AIMIA

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

# MANAGEMENT'S REPORT

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

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

February 24, 2020

*(signed) "Jeremy Rabe"*

JEREMY RABE
Chief Executive Officer

*(signed) "Steven Leonard"*

STEVEN LEONARD
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 financial position of Aimia Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of operations for the years ended December 31, 2019 and 2018;
- the consolidated statements of comprehensive income (loss) for the years ended December 31, 2019 and 2018;
- the consolidated statements of financial position as at December 31, 2019 and 2018;
- 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 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 Company 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.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.*
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## *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 express 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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
February 24, 2020

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

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# CONSOLIDATED STATEMENTS OF OPERATIONS

| (in millions of Canadian dollars, except share and per share amounts) | | Years Ended December 31, 2019 | 2018 (Restated - Note 2) |
|---|---|---|---|
| **Revenue** | Note 4 | $ **134.0** | $ 167.1 |
| **Operating expenses** | | | |
| Compensation and benefits | Note 17 | **95.9** | 129.4 |
| Technology | | **65.8** | 67.1 |
| Professional, advisory and service fees | | **20.2** | 18.4 |
| Rent and office costs | | **4.8** | 12.6 |
| Travel and employee expenses | | **6.3** | 9.0 |
| Depreciation and amortization | | **4.5** | 16.4 |
| Other | | **9.7** | 10.5 |
| Impairment charges | Note 11 | **—** | 38.4 |
| | | **207.2** | 301.8 |
| **Operating loss** | | **(73.2)** | (134.7) |
| Loss on disposal of businesses and other assets | Note 27 | **—** | (5.3) |
| Financial income | Note 5 | **17.1** | 14.6 |
| Financial expenses | Note 5 | **(5.7)** | (23.7) |
| Net fair value gain on investments in equity instruments | Note 24 | **89.6** | (3.1) |
| Net financial income (expenses) | | **101.0** | (12.2) |
| Share of net earnings (loss) of equity-accounted investments | Note 9 | **31.4** | (4.1) |
| **Earnings (loss) before income taxes** | | **59.2** | (156.3) |
| **Income tax (expense) recovery** | | | |
| Current | Note 18 | **(16.8)** | (2.9) |
| Deferred | Note 18 | **0.5** | (2.4) |
| | | **(16.3)** | (5.3) |
| **Net earnings (loss) from continuing operations** | | **42.9** | (161.6) |
| Net earnings from discontinued operations | Note 27 | **1,069.5** | 89.6 |
| **Net earnings (loss)** | | $ **1,112.4** | $ (72.0) |
| **Weighted average number of shares** | | **126,795,975** | 152,307,196 |
| **Earnings (loss) per common share** | | | |
| Continuing operations - Basic and fully diluted | Note 6 | $ **0.37** | $ (1.18) |
| Discontinued operations - Basic and fully diluted | Note 6 | **8.43** | 0.59 |
| | Note 6 | $ **8.80** | $ (0.59) |

*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, 2019 | 2018 |
|---|---|---|---|
| **Net earnings** | | **$ 1,112.4** | $ (72.0) |
| **Other comprehensive income (loss):** | | | |
| *Items that may be reclassified subsequently to net earnings (loss)* | | | |
| Foreign currency translation adjustments | | **(6.7)** | 5.6 |
| Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of | Note 27 | **—** | (10.2) |
| Reclassification to net earnings of foreign currency differences | Note 24 | **(9.7)** | |
| *Items that will not be reclassified subsequently to net earnings (loss)* | | | |
| Defined benefit plans actuarial gains (losses), net of tax | Note 26C | **(0.3)** | 2.9 |
| **Other comprehensive income (loss)** | | **(16.7)** | (1.7) |
| **Comprehensive income (loss)** | | **$ 1,095.7** | $ (73.7) |
| **Comprehensive income (loss):** | | | |
| Continuing operations | | **26.5** | (157.0) |
| Discontinued operations | | **1,069.2** | 83.3 |
| | | **$ 1,095.7** | $ (73.7) |

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# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| As at<br>*(in millions of Canadian dollars)* | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | Note 2 | **$ 98.6** | $ 311.9 |
| Restricted cash | Note 27 | **97.1** | 19.0 |
| Short-term investments | Note 8 | **86.6** | 69.0 |
| Accounts receivable | Note 7 | **66.8** | 59.7 |
| Inventories | Note 2 | **0.9** | 1.8 |
| Prepaid expenses and deposits | | **18.2** | 18.7 |
| Assets held for sale | Note 27 | **—** | 2,596.4 |
| | | **368.2** | 3,076.5 |
| *Long-term assets* | | | |
| Deferred income taxes | Note 18 | **5.9** | 4.0 |
| Cash held in escrow | Note 27 | **2.3** | — |
| Long-term investments | Note 8 | **67.5** | 208.9 |
| Equity-accounted investments | Note 9 | **74.6** | 83.5 |
| Property and equipment | Note 10 & 11 | **1.5** | 1.0 |
| Intangible assets | Note 11 | **18.9** | 23.4 |
| Other long-term assets | Note 26B | **32.9** | — |
| | | **$ 571.8** | $ 3,397.3 |
| **LIABILITIES AND EQUITY** | | | |
| *Current liabilities* | | | |
| Accounts payable and accrued liabilities | Note 12 | **$ 60.9** | $ 119.7 |
| Income taxes payable | Notes 18 & 20 | **13.6** | 0.8 |
| Provisions | Note 13 | **1.4** | 3.2 |
| Customer deposits | | **19.9** | 11.3 |
| Deferred revenue | Note 4 | **23.9** | 46.6 |
| Current portion of long-term debt | Note 14 | **—** | 300.9 |
| Liabilities held for sale | Note 27 | **—** | 3,187.7 |
| | | **119.7** | 3,670.2 |
| *Long-term liabilities* | | | |
| Provisions | Note 13 | **—** | 1.4 |
| Other long-term liabilities | Notes 16 | **11.7** | 11.1 |
| Deferred income taxes | Note 18 | **1.5** | — |
| Deferred revenue | Note 4 | **3.3** | 9.5 |
| | | **136.2** | 3,692.2 |
| **Total equity** | Note 21 | **435.6** | (294.9) |
| | | **$ 571.8** | $ 3,397.3 |
| **Contingencies and commitments** | Notes 19 & 22 | | |

Approved by the Board of Directors

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

*(signed) Thomas D. Gardner*
*Thomas D. Gardner*
Director

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

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# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| For the year ended December 31, 2018 and 2019 (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, December 31, 2017** | | 152,307,196 | $ 1,665.1 | $ (3,070.4) | $ 28.9 | $ 1,155.4 | $ (221.0) |
| **Total comprehensive income (loss)** | | | | | | | |
| Net earnings | | | | (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 27 | | | | (10.2) | | (10.2) |
| Defined benefit plans actuarial gains, net of tax | Note 26C | | | 2.9 | | | 2.9 |
| Total comprehensive income (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) |
| | | | | | | | |
| **Balance, December 31, 2018** | | **152,307,196** | **$ 1,665.1** | **$ (3,139.5)** | **$ 24.3** | **$ 1,155.2** | **$ (294.9)** |
| Change in accounting policy | Note 2 | | | **(10.8)** | | | **(10.8)** |
| **Balance, January 1, 2019 - Restated** | | **152,307,196** | **$ 1,665.1** | **$ (3,150.3)** | **$ 24.3** | **$ 1,155.2** | **$ (305.7)** |
| **Total comprehensive income (loss)** | | | | | | | |
| Net earnings | | | | **1,112.4** | | | **1,112.4** |
| Other comprehensive income (loss): | | | | | | | |
| Foreign currency translation adjustments | | | | | **(6.7)** | | **(6.7)** |
| Reclassification to net earnings of foreign currency differences | Note 24 | | | | **(9.7)** | | **(9.7)** |
| Defined benefit plans actuarial losses, net of tax | | | | **(2.2)** | **1.9** | | **(0.3)** |
| Total comprehensive income (loss) | | **—** | **—** | **1,110.2** | **(14.5)** | **—** | **1,095.7** |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Common shares repurchased | Note 21 | **(58,458,961)** | **(0.4)** | | | **(246.9)** | **(247.3)** |
| Preferred shares repurchased | Note 21 | | **(84.7)** | | | **21.0** | **(63.7)** |
| Dividends | Note 20 | | | **(43.6)** | | | **(43.6)** |
| Reduction of stated capital account - common shares | Note 21 | | **(1,348.3)** | | | **1,348.3** | **—** |
| Accretion related to stock-based compensation plans | | | | | | **0.2** | **0.2** |
| Total contributions by and distributions to owners | | **(58,458,961)** | **(1,433.4)** | **(43.6)** | **—** | **1,122.6** | **(354.4)** |
| **Balance, December 31, 2019** | | **93,848,235** | **$ 231.7** | **$ (2,083.7)** | **$ 9.8** | **$ 2,277.8** | **$ 435.6** |

