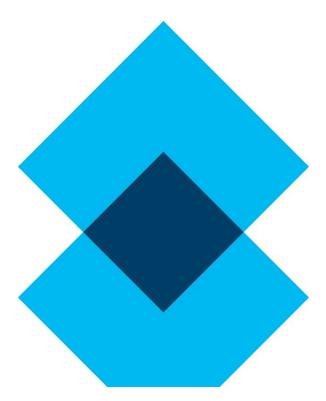


For the years ended December 31, 2014 and 2013



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

Aimia Inc. (together with its direct and indirect subsidiaries, where the context requires, "Aimia" or the "Corporation") was incorporated on May 5, 2008 under the laws of Canada as a wholly-owned subsidiary of Aeroplan Income Fund (the "Fund"). It is the successor to Aeroplan Income Fund following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

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

The MD&A is prepared as at February 26, 2015 and and should be read in conjunction with the accompanying audited consolidated financial statements of Aimia for the year ended December 31, 2014 and the notes thereto, and Aimia's Management Information Circular and Annual Information Form, respectively dated March 14 and March 20, 2014.

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

#### CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts, predictions or forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business and its corporate structure. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, dependency on significant Accumulation Partners and clients, failure to safeguard databases cyber security and consumer privacy, changes to the Aeroplan Program, reliance on Redemption Partners, conflicts of interest, greater than expected redemptions for rewards, regulatory matters, retail market/economic conditions, industry competition, Air Canada liquidity issues or air travel industry disruption, airline industry changes and increased airline costs, supply and capacity costs, unfunded future redemption costs, changes to coalition loyalty programs, seasonal nature of the business, other factors and prior performance, foreign operations, legal proceedings, reliance on key personnel, labour relations, pension liability, technological disruptions and inability to use third-party software, failure to protect intellectual property rights, interest rate and currency fluctuations, leverage and restrictive covenants in current and future indebtedness, uncertainty of dividend payments, managing growth, credit ratings, audit by tax authorities, as well as the other factors identified throughout this MD&A and throughout

Aimia's public disclosure records on file with the Canadian securities regulatory authorities. The forward-looking statements contained herein represent Aimia's expectations as of February 26, 2015, and are subject to change after such date. However, Aimia disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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#### **GLOSSARY**

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

"Aeroplan" - means Aimia Canada Inc. (formerly known as Aeroplan Canada Inc.);

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

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

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

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

"Breakage" - means the estimated Loyalty Units sold which are not expected to be redeemed. By its nature, Breakage is subject to estimates and judgment. Management's consolidated weighted average breakage estimate at December 31, 2014 is 12% (December 31, 2013: 12%), and is calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs;

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

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

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

"Cardlytics" - means Cardlytics, Inc., a US-based private company operating in card-linked marketing for electronic banking;

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

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

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

"CRA" - means the Canada Revenue Agency;

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

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

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

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

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

"IFRS" - means International Financial Reporting Standards:

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

"i2c" - means Insight 2 Communication LLP;

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

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

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

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

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

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

"Prismah" - means Prismah Fidelidade S.A.;

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

"Smart Button" - means Smart Button Associates, Inc., which offers clients a turnkey, feature rich, software as a service loyalty solution;

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

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

"Travel Club" - means Air Miles España, S.A., the owner and operator of Travel Club, a Spanish coalition loyalty program;

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

"US Proprietary Loyalty CGU" - means the Proprietary Loyalty cash-generating unit in the US region.

#### **OVERVIEW**

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

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

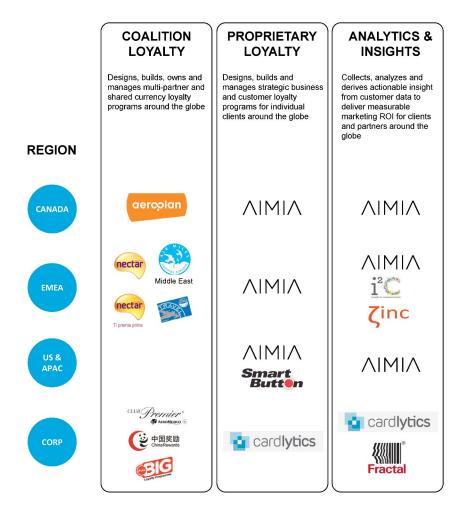
Aimia holds a 48.9% interest in, and jointly controls with Grupo Aeromexico, PLM, owner and operator of Club Premier, a Mexican coalition loyalty program. Additionally, Aimia holds investments in Travel Club, Spain's leading coalition loyalty program, Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program, and China Rewards, a Chinese based retail coalition loyalty program start-up, as well as minority interests in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking, and Fractal Analytics, a provider of advanced analytics.

#### REGIONAL STRUCTURE AND LOYALTY SERVICES

The following chart illustrates Aimia's regional reporting structure and full suite of loyalty services as at December 31, 2014:



#### **FULL SUITE OF LOYALTY SERVICES**



#### Notes:

- The chart above does not reflect the actual corporate structure of Aimia, it reflects Aimia's operational structure.
- As at December 31, 2014, Aimia owned 60% of Air Miles Middle East, 50% of i2c, 48.9% of Club Premier, investments in Travel Club, Think Big, China Rewards and minority interests in Cardlytics and Fractal Analytics. All other businesses listed above are owned 100% by Aimia.
- Analytics and Insights incorporates ISS and i2c. Although ISS offers services in each of the regions, for reporting purposes, its results are reported in the EMEA segment only.

#### **OUR BUSINESS**

Aimia is a data-driven marketing and analytics company. We provide our clients with the customer insights they need to make smarter business decisions and build relevant and rewarding one-to-one relationships to the benefit of both their business and customers.

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

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

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

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

#### **Coalition Loyalty**

A coalition program is one that brings together many partners in a loyalty rewards program. Partners benefit from the insights gained from a more complete picture of customer behaviour and preferences they get from pooling data, and members of the program benefit from an ability to collect and redeem rewards in multiple ways. In addition to providing a complete array of services for the coalition programs that we own and operate, Aimia's coalition experts evolve others' programs to continuously provide better value and adapt to changing consumer behaviour and client needs, launch new coalitions, and transform individual programs into coalitions.

