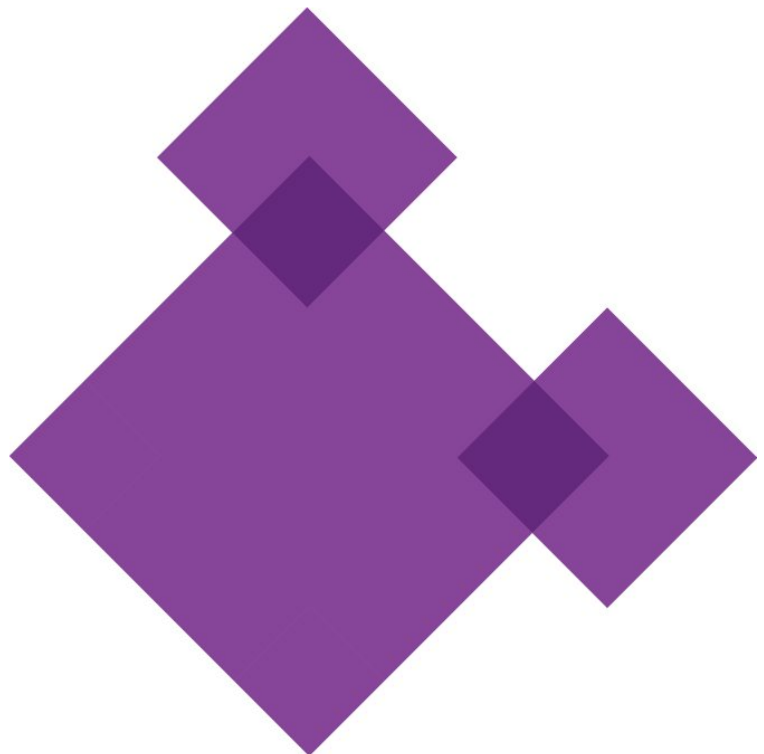
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017



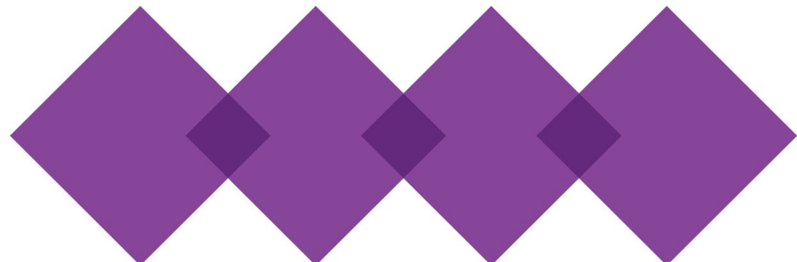
MANAGEMENT'S REPORT

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

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

March 27, 2019

(signed) "Jeremy Rabe"	*(signed) "Mark Grafton"*
JEREMY RABE Chief Executive Officer	MARK GRAFTON Chief Financial Officer



Independent auditor's report

To the Shareholders of Aimia Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the performance of Aimia Inc. and its subsidiaries, (together, the Corporation) for the years ended December 31, 2018 and 2017, and its financial position as at December 31, 2018 and 2017 and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of operations for the years ended December 31, 2018 and 2017;
- the consolidated statements of comprehensive income (loss) for the years ended December 31, 2018 and 2017;
- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mario Longpré.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 27, 2019

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions of Canadian dollars, except share and per share amounts)		Years Ended December 31, 2018	2017 (Restated - Notes 2 & 5)
Revenue	Notes 3 & 15	**$ 167.1**	$ 232.1
Cost of sales			
Cost of rewards and direct costs		**17.3**	21.6
Depreciation and amortization	Note 13	**13.7**	7.4
Amortization of accumulation partners' contracts, customer relationships and technology	Note 13	**2.7**	3.5
		33.7	32.5
Gross margin		**133.4**	199.6
Operating expenses			
Selling and marketing expenses		**123.8**	180.4
General and administrative expenses	Notes 14 & 16	**105.9**	129.3
Impairment charges	Note 13	**38.4**	—
		268.1	309.7
Operating loss		**(134.7)**	(110.1)
Loss on disposal of businesses and other assets	Note 5	**(5.3)**	(13.7)
Financial income	Notes 6 & 26	**14.6**	17.0
Financial expenses	Note 6	**(23.7)**	(36.8)
Net fair value loss on investments in equity instruments	Note 26	**(3.1)**	(57.4)
Net financial expenses		**(12.2)**	(77.2)
Share of net earnings (loss) of equity-accounted investments	Note 10	**(4.1)**	27.7
Loss before income taxes		**(156.3)**	(173.3)
Income tax (expense) recovery			
Current	Note 20	**(2.9)**	(18.9)
Deferred	Note 20	**(2.4)**	9.2
		(5.3)	(9.7)
Net loss from continuing operations		**(161.6)**	(183.0)
Net earnings (loss) from discontinued operations	Note 5	**89.6**	(87.5)
Net loss		**$ (72.0)**	$ (270.5)
Weighted average number of shares		**152,307,196**	152,303,955
Earnings (loss) per common share			
Continuing operations - Basic and fully diluted	Note 7	**$ (1.18)**	$ (1.31)
Discontinued operations - Basic and fully diluted	Note 7	**0.59**	(0.58)
	Note 7	**$ (0.59)**	$ (1.89)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions of Canadian dollars)		Years Ended December 31, 2018	2017 (Restated - Notes 2 & 5)
Net loss		**$ (72.0)**	$ (270.5)
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss)			
Foreign currency translation adjustments		**5.6**	0.3
Reclassification to net earnings of foreign currency translation adjustments related to impaired available-for-sale investments	Note 26	**—**	(7.5)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	Note 5	**(10.2)**	(4.4)
Items that will not be reclassified subsequently to net earnings (loss)			
Defined benefit plans actuarial gains (losses), net of tax	Note 28B	**2.9**	(9.3)
Other comprehensive loss		**(1.7)**	(20.9)
Comprehensive loss		**$ (73.7)**	$ (291.4)
Comprehensive income (loss):			
Continuing operations		**(157.0)**	(198.2)
Discontinued operations		**83.3**	(93.2)
		$ (73.7)	$ (291.4)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(in millions of Canadian dollars)*		December 31, 2018	December 31, 2017 (Restated - Note 2)	January 1, 2017 (Restated - Note 2)
ASSETS				
Current assets				
Cash and cash equivalents	Notes 2 & 9	**$ 311.9**	$ 489.9	$ 293.0
Restricted cash	Note 2	**19.0**	17.9	20.3
Short-term investments	Note 9	**69.0**	65.2	80.4
Income taxes receivable		**—**	—	0.8
Accounts receivable	Note 8	**59.7**	156.1	286.7
Inventories	Note 2	**1.8**	5.0	4.8
Prepaid expenses	Note 5	**18.7**	18.2	33.1
Assets held for sale	Note 5	**2,596.4**	254.2	72.8
		3,076.5	1,006.5	791.9
Long-term assets				
Deferred income taxes	Note 20	**4.0**	—	—
Long-term receivable	Notes 5 & 26	**—**	5.3	—
Long-term investments	Note 9	**208.9**	259.1	342.1
Equity-accounted investments	Note 10	**83.5**	99.7	103.8
Property and equipment	Notes 12 & 13	**1.0**	19.2	30.5
Intangible assets	Note 13	**23.4**	994.3	1,264.0
Goodwill	Note 13	**—**	1,685.6	1,975.7
		$ 3,397.3	$ 4,069.7	$ 4,508.0
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	Note 14	**$ 119.7**	$ 189.2	$ 395.6
Income taxes payable	Note 5	**0.8**	4.6	—
Provisions	Note 16	**3.2**	4.4	1.1
Customer deposits		**11.3**	15.5	18.2
Deferred revenue	Note 15	**46.6**	1,286.2	1,487.2
Current portion of long-term debt	Note 17	**300.9**	—	—
Liabilities held for sale	Note 5	**3,187.7**	415.5	108.3
		3,670.2	1,915.4	2,010.4
Long-term liabilities				
Provisions	Note 16	**1.4**	15.2	4.3
Long-term debt	Note 17	**—**	449.3	448.3
Pension and other long-term liabilities	Note 18	**11.1**	106.1	73.1
Deferred income taxes	Note 20	**—**	88.4	97.8
Deferred revenue	Note 15	**9.5**	1,716.3	1,736.6
		3,692.2	4,290.7	4,370.5
Total equity	Note 23	**(294.9)**	(221.0)	137.5
		$ 3,397.3	$ 4,069.7	$ 4,508.0
Contingencies and commitments	Notes 21 & 24			

Approved by the Board of Directors

(signed) Roman Doroniuk	*(signed) Robert Christopher Kreidler*
Roman Doroniuk	*Robert Christopher Kreidler*
Director	Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2018 (Restated - Note 2)		Common shares outstanding	Share capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Contributed surplus	Total equity
(In millions of Canadian dollars, except share amounts)							
Balance, January 1, 2017	Note 2	152,294,611	$ 1,665.0	$ (2,721.2)	$ 40.5	$ 1,153.2	$ 137.5
Total comprehensive income (loss)							
Net loss				(270.5)			(270.5)
Other comprehensive income (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	Note 26				(7.5)		(7.5)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	Note 5				(4.4)		(4.4)
Defined benefit plans actuarial losses, net of tax	Note 28B			(9.3)			(9.3)
Total comprehensive loss		—	—	(279.8)	(11.6)	—	(291.4)
Transactions with owners, recorded directly in equity							
Common shares issued upon exercise of stock options	Note 23	12,585	0.1			—	0.1
Quarterly dividends, common and preferred	Note 22			(69.4)			(69.4)
Accretion related to stock-based compensation plans						2.2	2.2
Total contributions by and distributions to owners		12,585	0.1	(69.4)	—	2.2	(67.1)
Balance, December 31, 2017	Note 2	**152,307,196**	**$ 1,665.1**	**$ (3,070.4)**	**$ 28.9**	**$ 1,155.4**	**$ (221.0)**
Total comprehensive income (loss)							
Net loss				**(72.0)**			**(72.0)**
Other comprehensive income (loss):							
Foreign currency translation adjustments					**5.6**		**5.6**
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	Note 5				**(10.2)**		**(10.2)**
Defined benefit plans actuarial gains, net of tax	Note 28B			**2.9**			**2.9**
Total comprehensive loss		**—**	**—**	**(69.1)**	**(4.6)**	**—**	**(73.7)**
Transactions with owners, recorded directly in equity							
Accretion related to stock-based compensation plans						**(0.2)**	**(0.2)**
Total contributions by and distributions to owners		**—**	**—**	**—**	**—**	**(0.2)**	**(0.2)**
Balance, December 31, 2018		**152,307,196**	**$ 1,665.1**	**$ (3,139.5)**	**$ 24.3**	**$ 1,155.2**	**$ (294.9)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)		Years Ended December 31, 2018	2017
			(Restated - Note 2)
CASH FLOWS FROM (USED IN)			
Operating activities			
Net loss		**$ (72.0)**	$ (270.5)
Adjustments for:			
Depreciation and amortization		**202.5**	190.1
Share-based compensation and other performance awards		**7.7**	(2.7)
Share of net loss (earnings) of equity-accounted investments		**3.6**	(35.2)
Net financial expenses		**13.8**	80.3
Income tax expense		**20.4**	16.9
Impairment charges		**38.4**	180.5
Loss on disposal of businesses and other assets		**3.7**	13.7
Changes in operating assets and liabilities	Note 28A	**(65.0)**	81.2
Other		**(2.1)**	(3.6)
		223.0	521.2
Cash generated from operating activities before the following items:		**151.0**	250.7
Interest received		**9.7**	11.0
Distributions received from equity-accounted investments	Note 10	**19.6**	27.5
Interest paid		**(21.3)**	(37.0)
Income taxes paid, net		**(17.2)**	(12.8)
Net cash from operating activities	Note 5	**141.8**	239.4
Investing activities			
Net proceeds from (payments for) the disposal of businesses and other assets	Note 5	**(200.0)**	5.5
Proceeds from disposal of equity-accounted investments	Note 10	**—**	3.7
Proceeds from investments in corporate and government bonds		**64.9**	79.3
Purchases of investments in corporate and government bonds		**(17.8)**	(48.6)
Additions to property, equipment, software and technology		**(26.8)**	(43.4)
Net cash used in investing activities	Note 5	**(179.7)**	(3.5)
Financing activities			
Quarterly dividends	Note 22	**—**	(34.7)
Acquisition of non-controlling interest		**(2.7)**	(3.1)
Issuance of common shares	Note 23	**—**	0.1
Borrowings from the revolving facility	Note 17	**—**	200.0
Repayment of the revolving facility	Note 17	**(149.0)**	—
Repayment of Senior Secured Notes	Note 17	**—**	(200.0)
Net cash used in financing activities		**(151.7)**	(37.7)
Net change in cash and cash equivalents		**(189.6)**	198.2
Translation adjustment related to cash		**11.6**	(1.3)
Cash and cash equivalents, beginning of year		**489.9**	293.0
Cash and cash equivalents, end of year		**$ 311.9**	$ 489.9

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

THESE FINANCIAL STATEMENTS CONTAIN THE FOLLOWING NOTES:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. STRUCTURE OF THE CORPORATION

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

Aimia, a data-driven marketing and loyalty analytics company, through its subsidiaries, operates in the following business segments: Coalitions and Insights & Loyalty Solutions ("ILS") (*Note 3*).