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# CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(in millions of Canadian dollars)* | | Years Ended December 31, 2019 | 2018 |
|---|---|---|---|
| **CASH FLOWS FROM (USED IN)** | | | |
| **Operating activities** | | | |
| Net earnings | | **$ 1,112.4** | $ (72.0) |
| Adjustments for: | | | |
| Depreciation and amortization | | **4.5** | 202.5 |
| Share-based compensation and other performance awards | | **5.0** | 7.7 |
| Share of net earnings (loss) of equity-accounted investments | | **(31.4)** | 3.6 |
| Net financial income (expenses) | | **(101.0)** | 13.8 |
| Income tax expense | | **17.4** | 20.4 |
| Impairment charges | | **—** | 38.4 |
| Gain on sublease | | **(2.7)** | — |
| Gain on disposal of businesses and other assets | | **(1,063.1)** | 3.7 |
| Changes in operating assets and liabilities | Note 26A | **(92.5)** | (65.0) |
| Other | | **(1.5)** | (2.1) |
| | | **(1,265.3)** | 223.0 |
| Cash generated from (used in) operating activities before the following items: | | **(152.9)** | 151.0 |
| Interest received | | **9.4** | 9.7 |
| Distributions received from equity-accounted investments | Note 9 | **37.2** | 19.6 |
| Interest paid | | **(8.1)** | (21.3) |
| Income taxes received (paid), net | | **(3.5)** | (17.2) |
| Net cash from (used in) operating activities | Note 27 | **(117.9)** | 141.8 |
| **Investing activities** | | | |
| Net proceeds from (payments for) the disposal of businesses and other assets | Note 27 | **500.4** | (200.0) |
| Restricted cash | Notes 14 & 27 | **(107.7)** | — |
| Cash held in escrow | Note 27 | **(2.3)** | — |
| Proceeds from disposal of investments in equity instruments | Note 8 | **141.2** | — |
| Proceeds from disposal of investments in corporate and government bonds | | **291.8** | 64.9 |
| Purchases of investments in corporate and government bonds | | **(223.1)** | (17.8) |
| Additions to property, equipment, software and technology | | **—** | (26.8) |
| Net cash from (used in) investing activities | Note 27 | **600.3** | (179.7) |
| **Financing activities** | | | |
| Dividends | Note 20 | **(78.3)** | — |
| Acquisition of non-controlling interest | | **(2.3)** | (2.7) |
| Repurchase of common shares | Note 21 | **(247.2)** | — |
| Repurchase of preferred shares | Note 21 | **(63.7)** | — |
| Principal elements of lease payments | | **(1.2)** | — |
| Repayment of the revolving facility | Note 14 | **(51.1)** | (149.0) |
| Repayment of Senior Secured Notes | Note 14 | **(250.0)** | — |
| Net cash used in financing activities | | **(693.8)** | (151.7) |
| Net change in cash and cash equivalents | | **(211.4)** | (189.6) |
| Translation adjustment related to cash | | **(1.9)** | 11.6 |
| Cash and cash equivalents, beginning of period | | **311.9** | 489.9 |
| **Cash and cash equivalents, end of period** | | **$ 98.6** | $ 311.9 |

*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:**

# 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 office of Aimia is located at 525 Viger Avenue West, Suite 1000, Montreal, Quebec, Canada, H2Z 0B2 and its head office is located at 777 Bay Street, Suite 2901, Toronto, Ontario, M5G 2C8.

Aimia, a loyalty solutions company, through its subsidiaries, operates one reportable and operating segment, namely, Loyalty Solutions. The Corporation also reports results for Corporate and Other (*Note 3*).

### *Loyalty Solutions*

Within the Loyalty Solutions segment, Aimia provides clients with full-service loyalty solutions across the globe. The Loyalty Solutions 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 segment also includes the Middle East loyalty solutions business, which includes the Air Miles Middle East coalition program, as well as Intelligent Shopper Solutions ("ISS"), Aimia's international data analytics and insights services business. The Loyalty Solutions segment includes an investment in the Aimia Kantar Insights joint venture, a joint venture with Kantar providing data analytics and insights services.

### *Corporate and Other*

Corporate and Other includes central operating costs, including costs related to public company disclosure and Board costs, executive leadership, consolidated reporting, treasury and M&A, that have not been allocated to the Loyalty Solutions segment. Corporate and Other 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. Until their respective disposals, Aimia also held minority interests in Cardlytics and Fractal Analytics (*Notes 8 & 24*).

### *Discontinued Operations (Note 27)*

Discontinued operations include the results of the Aeroplan coalition loyalty program and related assets until their disposal on January 10, 2019. 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 on January 31, 2018.

## 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, except for leases where the Corporation applied IFRS 16 for the first time using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period.

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on February 24, 2020.

### *(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 were measured at the lower of carrying amount and fair value less costs of disposal (*Note 27*);
- Investments in equity instruments are measured at fair value (*Notes 8 & 24*);
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (*Notes 12 & 16*);
- 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 27*).

### *(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 *(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 4)*;
- Income Taxes *(Notes 2, 18 and 27)*;
- Impairment considerations on long-lived assets, particularly future cash flows and cost of capital *(Notes 2 and 11)*;
- Contingent Liabilities *(Note 19).*

## 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, 2019:

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

### *Investments in Associates and Joint Arrangements (Note 9)*

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation had the following significant investments in joint arrangements at December 31, 2019:

| Name | Nature of business | Nature of investment | 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 | Mexico | 48.9 | Equity |
| BIGLIFE Sdn Bhd ("BIGLIFE") | Coalition Loyalty | Joint venture | Malaysia | 20.0 | Equity |
| Aimia Kantar Insights ("Aimia Kantar") | Data Analytics and Insights | Joint venture | United States | 50.0 | Equity |

## REVENUE RECOGNITION

### *Loyalty Services*

Aimia derives loyalty services fees by providing clients with loyalty strategy, program design, implementation, campaign, data analytics and insights, customers segmentation and rewards fulfillment. Aimia also deploys Aimia's loyalty platforms including the Aimia Loyalty Platform - Enterprise, the Aimia Loyalty Platform - SAAS and the Aimia Insights Platform 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 loyalty 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, upon completion and client acceptance. 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 determines that it acts as an agent when rendering certain rewards fulfillment services. Therefore, the direct costs associated to these services, which are paid to external suppliers and recharged directly to clients, are recorded as a reduction to revenue, with only the margin being recognized as revenue.

### *Loyalty Units*

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 owned and 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 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, 2019 is 30% (December 31, 2018: 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.

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. For its 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.

## EMPLOYEE FUTURE BENEFITS

### *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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## LEASES

*i. Accounting policy applicable from January 1, 2019*

***Aimia acts as a lessee***

For any new contracts entered into on or after January 1, 2019, the Corporation considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Corporation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Corporation has the right to direct the use of the identified asset throughout the period of use.

As at December 31, 2019, the Corporation had contracted leases for office spaces only.

At lease commencement date, the Corporation recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle or restore the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, net of any incentive received.

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the lease term. The Corporation also assess the right-of-use asset for impairment when such indicators exist. At this time, due to impairment charges recorded in the past years in some of the businesses in which the Corporation has contracted leases, some right-of-use assets are not recognized on the statement of financial position at commencement date but rather considered fully impaired at commencement date. The associated charge is recognized in rent and office costs.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Corporation's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that Aimia would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.The weighted average incremental borrowing rate applied to lease liabilities recognized was 8.9% as at December 31, 2019.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including payments that are, in substance, fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. As a result, instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the short-term portion of the lease liabilities has been included in accounts payable and accrued liabilities. The long-term portion has been included in other long-term liabilities.

### *Aimia acts as an intermediate lessor*

Aimia acts as an intermediate lessor when it subleases a portion of the office spaces it is currently leasing. During the three months ended September 30, 2019, Aimia entered in a sublease agreement for one office space. When the Corporation is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. The net investment in the lease is the gross investment in the lease discounted using the discount rate used to record the lease liability associated with the head lease. The gross investment in the lease is the sum of (1) lease payments receivable by the Corporation under the finance lease, and (2) any unguaranteed residual value accruing to the Corporation. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

As at December 31, 2019, the Corporation's only sublease is classified as a finance lease.

### *ii. Accounting policy applicable before January 1, 2019*

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

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

## 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 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 did not recognize any tax credits for the years ended December 31, 2019 and 2018.

## 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 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

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

### *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 | | |
| 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.

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 20 and 21*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within equity.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, 2019 was 1.12% (2018: 1.28%). At December 31, 2019 and 2018, 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. As at December 31, 2019, restricted cash also included a portion of the sale proceeds deposited in a separate interest-bearing account jointly controlled by Aimia and Air Canada to cover any potential income tax payments regarding certain Aeroplan Inc. income tax matters. Refer to *Note 27* for more information.

## 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, 2019 was 2.3% (2018: 2.0%).

## 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 1.7 years and 1.9 years and their weighted average yield to maturity is 2.7% at December 31, 2019 (2018: 2.4%).

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 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 |
| Right of use assets | Over the term of the lease |

## 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 7.0 years as at December 31, 2019. 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.

## 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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

### *(a) Adoption of revised accounting standards*

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

#### *IFRS 16 Leases*

IFRS 16 - *Leases* replaces IAS 17 - *Leases* and related interpretations. The new standard has been applied using a modified restrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. Refer to *Leases* section for the accounting policy applied before January 1, 2019.

For contracts in place at the date of initial application, being January 1, 2019, Aimia has elected to apply the definition of a lease from IAS 17 and related interpretations and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and related interpretations.

At the date of initial application, Aimia has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments that existed at the date of transition. On transition, Aimia has applied the optional exemptions to not recognize the right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term for every lease previously accounted for as an operating lease with a remaining lease term of less than 12 months, with the exception of its prepaid rent related to its operations in the UK.

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

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 9.0%.

Due to impairment charges recognized in the past years in the businesses in which the Corporation has contracted leases, the Corporation has made the assessment that all of its right-of-use assets would be impaired on transition to IFRS 16. As a results, the right-of-use assets were impaired immediately in the 2019 opening equity.

The following is a reconciliation of total operating lease commitments as at December 31, 2018 to the lease liabilities recognized as at January 1, 2019:

| | |
|---|---|
| **Total operating lease commitments as at December 31, 2018** | 10.0 |
| Recognition exemptions - selected leases with remaining term of less than 12 months | (1.1) |
| Other minor adjustments relating to commitment disclosures | (0.1) |
| Operating lease liabilities before discounting | 8.8 |
| Discounting using incremental borrowing rate | (2.7) |
| **Total lease liabilities recognized under IFRS 16 as at January 1, 2019** | **6.1** |

The following is a summary of the impact of transition to IFRS 16 at January 1, 2019:

| | |
|---|---|
| **Retained earnings (deficit) as at December 31, 2018** | (3,139.5) |
| Impaired right-of-use asset related to prepaid rent | (4.7) |
| Lease liabilities | (6.1) |
| **Retained earnings (deficit) as at January 1, 2019** | **(3,150.3)** |

### *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 recognize 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 recognized 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. The new standard had no impact on the Corporation's consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### *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, IAS 12 and IAS 23 amendments and concluded that they had no 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 had no impact on its consolidated financial statements.

## ***(b) Change in accounting policy***

### *Change in presentation of expense*

The disposal of the Aeroplan coalition loyalty program and related assets (*Note 27*) represents a significant change in the nature of the Corporation's operations. Following a review of its financial statements, the Corporation believes that a classification of its expenses by nature instead of by function is more aligned with the services the Corporation is rendering and therefore provides information that is more useful and relevant to the users of its financial statements. Accordingly, the Corporation has applied retrospectively this new accounting policy and presented its expenses from continuing operations for the years ended December 31, 2019 and 2018 using a classification by nature. The new presentation includes the following operating expenses categories:

- **Compensation and benefits**: Include all salaries, benefits, share-based compensation and other performance awards as well as termination benefits for Aimia's permanent employees and Board of Directors.