#### **Proprietary Loyalty**

While coalition programs connect many partners under one rewards umbrella, Aimia also provides individual companies with proprietary loyalty programs and support. Aimia's proprietary loyalty service experts design, launch and operate client programs, and advance existing programs leveraging our technology platforms, and our digital, mobile and analytical expertise. We also create incentive programs and loyalty solutions to encourage loyalty, increase sales and deliver improved results for employee and channel networks.

#### **Analytics and Insights**

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

#### PERFORMANCE INDICATORS

#### **GROSS BILLINGS**

#### Gross Billings from the sale of Loyalty Units

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

#### **Other Gross Billings**

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

#### **OPERATING INCOME**

#### Revenue

#### **Coalition Loyalty**

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

#### **Proprietary Loyalty**

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

#### Other

#### Other revenue consists of:

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

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

#### Cost of Rewards, Direct Costs and Operating Expenses

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

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

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

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

### ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("ADJUSTED EBITDA")

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

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

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

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

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

#### ADJUSTED NET EARNINGS

Adjusted Net Earnings provides a measurement of profitability calculated on a basis consistent with Adjusted EBITDA. Net earnings attributable to equity holders of the Corporation are adjusted to exclude Amortization of Accumulation Partners' contracts, customer relationships and technology, share of net earnings (loss) of equity-accounted investments and impairment charges. Adjusted Net Earnings includes the change in deferred revenue and Change in Future Redemption Costs, net of the income tax effect and non controlling interest effect (where applicable) on these items at an entity level basis. Adjusted Net Earnings also includes distributions and dividends received or receivable from equity-accounted investments.

Adjusted Net Earnings is not a measurement based on GAAP, is not considered an alternative to net earnings in measuring profitability, and is not comparable to similar measures used by other issuers. For a reconciliation to GAAP, please refer to the *Reconciliation of Adjusted Net Earnings* section.

#### FREE CASH FLOW AND FREE CASH FLOW BEFORE DIVIDENDS PAID

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

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

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

Free Cash Flow before Dividends Paid is defined as cash flows from operating activities less capital expenditures as reported in accordance with GAAP.

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

#### CONSTANT CURRENCY

Because exchange rates are an important factor in understanding period to period comparisons, the presentation of various financial metrics on a constant currency basis or after giving effect to foreign exchange translation, in addition to the reported metrics, help improve the ability to understand operating results and evaluate performance in comparison to prior periods. Constant Currency information compares results between periods as if exchange rates had remained constant over the periods. Constant Currency is derived by calculating current period results using foreign currency exchange rates from the same period in the prior year. Results calculated on a Constant Currency basis should be considered in addition to, not as a substitute for, results reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Constant Currency is a basis of consideration mostly for our EMEA and US & APAC regions as they operate under varying foreign currencies.

#### **OPERATING AND FINANCIAL RESULTS**

Certain of the following financial information of Aimia has been derived from, and should be read in conjunction with, the audited consolidated financial statements for the years ended December 31, 2014 and 2013, and the related notes.

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

### SELECTED INFORMATION AND RECONCILIATION OF EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW

		Years ended December 31,					Variance %		
(in millions of Canadian dollars , except share and per share information)	2014		2013		2012 <sup>(q)</sup>	2014 over 2013	2013 over 2012		
Gross Billings from the sale of Loyalty Units	2,009.2	(e)	1,711.4		1,628.4	17.4	5.1		
Other Gross Billings	677.4		655.0		614.6	3.4	6.6		
Total Gross Billings	2,686.6	(e)	2,366.4		2,243.0	13.5	5.5		
Total revenue before change in Breakage estimate	2,449.4		2,290.5		2,248.9	6.9	1.8		
Change in Breakage estimate (f)	19.4		(617.0)		_	**	**		
Total revenue (as reported)	2,468.8		1,673.5		2,248.9	47.5	(25.6)		
Cost of rewards and direct costs	(1,606.1)		(1,301.7)	(g)	(1,300.9)	23.4	0.1		
Gross margin before depreciation and amortization (a)	862.7		371.8	(g)	948.0	**	(60.8)		
Gross margin as a % of total revenue	34.9%		22.2%		42.2%	12.7 pp	(20.0) p		
Depreciation and amortization	(51.2)		(43.5)		(38.4)	17.7	13.3		
Amortization of Accumulation Partners' contracts, customer relationships and technology	(133.0)		(84.4)		(87.3)	57.6	(3.3)		
Gross margin	678.5		243.9	(g)	822.3	**	(70.3)		
Operating expenses	(687.8)		(908.9)	(g)(h)(i)	(566.4)	(24.3)	60.5		
Operating income (loss)	(9.3)		(665.0)	(g)(h)(i)	255.9	**	**		
Depreciation and amortization	51.2		43.5		38.4	17.7	13.3		
Amortization of Accumulation Partners' contracts, customer relationships and technology	133.0		84.4		87.3	57.6	(3.3)		
Impairment of goodwill	_		19.1		_	**	**		
EBITDA (a)(c)	174.9		(518.0)	(g)(h)	381.6	**	**		
Adjustments:									
Change in deferred revenue									
Gross Billings	2,686.6		2,366.4		2,243.0				
Revenue	(2,468.8)		(1,673.5)		(2,248.9)				
Change in Future Redemption Costs (b)	(93.0)		(40.1)		11.7				
Distributions from equity-accounted investments	16.7		15.7		15.7				
Subtotal of Adjustments	141.5		668.5		21.5				
Adjusted EBITDA (c)	316.4	(e)	150.5	(g)(h)(j)	403.1	**	(62.7)		
Adjusted EBITDA as a % of total Gross Billings	11.8%		6.4%		18.0%	5.4 pp	(11.6) p		
Net earnings (loss) attributable to equity holders of the Corporation	(40.3)		(498.3)	(g)(i)(j)(k) (l)	165.5				
Weighted average number of shares	173,513,715		172,514,527		173,015,589				
Earnings (loss) per common share <sup>(d)</sup>	(0.35)		(2.95)	(g)(i)(j)(k)	0.89				
Adjusted Net Earnings (c)(r)	202.4	(m)	103.1	(g)(k)(l)	268.8	96.3	(61.6)		
Adjusted Net Earnings per common share (c)(d)	1.05	(m)	0.53	(g)(k)(l)	1.49		, ,		
Cash flow from operations	368.5	(e)(n)(o)	150.0	(p)	357.4				
Capital expenditures	(81.5)	(-)( )(-)	(54.4)	4-7	(58.0)				
Free Cash Flow before Dividends Paid (c)	287.0	(e)(n)(o)	95.6	(p)	299.4	**	(68.1)		
Free Cash Flow before Dividends Paid per common share (c)(d)	1.54	(e)(n)(o)	0.49	(p)	1.67		. ,		
Dividends	(143.3)	. 71 71-7	(126.9)	W-7	(120.0)				
Free Cash Flow (c)	143.7	(e)(n)(o)	(31.3)	(p)	179.4	**	**		
Total assets	5,404.8	(5)(1)(6)	5,338.6	(P)	5,246.6				
Total long-term liabilities	2,437.0		2,107.7		1,760.9				