Coalitions

Within the Coalitions segment, Aimia owns and operates the Corporation's Canadian loyalty solutions business and owned and operated the Aeroplan Program until its disposal on January 10, 2019 (*Notes 5 & 29*). The division also includes investments in the following joint ventures: PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program, and BIGLIFE, the owner and operator of BIG Loyalty, AirAsia's loyalty program.

While classified as discontinued operations in the consolidated statements of operations, the operating results of the Aeroplan Program and related assets are presented within the Coalitions segment for segmented information purposes as the operating results were reviewed on this basis by the Chief Executive Officer during the year ended December 31, 2018.

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 (*Note 5*). Other businesses also include a minority interest 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 (Note 5)

Discontinued operations include the results of the Aeroplan coalition loyalty program and related assets. In addition, discontinued operations include the results of the Nectar U.K. coalition loyalty program, Aimia's Intelligent Shopper Solutions U.K. and Intelligent Research businesses, and its 50% participation in i2C, a joint venture with Sainsbury's, until their disposal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

(a) Statement of Compliance

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

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

These consolidated financial statements were authorized for issue by the Corporation’s Board of Directors on March 27, 2019.

(b) Basis of Measurement

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

- Assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal (*Note 5*);
- Investments in equity instruments are measured at fair value (*Notes 9 & 26*);
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (*Notes 14 & 18*);
- Accrued pension benefit liability is recognized as the net total of the fair value plan assets, less the present value of the defined benefit obligation (*Note 5*);
- Contingent considerations related to business acquisitions or disposals are measured at fair value (*Notes 5 & 26*).

(c) Presentation Currency

These consolidated financial statements are expressed in Canadian Dollars.

(d) Use of Estimates and Judgments

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Breakage *(Notes 2 and 15)*;
- Income Taxes *(Notes 2, 20 and 29)*;
- Impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital *(Notes 2 and 13)*;
- Provisions *(Note 16)*;
- Contingent Liabilities *(Note 21)*
- Fair value of investment in equity instruments (*Notes 9 & 26*).

PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation had the following significant operating subsidiaries at December 31, 2018:

Name	Nature of business	Reporting segment / discontinued operations	Country of incorporation and place of business	Proportion of ownership held directly by Aimia Inc. (%)	Proportion of ownership by the group (%)
Aimia Canada Inc.	Coalition Loyalty	Coalitions & discontinued operations	Canada	100	
Aimia Proprietary Loyalty Canada Inc.	Loyalty Solutions	Coalitions	Canada	100	
Aimia Middle East Free Zone LLC	Coalition Loyalty	ILS	United Arab Emirates		100
Aimia Loyalty Analytics UK Limited	Analytics and Insights	ILS	United Kingdom		100
Aimia Proprietary Loyalty U.K. Limited	Loyalty Solutions	ILS	United Kingdom		100
Aimia US Inc.	Loyalty Solutions	ILS	United States		100
Smart Button Associates Inc.	Loyalty Solutions	ILS	United States		100
Aimia Proprietary Loyalty Australia Pty Ltd.	Loyalty Solutions	ILS	Australia		100
Aimia Proprietary Loyalty Singapore Pte Ltd.	Loyalty Solutions	ILS	Singapore		100
Aimia Proprietary Loyalty FZ-LLC	Loyalty Solutions	ILS	United Arab Emirates		100
Aimia Proprietary Loyalty (HK) Limited	Loyalty Solutions	ILS	Hong Kong		100
Aimia Proprietary Loyalty Sendirian Berhad	Loyalty Solutions	ILS	Malaysia		100

Investments in Associates and Joint Arrangements (Note 10)

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

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

The Corporation had the following significant investments in joint arrangements at December 31, 2018:

Name	Nature of business	Nature of investment	Reporting segment / discontinued operations	Country of incorporation and place of business	% of ownership interest	Measurement method
PLM Premier, S.A.P.I. de C.V. (“PLM”)	Coalition Loyalty	Joint venture	Coalitions	Mexico	48.9	Equity
BIGLIFE Sdn Bhd (formerly Think Big Digital Sdn Bhd) (“BIGLIFE”)	Coalition Loyalty	Joint venture	Coalitions	Malaysia	20.0	Equity

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

Revenue Recognition

Aimia derives loyalty services fees by providing clients with loyalty strategy, program design, implementation, campaign, analytics and rewards fulfillment, as well as by deploying Aimia’s loyalty platforms including the Aimia Loyalty Platform - Enterprise and Aimia Loyalty Platform - SAAS as part of its loyalty solutions. These loyalty services often involve deliveries of multiple services and products (our performance obligations) that occur at different points in time and/or over different periods of time. As those performance obligations are often customized to our clients' needs, specific transaction prices are determined for each of the performance obligations. These loyalty services fees are included in Gross Billings and relevant revenue recognition policies are then applied, so that revenue is recognized when, or as, we satisfy the performance obligations.

More specifically, in regards to its technology platforms and services, the Corporation considers that the setup and implementation activities, licenses granting access to clients to our platforms and other loyalty services are separate performance obligations from one another. Setup and implementation activities are recognized on a point in time basis, when the setup is complete and the client has accepted the platforms. Platforms licensing revenues are recognized over time based on the length of the contract. The other loyalty services can be recognized either on a point in time or over time basis, depending on the specific nature of the performance obligations.

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

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount

recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. The Breakage estimate of the Air Miles Middle East program at December 31, 2018 is 30% (December 31, 2017: 30%).

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

Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise and royalties earned with respect to the Air Miles trademarks (*Note 5*) until their disposals, is also included in Gross Billings and is recognized as revenue when the services are rendered or in accordance with the substance of the agreements in the case of royalties.

Costs of rewards and direct costs

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. For the Air Miles Middle East program, Aimia determines that it acts as an agent in the delivery of the reward to the member. As such, the expense charged by the supplier is reclassified from the deferred revenue to offset the cost of rewards, with only the margin being recognized as revenue.

Direct costs consist of those costs directly attributable to the delivery of loyalty and analytics and insights services, technology, commissions and in certain cases labour. Aimia determines that it acts as an agent when rendering certain reward fulfillment services. Therefore, the direct costs associated to these services are recorded as a reduction to revenue, with only the margin being recognized as revenue.

EMPLOYEE FUTURE BENEFITS

Defined Benefit Plan for Aeroplan Contact Centre Employees (Note 5)

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Past-service costs are recognized immediately in earnings.

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

Defined Contribution

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

Short-Term Employee Benefits

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

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

Termination Benefits

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

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

LEASE PAYMENTS

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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INCOME TAXES

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

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

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

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

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

GOVERNMENT ASSISTANCE

Research and development tax credits received and receivable from the Canadian Federal and Québec Provincial governments are accounted for as government assistance and are recognized by the Corporation when there is a reasonable assurance that the entity will comply with relevant conditions and that the tax credits will be received. The tax credits are recognized as a reduction of the related expense or cost of the asset acquired that they are intended to compensate. The Corporation has recognized an amount of $2.5 million as a reduction of selling and marketing expenses for the year ended December 31, 2017 (2018: nil).

FOREIGN CURRENCY TRANSACTIONS

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

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FOREIGN OPERATIONS

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

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

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

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Corporation becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Classification

Aimia has classified its financial instruments as follows:

	Classification			
Financial instrument	Amortized cost	Fair value through profit and loss ("FVPL")	Fair value through other comprehensive income ("FVOCI") - debt	Fair value through other comprehensive income ("FVOCI") - equity
Measured at amortized cost				
Cash and cash equivalents, restricted cash, short-term investments	X			
Accounts receivable	X			
Long-term investments in corporate and government bonds	X			
Accounts payable and accrued liabilities	X			
Long-term debt	X			
Measured at fair value				
Investments in equity instruments [(a)]		X		
Investments in convertible notes		X		
Contingent consideration receivable		X		
Contingent consideration payable		X		

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

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Subsequent Measurement and Gains and Losses

Financial assets	
Amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
FVOCI - Debt instrument	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
FVOCI - Equity instrument	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial liabilities	
Amortized cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
FVPL	These liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Derecognition

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Corporation also derecognises a financial liability when its terms are modified and the cash flows of the

modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

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

Impairment of Financial Assets (Including Receivables)

The Corporation recognises an allowance for expected credit losses (“ECL”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a “12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a “lifetime ECL”).

For trade receivables, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Corporation has different payment terms agreements with its clients that can go up to three months. The Corporation consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

SHARE CAPITAL

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

Dividends payable by Aimia to its common and preferred shareholders, which are determined at the discretion of the Board of Directors and in accordance with the terms of each series of preferred shares (*Notes 22 and 23*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within equity.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds in current operating bank accounts, term deposits and fixed income securities with an original term to maturity of three months or less. The weighted average effective interest rate earned on cash and cash equivalents held at December 31, 2018 was 1.28% (2017: 0.58%). At December 31, 2018 and 2017, cash and cash equivalents consisted of funds in current operating bank accounts.

RESTRICTED CASH

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

SHORT-TERM INVESTMENTS

Short-term investments consist of fixed income securities with an original term to maturity of less than one year and greater than three months. Short-term investments also include investments in corporate and government bonds with a remaining term to maturity of less than one year. The weighted average yield to maturity of the short-term investments portfolio held at December 31, 2018 was 2.0% (2017: 1.9%).

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market with an original and remaining term to maturity of more than one year. These bonds have a remaining term to maturity varying between 1.4 years and 2.9 years and their weighted average yield to maturity is 2.4% at December 31, 2018 (2017: 2.1%).

Long-term investments also include investments in equity instruments (*Note 9*).

INVENTORIES

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

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PROPERTY AND EQUIPMENT

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

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

ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, SOFTWARE AND TECHNOLOGY

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

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

The remaining amortization period of Accumulation Partners' contracts is 8.0 years as at December 31, 2018. The amortization period reflects contract terms and renewals.

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

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

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

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TRADE NAMES AND GOODWILL

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

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

Acquisitions

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

PROVISIONS

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

STOCK-BASED COMPENSATION PLANS

Deferred Share Unit Plan

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

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

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

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

at the settlement date. Any changes in the fair value of the liability are recognized as compensation expense in earnings.

Share Unit Plan

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

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

Long-Term Incentive Plan

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

The vesting conditions of options and PSUs issued may include time and performance criteria, and are determined at the time of grant. In the case of options, the option term cannot exceed ten years, whereas the vesting period of PSUs shall end no later than December 31 of the calendar year which is three years after the calendar year in which the award is granted.

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

PSUs are considered cash-settled awards as they have historically been settled in cash. The fair value of PSUs, at the date of grant to PSU participants, is recognized as compensation expense over the vesting period using the graded method of amortization, with a credit to accounts payable and accrued liabilities and other long-term liabilities. The fair value of employee services received is calculated by multiplying the number of units expected to vest with

the fair value of one unit as of grant date based on the market price of the Corporation's common shares. In addition, PSUs are fair valued at the end of every reporting period.

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

EARNINGS PER COMMON SHARE

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

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

SEGMENT REPORTING

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

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(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 (*Note 5*) 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 (*Note 5*) 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 expense amount charged by 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Impact on the financial statements

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

	Year Ended December 31, 2017			
	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of operations (extract)				
Revenue from Loyalty Units	**53.6**	(34.7)	—	**18.9**
Revenue from Loyalty Services and Other	**352.0**	—	(138.8)	**213.2**
Total revenue	**405.6**	(34.7)	(138.8)	**232.1**
Cost of rewards and direct costs	**195.1**	(34.7)	(138.8)	**21.6**
Depreciation and amortization	**10.9**	—	—	**10.9**
Gross margin	**199.6**	—	—	**199.6**
Operating expenses	**309.7**	—	—	**309.7**
Operating income (loss)	**(110.1)**	—	—	**(110.1)**
Earnings (loss) before income taxes	**(173.3)**	—	—	**(173.3)**
Net earnings (loss) from continuing operations	**(183.0)**	—	—	**(183.0)**
Net earnings (loss) from discontinued operations	**(87.5)**	—	—	**(87.5)**
Net earnings (loss)	**(270.5)**	—	—	**(270.5)**
Earnings (loss) per common share	**(1.89)**	—	—	**(1.89)**
Continuing operations - Basic and fully diluted	**(1.31)**	—	—	**(1.31)**
Discontinued operations - Basic and fully diluted	**(0.58)**	—	—	**(0.58)**
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)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	At January 1, 2017			
	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 December 31, 2017			
	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 the Corporation's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FUTURE ACCOUNTING CHANGES

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

IFRS 16 Leases

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

IFRS 3 Amendments, Definition of a business

The IASB issued amendments to IFRS 3 - *Business combinations* to revise the definition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

IAS 1 and IAS 8 Amendments, Definition of material

The IASB issued amendments to IAS 1 - *Presentation of financial statements* and IAS 8 - *Accounting policies, changes in accounting estimates and errors* to revise the definition of material. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. At this time, management is reviewing the impact that these amendments will have on its consolidated financial statements.