- **Technology:** Include information technology related expenses made up of loyalty platforms development and maintenance, IT infrastructure, licensed software, financial systems and third party IT consultants and contractors.

- **Professional, advisory and service fees**: Include expenses from various professional services received by the Corporation, including legal, internal and external audits, valuation, strategy, data analytics, contact centers operations and communications.

- **Rent and office costs**: Include rent and office services related costs outside the scope of IFRS 16, short-term leases expenses as well as impairment charges or reversal associated with right of use assets considered impaired at commencement date.

- **Travel and employee expenses:** Include employee expenses made up of travel and entertainment, training, association fees and recruiting expenses.

- **Depreciation and amortization:** Include depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

- **Other:** All other operating expenses including insurance, freight, bank fees as well as foreign exchanges gain or loss on cash and cash equivalents and working capital.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Comparative information has been reclassified as follows:

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| | As originally presented | Change in classification | Restated |
| **Statement of operations (extract)** | | | |
| **Revenue** | **167.1** | — | **167.1** |
| **Cost of sales** | | | |
| Cost of rewards and direct costs | **17.3** | (17.3) | **—** |
| Depreciation and amortization | **13.7** | (13.7) | **—** |
| Amortization of accumulation partner's contract, customer relationships and technology | **2.7** | (2.7) | **—** |
| | **33.7** | (33.7) | **—** |
| **Operating Expenses** | | | |
| Selling and marketing expenses | **123.8** | (123.8) | **—** |
| General and administrative expenses | **105.9** | (105.9) | **—** |
| Impairment charges | **38.4** | (38.4) | **—** |
| | **268.1** | (268.1) | **—** |
| Compensation and benefits | **—** | 129.4 | **129.4** |
| Technology | **—** | 67.1 | **67.1** |
| Professional, advisory and service fees | **—** | 18.4 | **18.4** |
| Rent and office costs | **—** | 12.6 | **12.6** |
| Travel and employee expenses | **—** | 9.0 | **9.0** |
| Depreciation and amortization | **—** | 16.4 | **16.4** |
| Other | **—** | 10.5 | **10.5** |
| Impairment charges | **—** | 38.4 | **38.4** |
| | **—** | **301.8** | **301.8** |
| **Operating loss** | **(134.7)** | **—** | **(134.7)** |

# 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 9/IAS 39 and IFRS 7 Amendments, Interest rate benchmark reform*

The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 - Financial Instruments: Disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The Corporation will not early adopt the amendments and does not expect a significant impact 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.

### *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. The Corporation does not anticipate that the revised conceptual framework will have a significant impact on its consolidated financial statements.

## 3. SEGMENTED INFORMATION

Effective January 1, 2019, the Corporation was reorganized in a divisional structure, which consisted of a single reportable and operating segment, namely, Loyalty Solutions. The Corporation also reports results for Corporate and Other as a reconciliation to its consolidated statements of operations and statements of financial position. Previously, the divisional structure and its two reportable and operating segments were Coalitions and Insights & Loyalty Solutions, as well as Other Businesses. As a result of those changes, the comparative information has been restated to conform with the new segmentation.

The Corporation's Chief Executive Officer reviews the segment internal management reports on a monthly basis. The reportable and operating segment was identified on a divisional basis and is aligned with the organizational structure and strategic direction of the organization.

The Loyalty Solutions segment derives its revenues primarily from loyalty services, including revenue from the Aimia Loyalty Platform - Enterprise, the Aimia Loyalty Platform - SAAS, the Aimia Insights Platform and the Air Miles Middle East loyalty program. The Loyalty Solutions segment includes an investment in the Aimia Kantar joint venture.

Corporate and Other includes central operating costs, including costs related to public company disclosure and Board costs, executive leadership, consolidated reporting, treasury and M&A, that have not been allocated to the Loyalty Solutions segment. Corporate and Other 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. Until their respective disposals, Aimia also held minority interest in Cardlytics and Fractal Analytics (*Notes 8 & 24*).

Accounting policies applied for the Loyalty Solutions segment and Corporate and Other 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 [(c)] | 2019 | 2018 [(c)] | 2019 | 2018 [(c)] |
| **Operating Segment** | **Loyalty Solutions** | | **Corporate and Other** | | **Continuing operations** | |
| Revenue | **134.0** | 167.1 | **—** | — | **134.0** | 167.1 |
| Operating expenses before impairment charges | **161.2** | 212.0 | **46.0** | 51.4 | **207.2** | 263.4 |
| Impairment charges | **—** | 38.4 | **—** | — | **—** | 38.4 |
| Total operating expenses | **161.2** | 250.4 | **46.0** | 51.4 | **207.2** | 301.8 |
| Operating loss [(a)] | **(27.2)** | (83.3) | **(46.0)** | (51.4) | **(73.2)** | (134.7) |
| Additions to non-current assets [(b)] | **—** | 9.7 | **—** | — | **—** | 9.7 |
| Non-current assets [(b)] | **19.9** | 23.8 | **0.5** | 0.6 | **20.4** | 24.4 |

(a) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the year ended December 31, 2019 and December 31, 2018 is presented in the consolidated statements of operations.

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

(c) The Corporation used the modified retrospective approach for its adoption of IFRS 16; therefore, 2018 financial information was not restated. 2018 financial information was restated to reflect the change in the presentation of expenses. Refer to *Note 2* for additional information.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 4. REVENUE

## DISAGGREGATION OF REVENUE

### *Geographic Information*

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Canada | **33.9** | 37.2 |
| United Kingdom | **29.5** | 37.2 |
| United Arab Emirates | **17.3** | 22.9 |
| United States | **21.9** | 26.9 |
| Australia | **18.8** | 22.2 |
| Other | **12.6** | 20.7 |
| **Total** | **134.0** | 167.1 |

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

### *Type of service*

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Loyalty Services | **117.9** | 146.2 |
| Loyalty Services - Platforms setup and implementation | **3.9** | 8.4 |
| Loyalty Units | **12.2** | 12.5 |
| **Total** | **134.0** | 167.1 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

| | Loyalty Units | | Loyalty Services | | Total | |
|---|---|---|---|---|---|---|
| As at | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Opening balance | **2,962.8** | 3,236.2 | **5.4** | 10.0 | **2,968.2** | 3,246.2 |
| Loyalty Units issued – Gross Billings | **16.2** | 46.8 | **—** | — | **16.2** | 46.8 |
| Gross Billings | **—** | — | **122.8** | 154.4 | **122.8** | 154.4 |
| Revenue recognized | **(12.2)** | (12.5) | **(121.8)** | (154.6) | **(134.0)** | (167.1) |
| Cost of rewards - Air Miles Middle East program [(a)] | **(27.3)** | (30.6) | **—** | — | **(27.3)** | (30.6) |
| Deferred revenue relating to the disposal of businesses (*Note 27*) | **(2,904.4)** | (243.4) | **(0.7)** | (4.6) | **(2,905.1)** | (248.0) |
| Gross Billings related to discontinued operations (*Note 27*) | **28.3** | 1,277.5 | **0.9** | 29.1 | **29.2** | 1,306.6 |
| Revenue related to discontinued operations (*Note 27*) | **(35.3)** | (1,299.8) | **(1.0)** | (29.6) | **(36.3)** | (1,329.4) |
| Cost of rewards related to discontinued operations - Nectar program (*Note 27*) [(a)] | **—** | (23.0) | **—** | — | **—** | (23.0) |
| Foreign currency and other adjustments | **(3.3)** | 11.6 | **(3.2)** | 0.7 | **(6.5)** | 12.3 |
| **Ending balance** | **24.8** | 2,962.8 | **2.4** | 5.4 | **27.2** | 2,968.2 |
| Represented by: | | | | | | |
| Current portion | **21.5** | 42.0 | **2.4** | 4.6 | **23.9** | 46.6 |
| Held for sale (*Note 27*) | **—** | 2,911.3 | **—** | 0.8 | **—** | 2,912.1 |
| Long-term | **3.3** | 9.5 | **—** | — | **3.3** | 9.5 |

(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, 2019 and for the year ended December 31, 2018; therefore, the expenses charged by the suppliers are recorded against the deferred revenue, with only the margin being recognized as revenue.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## MEASUREMENT UNCERTAINTY

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the revenue has been recognized or deferred and for which no liability has been recorded. The potential redemption cost for such Loyalty Units is estimated to be $2.6 million as at December 31, 2019.

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.

## 5. FINANCIAL INCOME AND EXPENSES

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Interest on cash and cash equivalents, restricted cash | 4.4 | 3.0 |
| Interest income on investments in bonds | 4.4 | 5.7 |
| Other financial income | 8.3 | 5.9 |
| Financial income | **17.1** | 14.6 |
| Interest on long-term debt | (2.1) | (23.7) |
| Interest expense on lease liabilities | (0.5) | — |
| Other financial expenses | (3.1) | — |
| Financial expenses | **(5.7)** | (23.7) |
| Net fair value gain (loss) on investments in equity instruments *(Note 24)* | **89.6** | (3.1) |
| **Net financial income (expenses)** | **101.0** | (12.2) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 6. EARNINGS (LOSS) PER COMMON SHARE

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net earnings (loss) attributable to equity holders of the Corporation | **1,112.4** | (72.0) |
| Deduct: Dividends declared on preferred shares related to the period (*Note 20*) | **(17.6)** | — |
| Deduct: Cumulative undeclared dividends on preferred shares related to the period (*Note 20*) | **—** | (17.5) |
| Add: Excess of preferred shares' assigned value over consideration paid for repurchase *(Note 21)* | **21.0** | — |
| Net earnings (loss) attributable to common shareholders | **1,115.8** | (89.5) |
| Weighted average number of basic and diluted common shares | **126,795,975** | 152,307,196 |
| Earnings (loss) per common share – Basic and fully diluted | **$ 8.80** | $ (0.59) |
| Continuing operations - Basic and fully diluted | **$ 0.37** | $ (1.18) |
| Discontinued operations - Basic and fully diluted | **8.43** | 0.59 |

## 7. ACCOUNTS RECEIVABLE

| As at | December 31, | December 31, |
|---|---|---|
| | 2019 | 2018 |
| Trade receivables | 57.8 | 50.7 |
| Sales tax receivable | 4.4 | 3.9 |
| Other receivables | 4.6 | 5.1 |
| **Total** | **66.8** | 59.7 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 8. LONG-TERM INVESTMENTS

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Investments in equity instruments (*Note 24*) [(a)(c)] | — | 54.0 |
| Investment in corporate and government bonds [(b)] | 67.5 | 154.9 |
| **Total** | **67.5** | 208.9 |

(a) On August 27, 2019, Aimia sold 1.5 million common shares of its investment in Cardlytics by way of block trade for net proceeds of $59.8 million (US$44.9 million). In addition, during the three months ended September 30, 2019, Aimia sold aggregate of 0.2 million shares of Cardlytics for net proceeds of $11.2 million (US$8.5 million). During the three months ended December 31, 2019, Aimia sold its remaining 1.3 million shares of Cardlytics for net proceeds of $60.5 million (US $46.2 million). For more information, refer to *Note 24*.

