended March 31,		Variance %
(in millions of Canadian dollars, except per share information)	2018	2017 [f]	Q1
Gross Billings from the sale of Loyalty Units	**309.5**	310.8	(0.4)
Gross Billings from Loyalty Services and Other	**48.6**	83.8	(42.0)
Total Gross Billings	**358.1**	394.6	(9.2)
Total revenue	**406.0**	402.4	0.9
Cost of rewards and direct costs	**(246.7)**	(229.6)	7.4
Gross margin before depreciation and amortization [a]	**159.3**	172.8	(7.8)
Gross margin as a % of total revenue	***39.2%***	*42.9%*	*(3.7) pp*
Depreciation and amortization	**(13.9)**	(9.5)	46.3
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(40.6)**	(25.2)	61.1
Gross margin	**104.8**	138.1	(24.1)
Operating expenses	**(92.1)**	(137.5)	(33.0)
Operating income	**12.7**	0.6	**
Depreciation and amortization	**13.9**	9.5	46.3
Amortization of Accumulation Partners' contracts, customer relationships and technology	**40.6**	25.2	61.1
Impairment charges	**—**	—	**
Operating income excluding depreciation, amortization and impairment charges [c]	**67.2**	35.3	90.4
Adjustments:			
Change in deferred revenue			
Gross Billings	**358.1**	394.6	
Total revenue	**(406.0)**	(402.4)	
Cost of rewards recorded against deferred revenue	**(8.3)**	(9.6)	
Change in Future Redemption Costs [b]	**46.6**	20.3	
Distributions from equity-accounted investments	**4.4**	5.3	
Subtotal of Adjustments	**(5.2)**	8.2	
Adjusted EBITDA [c]	**62.0**	43.5	42.5
Adjusted EBITDA as a % of total Gross Billings	***17.3%***	*11.0%*	*6.3 pp*
Cash from operating activities	**43.8** [e]	(11.7)	
Capital expenditures	**(3.4)**	(12.1)	
Free Cash Flow before Dividends Paid [c]	**40.4** [e]	(23.8)	**
Free Cash Flow before Dividends Paid - Continuing operations [c]	**25.1** [e]	36.3	
Free Cash Flow before Dividends Paid - Discontinued operations [c]	**15.3**	(60.1)	
Free Cash Flow before Dividends Paid per common share [c][d]	**0.27** [e]	(0.18)	
Dividends paid to equity holders of the Corporation	**—**	(34.7)	
Free Cash Flow [c]	**40.4** [e]	(58.5)	**
Total assets	**3,569.3**	4,393.3	
Total long-term liabilities	**2,192.3**	2,110.4	

(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) Includes a rent prepayment of $11.8 million made during the three months ended March 31, 2018 related to the Nectar transaction. The prepayment covers the period from February 2018 to December 2019.

(f) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Changes in Accounting Policies* section for additional information.

** Information not meaningful.

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

THREE MONTHS ENDED MARCH 31, 2018 COMPARED TO THREE MONTHS ENDED MARCH 31, 2017

CONSOLIDATED OPERATING RESULTS

	Three Months Ended March 31,		Variance		Variance C.C. [(c)(d)]	
(in millions of Canadian dollars unless otherwise noted)	2018	2017	$	%	$	%
Gross Billings from the sale of Loyalty Units	**309.5**	310.8	(1.3)	(0.4)	(0.8)	(0.3)
Gross Billings from Loyalty Services and Other	**48.6**	83.8	(35.2)	(42.0)	(35.1)	(41.9)
Total Gross Billings	**358.1** *(b)*	394.6 *(b)*	(36.5)	(9.2)	(35.9)	(9.1)
Revenue from Loyalty Units	**357.4**	320.7	36.7	11.4	36.9	11.5
Revenue from Loyalty Services and Other	**48.6**	81.7	(33.1)	(40.5)	(33.0)	(40.4)
Total revenue	**406.0**	402.4	3.6	0.9	3.9	1.0
Cost of rewards and direct costs	**246.7**	229.6	17.1	7.4	17.1	7.4
Gross margin before depreciation and amortization	**159.3**	172.8	(13.5)	(7.8)	(13.2)	(7.6)
Gross margin as a % of total revenue	***39.2%***	*42.9%*	**	*(3.7) pp*	**	*(3.6) pp*
Depreciation and amortization [(a)]	**54.5**	34.7	19.8	57.1	19.5	56.2
Gross margin	**104.8**	138.1	(33.3)	(24.1)	(32.7)	(23.7)
Operating expenses before share-based compensation and other performance awards	**94.1**	133.3	(39.2)	(29.4)	(39.5)	(29.6)
Share-based compensation and other performance awards	**(2.0)**	4.2	(6.2)	**	(6.2)	**
Total operating expenses	**92.1**	137.5	(45.4)	(33.0)	(45.7)	(33.2)
Operating income	**12.7**	0.6	12.1	**	13.0	**
Adjusted EBITDA [(c)]	**62.0**	43.5	18.5	42.5	19.1	43.9
Adjusted EBITDA as a % of total Gross Billings	***17.3%***	*11.0%*	**	*6.3 pp*	**	*6.5 pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**46.6**	20.3	26.3	**	**	**
Cost of rewards recorded against deferred revenue	**(8.3)**	(9.6)	1.3	13.5	**	**
Distributions from equity-accounted investments	**4.4**	5.3	(0.9)	(17.0)	**	**
Adjusted Net Earnings - Continuing operations [(c)]	**41.9** *(e)*	23.9	18.0	75.3	**	**
Adjusted Net Earnings - Discontinued operations [(c)]	**6.9** *(f)*	13.8	(6.9)	(50.0)	**	**
Free Cash Flow before Dividends Paid [(c)(i)]	**40.4** *(g)*	(23.8)	64.2	**	**	**
Free Cash Flow [(c)(i)]	**40.4** *(g)*	(58.5)	98.9	**	**	**
ROIC [(c)]	**7.2%** *(h)*	5.1%	**	2.1 pp	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 60.

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

Gross Billings generated for the three months ended March 31, 2018 amounted to $358.1 million, a decrease of $36.5 million or 9.2%. On a constant currency basis, Gross Billings decreased by $35.9 million or 9.1%, driven by Gross Billings from Loyalty Services and Other, representing a decrease of $35.1 million, primarily due to the impact of business disposals. A $0.8 million reduction in Gross Billings from the sale of Loyalty Units also contributed to the variance, of which $0.6 million is attributable to the Aeroplan Program.

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

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

Total Revenue generated for the three months ended March 31, 2018 amounted to $406.0 million, an increase of $3.6 million or 0.9%. On a constant currency basis, total revenue increased by $3.9 million or 1.0% and is mostly explained by an increase of $36.9 million in Revenue from Loyalty Units driven by a $37.8 million increase in the Aeroplan Program due to increased redemption volumes and an increase in the cumulative average selling price of an Aeroplan Mile. The increase was offset in part by a decrease of $33.0 million in Revenue from Loyalty Services and Other, primarily due to the impact of business disposals.

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 $3.6 million for the three months ended March 31, 2018.

Cost of Rewards and Direct Costs amounted to $246.7 million for the three months ended March 31, 2018, an increase of $17.1 million or 7.4%. On a constant currency basis, cost of rewards and direct costs increased by $17.1 million or 7.4% and is mainly explained by higher redemption volumes in the Aeroplan Program, partially offset by a lower redemption cost per Aeroplan Mile redeemed.

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 $2.4 million for the three months ended March 31, 2018.

Gross Margin before Depreciation and Amortization represented 39.2% of total revenue for the three months ended March 31, 2018, a decrease of 3.7 percentage-points or 3.6 percentage-points on a constant currency basis compared to 2017, a direct result of the factors described above. Excluding the impact of business disposals, gross margin before depreciation and amortization increased 0.8 percentage-points on a reported and constant currency basis compared to 2017.