- (a) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.
- (c) A non-GAAP measurement.
- (d) After deducting dividends declared on preferred shares.
- (e) Includes a \$100.0 million upfront contribution received on January 2, 2014 from TD to help fund Aeroplan's program enhancements.
- (f) Total revenue for the year ended December 31, 2014 includes the impact of the change in the Breakage estimate in the Nectar Italia Program which occurred during the fourth quarter of 2014 and resulted in an increase of \$19.4 million to revenue from Loyalty Units, of which \$13.4 million is attributable to the years prior to 2014 and \$6.0 million to the year ended December 31, 2014.

Total revenue for year ended December 31, 2013 includes the impact of the change in the Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013 and resulted in a reduction of \$663.6 million to revenue from Loyalty Units, of which \$617.0 million is attributable to the years prior to 2013 and \$46.6 million to the six month period ended June 30, 2013. As such, the non-comparable impact for the year ended December 31, 2013 is \$617.0 million and is attributable to the years prior to 2013.

- (g) Includes a favourable impact of \$26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation which occurred in the second quarter of 2013. Of this amount, \$74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and \$48.8 million (£30.6 million) as an increase to operating expenses.
  - Prior to the issuance of the final ruling, Aimia had recorded an amount of \$2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.
- (h) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (i) Includes a goodwill impairment charge of \$19.1 million recorded during the year ended December 31, 2013 related to the US Proprietary Loyalty CGU.
- (j) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program of \$483.8 million, net of an income tax recovery of \$179.8 million, of which \$167.5 million is attributable to years prior to 2013 and \$12.3 million to the six month period ended June 30, 2013.
  - The non-comparable impact of the change in Breakage estimate for the year ended December 31, 2013 amounted to \$449.5 million, net of an income tax recovery of \$167.5 million.
- (k) Includes the favourable impact of the reversal in the second quarter of 2013 of previously accrued interest of \$17.3 million (£10.8 million) resulting from the final judgment of the VAT litigation.
  - Prior to the issuance of the final ruling, Aimia had recorded an amount of \$1.1 million (£0.7 million) as interest expense during the period from January 1, 2013 to March 31, 2013.
- (I) Net Earnings (Loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the year ended December 31, 2013 include the unfavourable impact attributable to the CIBC Payment and the Card Migration Provision totaling \$146.9 million, net of an income tax recovery of \$53.1 million.
- (m) Includes the upfront contribution received on January 2, 2014 from TD totaling \$73.4 million, net of an income tax expense of \$26.6 million.
- (n) Includes an amount of \$83.4 million received in the second quarter of 2014 from the CRA and an amount of \$7.5 million received in the fourth quarter of 2014 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.
- (o) The harmonized sales tax of \$22.5 million related to the CIBC Payment made on December 27, 2013 was collected during the first quarter of 2014.
- (p) Includes the CIBC Payment of \$150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of \$22.5 million.
- (q) These figures do not include any effect related to the change in Breakage estimate made during the second quarter of 2013 in the Aeroplan Program.
- (r) For a reconciliation of Adjusted Net Earnings to GAAP, please refer to the Reconciliation of Adjusted Net Earnings section.
- \*\* Information not meaningful.

		Three Months Ended December 31,				
(in millions of Canadian dollars, except share and per share information)	2014	2013	Q4			
Gross Billings from the sale of Loyalty Units	497.0	464.7	7.0			
Other Gross Billings	191.1	193.3	(1.1)			
Total Gross Billings	688.1	658.0	4.6			
Total revenue before the undernoted	741.7	687.6	7.9			
Change in Breakage estimate (f)	19.4	_	**			
Total revenue	761.1	687.6	10.7			
Cost of rewards and direct costs	(493.9)	(427.3)	15.6			
Gross margin before depreciation and amortization (a)	267.2	260.3	2.7			
Gross margin as a % of total revenue	35.1%	37.9 %	(2.8) pp			
Depreciation and amortization	(15.2)	(11.8)	28.8			
Amortization of Accumulation Partners' contracts, customer relationships and technology	(34.1)	(23.9)	42.7			
Gross margin	217.9	224.6	(3.0)			
Operating expenses	(189.5)	(400.3) (e)(f)	(52.7)			
Operating income (loss)	28.4	(175.7) (e)(f)	**			
Depreciation and amortization	15.2	11.8	28.8			
Amortization of Accumulation Partners' contracts, customer relationships and technology	34.1	23.9	42.7			
Impairment of goodwill		19.1	**			
EBITDA (a)(c)	77.7	(120.9) (e)	**			
Adjustments:						
Change in deferred revenue						
Gross Billings	688.1	658.0				
Total revenue	(761.1)	(687.6)				
Change in Future Redemption Costs (b)	49.8	34.1				
Distributions from equity-accounted investments	5.5	5.3				
Subtotal of Adjustments	(17.7)	9.8				
Adjusted EBITDA (c)	60.0	(111.1) <sub>(e)</sub>	**			
Adjusted EBITDA as a % of total Gross Billings	8.7%	(16.9)%	25.6 pp			
Net earnings (loss) attributable to equity holders of the Corporation	20.5	(125.6) (f)(g)				
Weighted average number of shares	173,377,896	172,852,768				
Earnings (loss) per common share <sup>(d)</sup>	0.09	(0.74) <sub>(f)(g)</sub>				
Adjusted Net Earnings <sup>(c)(k)</sup>	40.5	(83.4) (g)	**			
Adjusted Net Earnings per common share (C)(d)	0.20	(0.50) (g)				
Cash flow from operations	<b>47.1</b> Ø	(30.2) (h)				
Capital expenditures	(30.0)	(21.9)				
Free Cash Flow before Dividends Paid (c)	17.1 Ø	(52.1) <sub>(h)</sub>	**			
Free Cash Flow before Dividends Paid per common share (c)(d)	<b>0.07</b> <i>(j)</i>	(0.32) (h)				
Dividends	(36.2)	(32.2)				
Free Cash Flow (c)	(19.1) <i>(i)</i>	(84.3) (h)	77.3			
Total assets	5,404.8	5,338.6				
Total long-term liabilities	2,437.0	2,107.7				