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.

Annual Improvements to IFRSs 2015-2017 Cycle

The IASB issued Annual Improvements to IFRSs 2015-2017 Cycle, which includes amendments to the following standards:

- IFRS 3, *Business Combinations* was amended to clarify measurement of previously held interests in a joint operation when control is obtained.
- IFRS 11, *Joint Arrangements* was amended to clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests.

- IAS 12, *Income Taxes* was amended to clarify income tax consequences of payments on financial instruments classified as equity.
- IAS 23, *Borrowing Costs* was amended to clarify borrowing costs eligible for capitalization.

These amendments are effective for annual periods beginning on or after January 1, 2019. The Corporation has assessed the impact of the IFRS 3, IFRS 11 and IAS 23 amendments and concluded that they will not have an impact on its financial statements.

For the IAS 12 amendments, at this time, the Corporation does not anticipate that they will have a significant impact on its consolidated financial statements.

IFRIC 23, Uncertainty over income tax treatments

The IFRS Interpretations Committee issued IFRIC 23 - *Uncertainty over income tax treatments* which clarifies how the recognition and measurement requirements of IAS 12 - *Income Taxes* are applied where there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Corporation has assessed the impact of this Interpretation and concluded that it will not have an impact on its consolidated financial statements.

Conceptual framework

The IASB issued the revised *Conceptual framework for financial reporting* to replace its 2010 conceptual framework. The revised conceptual framework is effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. SEGMENTED INFORMATION

At December 31, 2018, the Corporation was organized in a divisional structure, which consisted of the following reportable and operating segments: Coalitions and ILS.

For each of the operating segments, the Corporation's Chief Executive Officer 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 derived its revenues primarily from the Aeroplan Program (*Note 5*), until its disposal on January 10, 2019 (*Note 29*), and from non-platform based loyalty services in Canada. While classified as discontinued operations in the consolidated statements of operations, the operating results of the Aeroplan Program and related assets are presented within the Coalitions segment for segmented information purposes as the operating results were reviewed on this basis by the Chief Executive Officer during the year ended December 31, 2018.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Years Ended December 31,									
	2018	2017 [d]	2018	2017 [d]	2018	2017 [d]	2018	2017 [d]	2018	2017 [d]
Operating Segments	**Coalitions [c]**		**ILS**		**Other Businesses**		**Eliminations**		**Consolidated segmented information [c]**	
Gross Billings from the sale of Loyalty Units	**1,251.8**	1,267.7	**46.8**	46.5	**—**	—	**—**	—	**1,298.6**	1,314.2
Gross Billings from Loyalty Services and Other	**66.0**	62.8	**117.4**	136.2	**—**	44.7	**(1.4)**	(1.2)	**182.0**	242.5
Total Gross Billings	**1,317.8**	1,330.5	**164.2**	182.7	**—**	44.7	**(1.4)**	(1.2)	**1,480.6**	1,556.7
Revenue from Loyalty Units	**1,293.3**	1,212.7	**12.5**	18.9	**—**	—	**—**	—	**1,305.8**	1,231.6
Revenue from Loyalty Services and Other	**65.3**	63.0	**117.4**	136.3	**—**	40.4	**—**	—	**182.7**	239.7
Intercompany revenue	**1.4**	—	**—**	—	**—**	1.2	**(1.4)**	(1.2)	**—**	—
Total revenue	**1,360.0**	1,275.7	**129.9**	155.2	**—**	41.6	**(1.4)**	(1.2)	**1,488.5**	1,471.3
Cost of rewards and direct costs	**858.3**	831.7	**15.6**	19.9	**—**	—	**(1.0)**	(0.4)	**872.9**	851.2
Depreciation and amortization [a]	**186.6**	169.5	**15.9**	9.4	**—**	0.4	**—**	—	**202.5**	179.3
Gross margin	**315.1**	274.5	**98.4**	125.9	**—**	41.2	**(0.4)**	(0.8)	**413.1**	440.8
Operating expenses before share-based compensation and other performance awards and impairment charges	**250.1**	287.7	**151.2**	157.7	**—**	58.0 [e]	**(0.4)**	(0.8)	**400.9**	502.6 [e]
Share-based compensation and other performance awards	**4.0**	(2.5)	**3.7**	(0.2)	**—**	—	**—**	—	**7.7**	(2.7)
Impairment charges (*Note 13*)	**—**	—	**38.4**	—	**—**	—	**—**	—	**38.4**	—
Total operating expenses	**254.1**	285.2	**193.3**	157.5	**—**	58.0 [e]	**(0.4)**	(0.8)	**447.0**	499.9 [e]
Operating income (loss)	**61.0**	(10.7)	**(94.9)**	(31.6)	**—**	(16.8) [e]	**—**	—	**(33.9)**	(59.1) [e]
Additions to non-current assets [b]	**17.1**	23.1	**9.7**	14.7	**—**	0.1	**N/A**	N/A	**26.8**	37.9
Non-current assets [b]	**2,467.2**	2,634.1	**23.5**	65.0	**—**	—	**N/A**	N/A	**2,490.7**	2,699.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(b) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment.

(c) Includes the operating results and non-current assets of the Aeroplan Program and related assets.

(d) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Note 2* for additional information.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The table below reconciles the financial information from the segmented information table to the financial information from continuing operations:

	Years Ended December 31,					
	2018	2017 [(d)]	2018	2017 [(d)]	2018	2017 [(d)]
	Consolidated segmented information		Aeroplan Program		Continuing operations (unless otherwise noted)	
Gross Billings from the sale of Loyalty Units	**1,298.6**	1,314.2	**(1,251.8)**	(1,267.7)	**46.8**	46.5
Gross Billings from Loyalty Services and Other	**182.0**	242.5	**(27.6)** *(f)*	(26.5) *(f)*	**154.4**	216.0
Total Gross Billings	**1,480.6**	1,556.7	**(1,279.4)** *(f)*	(1,294.2) *(f)*	**201.2**	262.5
Revenue from Loyalty Units	**1,305.8**	1,231.6	**(1,293.3)**	(1,212.7)	**12.5**	18.9
Revenue from Loyalty Services and Other	**182.7**	239.7	**(28.1)** *(f)*	(26.5) *(f)*	**154.6**	213.2
Intercompany revenue	**—**	—	**—**	—	**—**	—
Total revenue	**1,488.5**	1,471.3	**(1,321.4)** *(f)*	(1,239.2) *(f)*	**167.1**	232.1
Cost of rewards and direct costs	**872.9**	851.2	**(855.6)** *(f)*	(829.6) *(f)*	**17.3**	21.6
Depreciation and amortization [(a)]	**202.5**	179.3	**(186.1)**	(168.4)	**16.4**	10.9
Gross margin	**413.1**	440.8	**(279.7)**	(241.2)	**133.4**	199.6
Operating expenses before share-based compensation and other performance awards and impairment charges	**400.9**	502.6 [(e)]	**(177.3)**	(190.5)	**223.6**	312.1 [(e)]
Share-based compensation and other performance awards	**7.7**	(2.7)	**(1.6)**	0.3	**6.1**	(2.4)
Impairment charges (*Note 13*)	**38.4**	—	**—**	—	**38.4**	—
Total operating expenses	**447.0**	499.9 *(e)*	**(178.9)**	(190.2)	**268.1**	309.7 *(e)*
Operating income (loss) [(b)]	**(33.9)**	(59.1) [(e)]	**(100.8)**	(51.0)	**(134.7)**	(110.1) [(e)]
Additions to non-current assets [(c)]	**26.8**	37.9	**(17.1)**	(23.1)	**9.7**	14.8
Non-current assets [(c)]	**2,490.7**	2,699.1	**(2,466.3)**	N/A	**24.4**	2,699.1 *(g)*

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

(b) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the years ended December 31, 2018 and December 31, 2017 is presented in the consolidated statements of operations.

(c) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment.

(d) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Note 2* for additional information.

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

(f) These figures are net of intercompany transactions between the Canadian loyalty solutions business and the Aeroplan Program of $9.9 million and $10.1 million for the years ended December 31, 2018 and December 31, 2017, respectively.

(g) Includes non-current assets related to the Aeroplan Program and related assets of $2,632.6 million at December 31, 2017. At December 31, 2018, non-current assets related to the Aeroplan Program and related assets were presented as assets held for sale (*Note 5*).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. GEOGRAPHIC INFORMATION

Revenue from continuing operations

	Years Ended December 31,	
	2018	2017
Canada [(a)]	**37.2**	36.6
United Kingdom	**37.2**	44.6
United Arab Emirates	**22.9**	29.5
United States	**26.9**	61.2
Australia	**22.2**	29.9
Other	**20.7**	30.3
Total	**167.1**	232.1

(a) Includes revenue recognized by the Canadian loyalty solutions business for services rendered to the Aeroplan Program of $9.9 million and $10.1 million for the years ended December 31, 2018 and December 31, 2017, respectively.

Revenue from customers are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

Non-current assets

As at	December 31,	
	2018	2017
Canada [(a)]	**0.9**	2,634.1
United Arab Emirates	**19.8**	30.0
Other	**3.7**	35.0
Total	**24.4**	2,699.1

(a) Includes non-current assets related to the Aeroplan Program and related assets of $2,632.6 million at December 31, 2017. At December 31, 2018, non-current assets related to the Aeroplan Program and related assets were presented as assets held for sale (*Note 5*).

Non-current assets for this purpose include amounts relating to goodwill, intangible assets and property and equipment.

5. DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISCONTINUED OPERATIONS

Aeroplan coalition loyalty program and related assets

Air Canada, The Toronto-Dominion Bank ("TD"), Canadian Imperial Bank of Commerce ("CIBC"), Visa Canada Corporation ("Visa") (collectively, "the Consortium") and Aimia announced on August 21, 2018 that they had entered into an agreement in principle for the acquisition of Aimia's Aeroplan loyalty business. Subject to the terms and conditions of the agreement in principle, the Consortium had agreed to purchase from Aimia, all of the issued and outstanding shares of the capital of its wholly-owned subsidiary, Aimia Canada Inc., the owner and operator of the Aeroplan loyalty program and business.

On November 26, 2018, Aimia announced that it entered into a definitive share purchase agreement (the "Agreement") with Air Canada for the purchase by Air Canada of all of the issued and outstanding share capital of Aimia Canada Inc.

The completion of the transaction was subject to the approval of the transaction by Aimia's common and preferred shareholders, as well as satisfaction or waiver of other customary closing conditions, including regulatory approvals. While most of the closing conditions were met prior to December 31, 2018, Aimia shareholder approval was obtained on January 8, 2019.

Based on the progress of the transaction, including the projected shareholder vote analysis as at December 31, 2018, management concluded that the Aeroplan loyalty business met the criteria for presentation as held for sale at December 31, 2018, and accordingly, qualified for discontinued operations classification.

The transaction was completed on January 10, 2019 (*Note 29*).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The operating results are presented as discontinued operations and prior periods have been restated.

	Years Ended December 31,			
	2018		2017	
Results of the Aeroplan Program and related assets				
Gross Billings from the sale of Loyalty Units	**1,251.8**		1,267.7	
Gross Billings from Loyalty Services and Other	**27.6**	*(b)*	26.5	*(b)*
Total Gross Billings	**1,279.4**	*(b)*	1,294.2	*(b)*
Revenue from Loyalty Units	**1,293.3**		1,212.7	
Revenue from Loyalty Services and Other	**28.1**	*(b)*	26.5	*(b)*
Intercompany revenue	**—**		—	
Total revenue	**1,321.4**	*(b)*	1,239.2	*(b)*
Cost of rewards and direct costs	**855.6**	*(b)*	829.6	*(b)*
Depreciation and amortization *(a)*	**186.1**		168.4	
Gross margin	**279.7**		241.2	
Operating expenses before share-based compensation and other performance awards	**177.3**		190.5	
Share-based compensation and other performance awards	**1.6**		(0.3)	
Total operating expenses	**178.9**		190.2	
Operating income	**100.8**		51.0	
Net financial income (expenses)	**0.1**		(0.3)	
Income tax recovery (expense)	**(15.1)**		2.4	
Net earnings from the Aeroplan Program and related assets	**85.8**		53.1	

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

(b) These figures are net of intercompany transactions between the Canadian loyalty solutions business and the Aeroplan Program of $9.9 million and $10.1 million for the years ended December 31, 2018 and December 31, 2017, respectively.

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

	Years Ended December 31,	
	2018	2017
Net cash flows of the Aeroplan Program and related assets		
Cash flows from (used in):		
Operating activities	**205.7**	289.4
Investing activities - Additions to property, equipment, software and technology	**(17.1)**	(23.1)
Total	**188.6**	266.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

At December 31, 2018, the assets and liabilities related to the disposal group were as follows:

Assets held for sale	
Income taxes receivable	3.3
Accounts receivable	118.7
Prepaid expenses	8.1
Property and equipment	14.4
Software and technology	77.7
Accumulation partners' contracts and customer relationships	423.4
Trade names	275.0
Goodwill	1,675.8
Total	**2,596.4**
Liabilities held for sale	
Accounts payable and accrued liabilities	125.9
Provisions	10.7
Deferred revenue	2,912.1
Pension and other long-term liabilities	47.4
Deferred income taxes	91.6
Total	**3,187.7**

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 (“Sainsbury's”). The related assets include the Nectar trademarks, the Intelligent Shopper Solutions U.K and Intelligent Research businesses, and Aimia's 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 was subject to customary working capital adjustments based on closing accounts. The amount owed to Sainsbury’s related to working capital adjustments of $20.5 million (£11.8 million) was accrued in the three months ended March 31, 2018, offsetting cash generated by the disposed business in January, and was paid in April 2018.