Operating Expenses amounted to $92.1 million for the three months ended March 31, 2018, a decrease of $45.4 million or 33.0%. On a constant currency basis, operating expenses decreased by $45.7 million or 33.2%, due in part to the impact of business disposals. The remaining variance, representing a decrease of $17.5 million or 16.0%, is mostly explained by operational efficiencies due mainly to lower headcount and reduced real estate spend, a lower share-based compensation expense driven mainly by the revaluation of cash-settled awards, a lower payout than expected on variable compensation plans related to the prior year, and timing of advertising and promotional spend, partially offset by higher IT fees and services.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $54.5 million for the three months ended March 31, 2018, an increase of $19.8 million or 57.1%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by $19.5 million or 56.2%, 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 variance is also due to an increase in depreciation

and amortization expense in ISS International in ILS, driven by increased information technology development spend in the prior year.

Operating Income amounted to $12.7 million for the three months ended March 31, 2018, an improvement of $12.1 million. On a constant currency basis, operating income increased by $13.0 million, a direct result of the factors described above.

Net Financial Income for the three months ended March 31, 2018 consists primarily of the fair value gain of $6.3 million on the investment in equity instruments of Cardlytics, interest revenue of $2.2 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, and other net financial income of $1.8 million; offset in part by interest expense of $6.5 million on long-term debt.

Net Earnings (Loss) for the three months ended March 31, 2018 and 2017 include the effect of $3.4 million and $3.0 million of current income tax expenses, respectively, as well as $3.6 million and $1.8 million of deferred income tax expenses, respectively. Net earnings (loss) for the three months ended March 31, 2018 and 2017 also include the share of net earnings of equity-accounted investments of $9.6 million and $11.7 million, respectively, a loss on disposal of businesses and other assets of $5.3 million for the three months ended March 31, 2018, and net earnings (loss) from discontinued operations of $7.6 million and $6.7 million, respectively.

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

Adjusted EBITDA amounted to $62.0 million for the three months ended March 31, 2018, an increase of $18.5 million or 42.5%. On a constant currency basis, Adjusted EBITDA improved by $19.1 million or 43.9%. Excluding the results of business disposals, Adjusted EBITDA improved by $22.3 million or 55.3%, mainly attributable to lower operating expenses globally and improved contribution from the Aeroplan Program, offset in part by reduced contribution from ILS and lower distributions from equity-accounted investments.

Adjusted Net Earnings amounted to $48.8 million for the three months ended March 31, 2018, of which $41.9 million is attributable to continuing operations and $6.9 million to discontinued operations. Adjusted Net Earnings from continuing operations for the three months ended March 31, 2018 included the unfavourable impact of the reversal of the contingent consideration of $5.3 million related to sale of the Canadian Air Miles trademarks. Adjusted Net Earnings from discontinued operations for the three months ended March 31, 2018 included the gain of $5.4 million recognized on the disposal of the Nectar Program and related assets. Adjusted Net Earnings for the three months ended March 31, 2017 amounted to $37.7 million, of which $23.9 million is attributable to continuing operations and $13.8 million to discontinued operations. The effective tax rate has been impacted as described under *Net Earnings (Loss).*

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

Free Cash Flow for the three months ended March 31, 2018 amounted to $40.4 million compared to $(58.5) million for the three months ended March 31, 2017. The favourable variance of $98.9 million is mainly the result of:

- an increase in cash from operating activities of $55.5 million, explained mostly by the favourable variance from discontinued operations of $73.9 million. The remaining variance, representing a decrease of $18.4 million, is explained primarily by a decrease in Gross Billings of $36.5 million, higher cost of rewards and direct costs of $15.8 million, including the impact of cost of rewards recorded against deferred revenue, and a $12.4 million unfavourable variance in the change in net operating assets, which included the impact of the rent prepayment related to the Nectar transaction, offset in part by lower operating expenses of $39.2 million, before certain non-cash impacting items, a $4.6 million decrease in net interest paid, and a $3.4 million decrease in taxes paid;
- a decrease in dividends paid on common shares and preferred shares of $34.7 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; and
- lower capital expenditures of $8.7 million resulting mostly from a reduction in capital expenditures in the Coalitions division, due primarily to reduced technology initiatives, as well as proceeds of $2.7 million from the sale of technology assets in the current period.

ROIC for the twelve months ended March 31, 2018 of 7.2% compared to 5.1% for the twelve months ended March 31, 2017, 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

	Three Months Ended March 31,		Variance	
(in millions of Canadian dollars unless otherwise noted)	2018	2017	$	%
Gross Billings from the sale of Loyalty Units	**299.0**	299.6	(0.6)	(0.2)
Gross Billings from Loyalty Services and Other	**17.8**	16.2	1.6	9.9
Total Gross Billings	**316.8**	315.8	1.0	0.3
Revenue from Loyalty Units	**353.1**	315.3	37.8	12.0
Revenue from Loyalty Services and Other	**17.5**	16.1	1.4	8.7
Intercompany revenue	**0.3**	—	0.3	**
Total revenue	**370.9**	331.4	39.5	11.9
Cost of rewards and direct costs	**243.0**	223.1	19.9	8.9
Gross margin before depreciation and amortization	**127.9**	108.3	19.6	18.1
Gross margin as a % of total revenue	***34.5 %***	*32.7 %*	**	*1.8 pp*
Depreciation and amortization [(a)]	**50.3**	32.2	18.1	56.2
Gross margin	**77.6**	76.1	1.5	2.0
Operating expenses before share-based compensation and other performance awards	**56.2**	64.2	(8.0)	(12.5)
Share-based compensation and other performance awards	**(2.1)**	3.6	(5.7)	**
Total operating expenses	**54.1**	67.8	(13.7)	(20.2)
Operating income	**23.5**	8.3	15.2	**
Adjusted EBITDA [(b)]	**69.6**	47.8	21.8	45.6
Adjusted EBITDA as a % of total Gross Billings	***22.0 %***	*15.1 %*	**	*6.9 pp*
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	**45.5**	18.4	27.1	**
Distributions from equity-accounted investments	**4.4**	4.5	(0.1)	(2.2)
Operating metrics (*year-over-year variance*):				
Accumulation activity - Aeroplan	**(2.8)%**	5.4 %	**	**
Redemption activity - Aeroplan	**9.6 %**	3.9 %	**	**
Total rewards issued - Aeroplan	**8.6 %**	(0.4)%	**	**
Total air rewards issued - Aeroplan	**5.2 %**	6.1 %	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 60.

Gross Billings generated for the three months ended March 31, 2018 amounted to $316.8 million, an increase of $1.0 million or 0.3%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended March 31, 2018 amounted to $299.0 million, a decrease of $0.6 million or 0.2%, mostly explained by a $1.1 million decrease in the airline sector driven by a shift in product mix, as well as a decrease in retail and other loyalty unit billings. The financial sector offset the declines with a $1.7 million improvement, primarily due to a conversion campaign from a financial card partner, in

combination with lower Gross Billings from other partners driven mostly by lower active cards, offset in part by higher average spend per card.

Accumulation Activity - Aeroplan Miles issued during the three months ended March 31, 2018 decreased by 2.8% primarily due to the factors described above. Excluding all promotional mileage on new financial cards acquired, Aeroplan Miles issued during the period decreased by 0.8%.

Gross Billings from Loyalty Services and Other amounted to $17.8 million for the three months ended March 31, 2018, an increase of $1.6 million or 9.9%, primarily explained by higher Gross Billings from ancillary services.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the three months ended March 31, 2018 increased by 9.6%. The total number of rewards issued increased by 8.6% and the number of air rewards issued increased by 5.2% compared to the prior year.

Total Revenue amounted to $370.9 million for the three months ended March 31, 2018, an increase of $39.5 million or 11.9%, explained primarily by:

- an increase of $37.8 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; and
- an increase of $1.4 million in revenue from Loyalty Services and Other, primarily explained by an increase in ancillary services.