- (a) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.
- (c) A non-GAAP measurement.
- (d) After deducting dividends declared on preferred shares.
- (e) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (f) Includes a goodwill impairment charge of \$19.1 million recorded during the three months ended December 31, 2013 related to the US Proprietary Loyalty CGU.
- (g) Net Earnings (Loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the three months ended December 31, 2013 include the unfavourable impact attributable to the CIBC Payment and the Card Migration Provision totaling \$146.9 million, net of an income tax recovery of \$53.1 million.
- (h) Includes the CIBC Payment of \$150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of \$22.5 million.
- (i) Total revenue for the three months ended December 31, 2014 includes the impact of the change in the Breakage estimate in the Nectar Italia Program and resulted in an increase of \$19.4 million to revenue from Loyalty Units, of which \$13.4 million is attributable to the years prior to 2014, \$4.1 million to the nine month period ended September 30, 2014 and \$1.9 million to the three months ended December 31, 2014.
- (j) Includes an amount of \$7.5 million received in the fourth quarter of 2014 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.
- (k) For a reconciliation of Adjusted Net Earnings to GAAP, please refer to the Reconciliation of Adjusted Net Earnings section.
- \*\* Information not meaningful.

### YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

#### **CONSOLIDATED OPERATING RESULTS**

	Years I	Years Ended December 31,			Variance		Variance C.C. (I)(m)	
(in millions of Canadian dollars unless otherwise noted)	2014		2013		\$	%	\$	%
Gross Billings from the sale of Loyalty Units	2,009.2	(c)	1.711.4		297.8	17.4	227.4	13.3
	_,	(0)	,		22.4	3.4	(6.5)	(1.0)
Other Gross Billings	677.4		655.0					
Total Gross Billings	_,	(b)(c)	2,366.4	(b)	320.2	13.5	220.9	9.3
Revenue from Loyalty Units before the undernoted	1,760.9		1,635.8		125.1	7.6	66.0	4.0
Change in Breakage estimate	19.4	(d)	(617.0)	(d)	636.4	**	636.4	**
Revenue from Loyalty Units (as reported)	1,780.3		1,018.8		761.5	74.7	702.4	68.9
Revenue from proprietary loyalty services	559.7		547.3		12.4	2.3	(9.4)	(1.7)
Other revenue	128.8		107.4		21.4	19.9	14.0	13.0
Total revenue	2,468.8		1,673.5		795.3	47.5	707.0	42.2
Cost of rewards and direct costs	1,606.1		1,301.7	(f)	304.4	23.4	246.3	18.9
Gross margin before depreciation and amortization	862.7		371.8	(f)	490.9	**	460.7	**
Gross margin as a % of total revenue	34.9%		22.2%		**	12.7 pp	**	12.8 pp
Depreciation and amortization (a)	184.2		127.9		56.3	44.0	53.4	41.8
Gross margin	678.5		243.9	(f)	434.6	**	407.3	**
Operating expenses before the undernoted	679.5		870.4	(e)(f)	(190.9)	(21.9)	(218.4)	(25.1)
Share-based compensation	8.3		19.4		(11.1)	(57.2)	(11.1)	(57.2)
Impairment of goodwill	_		19.1		(19.1)	**	(19.1)	**
Total operating expenses	687.8		908.9	(e)(f)	(221.1)	(24.3)	(248.6)	(27.4)
Operating loss	(9.3)		(665.0)	(e)(f)	655.7	98.6	655.9	98.6
Adjusted EBITDA (f)	316.4	(c)	150.5	(e)(f)	165.9	**	151.4	**
Adjusted EBITDA as a % of total Gross Billings	11.8%		6.4%	i	**	5.4 pp	**	5.3 pp
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	(93.0)		(40.1)		(52.9)	**	**	**
Distributions from equity-accounted investments	16.7		15.7		1.0	6.4	**	**
Adjusted Net Earnings <sup>(f)</sup>	202.4		103.1	(f)(j) (k)	99.3	96.3	**	**
Free Cash Flow before Dividends Paid (1)	287.0	(c)(g)(h)	95.6	(i)	191.4	**	**	**
Free Cash Flow (1)	143.7	(c)(g)(h)	(31.3)	(i)	175.0	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

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

*Gross Billings* generated for the year ended December 31, 2014 amounted to \$2,686.6 million, an increase of \$320.2 million or 13.5%. On a constant currency basis, Gross Billings increased by \$220.9 million or 9.3% and is mostly explained by the performance of the Aeroplan Program, including the \$100.0 million upfront contribution received on January 2, 2014 from TD to help fund program enhancements, and the positive performance in the financial sector, offset in part by lower Gross Billings in the EMEA region.

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

**Total Revenue** generated for the year ended December 31, 2014 amounted to \$2,468.8 million, an increase of \$795.3 million or 47.5%. On a constant currency basis, total revenue increased by \$707.0 million or 42.2%, including the unfavourable impact of \$617.0 million resulting from the change in Breakage estimate in the Aeroplan Program in the second quarter of 2013. The remaining favourable variance of \$90.0 million is mostly explained by higher revenue from Loyalty Units driven by increased redemptions in the Aeroplan and Nectar programs as well as the positive impact of the change in Breakage estimate in the Nectar Italia Program in the fourth quarter of 2014, offset in part by lower revenue in the Air Miles Middle East program. The variance also resulted from an increase in other revenue in the EMEA region.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the selling price of a Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of \$17.6 million for the year ended December 31, 2014.