Aimia and Sainsbury’s were to provide each other transition services for a period of up to nine months. These services included 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 for the sublease space at the transaction date. Aimia has recorded this prepayment of $11.8 million (£6.7 million) as an outflow in cash from operating activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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**
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	10.2
Gain on disposal of the Nectar program and related assets	**1.6**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The operating results are presented as discontinued operations and prior periods have been restated.

	Years Ended December 31,	
	2018	2017
		(Note 2)
Results of the Nectar Program and related assets		
Gross Billings from the sale of Loyalty Units	**25.7**	409.1
Gross Billings from Loyalty Services and Other	**1.5**	23.8
Total Gross Billings	**27.2**	432.9
Revenue from Loyalty Units	**6.5**	94.4
Revenue from Loyalty Services and Other	**1.5**	23.9
Intercompany revenue	**—**	—
Total revenue	**8.0**	118.3
Cost of rewards and direct costs	**—**	5.0
Depreciation and amortization [(a)]	**—**	10.8
Gross margin	**8.0**	102.5
Operating expenses before impairment charges	**4.6**	57.7
Impairment charges	**—**	180.5
Total operating expenses	**4.6**	238.2
Operating income (loss)	**3.4**	(135.7)
Gain on disposal of businesses and other assets	**1.6**	—
Net financial expenses	**(1.7)**	(2.8)
Share of net earnings of equity-accounted investments	**0.5**	7.5
Income tax expense	**—**	(9.6)
Net earnings (loss) from the Nectar Program and related assets	**3.8**	(140.6)

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

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

	Years Ended December 31,	
	2018	2017
Net cash flows of the Nectar Program and related assets		
Cash flows from (used in):		
Operating activities	**15.3**	55.4
Investing activities - Additions to property, equipment, software and technology	**—**	(5.5)
Investing activities - Net payments for the disposal of businesses and other assets	**(187.6)**	—
Total	**(172.3)**	49.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

DISPOSAL OF BUSINESSES AND OTHER ASSETS

Canadian Air Miles trademarks

On August 25, 2017, Aimia sold the Canadian Air Miles trademarks for a cash consideration of $53.75 million. In addition, a contingent consideration, up to a maximum of $13.75 million, to be paid to Aimia within the next three years, subject to certain milestones being met. These milestones included the long term contract renewal of Bank of Montreal as a program sponsor in the Canadian Air Miles Reward Program as well as the performance of the program post contract renewal. On August 25, 2017, the fair value of the contingent consideration receivable was estimated at $5.3 million and was presented in long-term receivable in the consolidated statement of financial position.

Consideration associated with the disposal of the Canadian Air Miles Trademarks	
Cash	53.8
Contingent consideration receivable	5.3
Transaction costs	(1.2)
Consideration relating to disposed assets, net of transaction costs	**57.9**
Trade name	75.1
Loss before reclassification to net earnings of cumulative translation adjustment	**(17.2)**
Reclassification to net earnings of cumulative translation adjustments	(2.7)
Loss on disposal of the Canadian Air Miles Trademarks	**(19.9)**

As a result of the transaction, Aimia recorded a current income tax expense of $14.0 million and a deferred income tax recovery of $12.8 million.

Prior to their disposal, the royalty revenue and the asset related to the Canadian Air Miles trademarks were included within Other Businesses (*Note 3*). The operating results associated to the Canadian Air Miles trademarks, until their disposal, are presented under continuing operations as they did not qualify for discontinued operations classification.

During the first quarter of 2018, the carrying amount of the contingent consideration receivable was fully reversed given that certain milestone conditions were not met. The adjustment is recorded in loss on disposal of businesses and other assets in the consolidated statements of operations. In addition, current tax expense was reduced by $1.3 million following the reversal of the contingent consideration receivable.

During the second quarter of 2018, Aimia paid income taxes of $12.4 million related to the transaction which was included in investing activities in the consolidated statement of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

U.S. CEL business

On May 1, 2017, Aimia closed the sale of its U.S. CEL business for a negligible consideration. As part of the transaction, Aimia and the buyer were to provide to each other with transition services for a period of up to April 30, 2018.

Consideration associated with the disposal of the U.S. CEL Business	
Cash	—
Transaction costs	(1.1)
Consideration relating to disposed assets and liabilities, net of transaction costs	**(1.1)**
Assets and liabilities disposed of	
Cash and cash equivalents	44.1
Accounts receivable	25.7
Prepaid expenses	29.9
Property and equipment	4.8
Software and technology	1.2
Customer relationships	14.6
Goodwill	4.3
Accounts payable and accrued liabilities	(20.3)
Customer deposits	(80.9)
Deferred revenue	(22.4)
Pension and other long-term liabilities	(1.4)
Net assets (liabilities) disposed of	**(0.4)**
Reclassification to net earnings of cumulative translation adjustments	**6.1**
Gain on disposal of U.S. CEL Business	**5.4**

Prior to their disposal, the assets and liabilities related to the U.S. CEL business were included within Other Businesses (*Note 3*). The operating results of the U.S. CEL business, until its disposal, are presented under continuing operations as it did not qualify for discontinued operations classification.

New Zealand business

On May 8, 2017, Aimia sold its New Zealand business for a negligible consideration. The net assets on the disposal date, representing an amount of $0.2 million, included cash and cash equivalents of $2.1 million. As a result of the sale, the cumulative translation adjustments related to the New Zealand business, representing an amount of $1.0 million, were reclassified to net earnings. Prior to their disposal, the assets and liabilities related to the New Zealand business were included within Other Businesses (*Note 3*). The operating results of the New Zealand business, until its disposal, are presented under continuing operations as it did not qualify for discontinued operations classification.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. FINANCIAL INCOME AND EXPENSES

	Years Ended December 31,	
	2018	2017
Interest income on loans, receivables and convertible notes	3.0	2.4
Interest income on investments in bonds	5.7	6.9
Fair value gain on convertible loans of Cardlytics (*Note 26*)	—	7.7
Other financial income	5.9	—
Financial income	**14.6**	17.0
Interest on long-term debt	(23.7)	(29.5)
Other financial expenses	—	(7.3)
Financial expenses	**(23.7)**	(36.8)
Net fair value loss on investments in equity instruments (*Note 26*)	**(3.1)**	(57.4)
Net financial expenses	**(12.2)**	(77.2)

7. EARNINGS (LOSS) PER COMMON SHARE

	Years Ended December 31,	
	2018	2017
Net loss attributable to equity holders of the Corporation	**(72.0)**	(270.5)
Deduct: Dividends declared on preferred shares (*Note 22*)	**—**	(8.5)
Deduct: Cumulative undeclared dividends on preferred shares related to the period (*Note 22*)	**(17.5)**	(8.5)
Net loss attributable to common shareholders	**(89.5)**	(287.5)
Weighted average number of basic and diluted common shares	**152,307,196**	152,303,955
Earnings (loss) per common share – Basic and fully diluted	**$ (0.59)**	$ (1.89)
Continuing operations - Basic and fully diluted	**$ (1.18)**	$ (1.31)
Discontinued operations - Basic and fully diluted	**0.59**	(0.58)

8. ACCOUNTS RECEIVABLE

As at	December 31,	December 31,
	2018	2017
Trade receivables	50.7	141.8
Other receivables	9.0	14.3
Total	**59.7**	156.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

9. LONG-TERM INVESTMENTS

	December 31, 2018	December 31, 2017
Investments in equity instruments (*Note 26*) [(a)]	54.0	52.0
Investment in corporate and government bonds [(b)]	154.9	207.1
Total	**208.9**	259.1

(a) Includes the investments in Cardlytics and Fractal Analytics at December 31, 2018 and December 31, 2017 (*Note 26*).

(b) The investment in corporate and government bonds amounted to $223.9 million at December 31, 2018 (December 31, 2017: $272.3 million) of which $69.0 million was classified as short-term investments (December 31, 2017: $65.2 million) and $154.9 million as long-term investments (December 31, 2017: $207.1 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

10. EQUITY-ACCOUNTED INVESTMENTS

As at	December 31,	December 31,
	2018	2017
Investment in PLM Premier, S.A.P.I. de C.V. [(a)]	67.5	82.5
Other equity-accounted investments in joint ventures [(b)]	16.0	17.2
Total	**83.5**	99.7

(a) During the year ended December 31, 2018, Aimia received distributions from PLM of $17.9 million (US$13.7 million), compared to distributions of $17.7 million (US$13.7 million) for the year ended December 31, 2017.

(b) During the year ended December 31, 2018, Aimia received distributions from equity-accounted investments in joint ventures of $1.7 million, compared to distributions of $9.8 million for the year ended December 31, 2017. These amounts included distributions from i2c of $6.9 million for the year ended December 31, 2017. 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 coalition loyalty program and related assets.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
	2018	2017
Investment in PLM Premier, S.A.P.I. de C.V. [(a)]	(3.7)	25.7
Other equity-accounted investments in joint ventures	(0.4)	(0.7)
Equity-accounted investments in associates [(b)]	—	2.7
Total	**(4.1)**	27.7

(a) During the fourth quarter of 2018, the Breakage estimate in the Club Premier program was revised. The impact of the change in Breakage estimate was a reduction of $36.4 million (US$ 27.6 million) to the share of net earnings.

(b) During the first quarter of 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 first quarter of 2017 and is presented in share of net earnings (loss) of equity-accounted investments. The consideration was collected in April 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Summarized balance sheet

As at	December 31, 2018	December 31, 2017
Cash and cash equivalents	83.9	47.4
Other current assets	183.5	147.7
Total current assets	267.4	195.1
Total non current assets	144.0	92.0
Total assets	**411.4**	287.1
Total current liabilities	(256.5)	(212.9)
Total non-current liabilities	(296.6)	(169.7)
Total liabilities	**(553.1)**	(382.6)
Net liabilities	**(141.7)**	(95.5)

Summarized statement of comprehensive income

	Years Ended December 31,	
	2018	2017
Revenue	**192.2**	250.7
Cost of rewards and operating expenses	(205.2)	(177.9)
Depreciation and amortization	(2.4)	(2.1)
Operating income (loss)	**(15.4)**	70.7
Net financial income	6.9	10.4
Income tax recovery (expense)	7.5	(21.7)
Net earnings (loss)	**(1.0)**	59.4
Other comprehensive income (loss)	(8.8)	7.5
Comprehensive income (loss)	**(9.8)**	66.9

During the fourth quarter of 2018, the Breakage estimate in the Club Premier program was revised. The change in the Breakage estimate resulted in a reduction of $106.4 million (US$80.7 million) to revenue and a corresponding increase to deferred revenue. The net earnings impact was a reduction of $74.5 million (US$56.5 million) to the results of PLM.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2018	2017
PLM net assets (liabilities), beginning of year	**(95.5)**	(126.3)
Net earnings (loss) for the year	(1.0)	59.4
Other comprehensive income (loss) for the year	(8.8)	7.5
Distributions declared during the year	(36.4)	(36.1)
PLM net assets (liabilities), end of year	**(141.7)**	(95.5)
Interest in PLM @ 48.9%	(69.2)	(46.7)
Net book value of identifiable assets and goodwill recognized on a step basis	136.7	129.2
Carrying value, end of year	**67.5**	82.5

	Years Ended December 31,	
	2018	2017
Net earnings (loss) for the year	**(1.0)**	59.4
Share of net earnings (loss) of PLM @ 48.9%	(0.5)	29.0
Amortization expense related to identifiable assets recognized on a step basis	(3.2)	(3.3)
Aimia's share of PLM net earnings (loss)	**(3.7)**	25.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

11. REDEMPTION RESERVE

Aeroplan maintained the Aeroplan Miles redemption reserve (the "Reserve"), which, could be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. During the year ended December 31, 2018, the Reserve was removed, thus the funds held in the Reserve became available for general use. At December 31, 2017, the Reserve amounted to $300.0 million and was included in cash and cash equivalents, short-term investments and long-term investments.