Cost of Rewards and Direct Costs amounted to $243.0 million for the three months ended March 31, 2018, an increase of $19.9 million or 8.9%, mainly attributable to the impact of the following factors:

- a higher volume of redemptions in the Aeroplan Program, representing $21.6 million; offset in part by,
- a lower redemption cost per Aeroplan Mile redeemed, representing $2.0 million driven by the favourable impact of foreign exchange, offset in part by product mix.

Gross Margin before Depreciation and Amortization represented 34.5% of total revenue for the three months ended March 31, 2018, an increase of 1.8 percentage-points compared to the same period in 2017, a direct result of the factors described above.

Operating Expenses amounted to $54.1 million for the three months ended March 31, 2018, a decrease of $13.7 million or 20.2%, mostly explained by operational efficiencies due mainly to lower headcount and reduced real estate spend, a lower share-based compensation expense driven mainly by the revaluation of cash-settled awards, a lower payout than expected on variable compensation plans related to the prior year, and timing of advertising and promotional spend, partially offset by higher IT fees and services.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $50.3 million for the three months ended March 31, 2018, an increase of $18.1 million or 56.2%, 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 amounted to $23.5 million for the three months ended March 31, 2018, an improvement of $15.2 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 $69.6 million for the three months ended March 31, 2018, an improvement of $21.8 million or 45.6%, mainly attributable to lower operating expenses across the division and improved contribution from the Aeroplan Program, due primarily to improved yield and lower unit cost per Aeroplan mile.

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.

INSIGHTS & LOYALTY SOLUTIONS

	Three Months Ended March 31,		Variance		Variance C.C. [b][c]	
(in millions of Canadian dollars unless otherwise noted)	2018	2017	$	%	$	%
Gross Billings from the sale of Loyalty Units	**10.5**	11.2	(0.7)	(6.3)	(0.2)	(1.8)
Gross Billings from Loyalty Services and Other	**31.1**	36.5	(5.4)	(14.8)	(5.3)	(14.5)
Total Gross Billings	**41.6**	47.7	(6.1)	(12.8)	(5.5)	(11.5)
Revenue from Loyalty Units	**4.3**	5.4	(1.1)	(20.4)	(0.9)	(16.7)
Revenue from Loyalty Services and Other	**31.1**	36.5	(5.4)	(14.8)	(5.3)	(14.5)
Intercompany revenue	**—**	—	—	**	—	**
Total revenue	**35.4**	41.9	(6.5)	(15.5)	(6.2)	(14.8)
Cost of rewards and direct costs	**4.0**	6.7	(2.7)	(40.3)	(2.7)	(40.3)
Gross margin before depreciation and amortization	**31.4**	35.2	(3.8)	(10.8)	(3.5)	(9.9)
Gross margin as a % of total revenue	***88.7 %***	*84.0 %*	**	*4.7 pp*	**	*4.8 pp*
Depreciation and amortization [a]	**4.2**	2.4	1.8	75.0	1.5	62.5
Gross margin	**27.2**	32.8	(5.6)	(17.1)	(5.0)	(15.2)
Operating expenses before share-based compensation and other performance awards	**37.9**	41.0	(3.1)	(7.6)	(3.4)	(8.3)
Share-based compensation and other performance awards	**0.1**	0.6	(0.5)	**	(0.5)	**
Total operating expenses	**38.0**	41.6	(3.6)	(8.7)	(3.9)	(9.4)
Operating loss	**(10.8)**	(8.8)	(2.0)	(22.7)	(1.1)	(12.5)
Adjusted EBITDA [b]	**(7.6)**	(7.5)	(0.1)	(1.3)	0.5	6.7
Adjusted EBITDA as a % of total Gross Billings	***(18.3)%***	*(15.7)%*	**	*(2.6) pp*	**	*(0.9) pp*
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**1.1**	1.9	(0.8)	(42.1)	**	**
Cost of rewards recorded against deferred revenue	**(8.3)**	(9.6)	1.3	13.5	**	**
Distributions from equity-accounted investments	**—**	0.8	(0.8)	**	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Air Miles Middle East	**(2.9)%**	(7.7)%	**	**	**	**
Redemption activity - Air Miles Middle East	**(11.9)%**	(11.0)%	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 60.

Gross Billings generated for the three months ended March 31, 2018 amounted to $41.6 million, a decrease of $6.1 million or 12.8%. On a constant currency basis, Gross Billings decreased by $5.5 million or 11.5%, primarily explained by lower billings resulting from lost clients in International ISS, lower reward fulfillment activity, reduced set-up fees related to platform based services, and lower Gross Billings in the Air Miles Middle East program due to challenging local market dynamics, offset in part by an increase in recurring billings from loyalty platforms and related services.

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

Total Revenue amounted to $35.4 million for the three months ended March 31, 2018, a decrease of $6.5 million or 15.5%. On a constant currency basis, total revenue decreased by $6.2 million or 14.8%, and is primarily explained by the following:

- a decrease of $5.3 million in revenue from Loyalty Services and Other explained primarily by lost clients in International ISS, lower reward 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 $0.9 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 $4.0 million for the three months ended March 31, 2018, a decrease of $2.7 million or 40.3%. On a constant currency basis, cost of rewards and direct costs decreased by $2.7 million or 40.3%, and is mostly attributable to a decrease from International ISS due to the impact of lost clients.

Gross Margin before Depreciation and Amortization represented 88.7% of total revenue for the three months ended March 31, 2018, an increase of 4.7 percentage-points or 4.8 percentage-points on a constant currency basis compared to 2017, a direct result of the factors described above.

Operating Expenses amounted to $38.0 million for the three months ended March 31, 2018, a decrease of $3.6 million or 8.7%. On a constant currency basis, operating expenses decreased by $3.9 million or 9.4%, mostly explained by operational efficiencies due mainly to lower headcount and reduced spend on information technology and operations, as well as lower share-based compensation expense.

Depreciation and Amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to $4.2 million for the three months ended March 31, 2018, an increase of $1.8 million or 75.0%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by $1.5 million or 62.5%, mostly due to higher depreciation and amortization expense in the International ISS business driven by increased information technology development spend in the prior year.

Operating Income (Loss) amounted to $(10.8) million for the three months ended March 31, 2018, a decrease of $2.0 million or 22.7%. On a constant currency basis, operating loss increased by $1.1 million or 12.5%, a direct result of the factors described above.

Adjusted EBITDA amounted to $(7.6) million for the three months ended March 31, 2018, a decrease of $0.1 million or 1.3%. On a constant currency basis, Adjusted EBITDA improved by $0.5 million or 6.7%, mostly explained by lower operating expenses across the division, offset in part by lower contribution from International ISS, reduced set-up fees related to platform based services and lower distributions from equity-accounted investments.

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

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

OTHER BUSINESSES

	Three Months Ended March 31,		Variance		Variance C.C. [b][c]	
(in millions of Canadian dollars unless otherwise noted)	2018	2017	$	%	$	%
Gross Billings from the sale of Loyalty Units	—	—	—	—	—	—
Gross Billings from Loyalty Services and Other	—	31.4	(31.4)	**	(31.4)	**
Total Gross Billings	—	31.4	(31.4)	**	(31.4)	**
Revenue from Loyalty Units	—	—	—	—	—	—
Revenue from Loyalty Services and Other	—	29.1	(29.1)	**	(29.1)	**
Intercompany revenue	—	0.3	(0.3)	**	(0.3)	**
Total revenue	—	29.4	(29.4)	**	(29.4)	**
Cost of rewards and direct costs	—	—	—	—	—	—
Gross margin before depreciation and amortization	—	29.4	(29.4)	**	(29.4)	**
Depreciation and amortization [a]	—	0.1	(0.1)	**	(0.1)	**
Gross margin	—	29.3	(29.3)	**	(29.3)	**
Total operating expenses	—	28.2	(28.2)	**	(28.2)	**
Operating income	—	1.1	(1.1)	**	(1.1)	**
Adjusted EBITDA [b]	—	3.2	(3.2)	**	(3.2)	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 60.