Cost of Rewards and Direct Costs amounted to \$1,606.1 million for the year ended December 31, 2014, an increase of \$304.4 million or 23.4%. On a constant currency basis, cost of rewards and direct costs increased by \$246.3 million or 18.9%, including the \$72.8 million favourable impact resulting from the final judgment of the VAT litigation in the second quarter of 2013. The remaining variance of \$173.5 million is mainly explained by higher cost of rewards in the Aeroplan Program primarily due to enhanced travel reward offerings under the Distinction program and higher redemptions.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the Average Cost of Rewards per Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of \$12.9 million for the year ended December 31, 2014.

Gross Margin before Depreciation and Amortization represented 34.9% of total revenue for the year ended December 31, 2014 and decreased by 5.1 percentage-points or 5.0 percentage-points on a constant currency basis compared to 2013, excluding the unfavourable impact of \$617.0 million resulting from the change in Breakage estimate in the Aeroplan Program and the favourable impact of \$72.8 million resulting from the final judgment of the VAT litigation in the second quarter of 2013, with the remaining variance mostly explained by the higher cost of rewards in the Aeroplan program.

*Operating Expenses* amounted to \$687.8 million for the year ended December 31, 2014, a decrease of \$221.1 million or 24.3%. On a constant currency, operating expenses decreased by \$248.6 million or 27.4%, explained mostly by the items listed below:

- the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program in the fourth quarter of 2013;
- the impact of the final judgment of the VAT litigation in the second quarter of 2013 of \$48.8 million; and
- the goodwill impairment charge of \$19.1 million related to the US Proprietary Loyalty CGU in the fourth quarter of 2013.

The remaining variance, representing an increase of \$19.3 million or 3.0%, is mainly explained by the Canada and EMEA regions as well as higher corporate expenses.

**Depreciation and Amortization**, including Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology, amounted to \$184.2 million for the year ended December 31, 2014, an increase of \$56.3 million. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by \$53.4 million or 41.8%, primarily explained by the revision made to the estimated useful lives of certain Accumulation Partners' contracts and customer relationships at the end of 2013.

Operating Income (Loss) amounted to \$(9.3) million for the year ended December 31, 2014, an improvement of \$655.7 million or 98.6%. On a constant currency basis, operating loss improved by \$655.9 million or 98.6% and is mostly explained by the unfavourable impact of the change in Breakage estimate in the Aeroplan Program of \$617.0 million in the second quarter of 2013, the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program and the goodwill impairment charge of \$19.1 million related to the US Proprietary Loyalty CGU in the fourth quarter of 2013, offset in part by the favourable impact resulting from the final judgment of the VAT litigation of \$24.0 million in the second quarter of 2013. The remaining unfavourable variance of \$156.2 million is explained by higher cost of rewards in the Aeroplan Program, an increase in depreciation and amortization and operating expenses offset in part by gross margin improvements in the EMEA and the US and APAC regions due to a combination of redemption and product mix.

**Net Financial Expenses** for the year ended December 31, 2014 consist primarily of interest expense on long-term debt of \$48.2 million and other financial expenses of \$0.1 million; offset in part by interest revenue of \$14.5 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds.

**Net Loss** for the years ended December 31, 2014 and 2013 include the effect of \$(11.7) million and \$95.2 million of current income tax recoveries (expenses), respectively, as well as \$26.7 million and \$101.8 million of deferred income tax recoveries, respectively. Income tax recovery for the year ended December 31, 2013 include \$167.5 million attributable to the impact of the change in Breakage estimate in the Aeroplan Program of \$617.0 million. Net loss for the years ended December 31, 2014 and 2013 also include the share of net earnings (loss) of equity-accounted investments of \$(9.6) million and \$(6.6) million, respectively.

Current income taxes are primarily attributable to our Canadian operations. Consistent with the prior year, deferred income taxes related to our international tax structures and foreign operations have not all been recognized. Consequently, the deferred income tax recovery recorded during the current period, which is primarily related to the

Canadian operations, was not increased by deferred income tax recoveries in our foreign operations, resulting in a distorted effective tax rate which is not meaningful or comparative.

Adjusted EBITDA, amounted to \$316.4 million for the year ended December 31, 2014, an increase of \$165.9 million. On a constant currency basis, Adjusted EBITDA improved by \$151.4 million and is explained mostly by the items listed below:

- the upfront contribution received from TD of \$100.0 million in the first quarter of 2014;
- an unfavourable impact of \$37.4 million on the Change in Future Redemption Costs of the current year attributable to higher promotional mileage issued on new financial cards acquired in the Aeroplan Program;
- the unfavourable impact of the CIBC Payment and the Card Migration Provision totaling \$200.0 million in the fourth guarter of 2013; and
- the favourable impact resulting from the final judgment of the VAT litigation of \$24.0 million in the second quarter of 2013.

The remaining variance, representing a decrease of \$87.2 million, is primarily attributable to an increase in redemption cost per Aeroplan Mile, offset in part by an increase in Gross Billings from the Aeroplan Program.

Adjusted Net Earnings amounted to \$202.4 million or 7.5% (as a % of Gross Billings) for the year ended December 31, 2014, and included the upfront contribution received from TD of \$73.4 million, net of an income tax expense of \$26.6 million, as well as an unfavourable impact of \$27.5 million, net of an income tax recovery of \$9.9 million, attributable to higher promotional mileage issued on new financial cards acquired in the Aeroplan Program. Adjusted Net Earnings for the year ended December 31, 2013 amounted to \$103.1 million or 4.4% (as a % of Gross Billings), and included the unfavourable impact of the CIBC Payment and the Card Migration Provision of \$146.9 million, net of an income tax recovery of \$53.1 million. Adjusted Net Earnings for the year ended December 31, 2013 also included the favourable impact resulting from the final judgment of the VAT litigation of \$24.0 million described above as well as the favourable net impact of the reversal of previously accrued interest of \$16.2 million. The effective tax rate has been impacted as described under Net Loss.

Adjusted EBITDA and Adjusted Net Earnings for the year ended December 31, 2014 and 2013 include distributions received or receivable from equity-accounted investments of \$16.7 million and \$15.7 million, respectively.