(b) The investment in corporate and government bonds amounted to $154.1 million as at December 31, 2019 (December 31, 2018: $223.9 million) of which $86.6 million was classified as short-term investments (December 31, 2018: $69.0 million) and $67.5 million as long-term investments (December 31, 2018: $154.9 million).

(c) 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).

## 9. EQUITY-ACCOUNTED INVESTMENTS

| As at | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Investment in PLM Premier, S.A.P.I. de C.V. [(a)] | 61.1 | 67.5 |
| Other equity-accounted investments in joint ventures | 13.5 | 16.0 |
| **Total** | **74.6** | 83.5 |

(a) During the year ended December 31, 2019, Aimia received distributions from PLM of $35.3 million (US$26.6 million), respectively, compared to distributions of $17.9 million (US$13.7 million) for the year ended December 31, 2018.

| Share of net earnings (loss) of equity-accounted investments | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Investment in PLM Premier, S.A.P.I. de C.V. | 31.4 | (3.7) |
| Other equity-accounted investments in joint ventures | — | (0.4) |
| **Total** | **31.4** | (4.1) |

# 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, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | 114.3 | 83.9 |
| Other current assets | 172.6 | 183.5 |
| Total current assets | 286.9 | 267.4 |
| Total non current assets | 145.2 | 144.0 |
| **Total assets** | **432.1** | 411.4 |
| Total current liabilities | (312.2) | (256.5) |
| Total non-current liabilities | (256.5) | (296.6) |
| **Total liabilities** | **(568.7)** | (553.1) |
| **Net liabilities** | **(136.6)** | (141.7) |

### *Summarized statement of comprehensive income (loss)*

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Revenue** | **332.7** | 192.2 |
| Cost of rewards and operating expenses | (237.2) | (205.2) |
| Depreciation and amortization | (3.8) | (2.4) |
| **Operating income (loss)** | **91.7** | (15.4) |
| Net financial income (expense) | 3.7 | 6.9 |
| Income tax recovery (expense) | (24.0) | 7.5 |
| **Net earnings (loss)** | **71.4** | (1.0) |
| Other comprehensive income (loss) | 6.0 | (8.8) |
| **Comprehensive income (loss)** | **77.4** | (9.8) |

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*

| | 2019 | 2018 |
|---|---|---|
| **PLM net assets (liabilities), beginning of year** | **(141.7)** | (95.5) |
| Net earnings (loss) for the year | 71.4 | (1.0) |
| Other comprehensive income (loss) for the year | 6.0 | (8.8) |
| Distributions declared during the year | (72.3) | (36.4) |
| **PLM net assets (liabilities), end of year** | **(136.6)** | (141.7) |
| Interest in PLM @ 48.9% | (66.7) | (69.2) |
| Net book value of identifiable assets and goodwill recognized on a step basis | 127.8 | 136.7 |
| **Carrying value, end of year** | **61.1** | 67.5 |

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Net earnings (loss) for the year** | **71.4** | (1.0) |
| Share of net earnings (loss) of PLM @ 48.9% | 34.9 | (0.5) |
| Amortization expense related to identifiable assets recognized on a step basis | (3.5) | (3.2) |
| **Aimia's share of PLM net earnings (loss)** | **31.4** | (3.7) |

## 10. PROPERTY AND EQUIPMENT

| | Furniture, Fixtures and Computer Hardware | Leasehold Improvements | Right of use assets | Total Property and Equipment |
|---|---|---|---|---|
| **As at December 31, 2018** | | | | |
| Cost | 9.4 | 1.6 | — | 11.0 |
| Accumulated depreciation and impairment | (8.8) | (1.2) | — | (10.0) |
| **Net carrying amount** | 0.6 | 0.4 | — | 1.0 |
| **As at December 31, 2019** | | | | |
| Cost | **7.4** | **0.9** | **1.2** | **9.5** |
| Accumulated depreciation and impairment | **(7.0)** | **(0.9)** | **(0.1)** | **(8.0)** |
| **Net carrying amount** | **0.4** | **—** | **1.1** | **1.5** |

Additions to right of use assets amounted to $1.2 million for the year ended December 31, 2019 (2018: nil). There were no additions to furniture, fixtures and computer hardware and leasehold improvements for the year ended December 31, 2019 (2018: $0.2 million).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 11. 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, 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)] | (3.3) | (152.6) | (46.5) | — | (0.1) | — |
| Impairment charges | — | — | (28.4) | — | — | (10.0) |
| Reclassification to assets held for sale - Nectar coalition loyalty program and related assets (*Note 27*) | (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 [(b)] | 2.3 | — | 65.5 | — | 0.1 | 125.9 |
| **Closing Net carrying amount** | **1.0** | **10.7** | **3.8** | **8.9** | **—** | **—** |
| **Year ended December 31, 2019** | | | | | | |
| Opening net carrying amount | 1.0 | 10.7 | 3.8 | 8.9 | — | — |
| Additions - Internally generated | — | — | — | — | — | — |
| Additions - Purchased | | — | — | — | — | — |
| Additions - Right of use asset | 1.2 | | | | | |
| Disposals | — | — | — | — | — | — |
| Depreciation and amortization expense [(a)] | (0.6) | (1.4) | (2.4) | — | — | — |
| Depreciation and amortization - Right of use asset | (0.1) | — | — | — | — | — |
| Exchange differences and other | — | (0.4) | (0.2) | (0.1) | — | — |
| **Closing net carrying amount** | **1.5** | **8.9** | **1.2** | **8.8** | **—** | **—** |
| **At December 31, 2019** | | | | | | |
| Cost | 9.5 | 28.0 | 142.5 | 8.8 | — | — |
| Less: accumulated depreciation and amortization | 5.7 | 19.1 | 75.8 | — | — | — |
| Less: accumulated impairment charges [(b)] | 2.3 | — | 65.5 | — | — | — |
| **Closing Net carrying amount** | **1.5** | **8.9** | **1.2** | **8.8** | **—** | **—** |

# 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) Represents accumulated impairment losses since January 1, 2010.

## GEOGRAPHIC INFORMATION

### *Non-current assets*

| As at | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Canada | **1.5** | 0.9 |
| United Arab Emirates | **17.4** | 19.8 |
| Other | **1.5** | 3.7 |
| **Total** | **20.4** | 24.4 |

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

## IMPAIRMENT OF NON-FINANCIAL ASSETS

### *Goodwill and Trade Names*

*Middle East Loyalty Solutions*

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, 2019 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 24*.

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 the Board of Directors.
- 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The key assumptions for the market approach include:

- Adjusted EBITDA projected on the basis of past experience, actual operating results and the 2020 long range plan. Adjusted EBITDA is a non-GAAP measure and represents earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA");
- Multipliers were determined on the basis of historical and publicly available information of comparable companies.

The aggregate carrying amounts of trade names (pre and post impairment testing) allocated by CGU at December 31, 2019 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, 2019 | | Discounted Free Cash Flow Assumptions (%) | |
|---|---|---|---|---|
| | Carrying Amount - Post impairment testing | Carrying Amount - Pre impairment testing | Terminal Growth Rate | Discount Rate |
| **Trade Names** | | | | |
| **Loyalty Solutions** | | | | |
| Middle East loyalty solutions business | 8.8 | 8.8 | 1.5 | 19.0 |

Based on the results of the impairment tests conducted in 2019, the carrying amounts of the Middle East loyalty solutions business was determined to be lower than its recoverable amount.

The aggregate carrying amounts of goodwill and trade names (pre and post impairment testing) allocated by CGU or group of CGUs 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** | | | | |
| **Loyalty Solutions** | | | | |
| 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

### *Aeroplan Program and related assets*

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 27*), 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.

### ***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)

## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| As at | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade payables and redemption accruals | 21.0 | 25.2 |
| Non-trade payables and other accrued expenses | 19.9 | 22.9 |
| Employee compensation and benefits accruals (excluding restructuring liabilities and share-based compensation) | 11.4 | 20.2 |
| Share-based compensation and other performance awards liability | 2.8 | 7.2 |
| Restructuring liabilities | 4.1 | 6.4 |
| Short term lease liabilities (*Note 15)* | 1.7 | — |
| Dividends payable (*Note 20*) | — | 34.7 |
| Base and contingent consideration payable related to business acquisitions (*Note 24*) | — | 3.1 |
| **Total** | **60.9** | 119.7 |

## 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.

| | Total |
|---|---|
| **Balance as at December 31, 2017** | **7.0** |
| Liability recorded during the year | 18.9 |
| Payments made during the year | (19.1) |
| Foreign exchange translation adjustment | (0.4) |
| **Balance as at December 31, 2018** | **6.4** |
| Liability recorded during the period | 14.2 |
| Payments made during the period | (16.5) |
| **Balance as at December 31, 2019** | **4.1** |

# 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, 2019 and 2018 are presented below:

| | Years Ended December 31, | |
|---|---|---|
| Segment | 2019 | 2018 |
| Loyalty Solutions | 9.0 | 4.8 |
| Corporate and Other | 5.2 | 9.5 |
| Discontinued operations - Aeroplan | — | 4.2 |
| Discontinued operations - Nectar | — | 0.4 |
| **Total** | **14.2** | 18.9 |

Restructuring expenses recorded during the years ended December 31, 2019 and 2018 consisted primarily of severance costs related to headcount reductions associated with the Corporation's execution of the new strategic plan and business simplification. Restructuring expenses (net of reversals), with the exception of those included in discontinued operations, are included in compensation and benefits expenses.