Variances in operating results generated for the three months ended March 31, 2018 compared to the same period in the prior year are 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.

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

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 and the royalty revenue and asset related to the Canadian Air Miles trademarks were reported under Other Businesses until their respective disposals 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 table below summarizes the relevant financial information by operating segment:

	Three Months Ended March 31,									
(in millions of Canadian dollars)	2018	2017 [g]	2018	2017 [g]	2018	2017 [g]	2018	2017 [g]	2018	2017 [g]
Operating Segments	**Coalitions**		**ILS**		**Other Businesses**		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**299.0**	299.6	**10.5**	11.2	**—**	—	**—**	—	**309.5**	310.8
Gross Billings from Loyalty Services and Other	**17.8**	16.2	**31.1**	36.5	**—**	31.4	**(0.3)**	(0.3)	**48.6**	83.8
Total Gross Billings	**316.8**	315.8	**41.6**	47.7	**—**	31.4	**(0.3)**	(0.3)	**358.1** *(b)*	394.6 *(b)*
Revenue from Loyalty Units	**353.1**	315.3	**4.3**	5.4	**—**	—	**—**	—	**357.4**	320.7
Revenue from Loyalty Services and Other	**17.5**	16.1	**31.1**	36.5	**—**	29.1	**—**	—	**48.6**	81.7
Intercompany revenue	**0.3**	—	**—**	—	**—**	0.3	**(0.3)**	(0.3)	**—**	—
Total revenue	**370.9**	331.4	**35.4**	41.9	**—**	29.4	**(0.3)**	(0.3)	**406.0**	402.4
Cost of rewards and direct costs	**243.0**	223.1	**4.0**	6.7	**—**	—	**(0.3)**	(0.2)	**246.7**	229.6
Gross margin before depreciation and amortization	**127.9**	108.3	**31.4**	35.2	**—**	29.4	**—**	(0.1)	**159.3**	172.8
Depreciation and amortization [a]	**50.3**	32.2	**4.2**	2.4	**—**	0.1	**—**	—	**54.5**	34.7
Gross margin	**77.6**	76.1	**27.2**	32.8	**—**	29.3	**—**	(0.1)	**104.8**	138.1
Operating expenses before share-based compensation and other performance awards	**56.2**	64.2	**37.9**	41.0	**—**	28.2	**—**	(0.1)	**94.1**	133.3
Share-based compensation and other performance awards	**(2.1)**	3.6	**0.1**	0.6	**—**	—	**—**	—	**(2.0)**	4.2
Total operating expenses	**54.1**	67.8	**38.0**	41.6	**—**	28.2	**—**	(0.1)	**92.1**	137.5
Operating income (loss)	**23.5**	8.3	**(10.8)**	(8.8)	**—**	1.1	**—**	—	**12.7**	0.6
Adjusted EBITDA [f]	**69.6**	47.8	**(7.6)**	(7.5)	**—**	3.2	**—**	—	**62.0**	43.5
Included in Adjusted EBITDA:										
Change in Future Redemption Costs	**45.5**	18.4	**1.1**	1.9	**—**	—	**—**	—	**46.6**	20.3
Cost of rewards recorded against deferred revenue	**—**	—	**(8.3)**	(9.6)	**—**	—	**—**	—	**(8.3)**	(9.6)
Distributions from equity-accounted investments	**4.4**	4.5	**—**	0.8	**—**	—	**—**	—	**4.4**	5.3
Additions to non-current assets [c]	**0.1**	6.1	**3.3**	4.4	**—**	0.1	**N/A**	N/A	**3.4**	10.6
Non-current assets [c]	**2,584.7**	3,105.1 *(e)*	**67.6**	63.1	**—**	76.8	**N/A**	N/A	**2,652.3** *(d)*	3,245.0 *(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 $316.5 million in Canada for the three months ended March 31, 2018, compared to third party Gross Billings of $315.8 million in Canada for the three months ended March 31, 2017. 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 $2,584.6 million in Canada as of March 31, 2018, compared to non-current assets of $2,755.2 million in Canada as of March 31, 2017.

(e) Includes non-current assets related to the discontinued operations of $349.9 million at March 31, 2017. At December 31, 2017, non-current assets related to the discontinued operations were presented as assets held for sale. The discontinued operations were disposed of on January 31, 2018. 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) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Changes in Accounting Policies* section for additional information.

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

SUMMARY OF QUARTERLY RESULTS

This section includes sequential quarterly data for the eight quarters ended March 31, 2018.

	2018	2017 [o]				2016		
(in millions of Canadian dollars, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Gross Billings from the sale of Loyalty Units	**309.5**	336.9	331.7	334.8	310.8	331.2	323.7	325.0
Gross Billings from Loyalty Services and Other	**48.6**	48.8	48.7	61.2	83.8	153.7	132.2	134.2
Total Gross Billings	**358.1**	385.7	380.4	396.0	394.6	484.9	455.9	459.2
Revenue	**406.0**	357.1	350.5	361.3	402.4	440.1	426.2	434.1
Cost of rewards and direct costs	**(246.7)**	(207.8)	(201.8)	(212.0)	(229.6)	(266.6)	(253.5)	(265.4)
Gross margin before depreciation and amortization [a]	**159.3**	149.3	148.7	149.3	172.8	173.5	172.7	168.7
Operating expenses	**(92.1)**	(104.4)	(117.2)	(140.8) *(j)*	(137.5)	(222.2) *(l)*	(143.5)	(146.4)
Depreciation and amortization	**(13.9)**	(8.9)	(9.1)	(9.6)	(9.5)	(13.2)	(11.7)	(12.6)
Amortization of Accumulation Partners' contracts, customer relationships and technology	**(40.6)**	(40.7)	(40.7)	(35.6)	(25.2)	(27.9)	(31.3)	(31.9)
Operating income (loss)	**12.7**	(4.7)	(18.3)	(36.7) *(j)*	0.6	(89.8) *(l)*	(13.8)	(22.2)
Net earnings (loss) attributable to equity holders of the Corporation	**21.4** *(d)(e)*	(214.7) *(g)(h)*	(40.3) *(i)*	(25.1) *(j)(k)*	9.6	(57.2) *(l)*	(1.5)	7.2 *(n)*
Adjusted EBITDA [b]	**62.0**	66.1	51.3	29.5 *(j)*	43.5	41.6	50.5	39.6
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	**46.6**	(4.1)	(6.7)	(10.6)	20.3	(25.0)	(12.9)	(13.1)
Cost of rewards recorded against deferred revenue	**(8.3)**	(8.6)	(7.6)	(8.9)	(9.6)	—	—	—
Distributions from equity-accounted investments	**4.4**	5.3	4.2	5.8	5.3	4.5	4.5	5.3
Net earnings (loss) attributable to equity holders of the Corporation	**21.4** *(d)(e)*	(214.7) *(g)(h)*	(40.3) *(i)*	(25.1) *(j)(k)*	9.6	(57.2) *(l)*	(1.5)	7.2 *(n)*
Earnings (loss) per common share [c]	**0.11** *(d)(e)*	(1.44) *(g)(h)*	(0.29) *(i)*	(0.19) *(j)(k)*	0.04	(0.40) *(l)*	(0.04)	0.02 *(n)*
Earnings (loss) per common share - Continuing operations [c]	**0.06** *(d)*	(0.43) *(h)*	(0.31) *(i)*	(0.22) *(j)(k)*	(0.01)	(0.64) *(l)*	(0.05)	(0.03) *(n)*
Earnings (loss) per common share - Discontinued operations	**0.05** *(e)*	(1.01) *(g)*	0.02	0.03	0.05	0.24	0.01	0.05
Free Cash Flow before Dividends Paid [b]	**40.4** *(f)*	113.8	51.9	54.1	(23.8)	121.6	86.7 *(m)*	44.2
Free Cash Flow before Dividends Paid - Continuing operations [b]	**25.1** *(f)*	48.4	28.8	32.6	36.3	42.9	70.4 *(m)*	7.7
Free Cash Flow before Dividends Paid - Discontinued operations [b]	**15.3**	65.4	23.1	21.5	(60.1)	78.7	16.3	36.5
Free Cash Flow [b]	**40.4** *(f)*	113.8	51.9	54.1	(58.5)	86.9	52.0 *(m)*	9.6
Future Redemption Cost liability - Unbroken Loyalty Units	**1,956.9**	2,004.3	2,013.5	2,010.6	1,996.8	2,031.0	1,996.4	2,011.1
Potential redemption liability - Broken Loyalty Units	**586.2**	583.1	588.0	584.8	589.0	586.8	598.6	576.7

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) Includes the unfavourable impact of the reversal of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks of $5.3 million during the three months ended March 31, 2018.