12. PROPERTY AND EQUIPMENT

As at	December 31, 2018			December 31, 2017		
	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment
Cost	**9.4**	**1.6**	**11.0**	27.6	25.9	53.5
Accumulated depreciation and impairment	**(8.8)**	**(1.2)**	**(10.0)**	(17.6)	(16.7)	(34.3)
Net carrying amount	**0.6**	**0.4**	**1.0**	10.0	9.2	19.2

Additions to furniture, fixtures and computer hardware amounted to $0.2 million for the year ended December 31, 2018 (2017: $0.2 million). There were no addition to leasehold improvements for the year ended December 31, 2018 (2017: $0.3 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Property and Equipment	Accumulation Partners' Contracts and Customer Relationships	Software and Technology	Trade Names	Other Intangibles	Goodwill
Year ended December 31, 2017						
Opening net carrying amount	30.5	732.7	136.4	394.6	0.3	1,975.7
Additions - Internally generated	—	—	42.1	—	—	—
Additions - Purchased	0.5	—	—	—	—	—
Disposals - Sale of Canadian Air Miles trademarks (*Note 5*)	—	—	—	(75.1)	—	—
Depreciation and amortization expense [(a) (b)]	(6.3)	(142.9)	(40.7)	—	(0.2)	—
Impairment charges [(c)]	—	—	—	—	—	(180.5)
Reclassification to assets held for sale - Nectar coalition loyalty program and related assets (*Note 5*)	(5.3)	(3.4)	(12.6)	(35.2)	—	(114.0)
Exchange differences and other	(0.2)	(0.4)	(0.7)	(0.6)	—	4.4
Closing net carrying amount	**19.2**	**586.0**	**124.5**	**283.7**	**0.1**	**1,685.6**
At December 31, 2017						
Cost	53.5	1,548.0	466.1	283.7	1.1	1,801.5
Less: accumulated depreciation and amortization	32.0	955.3	304.5	—	0.9	—
Less: accumulated impairment charges [(d)]	2.3	6.7	37.1	—	0.1	115.9
Closing Net carrying amount	**19.2**	**586.0**	**124.5**	**283.7**	**0.1**	**1,685.6**
Year ended December 31, 2018						
Opening net carrying amount	19.2	586.0	124.5	283.7	0.1	1,685.6
Additions - Internally generated	—	—	30.5	—	—	—
Additions - Purchased	0.2	—	—	—	—	—
Disposals	(0.7)	—	—	—	—	—
Depreciation and amortization expense [(a) (b)]	(3.3)	(152.6)	(46.5)	—	(0.1)	—
Impairment charges [(c)]	—	—	(28.4)	—	—	(10.0)
Reclassification to assets held for sale - Aeroplan coalition loyalty program and related assets (*Note 5*)	(14.4)	(423.4)	(77.7)	(275.0)	—	(1,675.8)
Exchange differences and other	—	0.7	1.4	0.2	—	0.2
Closing net carrying amount	**1.0**	**10.7**	**3.8**	**8.9**	**—**	**—**
At December 31, 2018						
Cost	11.0	29.2	158.0	8.9	1.1	125.9
Less: accumulated depreciation and amortization	7.7	18.5	88.7	—	1.0	—
Less: accumulated impairment charges [(d)]	2.3	—	65.5	—	0.1	125.9
Closing Net carrying amount	**1.0**	**10.7**	**3.8**	**8.9**	**—**	**—**

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

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

(c) Impairment charges attributable to continuing operations are included in operating expenses in the consolidated statement of operations. Impairment charges attributable to discontinuing operations are included in net earnings (loss) from discontinued operations in the consolidated statement of operations.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and Trade Names

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

The recoverable amounts of Aimia's cash-generating units for the year ended December 31, 2018 were based on a fair value less costs of disposal calculation. The valuation technique is classified as level 3 in accordance with the fair value hierarchy described in *Note 26*.

Fair value less costs of disposal was determined by using different valuation techniques which includes discounted future cash flows generated from the continuing use of the unit and a market approach derived using a multiplication of projected earnings. The calculation of the discounted future cash flows was based on the following key assumptions:

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

The key assumptions for the market approach include:

- Adjusted EBITDA projected on the basis of past experience, actual operating results and the 2019 long range plan. Adjusted EBITDA is a non-GAAP measure and represents earnings before interest, taxes, depreciation and amortization adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs (“Adjusted EBITDA”);
- Multipliers were determined on the basis of historical and publicly available information of comparable companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The aggregate carrying amounts of goodwill and trade names (pre and post impairment testing) allocated by CGU at December 31, 2018 as well as the terminal growth rate and discount rate applied in the discounting of future cash flows are as follows:

As at	December 31, 2018		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment testing	Carrying Amount - Pre impairment testing	Terminal Growth Rate	Discount Rate
Goodwill				
ILS				
Middle East loyalty solutions business	—	10.0	1.5	19.0
Trade Names				
Middle East loyalty solutions business	8.9	8.9	1.5	19.0

Based on the results of the impairment tests conducted in 2018, the carrying amounts of the Middle East loyalty solutions business was determined to be greater than its recoverable amount. The $10.0 million impairment charge has been completely allocated to the goodwill of the CGU.

The impairment charge of the Middle East loyalty solutions business relates mainly to lower projected cash flows based on renegotiated contract terms with the main coalition partner in the Air Miles Middle East program. The estimated life of the Accumulation Partners' contract has also been revised to reflect the management most recent estimate. The effect of this change on the amortization of accumulation partners' contracts for future accounting periods is presented in the following table.

Accounting period	Increase (decrease)
Years ending December 31, 2019 to December 31, 2026 - Cumulative	4.3
Years ending December 31, 2027 to December 31, 2032 - Cumulative	(4.3)

Prior to the presentation of the assets and liabilities of the Aeroplan Program and related assets (the “Aeroplan Disposal Group”) as held for sale at December 31, 2018 (*Note 5*), management compared the carrying amount of the Aeroplan Disposal Group to its fair value less costs of disposal. No impairment was recorded as the carrying amount of the Aeroplan Disposal Group was determined to be lower than its fair value less costs of disposal. The fair value of the Aeroplan Disposal Group at December 31, 2018 was based on the terms of the Agreement reached with Air Canada on November 26, 2018 which closed on January 10, 2019 (*Note 29*).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The aggregate carrying amounts of goodwill and trade names (pre and post impairment testing) allocated by CGU or group of CGUs at December 31, 2017 as well as the terminal growth rate and discount rate applied in the discounting of future cash flows are as follows:

As at	December 31, 2017		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment testing	Carrying Amount - Pre impairment testing	Terminal Growth Rate	Discount Rate
Goodwill				
Coalitions				
Aeroplan	1,675.8	1,675.8	1.5	15.8
ILS				
Middle East loyalty solutions business	9.8	9.8	1.5	20.0
Total	**1,685.6**	**1,685.6**		
Trade Names				
Aeroplan	275.0	275.0	1.5	15.8
Middle East loyalty solutions business	8.7	8.7	1.5	20.0
Total	**283.7**	**283.7**		

Based on the results of the impairment tests conducted in 2017, the carrying amounts of the units listed above were determined to be lower than their recoverable amounts.

During the fourth quarter of 2017, the Corporation recorded an impairment charge of $180.5 million relating to the Nectar coalition loyalty program and related assets within discontinued operations. The assets and liabilities of the disposal group were presented as held for sale at December 31, 2017. The fair value of the disposal group at December 31, 2017 was based on the terms of the transaction that closed on January 31, 2018 (*Note 5*).

Other non-financial assets

In addition to the units listed above, the International ISS business cash-generating unit has been tested for impairment in the second and fourth quarters of 2018 given delays in the execution of management's business plan and lost clients. As a result, projected Gross Billings and Adjusted EBITDA have been reduced, resulting in lower projected cash flows. Based on the results of the impairment tests conducted in the second and fourth quarters of 2018, the Corporation recorded impairment charges of $8.0 million and $20.4 million, respectively, relating to the International ISS business. The impairment charges have been recorded against the software and technology assets and are presented in impairment charges in the consolidated statement of operations. The recoverable amounts of the International ISS cash-generating units in the second and fourth quarters of 2018 were based on fair value less costs of disposal calculations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2018	December 31, 2017
Trade payables and redemption accruals	25.2	127.0
Non-trade payables and other accrued expenses	43.1	50.6
Dividends payable (*Note 22*)	34.7	—
Share-based compensation and other performance awards liability	7.2	2.0
Restructuring liabilities	6.4	7.0
Base and contingent consideration payable related to business acquisitions (*Note 26*)	3.1	2.6
Total	**119.7**	189.2

RESTRUCTURING LIABILITIES

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

	Divisional structure	Other restructuring	Total
Balance at December 31, 2016	**3.5**	**1.5**	**5.0**
Liability recorded during the year	23.9	0.4	24.3
Payments made during the year	(20.6)	(1.0)	(21.6)
Liability relating to the disposal of businesses (*Note 5*)	(0.2)	(0.8)	(1.0)
Foreign exchange translation adjustment	0.3	—	0.3
Balance at December 31, 2017	**6.9**	**0.1**	**7.0**
Liability recorded during the year	18.9	—	18.9
Payments made during the year	(19.0)	(0.1)	(19.1)
Foreign exchange translation adjustment	(0.4)	—	(0.4)
Balance at December 31, 2018	**6.4**	**—**	**6.4**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Restructuring expenses recorded during the years ended December 31, 2018 and 2017 for each segment are presented below:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
Segment	Divisional structure	Other restructuring	Total	Divisional structure	Other restructuring	Total
Coalitions	9.5	—	9.5	8.6	—	8.6
ILS	4.8	—	4.8	5.1	0.1	5.2
Discontinued operations - Nectar	0.4	—	0.4	3.4	—	3.4
Discontinued operations - Aeroplan	4.2	—	4.2	6.5	—	6.5
Other Businesses	—	—	—	0.3	0.3	0.6
Total	**18.9**	**—**	**18.9**	23.9	0.4	24.3

Restructuring expenses recorded during the years ended December 31, 2018 and 2017 consisted primarily of severance costs of related to headcount reductions associated with the Corporation's focus on simplifying the business. Restructuring expenses (net of reversals), with the exception of those included in discontinued operations, are included in general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

15. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Loyalty Services and Other		Total	
As at	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Opening balance	**3,236.2**	3,204.2	**10.0**	38.7	**3,246.2**	3,242.9
Loyalty Units issued – Gross Billings	**46.8**	46.5	**—**	—	**46.8**	46.5
Other – Gross Billings	**—**	—	**154.4**	216.0	**154.4**	216.0
Revenue recognized	**(12.5)**	(18.9)	**(154.6)**	(213.2)	**(167.1)**	(232.1)
Cost of rewards - Air Miles Middle East program [(a)]	**(30.6)**	(34.7)	**—**	—	**(30.6)**	(34.7)
Deferred revenue relating to the disposal of businesses (*Note 5*)	**(243.4)**	—	**(4.6)**	(22.4)	**(248.0)**	(22.4)
Gross Billings related to discontinued operations (*Note 5*)	**1,277.5**	1,676.8	**29.1**	50.3	**1,306.6**	1,727.1
Revenue related to discontinued operations (*Note 5*)	**(1,299.8)**	(1,307.1)	**(29.6)**	(50.4)	**(1,329.4)**	(1,357.5)
Cost of rewards related to discontinued operations - Nectar program (*Note 5*) [(a)]	**(23.0)**	(333.5)	**—**	—	**(23.0)**	(333.5)
Foreign currency and other adjustments	**11.6**	2.9	**0.7**	(9.0)	**12.3**	(6.1)
Ending balance	**2,962.8**	3,236.2	**5.4**	10.0	**2,968.2**	3,246.2
Represented by:						
Current portion	**42.0**	1,280.7	**4.6**	5.5	**46.6**	1,286.2
Held for sale (*Note 5*)	**2,911.3**	239.3	**0.8**	4.4	**2,912.1**	243.7
Long-term	**9.5**	1,716.2	**—**	0.1	**9.5**	1,716.3

(a) Gross Billings from the sale of loyalty units are deferred until the loyalty units are redeemed and the reward is provided to the member. With respect to the Air Miles Middle East program (and the Nectar program until its disposal), Aimia has determined that it acted as an agent in the delivery of the rewards to the members for the year ended December 31, 2018 and for the year ended December 31, 2017, therefore, the expenses charged by the suppliers are recorded against the deferred revenue, with only the margin being recognized as revenue.

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 $4.4 million at December 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 and the experienced mix of the various types of rewards that members have selected, based on past experience.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

16. PROVISIONS

	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 year	—	—	—
Provision used during the year	(1.0)	(3.3)	(4.3)
Provision reversed during the year	(1.3)	—	(1.3)
Foreign exchange translation adjustment	—	1.3	1.3
Balance at December 31, 2018	**0.1**	**15.2**	**15.3**
Represented by:			
Current portion	**—**	**3.2**	**3.2**
Held for sale (*Note 5*)	**0.1**	**10.6**	**10.7**
Long-term portion	**—**	**1.4**	**1.4**

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 and is presented within discontinued operations (*Note 5*).

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. Based on actual card migration data and management's estimate of migration patterns going forward, the Card Migration Provision was reduced by $1.3 million during the year ended December 31, 2018. The adjustment was recorded as a reduction to general and administrative expenses and is presented within discontinued operations (*Note 5*).

At December 31, 2018, the provision was presented as held for sale.

ONEROUS CONTRACT PROVISION

Upon the disposal the U.S. CEL Business (*Note 5*), 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.

Based on the terms of the Agreement for the sale of the Aeroplan Program and related assets, a portion of the unavoidable costs has transfered to the buyer at the closing of the transaction on January 10, 2019 (*Note 29*). This portion of the provision was presented as held for sale at December 31, 2018. The remaining provision represents the remaining payments to be made under the arrangement by Aimia until June 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17. LONG-TERM DEBT

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

	Authorized at December 31, 2018	Drawn at December 31, 2018	Drawn at December 31, 2017
Revolving facility [(a)(c)]	208.0	51.1	200.0
Senior Secured Notes Series 4 [(b)]	N/A	250.0	250.0
Unamortized transaction costs	N/A	(0.2)	(0.7)
Total long-term debt		**300.9**	**449.3**
Less: current portion [(a)(b)]		300.9	—
Long-term debt		**—**	**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 (*Note 5*) on January 31, 2018. 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 ranged 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 had agreed to other amendments which included:

- 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.