## 13. PROVISIONS

| | Card Migration Provision | Onerous Contract Provision | Total |
|---|---|---|---|
| **Balance as at December 31, 2017** | **2.4** | **17.2** | **19.6** |
| 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 as at December 31, 2018** | **0.1** | **15.2** | **15.3** |
| Provision used during the period | — | (3.0) | (3.0) |
| Provision relating to the disposal of businesses (*Note 27*) | (0.1) | (10.6) | (10.7) |
| Foreign exchange translation adjustment | — | (0.2) | (0.2) |
| **Balance as at December 31, 2019** | **—** | **1.4** | **1.4** |

## ONEROUS CONTRACT PROVISION

Upon the disposal of the U.S. CEL Business, the costs under an IT outsourcing arrangement in the US were considered onerous as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As a result, a provision of $20.3 million was recorded during the second quarter of 2017.

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. This portion of the provision was presented as held for sale as at December 31, 2018 (*Note 27*).

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)

## 14. LONG-TERM DEBT

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

| | Authorized & Drawn as at December 31, 2019 | Drawn as at December 31, 2018 |
|---|---|---|
| Revolving facility [(a)] | N/A | 51.1 |
| Senior Secured Notes Series 4 [(b)] | N/A | 250.0 |
| Unamortized transaction costs | N/A | (0.2) |
| Total long-term debt | | **300.9** |
| Less: current portion [(a)(b)] | | 300.9 |
| **Long-term debt** | | **—** |

(a) Following the completion of the sale of the Aeroplan Program and related assets (*Note 27*), the revolving facility was fully repaid and terminated. In connection with the termination of the 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.

In 2018, 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 27*) 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, revised conditions around acquisitions and disposals, and tighter restrictions on common and preferred dividends payments, among others.

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 first three quarters of 2018.

(b) The issued Senior Secured Notes Series 4 in the principal amount of $250.0 million, bearing interest at 6.85% per annum based on the Corporation's credit ratings, were early redeemed on February 8, 2019 following the completion of the sale of the Aeroplan Program and related assets (*Note 27*). Additionally, Aimia paid interest accrued on the Senior Secured Notes Series 4 up to repayment date, representing $4.0 million, as well as an early redemption premium of $2.8 million.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 15. LEASES

### *Aimia Acting as a lessee*

For the year ended December 31, 2019, the interest expense on lease liabilities was of $0.5 million. The expense relating to short-term leases was of $1.8 million. Total cash outflows for leases was of $4.0 million.

As at December 31, 2019, the undiscounted future lease liabilities payments are as follows:

| | Total | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|---|
| Lease liabilities | 6.9 | 2.1 | 1.8 | 1.5 | 1.3 | 0.2 | — |
| **Total** | **6.9** | **2.1** | **1.8** | **1.5** | **1.3** | **0.2** | **—** |

### *Aimia acting as a lessor*

As at December 31, 2019, amounts receivable under finance leases, for which the Corporation is acting as intermediate lessor, had the following maturity:

| | Total |
|---|---|
| 2020 | 0.7 |
| 2021 | 0.7 |
| 2022 | 0.8 |
| 2023 | 0.8 |
| 2024 | 0.1 |
| Thereafter | — |
| **Total undiscounted lease receivable** | **3.1** |
| Unearned finance income | **(0.5)** |
| **Net investment in a lease** | **2.6** |
| **Represented by:** | |
| Current portion | **0.5** |
| Long-term portion | **2.1** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 16. OTHER LONG-TERM LIABILITIES

| As at | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Post-employment benefits | **2.9** | 7.0 |
| Lease liabilities *(Note 15)* | **4.3** | — |
| Share-based compensation and other performance awards liability | **4.5** | 4.1 |
| **Total** | **11.7** | 11.1 |

## 17. EMPLOYEE BENEFITS

Total employee benefit expenses, including salary and wages, pension costs, share-based compensation, termination and other benefits, but excluding compensation expenses related to Board of Directors members, for the year ended December 31, 2019 amounted to $94.6 million (2018: $125.8 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, 2019 and 2018, 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 $2.5 million for the year ended December 31, 2019 (2018: $4.1 million).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 18. INCOME TAXES

### *Income Tax Expense*

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

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Current tax expense (recovery)** | | |
| Current Part VI.1 tax expense for the year | 19.1 | — |
| Current tax expense (recovery) for the year | (2.3) | 2.9 |
| **Total current tax expense** | **16.8** | **2.9** |
| **Deferred tax expense (recovery)** | | |
| Origination and reversal of temporary differences | (0.6) | 0.7 |
| Reversal of deferred income tax liability | — | (0.4) |
| Reversal of deferred income tax asset | 0.1 | 2.1 |
| **Total deferred tax expense (recovery)** | **(0.5)** | **2.4** |
| **Income tax expense** | **16.3** | **5.3** |

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

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | % | $ | % | $ |
| **Reconciliation of statutory tax rate** | | | | |
| Income tax expense (recovery) at Canadian statutory tax rate: | 26.60 | 15.8 | 26.75 | (41.8) |
| Adjusted for the effect of: | | | | |
| Temporary differences for which no deferred income tax asset has been recorded | 36.99 | 21.9 | (22.07) | 34.5 |
| Permanent differences - other | (62.32) | (36.9) | (5.63) | 8.8 |
| Foreign operations - subject to different tax rates | 3.56 | 2.1 | (2.50) | 3.9 |
| Reversal of deferred income tax asset | 0.18 | 0.1 | — | — |
| Prior year adjustments | (0.83) | (0.5) | 0.06 | (0.1) |
| Part VI.1 tax, net of deduction of Part I tax recovery | 23.35 | 13.8 | — | — |
| Income tax expense (recovery) as reported in the consolidated statements of operations and effective tax rate | 27.53 | 16.3 | (3.39) | 5.3 |

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, 2019, no deferred tax liabilities were recognized for temporary differences of $68.5 million (2018: $37.6 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, | |
|---|---|---|
| | 2019 | 2018 |
| Deferred tax assets - to be recognized within 12 months | 0.5 | 0.5 |
| Deferred tax assets - to be recognized after 12 months | 5.4 | 3.5 |
| Deferred tax liabilities - to be settled after 12 months | (1.5) | — |
| | **4.4** | **4.0** |

Movements in temporary differences during the year were as follows:

| | Balance at December 31, 2018 | Recognized in Earnings 2019 | Recognized in OCI 2019 | Recognized in Equity 2019 | Balance at December 31, 2019 |
|---|---|---|---|---|---|
| **Deferred tax assets (liabilities)** | | | | | |
| Losses available for carryforward | 0.2 | 0.9 | — | — | 1.1 |
| Pension and other long-term liabilities | 0.1 | (0.1) | — | — | — |
| Other | 0.2 | (0.1) | — | (0.1) | — |
| Accumulation Partners' contracts, customer relationships and trade names | 2.7 | 0.3 | — | — | 3.0 |
| Software and technology | 0.8 | (0.5) | — | — | 0.3 |
| | **4.0** | **0.5** | **—** | **(0.1)** | **4.4** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| | 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** |

At December 31, 2019, 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) Canada | | |
| losses available for carryforward | 0.2 | 2028 |
| | 0.6 | 2036 |
| | 3.7 | 2038 |
| | 70.0 | 2039 |
| | **74.5** | |
| (ii) United Kingdom | | |
| losses available for carryforward | **105.8** | Indefinite |
| (iii) United States | | |
| losses available for carryforward | 2.5 | 2029 |
| | 10.5 | 2030 |
| | 31.9 | 2031 |
| | 24.0 | 2032 |
| | 35.8 | 2033 |
| | 13.0 | 2034 |
| | 17.3 | 2035 |
| | 17.3 | 2036 |
| | 9.0 | 2037 |
| | 7.3 | 2038 |
| | 20.9 | 2039 |
| | **189.5** | |

At December 31, 2019, Aimia had Canadian capital tax losses of $406.8 million, for which the deferred tax benefit has not been recorded in the consolidated financial statements, which may be used to reduce taxable capital income in future years.

At December 31, 2019, Aimia had other deductible temporary differences of $80.4 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.

## 19. 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.

### *Aeroplan transaction*

Refer to *Note 27* for a description of the indemnification clauses related to the disposal of Aeroplan Inc.

### *Nectar transaction (Note 27)*

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 defenses, 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## CLASS ACTIONS

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

Following the completion of the sale of the Aeroplan Program and related assets on January 10, 2019 (*Note 27*), 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*

Upon the completion of the sale of the Aeroplan Program and related assets on January 10, 2019 (*Note 27*), Aimia will bear 50% of the liability and costs, if any, associated with these class action proceedings against Aeroplan Inc., up to a cap of $25 million for Aimia, after which Air Canada is solely responsible.

Management believes that Aeroplan Inc. has a strong defense to these class actions and believes that it is more likely than not that its position will ultimately be sustained; therefore, no amount was recorded in the Corporation's consolidated financial statements as at December 31, 2019 and 2018.

## OTHER CLAIMS AND LITIGATION

### *Mittleman Brothers, LLC*

On November 18, 2019, the Corporation announced that it had reached a comprehensive settlement agreement with Mittleman Brothers, LLC providing for the dismissal of all previously disclosed legal proceedings pending between the parties thereto as well as a governance process with a view to reconstituting the Board of Directors no later than February 28, 2020 in advance of the next annual meeting of shareholders. As of the date hereof, all such legal proceedings between Mittleman Brothers, LLC, the Corporation and its current and former directors have been dismissed and the parties have entered into a customary and mutual release agreement.

### *Other claims and litigations*

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.

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

## 20. DIVIDENDS

Quarterly dividends declared to preferred shareholders of Aimia during the year ended December 31, 2019, excluding cumulative preferred dividends not previously declared and not recorded as at December 31, 2018, were as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Three months ended | Amount | Per preferred share | Amount | Per preferred share |
| **Series 1** | | | | |
| March 31, | 1.1 | 0.28125 | — | — |
| June 30, | 1.1 | 0.28125 | — | — |
| September 30, | 1.1 | 0.28125 | — | — |
| December 31, | 1.1 | 0.28125 | — | — |
| **Total** | **4.4** | **1.12500** | — | — |
| **Series 2** | | | | |
| March 31, | 1.0 | 0.336760 | — | — |
| June 30, | 1.0 | 0.338570 | — | — |
| September 30, | 1.0 | 0.342605 | — | — |
| December 31, | 1.0 | 0.339518 | — | — |
| **Total** | **4.0** | **1.357453** | — | — |
| **Series 3** | | | | |
| March 31, | 2.4 | 0.390625 | — | — |
| June 30, | 2.2 | 0.375688 | — | — |
| September 30, | 2.3 | 0.375688 | — | — |
| December 31, | 2.3 | 0.375688 | — | — |
| **Total** | **9.2** | **1.517689** | — | — |

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.