(e) Includes the impact of the gain of $5.4 million on the disposal of the Nectar Program and related assets during the three months ended March 31, 2018.

(f) Includes a rent prepayment of $11.8 million made during the three months ended March 31, 2018 related to the Nectar transaction. The prepayment covers the period from February 2018 to December 2019.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Changes in Accounting Policies* section for additional information.

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 March 31, 2018, Aimia had $271.9 million of cash and cash equivalents, $16.2 million of restricted cash, $55.6 million of short-term investments and $216.0 million of long-term investments in bonds, for a total of $559.7 million. Approximately $21.0 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to April 2018 and $271.6 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between May 2018 and December 2021.

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

	Three Months Ended March 31,	
(in millions of Canadian dollars , except per share information)	2018	2017
Adjusted EBITDA [(a)]	**62.0**	43.5
Change in Future Redemption Costs [(b)]	**(46.6)**	(20.3)
Share-based compensation	**(2.0)**	4.2
Income taxes paid, net	**—**	(3.4)
Net cash interest received (paid)	**0.5**	(4.1)
Cash from operating activities from continuing operations before change in operating assets and liabilities and other	**13.9**	19.9
Change in operating assets and liabilities and other	**14.6**	27.0
Cash from operating activities - Continuing operations	**28.5**	46.9
Cash from operating activities - Discontinued operations	**15.3**	(58.6)
Cash from operating activities	**43.8**	(11.7)
Capital expenditures	**(3.4)**	(12.1)
Free Cash Flow before Dividends Paid [(a)]	**40.4**	(23.8)
Free Cash Flow before Dividends Paid per common share [(a)(c)]	**0.27**	(0.18)
Dividends paid to equity holders of the Corporation	**—**	(34.7)
Free Cash Flow [(a)]	**40.4**	(58.5)

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

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

(c) After deducting dividends paid on preferred shares.

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

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

	Three Months Ended March 31,	
(in millions of Canadian dollars)	2018	2017
Cash and cash equivalents, beginning of period	**489.9**	**293.0**
Cash from (used in) operating activities	43.8	(11.7)
Cash used in investing activities	(169.5)	(12.1)
Cash used in financing activities	(102.7)	(37.8)
Translation adjustment related to cash	10.4	(1.4)
Cash and cash equivalents, end of period	**271.9**	**230.0**

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 $43.8 million for the three months ended March 31, 2018, compared to $(11.7) million for the three months ended March 31, 2017.

The favourable variance of $55.5 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 is explained mostly by the favourable variance from discontinued operations of $73.9 million. The remaining variance, representing a decrease of $18.4 million, is explained primarily by a decrease in Gross Billings of $36.5 million, higher cost of rewards and direct costs of $15.8 million, including the impact of cost of rewards recorded against deferred revenue, and a $12.4 million unfavourable variance in the change in net operating assets, which included the impact of the rent prepayment related to the Nectar transaction, offset in part by lower operating expenses of $39.2 million, before certain non-cash impacting items, a $4.6 million decrease in net interest paid, and a $3.4 million decrease in taxes paid.

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

INVESTING ACTIVITIES

Investing activities for the three months ended March 31, 2018 reflect the net payments made of $166.4 million for the sale of the Nectar Program and related assets on January 31, 2018.

Investing activities for the three months ended March 31, 2018 also reflect proceeds from short-term investments of $9.5 million and long-term investments made of $9.2 million.

Capital expenditures for the three months ended March 31, 2018 amounted to $3.4 million. Anticipated capital expenditures for 2018 are expected to approximate between $30.0 million and $35.0 million.

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

FINANCING ACTIVITIES

Financing activities for the three months ended March 31, 2018 reflect a $100.0 million repayment of the revolving facility made at closing of the Nectar transaction.

Financing activities for the three months ended March 31, 2018 also reflect the second annual installment of the base and contingent consideration, totaling $2.7 million, related to the acquisition of the remaining 40% ownership interest in Aimia Middle East.

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 from investments in bonds to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

The amount held in the cash and investments, 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 cash and investments are 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. As of March 31, 2018, the Corporation held $559.7 million in cash and investments.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately $1,956.9 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 March 31, 2018	Drawn at March 31, 2018	Drawn at December 31, 2017
Revolving facility [(a)(d)]	208.0	100.0	200.0
Senior Secured Notes Series 4 [(b)]	N/A	250.0	250.0
Unamortized transaction costs [(c)]	N/A	(0.6)	(0.7)
Total long-term debt		**349.4**	**449.3**
Less: current portion [(d)]		20.2	—
Long-term debt		**329.2**	**449.3**

(a) In connection with the consent required for the release of one of Aimia's subsidiary guarantors under its credit agreement, Aimia reduced its overall debt level with a $100.0 million repayment made at closing of the Nectar transaction on January 31, 2018. For more information on the Nectar transaction, please refer to the *Discontinued Operations and Disposal of Businesses and Other Assets* section. The overall size of the facility was also reduced to $208.0 million. Depending on the Corporation's credit ratings, the interest rates applicable to the revolving facility range between Canadian prime rate plus 1.00% to 2.00% and the Bankers' Acceptances and LIBOR rates plus 2.00% to 3.00%. In addition, Aimia has agreed to other amendments to its credit agreement which are described later in this section.

At March 31, 2018, 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 $7.6 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 17 and November 17 of each year, commencing November 17, 2012, and mature on May 17, 2019. As a result of credit rating downgrades by DBRS and S&P in August 2017, the notes currently bear interest at 6.85% per annum.

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

(d) Based on the reported Free Cash Flow in the first quarter of 2018, Aimia will repay an amount of $20.2 million, representing 50% of the reported Free Cash Flow in the quarter, on its revolving facility in May 2018.

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

In addition to the repayment of $100.0 million on the revolving facility and the overall reduction of the size of the revolving facility, Aimia 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 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 facility is subject to Aimia's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

The following table illustrates the financial ratios calculated as at March 31, 2018 on a trailing twelve-month basis:

Ratio	Result	Test [(b)]
Leverage	1.36	≤ 2.75
Debt service [(a)]	(0.78)	≤ 2.00
Interest coverage	11.77	≥ 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.

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

INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS

The table below summarizes Aimia's investments in equity instruments, associates and joint arrangements at March 31, 2018:

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
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	March 31,	December 31,
(in millions of Canadian dollars)	2018	2017
Investment in PLM [(a)]	89.6	82.5
Other equity-accounted investments in joint ventures [(b)]	18.7	17.2
Total	**108.3**	99.7

(a) During the three months ended March 31, 2018 and 2017, Aimia received distributions from PLM of $4.4 million (US$3.4 million) and $4.5 million (US$3.4 million), respectively.