In May, August and November 2018, repayments of $20.2 million, $10.0 million and $18.8 million, respectively, were made on the revolving facility, representing 50% of the reported free cash flow in the the first three quarters of 2018.

At December 31, 2018, amounts borrowed under the revolving facility were in the form of prime loans, bearing an interest rate of 5.70%. At December 31, 2018, Aimia had issued irrevocable letters of credit in the aggregate amount of $9.7 million. This amount reduced the available credit under the revolving facility.

Following the completion of the sale of the Aeroplan Program and related assets, the revolving facility was fully repaid and terminated (*Note 29*).

(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 maturing on May 17, 2019. As a result of credit rating downgrades by DBRS and S&P in August 2017, the notes bore interest at 6.85% per annum. Following the completion of the sale of the Aeroplan Program and related assets, the Senior Secured Notes Series 4 were early redeemed on February 8, 2019 (*Note 29*).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

18. PENSION AND OTHER LONG-TERM LIABILITIES

As at	December 31, 2018	December 31, 2017
Pension and other future benefits obligations (*Note 5*)	**—**	42.9
Dividends payable (*Note 22*)	**—**	34.7
Share-based compensation and other performance awards liability	**4.1**	4.6
Base and contingent consideration payable related to business acquisitions *(Note 26)*	**—**	2.7
Deferred tenant allowances and lease inducements	**—**	5.1
Other	**7.0**	16.1
Total	**11.1**	106.1

19. EMPLOYEE BENEFITS

Total employee benefit expenses, including salary and wages, pension costs, share-based compensation, termination and other benefits, for the year ended December 31, 2018 amounted to $125.8 million (2017: $163.5 million).

EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan allows eligible employees to invest up to 6% of their salary for the purchase of Aimia's common shares on the secondary market. The corporate yearly contribution, representing 50% of the employee contribution, is charged to earnings as compensation expense over the period. For the years ended December 31, 2018 and 2017, Aimia's contributions to the plan were not significant.

DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit, amounted to $4.1 million for the year ended December 31, 2018 (2017: $4.1 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. INCOME TAXES

Income Tax Expense

Income tax expense (recovery) for the year is as follows:

	Years Ended December 31,	
	2018	2017
Current tax expense (recovery)		
Current tax expense for the year	2.9	18.9
Current tax recovery on losses carried back to prior years	—	—
Total current tax expense (recovery)	**2.9**	**18.9**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	0.7	3.6
Reversal of deferred income tax liability	(0.4)	(12.8)
Reversal of deferred income tax asset	2.1	—
Change in Canadian tax rate	—	—
Total deferred tax expense (recovery)	**2.4**	**(9.2)**
Income tax expense (recovery)	**5.3**	**9.7**

Income taxes included in the statement of earnings differ from the statutory rate as follows:

	Years Ended December 31,			
	2018		2017	
	%	$	%	$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	26.75	(41.8)	26.54	(46.0)
Adjusted for the effect of:				
Temporary differences for which no deferred income tax asset has been recorded	(22.07)	34.5	(31.22)	54.1
Permanent differences - other	(5.63)	8.8	(5.19)	9.0
Foreign operations - subject to lower tax rates	(2.50)	3.9	(3.29)	5.7
Reversal of deferred income tax liability	—	—	7.39	(12.8)
Prior year adjustments	0.06	(0.1)	0.17	(0.3)
Effect of tax rate changes on deferred income taxes	—	—	—	—
Income tax expense (recovery) as reported in the consolidated statements of operations and effective tax rate	(3.39)	5.3	(5.60)	9.7

The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred income tax assets and liabilities

At December 31, 2018, no deferred tax liabilities were recognized for temporary differences of $37.6 million (2017: $41.1 million) related to investments in subsidiaries because Aimia controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The amounts recognized in the consolidated balance sheet consist of:

	December 31,	
	2018	2017
Deferred tax assets - to be recognized within 12 months	0.5	—
Deferred tax assets - to be recognized after 12 months	3.5	—
Deferred tax liabilities - to be settled within 12 months	—	—
Deferred tax liabilities - to be settled after 12 months	—	(88.4)
	4.0	**(88.4)**

Movements in temporary differences during the year were as follows:

	Balance at December 31, 2017	Recognized in Earnings 2018		Recognized in OCI 2018	Recognized in Equity 2018	Reclassification to assets/ liabilities held for sale	Balance at December 31, 2018
		Continuing operations	Discontinued operations				
Deferred tax assets (liabilities)							
Eligible capital expenditures	111.3	—	(7.8)	—	—	(103.5)	—
Losses available for carryforward	12.9	1.8	(11.7)	—	(0.1)	(2.7)	0.2
Deferred transaction costs	0.2	—	(0.1)	—	—	(0.1)	—
Pension and other long-term liabilities	16.0	—	(4.6)	(1.1)	0.2	(10.4)	0.1
Other	11.8	(0.2)	(15.5)	—	0.7	3.4	0.2
Accumulation Partners' contracts, customer relationships and trade names	(218.1)	(5.6)	40.5	—	—	185.9	2.7
Software and technology	(22.5)	1.6	2.7	—	—	19.0	0.8
	(88.4)	**(2.4)**	**3.5**	**(1.1)**	**0.8**	**91.6**	**4.0**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Balance at December 31, 2016	Recognized in Earnings 2017		Recognized in OCI 2017	Recognized in Equity 2017	Reclassification to assets/ liabilities held for sale	Balance at December 31, 2017
		Continuing operations	Discontinued operations				
Deferred tax assets (liabilities)							
Eligible capital expenditures	118.4	—	(7.1)	—	—	—	111.3
Losses available for carryforward	49.9	(5.6)	(31.8)	—	0.4	—	12.9
Deferred transaction costs	0.3	—	(0.1)	—	—	—	0.2
Pension and other long-term liabilities	12.0	—	0.7	3.3	—	—	16.0
Other	13.2	0.1	(2.0)	—	0.5	—	11.8
Accumulation Partners' contracts, customer relationships and trade names	(269.0)	13.6	35.6	—	0.3	1.4	(218.1)
Software and technology	(22.6)	1.1	(1.0)	—	—	—	(22.5)
	(97.8)	**9.2**	**(5.7)**	**3.3**	**1.2**	**1.4**	**(88.4)**

At December 31, 2018, Aimia had the following operating tax losses available for carryforward, for which the deferred tax benefit has not been recorded in the accounts, which may be used to reduce taxable income in future years:

Country		Carryforward period
(i) United Kingdom		
losses available for carryforward	65.5	Indefinite
(ii) United States		
losses available for carryforward	2.6	2029
	10.9	2030
	33.2	2031
	25.0	2032
	39.3	2033
	13.9	2034
	18.0	2035
	18.1	2036
	9.4	2037
	10.7	2038
	181.1	

At December 31, 2018, Aimia had other deductible temporary differences of $97.4 million which may be used to reduce taxable income in future years and for which no deferred tax benefit has been recorded in the accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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21. CONTINGENT LIABILITIES

GUARANTEES AND INDEMNIFICATIONS

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. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

As part of the sale of Nectar and related assets, the Corporation 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 Corporation could be required to make under these indemnifications are generally contractually limited to a specified amount. The maximum potential future payments that the Corporation 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 Corporation's consolidated financial position, net income or cash flows.

CLASS ACTIONS

Class action contesting changes to Aeroplan's mileage accumulation and expiry rules

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

On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts expended by Aeroplan members to reinstate their expired miles, $50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member.

On August 31, 2018, Aimia announced that it had entered into an agreement to settle the class action. Pursuant to the proposed terms of the settlement, Aimia has agreed to deposit a set amount of Aeroplan miles into the account of eligible members. The settlement remains subject to the approval of the Superior Court of Quebec.

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The estimated costs associated with the set amount of Aeroplan miles to be deposited referred to above were accrued in the Corporation's financial statements at December 31, 2018.

Following the completion of the sale of the Aeroplan Program and related assets on January 10, 2019 (*Note 29*), any liability associated with the class action, including the liability related to the proposed settlement, has transferred to Air Canada.

Class actions seeking reimbursement of fuel surcharges, airport improvement fees and passenger charges

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 since December 15, 2011 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 10, 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 departing 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 appealed from the judgments authorizing the motions. While Aimia was successful in obtaining leave to appeal to the Québec Court of Appeal from the judgments, Aimia was not successful in having the judgments overturned by the Court of Appeal. Class action proceedings were served on October 4, 2018 and the parties will attempt to agree on a timetable for procedural matters leading up to readiness for trial before the Superior Court.

Management had a strong defence to these class actions and believed that it was more likely than not that its position would ultimately be sustained, therefore, no amount was recorded in the Corporation's financial statements at December 31, 2018.

Upon the completion of the sale of the Aeroplan Program and related assets on January 10, 2019 (*Note 29*), Aimia will bear 50% of the liability and costs, if any, associated with these class action proceedings against Aimia Canada, up to a cap of $25 million for Aimia, after which Air Canada is solely responsible.

OTHER CLAIMS AND LITIGATION

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.

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22. DIVIDENDS

As communicated on June 14, 2017, the Corporation was prohibited from paying dividends declared on May 10, 2017 originally scheduled to have been paid on June 30, 2017, as well as declaring any further dividends on any of the outstanding common shares or preferred shares, based on Aimia's determination that the capital impairment test set forth in paragraph 42(b) of the *Canada Business Corporations Act* (the "CBCA") would not be satisfied. At December 31, 2017, the dividends declared but not paid to common and preferred shareholders of record at June 16, 2017 were presented in pension and other long-term liabilities (*Note 18*).

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

	2017	
Three months ended	Amount	Per common share
March 31,	30.5	0.20
June 30,	30.4	0.20
September 30,	—	—
December 31,	—	—
Total	60.9	0.40

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

	2017	
Three months ended	Amount	Per preferred share
Series 1		
March 31,	1.1	0.28125
June 30,	1.1	0.28125
September 30,	—	—
December 31,	—	—
Total	2.2	0.56250
Series 2		
March 31,	0.8	0.262541
June 30,	0.8	0.263651
September 30,	—	—
December 31,	—	—
Total	1.6	0.526192
Series 3		
March 31,	2.3	0.390625
June 30,	2.4	0.390625
September 30,	—	—
December 31,	—	—
Total	4.7	0.781250

Following the approval of a reduction in stated capital by the common shareholders on January 8, 2019, and having taken into account the effect of the sale of the Aeroplan Program (*Note 29*) on the Corporation's financial position, the Board of Directors approved the following matters on February 22, 2019:

- a reduction to the stated capital account maintained in respect of the common shares to an aggregate amount of $1.0 million;
- the payment on March 29, 2019 of the dividends originally declared on May 10, 2017 to common and preferred shareholders. At December 31, 2018, the dividends declared but not paid to common and preferred shareholders, representing an amount of $34.7 million, were presented in accounts payable and accrued liabilities (*Note 14*);
- the payment on March 29, 2019 of cumulative preferred dividends not declared and not recorded amounting to $26.0 million at December 31, 2018; and
- the payment on March 29, 2019 of the first quarterly dividends in 2019 of $0.28125 per Series 1 preferred share, $0.336760 per Series 2 preferred share and $0.390625 per Series 3 preferred share, amounting to $4.5 million.

In reaching its decision, the Board of Directors considered the Corporation's ability to satisfy the applicable tests under the CBCA and the Corporation's obligation to pay unpaid dividends with a view to remaining in good standing with the applicable rules and policies of the Toronto Stock Exchange (the “TSX”) and maintaining its listing on TSX.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

23. CAPITAL STOCK

A) CAPITAL STOCK

Authorized:

An unlimited number of common shares, voting, no par value;
An unlimited number of preferred shares, non-voting, non-participating, issuable in series, no par value. In the event that Aimia has not paid the dividends accrued and payable for any eight quarters, whether or not consecutive and whether or not such dividends have been declared, the holders of preferred shares become entitled to receive notice of and to attend meetings of the shareholders of the Corporations, other than meetings at which only holders of another specified class or series are entitled to vote, and to vote together with all other shareholders of the Corporation entitled to vote at such meetings on the basis of one vote for each preferred share.

COMMON SHARES:

Issued and outstanding	December 31, 2018		December 31, 2017	
	Number of shares	$	Number of shares	$
Opening balance	**152,307,196**	**1,349.3**	**152,294,611**	**1,349.2**
Common shares issued upon exercise of stock options	—	—	12,585	0.1
Closing balance	**152,307,196**	**1,349.3**	**152,307,196**	**1,349.3**

NORMAL COURSE ISSUER BID

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

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.