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 27*) 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. As 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; and

- the payment on March 29, 2019 of cumulative preferred dividends not previously declared and recorded amounting to $26.0 million as at December 31, 2018.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

Given the facts listed above, the Corporation's common and preferred dividends activity for the year ended December 31, 2019 was as follows:

| Year ended December 31, | 2019 | |
|---|---|---|
| | Declared | Paid |
| Preferred dividends originally declared on May 10, 2017 | — | 4.3 |
| Cumulative preferred dividends not previously declared and recorded | 26.0 | 26.0 |
| Quarterly preferred dividends | 17.6 | 17.6 |
| **Total preferred dividends on Series 1, Series 2 and Series 3** | **43.6** | **47.9** |
| Common dividends originally declared on May 10, 2017 | **—** | **30.4** |
| **Total common and preferred dividends** | **43.6** | **78.3** |

Aimia is subject to Part VI.1 tax under the Income Tax Act (Canada) (the "ITA") at an imposed tax rate of 40% associated with dividends paid on its preferred shares. For the year ended December 31, 2019, the gross amount of Part VI.1 tax expense is $19.1 million. In prior years when Aimia paid dividends on its Preferred Shares, Aimia transferred all of its Part VI.1 tax liability to its related Canadian subsidiaries, which included Aeroplan Inc. (*Note 27*) to offset the Part VI.1 tax by reducing the taxable income of its Canadian subsidiaries and Part 1 tax liability. However, following the sale of Aeroplan, Aimia and its related Canadian subsidiaries do not have sufficient Canadian taxable income to benefit entirely from the Part VI.1 tax deduction to offset the Part 1 tax. Any unused Part VI.1 tax deduction will be carried forward as non-capital losses under the rules specifically provided under the ITA.

On February 24, 2020, the Board of Directors of Aimia declared quarterly dividends of $0.28125 per Series 1 preferred share, $0.336700 per Series 2 preferred share and $0.375688 per Series 3 preferred share, in each case payable on March 31, 2020.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 21. 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, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| **Opening balance** | **152,307,196** | **1,349.3** | **152,307,196** | **1,349.3** |
| Reduction of stated capital | — | (1,348.3) | | |
| Shares repurchased under the normal course issuer bid program | (8,879,302) | (0.1) | — | — |
| Shares repurchased under substantial issuer bids | (49,579,659) | (0.3) | — | — |
| **Closing balance** | **93,848,235** | **0.6** | **152,307,196** | **1,349.3** |

## REDUCTION OF STATED CAPITAL - COMMON SHARES

On February 22, 2019, the Board of Directors approved a reduction of the stated capital account maintained in respect of the common shares to an aggregate of $1.0 million. The reduction of $1,348.3 million has been added to the contributed surplus of the Corporation. This reduction of stated capital did not result in any change to total equity.

## SUBSTANTIAL ISSUER BIDS

On March 27, 2019, Aimia's Board of Directors approved a substantial issuer bid of up to $150 million to repurchase a portion of its outstanding common shares for cancellation, commencing on April 11, 2019. In accordance with the terms and conditions of this substantial issuer bid, Aimia purchased for cancellation 34,883,702 common shares at a purchase price of $4.30 per share, for aggregate consideration of approximately $150.8 million, including transaction costs. Share capital was reduced by $0.2 million and the remaining $150.6 million was accounted for as a reduction of contributed surplus.

In addition, on November 18, 2019 Aimia's Board of Directors approved an additional substantial issuer bid (the "Offer") of up to $62.5 million to repurchase a portion of its outstanding common shares for cancellation. The Offer expired at 5:00 p.m. (Eastern time) on December 30, 2019. In accordance with the terms and conditions of the Offer, Aimia purchased for cancellation 14,705,863 common shares at a purchase price of $4.25 per share, for aggregate consideration of approximately $63.7 million, including transaction costs. Share capital was reduced by $0.1 million and the remaining $63.6 million was accounted for as a reduction of contributed surplus. Of this amount, 9,906 common shares were officially canceled in January 2020.

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

## NORMAL COURSE ISSUER BID

On June 3, 2019, the Corporation announced it has received approval from the Toronto Stock Exchange respecting the establishment of a normal course issued bid. The Corporation has received approval to purchase up to 8,879,302 of its issued and outstanding common shares during the period from June 6, 2019 to no later than June 5, 2020.

From June 6, 2019 to August 13, 2019, Aimia repurchased 8,879,302 common shares for a total consideration of $32.7 million. Of this total, 3,151,876 common shares were paid and canceled during the second quarter, representing $11.6 million, and 5,727,426 common shares were paid and canceled during the three months period ended September 30, 2019, for a total of $21.1 million. Share capital was reduced by $0.1 million, and the remaining $32.6 million was accounted for as a reduction of contributed surplus.

## PREFERRED SHARES:

| Issued and outstanding | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| **Opening balance** | **12,900,000** | **315.8** | **12,900,000** | **315.8** |
| Repurchase of Preferred Shares, Series 1 | (1,032,090) | (25.2) | — | — |
| Repurchase of Preferred Shares, Series 2 | (784,770) | (19.2) | — | — |
| Repurchase of Preferred Shares, Series 3 | (1,644,737) | (40.3) | — | — |
| **Closing balance** | **9,438,403** | **231.1** | **12,900,000** | **315.8** |
| Represented by: | | | | |
| Preferred Shares, Series 1 | 2,921,275 | 71.5 | 3,953,365 | 96.7 |
| Preferred Shares, Series 2 | 2,161,865 | 52.9 | 2,946,635 | 72.1 |
| Preferred Shares, Series 3 | 4,355,263 | 106.7 | 6,000,000 | 147.0 |

On November 18, 2019 Aimia's Board of Directors approved substantial issuer bid to repurchase for cancellation up to $31.25 million of its Cumulative Rate Reset Preferred Shares, Series 1 (the "Series 1 Preferred Shares") and its Cumulative Floating Rate Preferred Shares, Series 2 (the "Series 2 Preferred Shares"), each at a fixed price of $17.20 per share, and up to $31.25 million of its Cumulative Rate Reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares") at a fixed price of $19.00 per share. This substantial issuer bid expired at 10:00 p.m. (Eastern time) on December 27, 2019.

In accordance with the terms and conditions of the substantial issuer bid, Aimia purchased for cancellation 1,032,090 Series 1 Preferred Shares and 784,770 Series 2 Preferred Shares at a purchase price of $17.20 per share and 1,644,737 Series 3 Preferred Shares at a purchase price of $19.00 per share, for aggregate consideration of approximately $63.7 million, including transaction costs. Share capital was reduced by $84.7 million. The excess of the preferred shares' assigned value over the consideration paid of $21.0 million was accounted for as an increase in contributed surplus.

## 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, 2019 to, but excluding March 31, 2020, will be 5.402%, 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

On February 25, 2019, the Corporation announced that it did 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 were 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 are entitled to receive quarterly fixed, cumulative, preferential cash dividends, as and when declared by the Corporation'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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## B) STOCK-BASED COMPENSATION AND OTHER PERFORMANCE AWARDS

The total stock-based compensation and other performance awards expense from continuing operations for the years ended December 31, 2019 and 2018 was as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Stock options compensation | 0.2 | (0.2) |
| PSU and RSU compensation | 1.3 | 0.3 |
| DSU compensation | 0.8 | 0.7 |
| **Total stock-based compensation** | **2.3** | **0.8** |
| Performance cash awards | 2.9 | 5.3 |
| **Total stock-based compensation and other performance awards** | **5.2** | **6.1** |

### *Performance Cash Plan*

In 2017, the Corporation entered into a voluntary trading restriction that continued to be in effect until May 2019 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. For the 2019 grant, the Performance Cash Plan was modified in order to implement a three-year time vesting horizon for all eligible employees.

The aggregate PCA compensation value awarded during the year ended December 31, 2019, before factoring in estimated and actual forfeitures to date, was $2.9 million (2018: $10.1 million).

After the Corporation exited the voluntary trading restriction, Options and PSUs were granted to Executive Officers as part of the long-term incentive plan.

# 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, 2019 | 2018 |
|---|---|---|
| Compensation expense relating to the options granted (millions) | $ 0.1 | $ — |
| Number of stock options granted | 618,128 | — |
| Weighted average fair value per option granted ($) | $ 1.02 | N/A |
| Aggregate fair value of options granted (millions) | $ 0.6 | $ — |
| **Weighted average assumptions:** | | |
| Share price | $ 3.22 | N/A |
| Exercise price | $ 3.25 | N/A |
| Risk-free interest rate | 1.33% | N/A |
| Expected volatility | 33.10% | N/A |
| Dividend yield | —% | N/A |
| Expected option life (years) | 5.25 | N/A |
| Vesting conditions - time (years) | 4 | N/A |

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, adjusted to exclude period of abnormal volatility of the share price caused by the disposal of significant businesses (*Note 27*), which would not be representative of future expected volatility.