(b) During the three months ended March 31, 2017, Aimia received distributions from equity-accounted investments in joint ventures of $2.8 million, of which $2.0 million was from i2c. At December 31, 2017, the carrying amount of the investment in i2c was presented in assets held for sale. On January 31, 2018, the investment in i2c was disposed of as part of the sale of the Nectar Program and U.K. analytics businesses.

Share of net earnings (loss) of equity-accounted investments	Three Months Ended March 31,	
(in millions of Canadian dollars)	2018	2017
Investment in PLM	9.4	8.8
Other equity-accounted investments in joint ventures	0.2	0.2
Equity-accounted investments in associates [(a)]	—	2.7
Total	**9.6**	11.7

(a) 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.

PLM reported Gross Billings of $73.1 million for the three months ended March 31, 2018, compared to $64.5 million for the three months ended March 31, 2017.

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 $586.2 million at March 31, 2018.

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 March 31, 2018, 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 $160.5 million for the period in which the change occurred, with $155.7 million relating to prior years and $4.8 million relating to the current three month period.

PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

PROVISIONS

(in millions of Canadian dollars)	Card Migration Provision	Onerous Contract Provision	Total
Balance at December 31, 2016	**5.4**	**—**	**5.4**
Provision recorded during the year	—	20.3	20.3
Provision 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**
Provision recorded during the period	—	—	—
Provision used during the period	(1.0)	(0.9)	(1.9)
Provision reversed during the period	—	—	—
Foreign exchange translation adjustment	—	0.4	0.4
Balance at March 31, 2018	**1.4**	**16.7**	**18.1**
Represented by:			
Current portion	**1.4**	**3.1**	**4.5**
Long-term portion	**—**	**13.6**	**13.6**

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, 2016, the provision amounted to $5.4 million. 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.

During the first quarter of 2018, an amount of $1.0 million was paid by Aimia, representing the payment relating to the 2017 calendar year in accordance with the terms of the migration agreement.

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 March 31, 2018, 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.

As part of the sale of Nectar and related assets, the Company, agreed to provide indemnification to the buyer in the event that the buyer suffers losses as a result of certain pre-completion actions and breaches of the purchase agreement, including breaches of covenants and representations and warranties. The terms of the indemnification obligations vary in duration, from 18 months to two years for certain types of indemnities, while terms for tax indemnification obligations are generally aligned to the applicable statute of limitations. The maximum potential future payments that the Company could be required to make under these indemnifications are contractually limited to a specified amount. The Company believes that the maximum potential future payments that it could be required to make under these indemnifications are not determinable at this time, as any future payments would be dependent on the type and extent of the related claims, and all available defences, which cannot be estimated. However, historically, costs incurred to settle claims related to these indemnifications have not been material to the Company's consolidated financial position, net income or cash flows.

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.

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

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION 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 2, 2018.

Air Canada is one of Aimia's largest Accumulation Partners, representing 18% of Gross Billings for the three months ended March 31, 2018, compared to 17% of Gross Billings for the three months ended March 31, 2017. 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 months ended March 31, 2018, 87% 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 86% for the three months ended March 31, 2017.

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.

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

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at March 31, 2018, 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	350.0	20.2	250.0	79.8	—	—	—
Interest on long-term debt [(a)]	33.8	21.2	12.4	0.2	—	—	—
Total long-term debt and interest	383.8	41.4	262.4	80.0	—	—	—
Operating leases	68.4	8.7	8.9	7.4	6.8	6.8	29.8
Technology infrastructure and other [(b)]	139.0	29.8	27.8	22.5	16.1	10.7	32.1
Marketing support and other	130.0	27.5	30.5	25.5	15.5	15.5	15.5
Purchase obligation under the CPSA	1,241.9	369.9	581.3	290.7	—	—	—
Contractual Obligations	**1,963.1**	**477.3**	**910.9**	**426.1**	**38.4**	**33.0**	**77.4**
Commitments							
Letters of Credit and Surety Bonds	7.7	6.3	—	1.4	—	—	—
Commitments	**7.7**	**6.3**	**—**	**1.4**	**—**	**—**	**—**
Total Contractual Obligations and Commitments	**1,970.8**	**483.6**	**910.9**	**427.5**	**38.4**	**33.0**	**77.4**

(a) Includes interest on the credit 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.

CAPITAL STOCK

At March 31, 2018, 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 7,816,998 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

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 March 31, 2018 to, but excluding June 30, 2018, will be 4.921%, 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.

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 three months ended March 31, 2017 were as follows:

Three months ended	2017	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per common share
March 31,	30.5	0.20

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

Three months ended	2017	
(in millions of Canadian dollars, except per-share amounts)	Amount	Per preferred share
Series 1		
March 31,	1.1	0.28125
Series 2		
March 31,	0.8	0.262541
Series 3		
March 31,	2.3	0.390625

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 March 31, 2018, 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 March 31, 2018 amounted to $12.8 million.

The Series 1 Preferred Shares outstanding at March 31, 2018 bear a 4.5% annual cumulative dividend or $0.28125 per preferred share per quarter. The Series 2 Preferred Shares outstanding at March 31, 2018 bear a cumulative quarterly floating dividend yielding 4.921% annually or $0.30672 per preferred share per quarter, as determined for the floating rate period from and including March 31, 2018 to, but excluding June 30, 2018. The Series 3 Preferred Shares outstanding at March 31, 2018 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.

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

EARNINGS (LOSS) PER COMMON SHARE

Aimia's earnings (loss) per common share attributable to the equity holders of the Corporation amounted to $0.11 and $0.04 for the three months ended March 31, 2018 and 2017, respectively. Aimia's earnings (loss) from continuing operations per common share attributable to the equity holders of the Corporation amounted to $0.06 and $(0.01) for the three months ended March 31, 2018 and 2017, respectively. Earnings (loss) per common share and earnings (loss) from continuing operations per common 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

CHANGES IN ACCOUNTING POLICIES

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

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 has replaced 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 Corporation adopted the new standard retrospectively. The key difference that affected 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 has made the irrevocable election, at initial recognition, to designate its investments in equity instruments as “fair value through profit and loss” (“FVPL”). Under former accounting policy, changes in fair value of the investments in equity instruments were recorded in other comprehensive income while any permanent impairment on the investment was recorded through profit and loss. Given that there were no accumulated gain or loss related to the Corporation's investments in equity instruments in accumulated other comprehensive income (with the exception of the effect of currency translation adjustments on foreign subsidiaries attributable to investments in equity instruments) at January 1, 2017 or at December 31, 2017, no reclassification between accumulated other comprehensive income and retained earnings was required at January 1, 2017 and December 31, 2017. Additionally, no adjustment was deemed required to the Corporation's statement of operations and statement of comprehensive income for the year ended December 31, 2017 since the fair value loss related to the investment in Cardlytics in the fourth quarter of 2017 was recorded in the statement of operations as the investment was considered permanently impaired, consistent with the presentation of gain or loss on investment at FVPL under the newly adopted IFRS 9.

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.

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 Company adopted the new standard and its amendments using the full retrospective transition method. A description of the impact, if any, of the adoption of IFRS 15 for each of the Corporation's main revenue streams is presented thereafter.

(a) Accounting for loyalty programs

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 previous 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 as it is primarily responsible for fulfilling the promise to provide the goods or services, it obtains control over such goods and services offered under the term of the program before they are transferred to the customer and it has discretion in establishing the price for the specified goods and services. Therefore, there was no change to the previous 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 of those programs were restated to be recognized on a net basis. Under the previous accounting policy, revenues of those programs were recognized on a gross basis. While

the impact of this change reduces Revenue and Cost of Rewards, there is no impact on Gross Margin, Operating Income and Cash flow from Operating Activities related to this change.

Additionally, this change had no impact on Gross Billings as it is unknown at the date of issuance of a loyalty unit whether the member will ultimately redeem for a reward that will be controlled by Aimia or a third party at the date of redemption. Instead, Gross Billings are deferred until the loyalty units are redeemed and the reward is provided to the member. When Aimia determines that it acted as an agent, the payment to the supplier is reclassified from the deferred revenue to offset the cost of rewards, with only the margin being recognized as revenue.