There were no shares repurchased during the years ended December 31, 2017 and 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

PREFERRED SHARES:

Issued and outstanding	December 31, 2018		December 31, 2017	
	Number of shares	$	Number of shares	$
Opening balance	**12,900,000**	**315.8**	**12,900,000**	**315.8**
Closing balance	**12,900,000**	**315.8**	**12,900,000**	**315.8**
Represented by:				
Preferred Shares, Series 1	3,953,365	96.7	3,953,365	96.7
Preferred Shares, Series 2	2,946,635	72.1	2,946,635	72.1
Preferred Shares, Series 3	6,000,000	147.0	6,000,000	147.0

PREFERRED SHARES, SERIES 1 AND PREFERRED SHARES, SERIES 2

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 Canada Business Corporations Act (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.

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 CBCA. The dividend rate for the Series 2 Preferred Shares, if and when declared, for the floating rate period from and including December 31, 2018 to, but excluding March 31, 2019, will be 5.463%, 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.

PREFERRED SHARES, SERIES 3

Holders of the Series 3 Preferred Shares are entitled to receive, as and when declared, a cumulative quarterly fixed dividend yielding 6.25% annually for the initial five-year period, subject to a rate reset on March 31, 2019 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.20%.

On February 25, 2019 (*Note 29*), Aimia announced that it would not be exercising its right to redeem all or part of the Series 3 Preferred Shares on March 31, 2019. As a result and subject to certain conditions, the holders of the Series 3 Preferred Shares had 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 19, 2019, Aimia announced that, in accordance with the rights, privileges, restrictions and conditions attaching to the Series 3 Shares and the Series 4 Shares, no Series 4 Shares will be issued on April 1, 2019.

With respect to the Series 3 Shares outstanding on or after April 1, 2019, the annual dividend rate for the five-year period from and including March 31, 2019 up to but excluding March 31, 2024 will be 6.01%, being 4.20% over the five-year Government of Canada bond yield, as determined in accordance with the rights, privileges, restrictions and conditions attaching to the Series 3 Shares.

B) STOCK-BASED COMPENSATION AND OTHER PERFORMANCE AWARDS

Total stock-based compensation and other performance awards expense for the years ended December 31, 2018 and 2017:

	Years Ended December 31,	
	2018	2017
Stock options compensation	(0.2)	2.2
PSU and RSU compensation	0.5	(2.1)
DSU compensation	0.7	(2.8)
Total stock-based compensation	**1.0**	**(2.7)**
Performance cash awards	6.7	—
Total stock-based compensation and other performance awards	**7.7**	**(2.7)**

Performance Cash Plan

The Corporation entered into a voluntary trading restriction that continued to be in effect in 2018 and, as such, was not able to award Options or PSUs as part of the annual long-term incentive grant. As such, in 2018, Aimia implemented a cash-based long-term incentive plan, named the Performance Cash Plan, for its executives normally eligible to receive Options and PSUs under the Aimia Long-Term Incentive Plan and Aimia Share Unit Plan respectively. It was designed to retain key employees and motivate them to meet or exceed Aimia's performance targets over the long-term. A three-year time vesting horizon was established for Executive Officers and a one-year vesting horizon was implemented for other executives. The performance cash awards ("PCAs") granted under the Performance Cash Plan are subject to performance conditions.

The aggregate PCA compensation value awarded during the year ended December 31, 2018, before factoring in estimated and actual forfeitures to date, was $10.1 million. The PCA compensation expense for the year ended December 31, 2018, factoring in estimated and actual forfeitures to date and estimated performance payout factors, was $6.7 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Aimia Long-Term Incentive Plan and Share Unit Plan

The number of Aimia stock options granted to employees during the year, the related compensation expense recorded, and the assumptions used to determine stock-based compensation expense, using the binomial options pricing model, were as follows:

	December 31,	
	2018	2017
Compensation expense relating to the options granted (millions)	$ —	$ 0.9
Number of stock options granted	—	1,908,108
Weighted average fair value per option granted ($)	N/A	$ 1.28
Aggregate fair value of options granted (millions)	$ —	$ 2.4
Weighted average assumptions:		
Share price	N/A	$ 9.05
Exercise price	N/A	$ 9.20
Risk-free interest rate	N/A	1.17%
Expected volatility	N/A	31.00%
Dividend yield	N/A	8.84%
Expected option life (years)	N/A	5.25
Vesting conditions - time (years)	N/A	4

The volatility measured at the standard deviation of continuous compounded share returns is based on statistical analysis of daily share prices over the expected option life period.

A summary of stock option activity related to the employees participating in the Aimia Long-Term Incentive Plan is as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	**8,791,479**	**12.59**	**10,472,091**	**13.13**
Granted	—	—	1,908,108	9.20
Exercised	—	—	(12,585)	8.70
Forfeited	(901,885)	9.70	(1,538,887)	10.82
Expired	(2,521,892)	13.19	(2,037,248)	13.55
Options outstanding - end of year	**5,367,702**	**12.79**	**8,791,479**	**12.59**
Options exercisable - end of year	**3,901,394**	**13.95**	**4,958,407**	**14.12**

The weighted average share price at the date of exercise for the share options exercised in 2017 was $8.90.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The details of options outstanding and exercisable at December 31, 2018 are as follows:

	Options Outstanding		Options Exercisable		
Year granted	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Expiration Date
2012	691,574	12.50	691,574	12.50	2019
2012	65,000	14.52	65,000	14.52	2019
2013	612,253	15.62	612,253	15.62	2020
2014	1,008,096	18.23	1,008,096	18.23	2021
2015	1,016,929	13.30	762,645	13.30	2022
2016	1,073,471	8.70	536,732	8.70	2023
2017	900,379	9.20	225,094	9.20	2024
	5,367,702	**12.79**	**3,901,394**	**13.95**	

The details of Aimia's PSUs and RSUs described in *Note 2* are as follows:

	PSU		RSU	
December 31,	2018	2017	2018	2017
Number of units outstanding - beginning of year	**2,998,725**	**2,961,773**	**148,188**	**202,901**
Units granted during the year	—	1,265,753	—	31,987
Units forfeited during the year (including units forfeited due to performance)	(773,943)	(902,424)	(13,637)	(76,036)
Units settled during the year	(406,620)	(406,058)	(29,961)	(15,406)
Dividends paid in units during the year	—	79,681	—	4,742
Number of units outstanding - end of year	**1,818,162**	**2,998,725**	**104,590**	**148,188**
Weighted average fair value per unit on date of grant ($)	N/A	$ 9.18	N/A	$ 6.50

The PSUs and RSUs vest 3 years after the grant. The PSUs are subject to performance conditions.

Aimia Deferred Share Unit Plan

The details of Aimia's DSUs described in *Note 2* are as follows:

	DSU	
December 31,	2018	2017
Number of units outstanding - beginning of year	**685,281**	**661,112**
Units granted during the year	277,728	267,643
Units forfeited during the year	—	—
Units settled during the year	(401,144)	(258,234)
Dividends paid in units during the year	—	14,760
Number of units outstanding - end of year	**561,865**	**685,281**
Weighted average fair value per unit on date of grant ($)	$ 2.67	$ 4.07

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The DSUs vest over 4 years or immediately for eligible employees, while those granted to directors are not subject to vesting conditions. DSUs are payable only upon termination of service. At December 31, 2018, the intrinsic value of vested DSUs amounted to $2.1 million (2017: $2.4 million).

24. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

The minimum lease payments under various non-cancellable operating leases, not yet incurred at the end of the reporting period, are as follows:

Year ending December 31,	
2019	3.2
2020 to 2023	6.5
Thereafter	0.3
Total	**10.0**

During the year ended December 31, 2018, an expense of $11.3 million was recognized as an expense in respect of operating leases (2017: $10.5 million).

B) OPERATING COMMITMENTS AND OTHER

Operating expenditures contracted for at the end of the reporting period but not yet incurred are as follows:

Technology infrastructure and other	25.3

25. CAPITAL DISCLOSURES

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

Aimia's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations; and
- to provide a rewarding return on investment to shareholders.

In managing its capital structure, Aimia monitors performance throughout the year to ensure anticipated cash dividends, working capital requirements and maintenance capital expenditures are funded from operations (including dividends received from our investment in PLM), available cash on deposit and available cash from investments in bonds to the extent required and where applicable. Aimia manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk.

The total capital as at December 31, 2018 and 2017 is calculated as follows:

	December 31,	
	2018	2017
Cash and cash equivalents	(311.9)	(489.9)
Short-term investments	(69.0)	(65.2)
Long-term investments in corporate and government bonds	(154.9)	(207.1)
Long-term debt (including current portion)	300.9	449.3
Share Capital [a]	1,665.1	1,665.1
Contributed surplus [a]	1,155.2	1,155.4
Deficit	(3,139.5)	(3,070.4)
Total capital	**(554.1)**	(562.8)

(a) On February 25, 2019, the Corporation announced a reduction of the stated capital account maintained in respect of the common shares to an aggregate of $1.0 million.

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

On January 10, 2019 (*Note 29*), Aimia announced the completion of the Aimia Canada Inc. sale. The Corporation also announced that it had used $308.0 million of the sale proceeds to repay and terminate the Corporation's credit facility and to defease and redeem all of Aimia's outstanding senior secured notes. The Series 4 Notes were officially redeemed on February 8, 2019 for an aggregate amount of $256.8 million, including accrued interest of $4.0 million

and early redemption break fee of $2.8 million. Concurrent with the repayment of the credit facility, the liquidity covenants were terminated. Taking into effect the proceeds of the sale transaction and the related debt repayment, the Corporation had no financial indebtedness and had a significant position in cash, cash equivalents and investments in corporate and government bonds.

Until the Aimia Canada Inc. sale, Aimia monitored capital using a number of financial metrics, including but not limited to:

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

26. FINANCIAL INSTRUMENTS

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

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

INTEREST RATE RISK

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

At December 31, 2018, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2018	2017
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**399.9**	573.0
Credit facilities	**(51.1)**	(200.0)

For the year ended December 31, 2018, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash, short-term investments and borrowings under the revolving facility would have an impact of approximately $3.5 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2017.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2018, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the excess cash, included in short-term investments, long-term investments and cash and cash equivalents, in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (high) or AA-, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term

investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2018, excess cash is invested in bankers' acceptances, corporate, federal and provincial government bonds. Aimia has no history of credit loss arising from those financial instruments. For the year ended December 31, 2018, no expected credit loss allowance has been recorded.

With respect to accounts receivable, Aimia applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Per Aimia's client portfolio profile, the credit risk associated with accounts receivable is limited. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies and other large companies from the retail, travel, loyalty and energy sectors amongst others. In order to manage its exposure to credit risk and assess credit quality, Aimia reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Aimia have been negligible. For the year ended December 31, 2018, expected credit loss allowance recorded is not significant.

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility.

At December 31, 2018, the Corporation is exposed to liquidity risk on its accounts payable and accrued liabilities, long-term debt and on the cost of redemption of Loyalty Units outstanding and not yet redeemed. Management estimates the amount of Loyalty Units outstanding to be redeemed over the next twelve months based on historical redemption patterns. This amount is included, along with the applicable margin, in the short-term portion of deferred revenues in the Statement of Financial Position.

Aimia manages liquidity risk through the use and monitoring of its cash balances and cash flows generated from operations to meet financial liability requirements. At December 31, 2018, Aimia had outstanding Senior Secured Notes in the amount of $250.0 million maturing on May 17, 2019. In addition, Aimia had drawn $51.1 million as well as outstanding letters of credit totaling $9.7 million against its revolving facility, maturing on April 23, 2020, with $147.2 million remaining authorized. The revolving facility is provided by a syndicate that consists of eight institutional lenders.

On January 10, 2019 (*Note 29*), Aimia announced the completion of the Aimia Canada Inc. sale, which included the transfer of the expected future cost for the redemption of Loyalty Units outstanding and not yet redeemed of approximately $1,900 million. The Corporation also announced that it had used $308.0 million of the sale proceeds to repay and terminate the Corporation’s credit facility and to defease and redeem all of Aimia’s outstanding senior secured notes. The Series 4 Notes were officially redeemed on February 8, 2019 for an aggregate amount of $256.8 million, including accrued interest of $4.0 million and early redemption break fee of $2.8 million. Concurrent with the repayment of the credit facility, the liquidity covenants were terminated. Taking into effect the proceeds of the sale transaction and the related debt repayment, the Corporation had no financial indebtedness and had a significant position in cash, cash equivalents and investments in corporate and government bonds.

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At December 31, 2018, maturities of the financial liabilities are as follows:

	Total	2019	2020	2021	2022	2023	Thereafter
Long-term debt including interest	308.0	308.0	—	—	—	—	—
Accounts payable and accrued liabilities (excluding current portion of base and contingent consideration payable)	116.6	116.6	—	—	—	—	—
Base and contingent consideration payable (including current and non-current portions)	3.1	3.1	—	—	—	—	—
Total	**427.7**	**427.7**	**—**	**—**	**—**	**—**	**—**

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation operates internationally and is exposed to foreign exchange risk arising mainly from cash and cash equivalents denominated in a currency that is not the functional currency of the relevant subsidiary, primarily the US dollar. At December 31, 2018, cash and cash equivalents denominated in US dollars amounted to $38.1 million compared to $25.4 million at December 31, 2017.