Free Cash Flow for the year ended December 31, 2014 amounted to \$143.7 million compared to \$(31.3) million for the year ended December 31, 2013. The final judgment of the VAT litigation, with the exception of the provision payable to certain employees amounting to \$7.2 million (£4.5 million) which was paid during the third quarter of 2013, and the Migration Provision had no impact on cash from operating activities for the year ended December 31, 2013, accordingly the explanations provided below exclude any non-cash related impact. The favourable variance of \$175.0 million is mainly the result of:

 an increase in cash from operating activities of \$218.5 million, explained primarily by an increase in Gross Billings of \$320.2 million, including the \$100.0 million upfront contribution received from TD, the CIBC Payment of \$150.0 million in the fourth quarter of 2013 and related harmonized sales tax of \$22.5 million

which was subsequently collected in the first quarter of 2014, the receipt of \$90.9 million related to the income tax refund of loss carry back applied in Canada, offset in part by higher cost of rewards and direct costs of \$231.6 million, higher operating expenses of \$50.7 million, excluding share-based compensation expense and any impairment of goodwill charge, and a \$20.7 million deposit made to Revenue Quebec described under the *Income Taxes* section, with the remainder explained by changes in the net operating assets;

- higher capital expenditures of \$27.1 million resulting mostly from real estate and information technology initiatives; and
- increased dividends paid on common shares and preferred shares of \$16.4 million, explained primarily by
  the increase in the quarterly dividend rate per common share and by the dividends paid on the Series 3
  Preferred Shares which were issued on January 15, 2014.

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

#### **SEGMENTED OPERATING RESULTS**

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

#### **CANADA**

	Years Ended	Variance		
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%
Gross Billings from the sale of Loyalty Units	1,342.2 (b)	1,085.8	256.4	23.6
Other Gross Billings	198.0	214.3	(16.3)	(7.6)
Total Gross Billings	1,540.2 (b)	1,300.1	240.1	18.5
Revenue from Loyalty Units before the undernoted	1,085.8	1,010.5	75.3	7.5
Change in Breakage estimate - impact attributable to prior years	_	(617.0) (c)	617.0	**
Revenue from Loyalty Units (as reported)	1,085.8	393.5	692.3	**
Revenue from proprietary loyalty services	155.8	166.5	(10.7)	(6.4)
Other revenue	47.6	47.4	0.2	0.4
Total revenue	1,289.2	607.4	681.8	**
Cost of rewards and direct costs	866.4	689.1	177.3	25.7
Gross margin before depreciation and amortization	422.8	(81.7)	504.5	**
Gross margin as a % of total revenue	32.8%	(13.5)%	**	46.3 pp
Depreciation and amortization (a)	149.3	98.8	50.5	51.1
Gross margin	273.5	(180.5)	454.0	**
Total operating expenses	246.7	438.8 (d)	(192.1)	(43.8)
Operating income (loss)	26.8	(619.3) (d)	646.1	**
Adjusted EBITDA <sup>(e)</sup>	<b>323.5</b> (b)	137.7 <sup>(d)</sup>	185.8	**
Adjusted EBITDA as a % of total Gross Billings	21.0%	10.6 %	**	10.4 pp
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	(103.6)	(34.5)	(69.1)	**
Operating metrics (year-over-year variance):				
Accumulation activity - Aeroplan	14.6%	(0.6)%	**	**
Redemption activity - Aeroplan	7.0%	(1.6)%	**	**
Aeroplan total rewards issued	13.8%	n.d.	**	**
Aeroplan total air rewards issued	19.8%	n.d.	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

*Gross Billings* generated for the year ended December 31, 2014 amounted to \$1,540.2 million, an increase of \$240.1 million or 18.5%.

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

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2014 amounted to \$1,342.2 million, an increase of \$256.4 million or 23.6%. The variance is explained by the \$100.0 million upfront contribution received from TD to help fund Aeroplan's program enhancements and by a 20.5% increase in the financial sector resulting from higher card acquisitions, purchase volumes and partner program conversions, including

a \$19.4 million promotion offered by the program's main financial partner on the conveyed credit card portfolio. The positive variance also resulted from increased performance in the travel sector, including in airline partner activity, and the retail sector.

**Accumulation Activity** - Aeroplan Miles issued during the year ended December 31, 2014 increased by 14.6% mainly due to higher card acquisitions, purchase volumes and promotional mileage, including on new financial cards acquired, as well as greater partner program conversions.

Other Gross Billings amounted to \$198.0 million for the year ended December 31, 2014, a decrease of \$16.3 million or 7.6%, mainly explained by a decrease in Gross Billings from proprietary loyalty services due to lower client activity and lower Gross Billings from ancillary services related to the Aeroplan Program.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the year ended December 31, 2014 increased by 7.0%, driven mostly by an increase in air redemptions due to enhanced travel reward offerings under the Distinction program which commenced on January 1, 2014. The prior year had lower redemption activity in anticipation of the program changes. The total number of rewards issued and the total number of air rewards issued increased by 13.8% and 19.8% respectively compared to the prior year.

**Total Revenue** amounted to \$1,289.2 million for the year ended December 31, 2014, an increase of \$681.8 million, including the unfavourable impact of \$617.0 million resulting from the change in Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013. The remaining favourable variance of \$64.8 million is explained primarily by:

- an increase of \$75.3 million in revenue from Loyalty Units mostly due to an increase in redemption volumes;
   and by
- a decrease of \$10.7 million in revenue from proprietary loyalty services mostly related to lower client activity.

Cost of Rewards and Direct Costs amounted to \$866.4 million for the year ended December 31, 2014, an increase of \$177.3 million or 25.7%. This change is mainly attributable to the following factors:

- a higher redemption cost per Aeroplan Mile redeemed of \$140.4 million primarily due to enhanced travel reward offerings under the Distinction program which commenced on January 1, 2014; and
- a higher volume of redemptions for the period, representing \$42.5 million; offset in part by
- a decrease in proprietary loyalty services direct costs of \$5.6 million due mostly to lower client activity.

Gross Margin before Depreciation and Amortization represented 32.8% of total revenue for the year ended December 31, 2014 and decreased by 10.9 percentage-points compared to 2013, excluding the unfavourable impact of \$617.0 million resulting from the change in Breakage estimate in the Aeroplan Program which occurred in second quarter of 2013. The remaining variance is a direct result of the factors described above.

*Operating Expenses* amounted to \$246.7 million for the year ended December 31, 2014, a decrease of \$192.1 million or 43.8%. Excluding the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program from the fourth quarter of 2013, operating expenses increased by

\$7.9 million and is explained by higher real estate expenses, including an onerous lease provision of \$4.7 million, higher marketing and promotional expenses, mostly related to program enhancements, and severance expenses, offset in part by lower information technology costs and professional fees.