As part of the Corporation's evaluation of the impact of IFRS 15, Aimia put in place a new methodology to reflect the impact of closed vintages within the Corporation's revenue recognition model. The new methodology resulted in an increase of $22.0 million to equity and a corresponding reduction to deferred revenue of the Air Miles Middle East program at January 1, 2017 and December 31, 2017.

(b) Accounting for other loyalty services, including rewards fulfillment activities

Key differences between IFRS 15 and IAS 18 and areas of focus relating to the Corporation’s other loyalty services, including rewards fulfillment activities, were identified as follows:

- Whether Aimia acts as the principal or an agent for other loyalty services, including rewards fulfillment activities. Management 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 previous revenue recognition practice as a significant portion of these activities were previously recorded on a gross basis.

- Whether loyalty platforms service agreements include one or multiple performance obligations and the implications on the transaction price allocation. Management has concluded that there is no change to its revenue recognition of its loyalty platform services and the related implementation and support services revenue associated with these agreements.

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

(c) Impact on the financial statements

The adjustments for each financial statement line item affected are presented in the tables below.

	Three Months Ended March 31, 2017			
(in millions of Canadian dollars, except per share information)	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Gross Billings from the sale of Loyalty Units	**310.8**	—	—	**310.8**
Gross Billings from Loyalty Services and Other	**119.8**	—	(36.0)	**83.8**
Total Gross Billings	**430.6**	—	(36.0)	**394.6**
Statement of operations (extract)				
Revenue from Loyalty Units	**330.3**	(9.6)	—	**320.7**
Revenue from Loyalty Services and Other	**117.7**	—	(36.0)	**81.7**
Total revenue	**448.0**	(9.6)	(36.0)	**402.4**
Cost of rewards and direct costs	**275.2**	(9.6)	(36.0)	**229.6**
Depreciation and amortization	**34.7**	—	—	**34.7**
Gross margin	**138.1**	—	—	**138.1**
Operating expenses	**137.5**	—	—	**137.5**
Operating income	**0.6**	—	—	**0.6**
Earnings before income taxes	**7.7**	—	—	**7.7**
Net earnings from continuing operations	**2.9**	—	—	**2.9**
Net earnings from discontinued operations	**6.7**	—	—	**6.7**
Net earnings	**9.6**	—	—	**9.6**
Earnings (loss) per common share	**0.04**	—	—	**0.04**
Continuing operations - Basic and fully diluted	**(0.01)**	—	—	**(0.01)**
Discontinued operations - Basic and fully diluted	**0.05**	—	—	**0.05**
Statement of comprehensive income (extract)				
Net earnings	**9.6**	—	—	**9.6**
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings (loss)				
Foreign currency translation adjustments	**1.2**	—	—	**1.2**
Items that will not be reclassified subsequently to net earnings (loss)				
Defined benefit plans actuarial gains (losses), net of tax	**0.3**	—	—	**0.3**
Other comprehensive income	**1.5**	—	—	**1.5**
Comprehensive income	**11.1**	—	—	**11.1**

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

	Year Ended December 31, 2017			
(in millions of Canadian dollars, except per share information)	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Gross Billings from the sale of Loyalty Units	**1,314.2**	—	—	**1,314.2**
Gross Billings from Loyalty Services and Other	**360.9**	—	(118.4)	**242.5**
Total Gross Billings	**1,675.1**	—	(118.4)	**1,556.7**
Statement of operations (extract)				
Revenue from Loyalty Units	**1,266.3**	(34.7)	—	**1,231.6**
Revenue from Loyalty Services and Other	**358.1**	—	(118.4)	**239.7**
Total revenue	**1,624.4**	(34.7)	(118.4)	**1,471.3**
Cost of rewards and direct costs	**1,004.3**	(34.7)	(118.4)	**851.2**
Depreciation and amortization	**179.3**	—	—	**179.3**
Gross margin	**440.8**	—	—	**440.8**
Operating expenses	**499.9**	—	—	**499.9**
Operating income (loss)	**(59.1)**	—	—	**(59.1)**
Earnings (loss) before income taxes	**(122.6)**	—	—	**(122.6)**
Net earnings (loss) from continuing operations	**(129.9)**	—	—	**(129.9)**
Net loss from discontinued operations	**(140.6)**	—	—	**(140.6)**
Net earnings (loss)	**(270.5)**	—	—	**(270.5)**
Earnings (loss) per common share	**(1.89)**	—	—	**(1.89)**
Continuing operations - Basic and fully diluted	**(0.96)**	—	—	**(0.96)**
Discontinued operations - Basic and fully diluted	**(0.93)**	—	—	**(0.93)**
Statement of comprehensive income (extract)				
Net earnings (loss)	**(270.5)**	—	—	**(270.5)**
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings (loss)				
Foreign currency translation adjustments	**0.3**	—	—	**0.3**
Reclassification to net earnings of foreign currency translation adjustments related to impaired available-for-sale investments	**(7.5)**	—	—	**(7.5)**
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	**(4.4)**	—	—	**(4.4)**
Items that will not be reclassified subsequently to net earnings (loss)				
Defined benefit plans actuarial gains (losses), net of tax	**(9.3)**	—	—	**(9.3)**
Other comprehensive income (loss)	**(20.9)**	—	—	**(20.9)**
Comprehensive income (loss)	**(291.4)**	—	—	**(291.4)**

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

	At January 1, 2017			
(in millions of Canadian dollars)	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of financial position (extract)				
Total assets	**4,508.0**	—	—	**4,508.0**
Current liabilities				
Deferred revenue	**1,492.7**	(5.5)	—	**1,487.2**
Long-term liabilities				
Deferred revenue	**1,753.1**	(16.5)	—	**1,736.6**
Total liabilities	**4,392.5**	(22.0)	—	**4,370.5**
Total equity	**115.5**	22.0	—	**137.5**

	At March 31, 2017			
(in millions of Canadian dollars)	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of financial position (extract)				
Total assets	**4,393.3**	—	—	**4,393.3**
Current liabilities				
Deferred revenue	**1,533.2**	(5.9)	—	**1,527.3**
Long-term liabilities				
Deferred revenue	**1,709.6**	(16.1)	—	**1,693.5**
Total liabilities	**4,300.6**	(22.0)	—	**4,278.6**
Total equity	**92.7**	22.0	—	**114.7**

	At December 31, 2017			
(in millions of Canadian dollars)	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of financial position (extract)				
Total assets	**4,069.7**	—	—	**4,069.7**
Current liabilities				
Deferred revenue	**1,298.3**	(12.1)	—	**1,286.2**
Long-term liabilities				
Deferred revenue	**1,726.2**	(9.9)	—	**1,716.3**
Total liabilities	**4,312.7**	(22.0)	—	**4,290.7**
Total equity	**(243.0)**	22.0	—	**(221.0)**

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. These changes did not result in any adjustments to Corporation's financial statements.

FUTURE ACCOUNTING CHANGES

The following section provides an update to the same section included in *Note 2* of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2017.

IAS 19 Amendments, Employee benefits

The IASB issued amendments to IAS 19 - *Employee benefits* which require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. The amendments also require an entity to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments are effective for plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after January 1, 2019. At this time, management is reviewing the impact that these amendments will have 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*). Significant estimates made in the preparation of the consolidated financial statements include those used in accounting for breakage, income taxes, the determination of amortization period for long-lived assets, the impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital, the carrying value of financial instruments recorded at fair value, provisions and contingencies.

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation has adopted disclosure controls and procedures, with management's assistance, that are under the responsibility of the Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and Chief Financial Officer, in order to provide reasonable assurance that they are made aware of material information. The Corporation has also adopted internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

During the interim period ended on March 31, 2018, there were no changes in the Corporation's internal controls over financial reporting that have significantly affected, or are reasonably likely to significantly affect, Aimia's internal controls over financial reporting.