The effect of a 1% change in the US exchange rate, holding all other variables constant, would have had a consolidated impact on the carrying value of cash and cash equivalent and earnings before income taxes of $0.4 million and $0.3 million at December 31, 2018 and December 31, 2017 respectively. The Corporation's exposure to other foreign exchange movement is not material.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

	Hierarchy	December 31, 2018	December 31, 2017
Financial assets			
Investments in equity instruments (*Note 9*)	Levels 1 & 3	**54.0**	52.0
Contingent consideration receivable (*Note 5*)	Level 3	**—**	5.3

Investments in equity instruments and convertible notes of Cardlytics

Up until December 31, 2017, the fair value of the investment in Cardlytics was determined using a market approach including a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and comparison of financial indicators for similar companies. The value determined was then adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. This approach required management to use judgement in identifying similar transactions, instruments and companies and to make estimates in determining the fair value of such instruments. During the fourth quarter of 2017, on the basis of the valuation performed by management using financial indicators for similar companies, an impairment charge of $57.4 million was recorded in financial expenses, net of $7.5 million of foreign currency translation adjustments reclassified from accumulated other comprehensive income, related to the investment in Cardlytics.

Since the first quarter of 2018, the fair value of the investment in equity instruments of Cardlytics is based on the quoted market value for the publicly traded equity securities following Cardlytics's initial public offering on February 9, 2018. During the year ended December 31, 2018, a fair value loss of $9.6 million has been recorded in the consolidated statements of operations related to the investment in Cardlytics.

The fair value of the investments in convertible notes was determined using an expected value model. Concurrently to the conversion of the notes into equity instruments of Cardlytics, a fair value gain of $7.7 million was recorded in financial income to reflect the favourable conversion features of the convertible notes during the second quarter of 2017.

Investment in Fractal Analytics

The fair value of the investment in Fractal Analytics is determined using a market approach consisting of a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and comparison of financial indicators for similar companies. The value determined was then adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. This approach required management to use judgement in identifying similar transactions, instruments and companies and to make estimates in determining the fair value of such instruments.

During the year ended December 31, 2018, a fair value gain of $6.5 million has been recorded in the consolidated statements of operations. The investment has been sold in February 2019 (*Note 29*).

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Contingent considerations

The fair value of the contingent consideration receivable related to the sale of the Canadian Air Miles trademarks was determined using an expected value model and represented management's best estimate. During the first quarter of 2018, the carrying amount of the contingent consideration receivable was fully reversed given that certain milestone conditions were not met. The adjustment was recorded in gain (loss) on disposal of businesses and other assets in the consolidated statements of operations.

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

Financial assets and liabilities at amortized costs

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

At December 31, 2018, the fair value of the Senior Secured Notes was estimated as being the quoted market value for the publicly traded debt securities, while the fair value of borrowings under the revolving facility was calculated using a discounted cash flow model. The fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

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

		December 31, 2018		December 31, 2017	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	223.9	223.0	272.3	272.4
Long-term debt (including current portion)	Levels 1 & 3	300.9	301.9	449.3	435.1

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27. RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the year ended December 31, 2018, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Key management includes members of the Corporation's Executive Committee.

The post-employment executive defined contribution plan requires annual contributions of 15% of base salary, through co-payment by the Corporation and the executive, up to the annual maximum permitted under relevant legislation.

Key management of Aimia participate in the LTIP (stock options), the SUP (performance share units and restricted share units) and DSU Plan (deferred share units). In 2018, key management personnel also participated in the Performance Cash Plan (*Note 23*). Directors participate in the DSU Plan.

The compensation paid or payable to directors and to key management for services is shown below:

	Years Ended December 31,	
	2018	2017
Director compensation, and key management salaries and benefits [a]	**9.5**	7.7
Post-employment benefits	**0.3**	0.4
Share-based compensation and other performance awards	**2.6**	(0.6)
Termination benefits	**11.0**	6.0
Total	**23.4**	13.5

(a) Salaries and benefits include short-term incentive compensation.

In addition to the above amounts, the Corporation is committed to pay incremental benefits to certain members of key management up to $6.7 million in the event of a termination without cause or up to $9.2 million in the event of a termination resulting from a change in control.

TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Aimia offers post-employment benefits to its former employees by way of defined contribution plans. The transactions with these plans are limited to contributions and payment of benefits (*Note 19*).

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28. ADDITIONAL FINANCIAL INFORMATION

The following sections provide additional information regarding certain primary financial statement captions:

A) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Years Ended December 31,	
	2018	2017
Restricted cash	**(1.1)**	2.3
Accounts receivable	**(21.9)**	52.6
Inventories	**3.2**	(0.5)
Prepaid expenses	**(7.9)**	3.0
Accounts payable and accrued liabilities	**24.3**	(24.8)
Customer deposits	**(3.9)**	14.4
Provisions	**(4.4)**	15.5
Pension and other long-term liabilities	**(10.9)**	(5.8)
Deferred revenue	**(42.4)**	24.5
Total	**(65.0)**	81.2

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance at December 31, 2017	Cash inflow	Cash outflow	Non-cash items				Balance at December 31, 2018
				Amortization of transaction costs	*Foreign exchange*	*Fair value changes*	*Equity-related changes*	
Long-term debt (including short-term portion)	449.3	—	(149.0)	0.6	—	—	—	300.9
Included in accounts payable and/or pension and other long-term liabilities:								
Acquisition of non-controlling interest	5.3	—	(2.7)	—	0.5	—	—	3.1
Dividends payable	34.7	—	—	—	—	—	—	34.7
Total	**489.3**	**—**	**(151.7)**	**0.6**	**0.5**	**—**	**—**	**338.7**

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	Balance at December 31, 2016	Cash inflow	Cash outflow	Non-cash items				Balance at December 31, 2017
				Amortization of transaction costs	*Foreign exchange*	*Fair value changes*	*Equity-related changes*	
Long-term debt (including short-term portion)	448.3	200.0	(200.0)	1.0	—	—	—	449.3
Included in accounts payable and/or pension and other long-term liabilities:								
Acquisition of non-controlling interest	13.3	—	(3.1)	—	(0.9)	(4.0)	—	5.3
Dividends payable	—	—	(34.7)	—	—	—	69.4	34.7
Issuance of common shares	—	0.1	—	—	—	—	(0.1)	—
Total	**461.6**	**200.1**	**(237.8)**	**1.0**	**(0.9)**	**(4.0)**	**69.3**	**489.3**

B) STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

INCOME TAX EFFECTS

The defined benefit plan's actuarial gains (losses) attributable to the Aeroplan Program (*Note 5*) for the year ended December 31, 2018 were net of deferred income tax (expenses) of $(1.1) million, compared to deferred income tax recoveries of $3.3 million for the year ended December 31, 2017.

29. SUBSEQUENT EVENTS

Sale completion of the Aeroplan coalition loyalty program and related assets

On January 10, 2019, Aimia completed the sale of Aimia Canada Inc., the owner and operator of the Aeroplan loyalty program, to Air Canada, pursuant to the share purchase agreement entered into and announced on November 26, 2018. Gross transaction proceeds at closing amounted to approximately $497.0 million, after initial closing adjustments of $47.0 million which were primarily related to favourable working capital adjustments relative to the working capital target set out in the share purchase agreement. Offsetting this cash consideration is an aggregated of $13.6 million related to specific transaction fees and termination fees associated with agreements entered into with Porter Airlines, Air Transat and Flair Airlines. Based on the above, Aimia expects to record a gain on disposal of approximately $1 billion and does not expect any capital gains tax to be payable on the transaction.

Aimia and Air Canada have agreed to provide each other transition services for a period of up to 15 months. These services include finance, technology, human resources and facility management.

The agreement provides that, as of and after the closing date, each of Aimia and Air Canada shall indemnify one another, as well as certain affiliates and their respective representatives, for losses suffered as a result of or arising in

connection with any inaccuracy, misrepresentation or breach of any representation or warranty made or given in the agreement or any certificate delivered pursuant thereto and any failure to observe, fulfill or perform any covenant or obligation in the agreement. With respect to those general indemnification clauses, Aimia has no obligation to indemnify Air Canada unless and until the aggregate amount of the losses incurred exceeds $2.25 million, in which case all losses above $2.25 million are indemnifiable. Aimia’s liability for such indemnity claims shall not exceed $55 million in all cases except with respect to (i) Aimia’s fundamental representations, where its liability shall not exceed the purchase price (ii) tax claims for pre-closing tax periods, where Aimia's liability is uncapped, and (iii) non-compliance with anti-spam laws, consumer protection laws, privacy laws or other laws pertaining to the security and protection of personal information, where Aimia's liability is uncapped. The agreement also provides that each of Aimia and Air Canada will bear 50% of the liability and costs associated with certain existing class action proceedings against Aimia Canada, up to a cap of $25 million for Aimia, after which Air Canada is solely responsible (*Note 21*).

In addition to the foregoing, Aimia has agreed to indemnify Air Canada for income tax payments that may arise after the closing date relating to pre-closing tax periods for Aimia Canada Inc. This includes an ongoing income tax audit conducted by the CRA regarding certain Aimia Canada income tax matters dating back to 2013. Aimia is of the view that in the event the CRA were to re-assess Aimia Canada, it is more likely than not that Aimia Canada would prevail in the recourse procedures available to taxpayers in these situations, which could eventually lead to a court contestation. Based on this assessment, Aimia did not record any provision in its financial statements.

In regards to the indemnification clauses described above, $2.25 million of the purchase price proceeds have been deposited with a third-party escrow agent to cover any potential valid general indemnity claims that may be made by Air Canada against Aimia under the agreement and $100 million of the purchase proceeds have been deposited in a separate interest-bearing account jointly controlled by Aimia and Air Canada pending the conclusion of the 2013 CRA audit.

On February 25, 2019, Aimia announced it has received a 'Final letter for the 2012 and 2013 taxation years' from the CRA concluding on their audit. A notice of re-assessment is expected to follow. The assessed amount is expected to be approximately $30 million in income taxes payable in addition to interest payable of up to $5 million. Aimia will fund the amounts due upon receipt of the re-assessment from the $100 million restricted cash account set up as part of the sale of Aimia Canada Inc. The balance of the funds in the restricted cash account would be released to Aimia in accordance with the terms of the share purchase agreement between Aimia and Air Canada.

Aimia continues to hold to its position that, once it receives the notice of re-assessment, it would vigorously contest the matter. The Corporation believes that it is more likely than not that it would prevail in such recourse procedures, based on the external advice it has received. Should Aimia Canada Inc. be successful in its recourse procedures, any amounts that were remitted to the CRA from the $100 million restricted cash account would be returned to Aimia.

Repayment of the Revolving Facility and Redemption of Senior Secured Notes

Concurrent with the sale of the Aeroplan loyalty program, $308 million of the proceeds were used to repay and terminate Aimia's credit facility and to defease and redeem all of its outstanding Senior Secured Notes Series 4.

In connection with the termination of its credit facility, previously issued irrevocable letters of credit in the aggregate amount of $10.0 million have been replaced by security in the form of cash collateral.

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

The Series 4 Notes were officially redeemed on February 8, 2019 for an aggregate amount of $256.8 million, including accrued interest of $4.0 million and early redemption break fee of $2.8 million.

Disposal of the investment in Fractal Analytics

On February 14, 2019, Aimia completed the sale of its investment in Fractal Analytics for cash consideration of $9.8 million (US $7.4 million).

Series 3 preferred shares

On February 25, 2019, the Corporation announced that it does not intend to exercise its right to redeem all or any number of the currently outstanding 6,000,000 Series 3 Preferred Shares on March 31, 2019. As a result of the decision not to redeem all or any number of the Series 3 Preferred Shares and subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to such shares, the holders of the Series 3 Preferred Shares had the right to convert all or any number of their Series 3 Preferred Shares, on a one-for-one basis, into Cumulative Floating Rate Preferred Shares, Series 4 (the "Series 4 Preferred Shares") of Aimia on April 1, 2019.

Based on the results of the conversion process and in accordance with the rights, privileges, restrictions and conditions attaching to the Series 3 Shares and the Series 4 Shares, since there would be less than 1,000,000 Series 4 Shares outstanding on April 1, 2019, after having taken into account all Series 3 Shares tendered for conversion into Series 4 Shares, holders of Series 3 Shares who elected to tender their shares for conversion will not have their Series 3 Shares converted into Series 4 Shares on April 1, 2019. As a result, no Series 4 Shares will be issued on April 1, 2019.

With respect to the Series 3 Shares outstanding on or after April 1, 2019, holders of the Series 3 Shares will be entitled to receive quarterly fixed, cumulative, preferential cash dividends, as and when declared by the company's Board of Directors, subject to compliance with the provisions of the *Canada Business Corporations Act*. The annual dividend rate for the five-year period from and including March 31, 2019 up to but excluding March 31, 2024 will be 6.01%, being 4.20% over the five-year Government of Canada bond yield, as determined in accordance with the rights, privileges, restrictions and conditions attaching to the Series 3 Shares.

Substantive Issuer Bid

On March 27, 2019, Aimia's Board of Directors approved a substantial issuer bid (“SIB”) of up to $150 million to repurchase a portion of its outstanding common shares for cancellation. The Corporation expects to formally commence the SIB by mid-April 2019 with an expiry date occurring before the end of May 2019.