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Options outstanding - Beginning of year** | **5,367,702** | **12.79** | **8,791,479** | **12.59** |
| Granted | 618,128 | 3.25 | — | — |
| Exercised | — | — | — | — |
| Forfeited | (319,423) | 12.67 | (901,885) | 9.7 |
| Expired | (1,859,942) | 13.61 | (2,521,892) | 13.19 |
| **Options outstanding - end of year** | **3,806,465** | **11.08** | **5,367,702** | **12.79** |
| **Options exercisable - end of year** | **2,650,368** | **13.33** | **3,901,394** | **13.95** |

# 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, 2019 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 |
| 2013 | 394,235 | 15.62 | 394,235 | 15.62 | 2020 |
| 2014 | 683,070 | 18.15 | 683,070 | 18.15 | 2021 |
| 2015 | 632,385 | 13.30 | 632,385 | 13.30 | 2022 |
| 2016 | 805,436 | 8.70 | 604,074 | 8.70 | 2023 |
| 2017 | 673,211 | 9.20 | 336,604 | 9.20 | 2024 |
| 2019 | 618,128 | 3.25 | — | — | 2026 |
| | **3,806,465** | **11.08** | **2,650,368** | **13.33** | |

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

| | PSU | | RSU | |
|---|---|---|---|---|
| December 31, | 2019 | 2018 | 2019 | 2018 |
| **Number of units outstanding - beginning of year** | **1,818,162** | **2,998,725** | **104,590** | **148,188** |
| Units granted (including units granted due to performance | 655,738 | — | — | — |
| Units forfeited (including units forfeited due to performance) | (821,981) | (773,943) | (10,989) | (13,637) |
| Units settled | (712,373) | (406,620) | (93,535) | (29,961) |
| Units expired | (1,542) | — | | |
| Dividends paid in units | 180,753 | — | 10,835 | — |
| **Number of units outstanding - end of year** | **1,118,757** | **1,818,162** | **10,901** | **104,590** |
| Weighted average fair value per unit on date of grant ($) | $ 3.34 | N/A | N/A | N/A |

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

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

### *Aimia Deferred Share Unit Plan*

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

| | DSU | |
|---|---|---|
| December 31, | 2019 | 2018 |
| **Number of units outstanding - beginning of year** | **561,865** | **685,281** |
| Units granted during the year | 217,815 | 277,728 |
| Units forfeited during the year | — | — |
| Units settled during the year | (431,395) | (401,144) |
| Dividends paid in units during the year | 9,036 | — |
| **Number of units outstanding - end of year** | **357,321** | **561,865** |
| Weighted average fair value per unit on date of grant ($) | $ 3.63 | $ 2.67 |

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, 2019, the intrinsic value of vested DSUs amounted to $1.3 million (2018: $2.1 million).

## 22. COMMITMENTS

As at December 31, 2019, the non-cancellable estimated future minimum payments under various short-term operating leases and other contractual obligations are as follows:

| | Total | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|---|
| Short-term operating leases | 0.6 | 0.6 | — | — | — | — | — |
| Technology infrastructure and other | 4.8 | 4.5 | 0.3 | — | — | — | — |
| **Total** | **5.4** | **5.1** | **0.3** | **—** | **—** | **—** | **—** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 23. 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, 2019 and 2018 is calculated as follows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents | (98.6) | (311.9) |
| Short-term investments | (86.6) | (69.0) |
| Long-term investments in corporate and government bonds | (67.5) | (154.9) |
| Long-term debt (including current portion) | — | 300.9 |
| Share Capital [a] | 231.7 | 1,665.1 |
| Contributed surplus [a] | 2,277.8 | 1,155.2 |
| Deficit | (2,083.7) | (3,139.5) |
| **Total capital** | **173.1** | (554.1) |

(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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 24. 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 and short-term investments, all of which bear interest at variable rates and are held or borrowed in the form of short-term deposits, Bankers' Acceptances and prime loans.

At December 31, 2019 and 2018, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Variable rate instruments** | | |
| Cash and cash equivalents, restricted cash and short-term investments | **282.3** | 399.9 |
| Credit facilities | **—** | (51.1) |

For the year ended December 31, 2019, 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 $2.8 million (2018: $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 than for the year ended December 31, 2018.

## CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2019 and 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, 2019, 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 years ended December 31, 2019 and 2018, no expected credit loss allowance has been recorded in regards to those financial instruments.

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

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, 2019, 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.

At December 31, 2019 and 2018, the Corporation is exposed to liquidity risk on its accounts payable and accrued liabilities, finance lease liabilities and on the cost of redemption of Loyalty Units, issued by coalition partners other than the main coalition partner of Air Miles Middle East, outstanding and not yet redeemed.

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, 2019, maturities of the financial liabilities are as follows:

| | Total | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|---|
| Lease liabilities (including current portion) | 6.0 | 1.7 | 1.5 | 1.4 | 1.3 | 0.1 | — |
| Accounts payable and accrued liabilities (excluding current portion of lease liabilities) | 59.2 | 59.2 | — | — | — | — | — |
| **Total** | **65.2** | **60.9** | **1.5** | **1.4** | **1.3** | **0.1** | **—** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## 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, restricted cash, trade and other receivables and payables denominated in a currency that is not the functional currency of the relevant subsidiary. At December 31, 2019, and December 31, 2018, the Corporation's main exposures to the different currencies was as follows:

| | Balance as at December 31, 2019 | | |
|---|---|---|---|
| | USD | EUR | AED |
| **Financial assets** | | | |
| Cash and Cash equivalents | 6.0 | 0.9 | 0.3 |
| Restricted cash | 1.4 | — | 0.2 |
| Trade and other receivables | 5.1 | 1.4 | 0.2 |
| | 12.5 | 2.3 | 0.7 |
| **Financial liabilities** | | | |
| Trade and other payables | 0.1 | — | — |
| | 0.1 | — | — |
| **Net currency exposure** | **12.4** | **2.3** | **0.7** |

| | Balance as at December 31, 2018 | | |
|---|---|---|---|
| | USD | EUR | AED |
| **Financial assets** | | | |
| Cash and Cash equivalents | 20.5 | 2.9 | 0.2 |
| Restricted cash | 0.2 | — | 0.3 |
| Trade and other receivables | 4.3 | 3.8 | 0.4 |
| | 25.0 | 6.7 | 0.9 |
| **Financial liabilities** | | | |
| Trade and other payables | 0.1 | — | — |
| | 0.1 | — | — |
| **Net currency exposure** | **24.9** | **6.7** | **0.9** |

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 $0.1 million and $0.3 million at December 31, 2019 and December 31, 2018 respectively. The Corporation's exposure to other foreign exchange movement is not material.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## *FAIR VALUE OF FINANCIAL INSTRUMENTS*

### *Fair Value Hierarchy*

Financial instruments recorded at fair value on the consolidated statement of financial position 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, 2019 | December 31, 2018 |
|---|---|---|---|
| **Financial assets** | | | |
| Investments in equity instruments (*Note 8*) | Levels 1 & 3 | — | 54.0 |

### *Investments in equity instruments of Cardlytics*

The fair value of the investment in equity instruments of Cardlytics was based on the quoted market value for its publicly traded equity securities. During the year ended December 31, 2019, the Corporation disposed of all of its investment in Cardlytics. During the year ended December 31, 2019, fair value gain (loss) of $89.6 million (2018: $(9.6) million) have been recorded in the consolidated statements of operations related to the investment in Cardlytics. The disposal of Cardlytics common shares did not give rise to any income tax payable. Upon disposal of our investment in Cardlytics and conversion of proceeds to Canadian dollars, a foreign exchange gain of $9.7 million was recognized in financial income. That amount was previously recognized in accumulated other comprehensive income.

### *Investment in Fractal Analytics*

The fair value of the investment in Fractal Analytics was 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

During the fourth quarter of 2018, a fair value gain of $6.5 million has been recorded in the consolidated statement of operations.

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). Due to the investment being recorded at fair value as at December 31, 2018, no gain or loss was recorded in the consolidated statement of operations in the first quarter upon the sale of the investment.

### *Financial assets and financial liabilities at amortized cost*

The carrying amounts reported in the consolidated statement of financial position 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.

As at December 31, 2019, the fair value of investments in corporate and government bonds is based on the quoted market price of the investments. As 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.

Aimia's long-term investments in corporate and government bonds and long-term debt carrying amounts as at December 31, 2019 and December 31, 2018, which were measured at amortized cost, and the fair value thereof, were as set out in the following table.

| | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| | Hierarchy | Carrying | Fair Value | Carrying | Fair Value |
| Investments in corporate and government bonds (including current portion) | Level 1 | 154.1 | 155.0 | 223.9 | 223.0 |
| Long-term debt (including current portion) | Levels 1 & 3 | — | — | 300.9 | 301.9 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tables in millions of Canadian dollars, except share and per share amounts)

## 25. RELATED PARTIES

### ULTIMATE CONTROLLING PARTY

During the years ended December 31, 2019 and 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

For the year ended December 31, 2019, key management personnel is identified as the Corporation's Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer and President, EMEA. For the year ended December 31, 2018, key management personnel was identified as 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 2019 and 2018, key management personnel also participated in the Performance Cash Plan (*Note 21*). 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, | |
|---|---|---|
| | 2019 | 2018 |
| Director compensation, and key management salaries and benefits [(a)] | **7.1** | 9.5 |
| Post-employment benefits | **0.2** | 0.3 |
| Share-based compensation and other performance awards | **2.9** | 2.6 |
| Termination benefits | **3.5** | 11.0 |
| **Total** | **13.7** | 23.4 |

(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 $8.4 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 17*).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## TRANSACTIONS WITH AIMIA KANTAR JOINT VENTURE

During the year ended December 31, 2019, ISS recharged $4.1 million of costs incurred related to data analytics and technology services rendered to the Aimia Kantar joint venture (2018: $3.2 million). The recharges are presented as a reduction of the associated operating expenses. At December 31, 2019, an amount of $1.1 million was receivable from Aimia Kantar (December 31, 2018: nil).