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

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

RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

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

For more information, and for a complete description of the risk factors that could materially affect the business, please refer to the corresponding sections in the 2017 MD&A and Aimia's Annual Information Form dated March 2, 2018.

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

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

RECONCILIATION OF ROIC AND ADJUSTED NET EARNINGS

ROIC

ROIC is calculated as adjusted operating income after taxes expressed as a percentage of the average invested capital. The following table provides the calculation of Aimia's ROIC for the twelve months ended March 31, 2018 and 2017:

	Twelve Months Ended March 31,	
(in millions of Canadian dollars unless otherwise noted)	2018	2017
Calculation of adjusted operating income after taxes		
Operating loss	**(47.0)**	(125.2)
Depreciation, amortization & impairment charges [(b)]	**199.1**	229.3
Operating income excluding depreciation, amortization and impairment charges [(a)]	**152.1**	104.1
Adjustments:		
Change in deferred revenue		
Gross Billings	**1,520.2**	1,794.6
Total revenue	**(1,474.9)**	(1,702.8)
Cost of rewards recorded against deferred revenue	**(33.4)**	(9.6)
Change in Future Redemption Costs [(c)]	**24.2**	(30.9)
Distributions from equity-accounted investments	**19.7**	19.6
Subtotal of Adjustments	**55.8**	70.9
Adjusted EBITDA [(a)]	**207.9**	175.0
Depreciation and amortization	**(41.5)**	(47.0)
Tax [(d)]	**(44.2)**	(34.0)
Adjusted operating income after taxes [(a)]	**122.2**	94.0
Calculation of invested capital		
Net equity:		
Total equity	**(206.0)**	114.7
Net liabilities (assets) of discontinued operations	**—**	(81.6)
Deferred revenue margin from continuing operations:		
Deferred revenue	**2,951.4**	2,946.1
Future Redemption Cost liability - Unbroken Loyalty Units	**(1,956.9)**	(2,007.3)
Tax [(d)]	**(263.9)**	(249.5)
Accumulated amortization of accumulation partners' contracts and customer relationships related to continuing operations	**996.1**	841.9
Net debt:		
Long-term debt (including current portion)	**349.4**	448.6
Cash and cash equivalents	**(271.9)**	(230.0)
Total Invested capital [(a)]	**1,598.2**	1,782.9
Average Invested capital [(a)(e)]	**1,690.6**	1,855.7
ROIC [(a)]	**7.2%**	5.1%

(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 table below presents a reconciliation from net earnings (loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,		
(in millions of Canadian dollars, except share and per share information)	2018		2017
Net earnings (loss) attributable to equity holders of the Corporation	**21.4**	*(d)(e)*	9.6
Net earnings attributable to equity holders of the Corporation - Continuing operations	**13.8**	*(d)*	2.9
Net earnings attributable to equity holders of the Corporation - Discontinued operations	**7.6**	*(e)*	6.7
Weighted average number of shares	**152,307,196**		152,294,611
Earnings (loss) per common share [(b)]	**0.11**	*(d)(e)*	0.04
Earnings (loss) per common share - Continuing operations [(b)]	**0.06**	*(d)*	(0.01)
Earnings per common share - Discontinued operations	**0.05**	*(e)*	0.05
Net earnings attributable to equity holders of the Corporation - Continuing operations	**13.8**	*(d)*	2.9
Amortization of Accumulation Partners' contracts, customer relationships and technology	**40.6**		25.2
Share of net (earnings) loss of equity-accounted investments	**(9.6)**		(11.7)
Adjusted EBITDA Adjustments	**(5.2)**		8.2
Tax on adjustments [(c)]	**2.3**		(0.7)
Adjusted Net Earnings - Continuing operations [(a)]	**41.9**	*(d)*	23.9
Adjusted Net Earnings per common share - Continuing operations [(a)(b)]	**0.25**	*(d)*	0.13
Net earnings attributable to equity holders of the Corporation - Discontinued operations	**7.6**	*(e)*	6.7
Amortization of Accumulation Partners' contracts, customer relationships and technology	**—**		0.6
Share of net (earnings) loss of equity-accounted investments	**(0.5)**		(1.4)
Adjusted EBITDA Adjustments	**(0.2)**		7.9
Tax on adjustments [(c)]	**—**		—
Adjusted Net Earnings - Discontinued operations [(a)]	**6.9**	*(e)*	13.8
Adjusted Net Earnings per common share - Discontinued operations [(a)]	**0.05**	*(e)*	0.09

(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) Includes the unfavourable impact of the reversal of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks of $5.3 million during the three months ended March 31, 2018.

(e) Includes the impact of the gain of $5.4 million on the disposal of the Nectar Program and related assets during the three months ended March 31, 2018.

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

FINANCIAL MEASURES INCLUDING AND EXCLUDING DISCONTINUED OPERATIONS

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
(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	**309.5**	**25.7**	**335.2**	310.8	87.1	397.9
Gross Billings from Loyalty Services and Other	**48.6**	**1.5**	**50.1**	83.8	7.5	91.3
Total Gross Billings	**358.1**	**27.2**	**385.3**	394.6	94.6	489.2
Revenue from Loyalty Units	**357.4**	**6.5**	**363.9**	320.7	15.6	336.3
Revenue from Loyalty Services and Other	**48.6**	**1.5**	**50.1**	81.7	7.5	89.2
Total revenue	**406.0**	**8.0**	**414.0**	402.4	23.1	425.5
Cost of rewards and direct costs	**246.7**	**—**	**246.7**	229.6	2.5	232.1
Gross margin before depreciation and amortization	**159.3**	**8.0**	**167.3**	172.8	20.6	193.4
Depreciation and amortization [(a)]	**54.5**	**—**	**54.5**	34.7	2.5	37.2
Gross margin	**104.8**	**8.0**	**112.8**	138.1	18.1	156.2
Operating expenses before share-based compensation and other performance awards	**94.1**	**4.6**	**98.7**	133.3	13.2	146.5
Share-based compensation and other performance awards	**(2.0)**	**—**	**(2.0)**	4.2	—	4.2
Total operating expenses	**92.1**	**4.6**	**96.7**	137.5	13.2	150.7
Operating income (loss)	**12.7**	**3.4**	**16.1**	0.6	4.9	5.5
Adjusted EBITDA [(b)]	**62.0**	**3.2**	**65.2**	43.5	15.3	58.8
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	**46.6**	**3.6**	**50.2**	20.3	(11.9)	8.4
Cost of rewards recorded against deferred revenue	**(8.3)**	**(23.0)**	**(31.3)**	(9.6)	(53.7)	(63.3)
Distributions from equity-accounted investments	**4.4**	**—**	**4.4**	5.3	2.0	7.3

(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 *Quarter Ended March 31, 2018 Compared to Quarter Ended March 31, 2017* section.

QUARTER ENDED MARCH 31, 2018 COMPARED TO QUARTER ENDED MARCH 31, 2017

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 $316.5 million in Canada for the three months ended March 31, 2018, compared to third party Gross Billings of $315.8 million in Canada for the three months ended March 31, 2017. 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 the reversal of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks of $5.3 million during the three months ended March 31, 2018.

(f) Includes the impact of the gain of $5.4 million on the disposal of the Nectar Program and related assets during the three months ended March 31, 2018.

(g) Includes a rent prepayment of $11.8 million made during the three months ended March 31, 2018 related to the Nectar transaction. The prepayment covers the period from February 2018 to December 2019.

(h) ROIC for the twelve-month period ended March 31, 2018 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.

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

** 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.

** 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 21 and March 2, 2018, is available on SEDAR at **www.sedar.com** or on Aimia's website at **www.aimia.com** under “Investors”.