**Depreciation and Amortization**, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to \$149.3 million for the year ended December 31, 2014, an increase of \$50.5 million or 51.1%. The variance is primarily explained by the revision made to the estimated useful lives of certain Accumulation Partners' contracts at the end of 2013.

Operating Income amounted to \$26.8 million for the year ended December 31, 2014, an improvement of \$646.1 million, explained by the unfavourable impact of \$617.0 million resulting from the change in Breakage estimate in the Aeroplan Program which occurred in the second quarter of 2013, and the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program in the fourth quarter of 2013. The remaining variance is a direct result of the factors described above.

Adjusted EBITDA amounted to \$323.5 million for the year ended December 31, 2014, an improvement of \$185.8 million which is explained mostly by the items listed below:

- the upfront contribution received from TD of \$100.0 million in the first quarter of 2014;
- an unfavourable impact of \$37.4 million on the Change in Future Redemption Costs of the current year attributable to higher promotional mileage issued on new financial cards acquired in the Aeroplan Program; and
- the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the fourth guarter of 2013.

The remaining variance, representing a decrease of \$76.8 million, is primarily attributable to an increase in redemption cost per Aeroplan Mile and higher operating expenses, offset in part by higher Gross Billings.

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

#### **EMEA**

	Years Ended	Years Ended December 31,		nce	Variance (	C.C. <sup>(e)(f)</sup>
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%	\$	%
Gross Billings from the sale of Loyalty Units	667.0	625.6	41.4	6.6	(29.0)	(4.6)
Other Gross Billings	105.2	78.5	26.7	34.0	16.7	21.3
Total Gross Billings	772.2 (b)	704.1 (b)	68.1	9.7	(12.3)	(1.7)
Revenue from Loyalty Units before the undernoted	675.1	625.3	49.8	8.0	(9.3)	(1.5)
Change in Breakage estimate <sup>(d)</sup>	19.4	_	19.4	**	19.4	**
Revenue from Loyalty Units (as reported)	694.5	625.3	69.2	11.1	10.1	1.6
Revenue from proprietary loyalty services	24.1	18.5	5.6	30.3	3.0	16.2
Other revenue	81.2	60.0	21.2	35.3	13.8	23.0
Intercompany revenue	0.3	0.3	_	_	_	_
Total revenue	800.1	704.1	96.0	13.6	26.9	3.8
Cost of rewards and direct costs	535.7	410.9 <i>(c)</i>	124.8	30.4	76.3	18.6
Gross margin before depreciation and amortization	264.4	293.2 (c)	(28.8)	(9.8)	(49.4)	(16.8)
Gross margin as a % of total revenue	33.0 %	41.6 %	**	(8.6) pp	**	(8.2) pp
Depreciation and amortization (a)	22.0	16.6	5.4	32.5	3.2	19.3
Gross margin	242.4	276.6 (c)	(34.2)	(12.4)	(52.6)	(19.0)
Total operating expenses	172.5	195.3 (c)	(22.8)	(11.7)	(40.8)	(20.9)
Operating income	69.9	81.3 (c)	(11.4)	(14.0)	(11.8)	(14.5)
Adjusted EBITDA (e)	76.1	94.0 (c)	(17.9)	(19.0)	(32.6)	(34.7)
Adjusted EBITDA as a % of total Gross Billings	9.9 %	13.4 %	**	(3.5) pp	**	(4.5) pp
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	10.6	(5.6)	16.2	**	**	**
Distributions from equity-accounted investments	1.5	1.7	(0.2)	(11.8)	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Nectar	(1.4)%	13.5 %	**	**	**	**
Accumulation activity - Air Miles Middle East	(4.9)%	19.4 %	**	**	**	**
Accumulation activity - Nectar Italia	(10.6)%	(14.7)%	**	**	**	**
Redemption activity - Nectar	3.9 %	12.4 %	**	**	**	**
Redemption activity - Air Miles Middle East	(31.4)%	n.d.	**	**	**	**
Redemption activity - Nectar Italia	(4.1)%	(7.9)%	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

*Gross Billings* generated for the year ended December 31, 2014 amounted to \$772.2 million, an increase of \$68.1 million or 9.7%. On a constant currency basis, Gross Billings decreased by \$12.3 million or 1.7%.

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

Gross Billings from the Sale of Loyalty Units generated for the year ended December 31, 2014 amounted to \$667.0 million, an increase of \$41.4 million or 6.6%. On a constant currency basis, Gross Billings from the sale of Loyalty Units decreased by \$29.0 million or 4.6% and was mostly explained by a \$16.0 million decrease in the Air Miles Middle East program, largely due to additional funding provided by the program's main Accumulation Partner to

support enhanced member engagement in the comparative period, a reduction in offering to members related to a main Accumulation Partner product and new contractual terms. Additionally, Gross Billings from the sale of Loyalty Units in the Nectar Italia Program decreased by \$8.9 million compared to the same period in the prior year mostly due to difficult economic conditions and its impact on the grocery and fuel sectors. Gross Billings from the sale of Loyalty Units in the Nectar Program decreased by \$4.1 million, driven mostly by the energy sector as a result of regulatory restrictions.

**Accumulation Activity** - Nectar UK Points issued during the year ended December 31, 2014 decreased by 1.4% for the reason described above.

Air Miles Middle East Loyalty Units issued during the year ended December 31, 2014 decreased by 4.9% resulting from a reduction in offering to members related to a main Accumulation Partner product and higher levels of activity in the first quarter of 2013 in anticipation of the first expiry anniversary.

Nectar Italia Points issued during the year ended December 31, 2014 decreased by 10.6% mostly due to the reasons described above.

Other Gross Billings amounted to \$105.2 million for the year ended December 31, 2014, an increase of \$26.7 million or 34.0%. On a constant currency basis, other Gross Billings increased by \$16.7 million or 21.3% and is primarily explained by growth in Gross Billings from analytics and insights services, including ISS activities, and proprietary loyalty services.

**Redemption Activity** - Redemption activity in the Nectar Program increased by 3.9% mainly driven by an increase in the number of Nectar Points in circulation at the beginning of the year.