## 26. ADDITIONAL FINANCIAL INFORMATION

## A) STATEMENTS OF CASH FLOWS

## CHANGES IN OPERATING ASSETS AND LIABILITIES

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Restricted cash | **2.6** | (1.1) |
| Accounts receivable | **(48.0)** | (21.9) |
| Inventories | **0.9** | 3.2 |
| Prepaid expenses and deposits | **(13.7)** | (7.9) |
| Accounts payable and accrued liabilities | **2.6** | 24.3 |
| Customer deposits | **3.3** | (3.9) |
| Provisions | **(2.9)** | (4.4) |
| Other long-term liabilities | **(3.3)** | (10.9) |
| Deferred revenue | **(34.0)** | (42.4) |
| **Total** | **(92.5)** | (65.0) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Balance at December 31, 2018 | Cash inflow | Cash outflow | Non-cash items | | | | Balance at December 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| | | | | *Lease liabilities (Note 2)* | *Amortization of transaction costs* | *Foreign exchange* | *Deferred revenue* | |
| Long-term debt (including short-term portion) | 300.9 | — | (301.1) | — | 0.2 | — | — | — |
| Lease liabilities (including short -term portion) | — | — | (1.3) | 7.3 | — | — | — | 6.0 |
| Included in accounts payable and/or pension and other long-term liabilities: | | | | | | | | |
| Acquisition of non-controlling interest | 3.1 | — | (2.3) | | — | — | (0.8) | — |
| Dividends payable | 34.7 | — | (34.7) | | — | — | — | — |
| Total | **338.7** | **—** | **(339.4)** | **7.3** | **0.2** | **—** | **(0.8)** | **6.0** |

| | Balance at December 31, 2017 | Cash inflow | Cash outflow | Non-cash items | | Balance at December 31, 2018 |
|---|---|---|---|---|---|---|
| | | | | *Amortization of transaction costs* | *Foreign exchange* | |
| 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** |

## B) STATEMENTS OF FINANCIAL POSITION

## OTHER LONG-TERM ASSETS

| As at | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Tax deposit *(Note 27)* | **26.7** | — |
| Other deposit | **2.9** | — |
| Net investment in a lease *(Note 15)* | **2.1** | — |
| Prepayments | **1.2** | — |
| **Total** | **32.9** | — |

## C) STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

### INCOME TAX EFFECTS

The defined benefit plan's actuarial gains (losses) attributable to the Aeroplan Program (*Note 27*) for the year ended December 31, 2018 were net of deferred income tax expenses of $1.1 million.

## 27. DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

### DISCONTINUED OPERATIONS

#### *Aeroplan coalition loyalty program and related assets*

On January 10, 2019, Aimia completed the sale of Aeroplan Inc. (formerly known as 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 (the "SPA"). Gross transaction proceeds amounted to $516.4 million, after final closing adjustments of $66.4 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 aggregate of $16.0 million, consisting of transaction fees of $7.4 million as well as $8.6 million in termination fees associated with agreements entered into with Porter Airlines, Air Transat and Flair Airlines.

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 SPA 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.

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 Aeroplan Inc. This includes the income tax audit conducted by the CRA regarding certain Aeroplan income tax matters dating back to 2013 (the "2013 CRA audit").

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 SPA 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. Any interest or other income earned on the funds in the account shall be transferred or disbursed to Aimia on a monthly basis.

On February 25, 2019, Aimia announced it received a final letter for the 2012 and 2013 taxation years from the CRA concluding on their audit. During the year ended December 31, 2019, Aimia received notices of reassessment for the 2012 through 2017 taxation years and notices of assessment for the 2018 and 2019 taxation years from the CRA for an aggregate amount of $26.9 million, including $4.1 million interest. Aimia received notices of reassessment for the 2012 through 2017 taxation years and the notice of assessment for the 2018 taxation year from Revenu Québec for a total amount of $5.5 million, including interest of $0.3 million. Aimia has funded the amounts due upon receipt of the assessments from the restricted cash account. Aimia also received a refund of $0.3 million of interest from the CRA. The restricted cash account balance was $73.2 million as at December 31, 2019.

A notice of reassessment for the 2019 taxation year is also expected from Revenu Québec, which should result in estimated income taxes payable of $0.8 million. The amount will also be funded from the restricted cash account upon receipt.

Aimia, in conjunction with Aeroplan Inc., has initiated the process to vigorously contest these matters. Based on external advice it has received, the Corporation believes that it is more likely than not that Aeroplan Inc. will 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 income tax expenses related to discontinued operations in its financial statements (*Note 26B)*. Should Aeroplan 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.

The balance of the funds in the restricted cash account is expected to be released to Aimia in accordance with the terms of the SPA between Aimia and Air Canada.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| Consideration associated with the disposal of the Aeroplan program and related assets | |
|---|---|
| Cash | 450.0 |
| Transaction and termination fees | (16.0) |
| **Consideration relating to disposed assets and liabilities, net of transaction and termination fees** | **434.0** |
| Closing adjustments related to working capital and future redemption liability | 66.4 |
| **Net consideration** [a)] | **500.4** |
| **Assets and liabilities disposed of** | |
| Cash and cash equivalents | 0.2 |
| Accounts receivable | 163.7 |
| Prepaid expenses | 12.5 |
| 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 |
| Accounts payable and accrued liabilities | (153.1) |
| Provisions | (10.7) |
| Deferred revenue | (2,905.1) |
| Pension and other long-term liabilities | (47.7) |
| Deferred income taxes | (88.8) |
| **Net assets (liabilities) disposed of** | **(562.7)** |
| **Gain on disposal of the Aeroplan program and related assets** | **1,063.1** |

(a) The net consideration related to the disposal of the Aeroplan program and related assets includes the following:

- $496.7 million of gross transaction proceeds received at initial transaction closing, of which $100.0 million was set aside in a restricted account until conclusion of an ongoing CRA audit and $2.25 million set aside in an escrow account. An additional $19.7 million, related to final closing adjustments was received during the three months ended June 30, 2019;

- $16.0 million of transaction and termination fees paid during the year ended December 2019.

# 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, | |
|---|---|---|
| | 2019 | 2018 |
| **Results of the Aeroplan Program and related assets** | | |
| Revenue from Loyalty Units | **35.3** | 1,293.3 |
| Revenue from Loyalty Services and Other | **1.0** | 28.1 |
| Total revenue | **36.3** | 1,321.4 |
| Cost of rewards and direct costs | **24.5** | 855.6 |
| Depreciation and amortization [(a)] | **—** | 186.1 |
| Gross margin | **11.8** | 279.7 |
| Operating expenses before share-based compensation and other performance awards | **4.5** | 177.3 |
| Share-based compensation and other performance awards | **(0.2)** | 1.6 |
| Total operating expenses | **4.3** | 178.9 |
| Operating income | **7.5** | 100.8 |
| Gain on disposal of businesses and other assets | **1,063.1** | — |
| Net financial income (expenses) | **—** | 0.1 |
| Income tax (expense) recovery | **(1.1)** | (15.1) |
| Net earnings from the Aeroplan Program and related assets | **1,069.5** | 85.8 |

(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, | |
|---|---|---|
| | 2019 | 2018 |
| **Net cash flows of the Aeroplan Program and related assets** | | |
| Cash flows from (used in): | | |
| Operating activities | **(27.9)** | 205.7 |
| Investing activities | | |
| Additions to property, equipment, software and technology | **—** | (17.1) |
| Net proceeds from the disposal of businesses and other assets | **500.4** | — |
| Restricted cash | **(100.0)** | — |
| Cash held in escrow | **(2.3)** | — |
| Total | **370.2** | 188.6 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### *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 provided to 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 entities which was sold 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 recorded this prepayment of $11.8 million (£6.7 million) as an outflow in cash from operating activities in the first quarter of 2018.

| 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** |

# 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, | |
|---|---|---|
| | 2019 | 2018 |
| **Results of the Nectar Program and related assets** | | |
| Revenue from Loyalty Units | — | 6.5 |
| Revenue from Loyalty Services and Other | — | 1.5 |
| Intercompany revenue | — | — |
| Total revenue | — | 8.0 |
| Cost of rewards and direct costs | — | — |
| Depreciation and amortization | — | — |
| Gross margin | — | 8.0 |
| Total operating expenses | — | 4.6 |
| Operating income | — | 3.4 |
| Gain on disposal of businesses and other assets | — | 1.6 |
| Net financial expenses | — | (1.7) |
| Share of net earnings of equity-accounted investments | — | 0.5 |
| Income tax expense | — | — |
| Net earnings from the Nectar Program and related assets | — | 3.8 |

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

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Net cash flows of the Nectar Program and related assets** | | |
| Cash flows from (used in): | | |
| Operating activities | — | 15.3 |
| Investing activities - Net payments for the disposal of businesses and other assets | — | (187.6) |
| Total | — | (172.3) |

# 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.

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 statement 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.

## 28. SUBSEQUENT EVENTS

### *Settlement with former senior executive*

On February 14, 2020, the Corporation settled an arbitration proceeding with a former senior executive and, in accordance with the settlement, will pay a mutually agreed amount to such executive and, concurrently therewith, a related action that had been commenced in New York by the Corporation against the former executive was dismissed on consent. The impact of the settlement, recorded in compensation and benefits expenses, did not have a significant impact on net earnings for the year ended December 31, 2019.

### *Conversion privilege of preferred shares, Series 1 and Series 2*

On February 24, 2020, the Board of Directors resolved that the Corporation would not exercise its right to redeem all or any number of the currently issued and outstanding 2,921,275 Cumulative Rate Reset Preferred Shares, Series 1 (the "Series 1 Preferred Shares") nor all or any number of the currently issued and outstanding 2,161,865 Cumulative Floating Rate Preferred Shares, Series 2 (the "Series 2 Preferred Shares") on March 31, 2020. As a result and subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares, the holders of the Series 1 Preferred Shares have the right to convert all or any number of their Series 1 Preferred Shares, on a one-for-one basis, into Series 2 Preferred Shares and; subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to the Series 2 Preferred Shares, the holders of the Series 2 Preferred Shares have the right to convert all or any number of their Series 2 Preferred Shares, on a one-for-one basis, into Series 1 Preferred Shares of Aimia; in each case on March 31, 2020. Holders who do not exercise their right to convert on such date will continue to hold their Series 1 Preferred Shares or Series 2 Preferred Shares; as the case may be.

The foregoing Series 1 Preferred Shares conversion right is subject to the conditions that: (i) if Aimia determines that there would be fewer than 1,000,000 Series 2 Preferred Shares outstanding after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, then holders of Series 1 Preferred Shares will not be entitled to convert their shares into Series 2 Preferred Shares, and alternatively (ii) if Aimia determines that there would remain outstanding fewer than 1,000,000 Series 1 Preferred Shares after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, then all remaining Series 1 Preferred Shares will automatically be converted into Series 2 Preferred Shares on a one-for-one basis on March 31, 2020.

The foregoing Series 2 Preferred Shares conversion right is subject to the conditions that: (i) if Aimia determines that there would be fewer than 1,000,000 Series 1 Preferred Shares outstanding after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then holders of Series 2 Preferred Shares will not be entitled to convert their shares into Series 1 Preferred Shares, and alternatively (ii) if Aimia determines that there would remain outstanding fewer than 1,000,000 Series 2 Preferred Shares after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then all remaining Series 2 Preferred Shares will automatically be converted into Series 1 Preferred Shares on a one-for-one basis on March 31, 2020.