Total points redeemed in the Nectar Italia Program for the year ended December 31, 2014 decreased by 4.1% mainly due to lower number of points in circulation and reduced promotional activity offset in part by increased activity in the fourth quarter of 2014 in anticipation of the expiry of points in the first quarter of 2015.

Redemption activity in the Air Miles Middle East program decreased by 31.4% due to the impact of the first year expiry on March 31, 2013 and a reduction in offering from the main Accumulation Partner.

*Total Revenue* amounted to \$800.1 million for the year ended December 31, 2014, an increase of \$96.0 million or 13.6%. On a constant currency basis, total revenue increased by \$26.9 million or 3.8%, and is explained by the following:

an increase of \$10.1 million in revenue from Loyalty Units mostly explained by higher redemptions in the
Nectar Program and a \$19.4 million benefit from the change in the Breakage estimate in the Nectar Italia
Program. The positive variance was partly offset by lower revenue from Loyalty Units in the Air Miles Middle
East Program resulting from decreased redemption activity and additional funding provided by the Air Miles
Middle East program's main Accumulation Partner to support enhanced member engagement in the same
period of 2013;

- an increase of \$13.8 million in other revenue driven by growth in revenue from analytics and insights services, including ISS activities; and
- an increase of \$3.0 million in revenue from proprietary loyalty services mostly due to an increase in client activity.

Cost of Rewards and Direct Costs amounted to \$535.7 million for the year ended December 31, 2014, an increase of \$124.8 million or 30.4%. On a constant currency basis, cost of rewards and direct costs increased by \$76.3 million or 18.6%, including the \$72.8 million favourable impact resulting from the final judgment of the VAT litigation in the second quarter of 2013. The remaining variance, representing an increase of \$3.5 million, is mainly attributable to the following factors:

- an increase driven by redemption activity in the Nectar Program, representing \$15.4 million; and
- an increase in direct costs of \$6.0 million resulting from growth in analytics and insights services, including in ISS activities, and proprietary loyalty services; offset in part by
- · a decrease in redemption activity in the Air Miles Middle East program, representing \$13.6 million; and
- a reduction in redemption activity in the Nectar Italia Program, representing \$4.3 million.

Gross Margin before Depreciation and Amortization represented 33.0% of total revenue for the year ended December 31, 2014 and increased by 1.7 percentage-points or 2.1 percentage-points on a constant currency basis compared to 2013, excluding the impact resulting from the final judgment of the VAT litigation in the second quarter of 2013. The remaining variance is a direct result of the factors described above.

Operating Expenses amounted to \$172.5 million for the year ended December 31, 2014, a decrease of \$22.8 million or 11.7%. On a constant currency basis, operating expenses decreased by \$40.8 million or 20.9%, explained mostly by the expenses related to the final judgment of the VAT litigation in the second quarter of 2013 of \$48.8 million, an increase in global product development costs of \$11.1 million and a one-time adjustment to pension expense, offset in part by operational efficiencies, including lower compensation costs.

**Depreciation and Amortization**, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to \$22.0 million for the year ended December 31, 2014, an increase of \$5.4 million or 32.5%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by \$3.2 million or 19.3%, mainly driven by new technology initiatives.

*Operating Income* amounted to \$69.9 million for the year ended December 31, 2014, a decrease of \$11.4 million or 14.0%. On a constant currency basis, operating income decreased by \$11.8 million or 14.5%, mostly explained by the favourable impact resulting from the final judgment of the VAT litigation in the second quarter of 2013 of \$24.0 million, with the remaining variance being a direct result of the factors described above.

Adjusted EBITDA amounted to \$76.1 million for the year ended December 31, 2014, a decrease of \$17.9 million or 19.0%. On a constant currency basis, Adjusted EBITDA decreased by \$32.6 million or 34.7%, mostly explained by the favourable impact resulting from the final judgment of the VAT litigation of \$24.0 million. The remaining variance,

representing a decrease of \$8.6 million or 12.3%, is due mostly to lower Gross Billings in Air Miles Middle East, including the additional funding provided by the program's main Accumulation Partner in the comparative period, increased operating expenses related to global product development and a one-time adjustment to pension expense. The unfavourable variance was partly offset by operational efficiencies, improved contributions from the analytics and insights services, the Nectar Italia program and the \$3.1 million favourable impact on the Change in Future Redemption Costs resulting from the change to the Breakage estimate in the fourth quarter of 2014, and margin improvements in the Nectar program.

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

#### **US & APAC**

	Years Ended	Variance		Variance C.C. (c)(d)		
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%	\$	%
Gross Billings from the sale of Loyalty Units	_	_	_	_	_	_
Other Gross Billings	375.1	362.7	12.4	3.4	(6.5)	(1.8)
Total Gross Billings	375.1 (b)	362.7 (b)	12.4	3.4	(6.5)	(1.8)
Revenue from Loyalty Units	_	_	_	_	_	
Revenue from proprietary loyalty services	379.8	362.3	17.5	4.8	(1.7)	(0.5)
Other revenue	_	_	_	_	_	_
Intercompany revenue	0.6	0.2	0.4	**	0.4	**
Total revenue	380.4	362.5	17.9	4.9	(1.3)	(0.4)
Cost of rewards and direct costs	204.0	201.7	2.3	1.1	(7.3)	(3.6)
Gross margin before depreciation and amortization	176.4	160.8	15.6	9.7	6.0	3.7
Gross margin as a % of total revenue	46.4 %	44.4 %	**	2.0 pp	**	1.8 pp
Depreciation and amortization (a)	12.9	12.5	0.4	3.2	(0.3)	(2.4)
Gross margin	163.5	148.3	15.2	10.2	6.3	4.2
Operating expenses before the undernoted	172.6	164.8	7.8	4.7	(1.7)	(1.0)
Impairment of goodwill	_	19.1	(19.1)	**	(19.1)	**
Total operating expenses	172.6	183.9	(11.3)	(6.1)	(20.8)	(11.3)
Operating loss	(9.1)	(35.6)	26.5	74.4	27.1	76.1
Adjusted EBITDA (c)	(1.5)	(3.8)	2.3	60.5	2.5	65.8
Adjusted EBITDA as a % of total Gross Billings	(0.4)%	(1.0)%	**	0.6 pp	**	0.6 pp

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

**Gross Billings** amounted to \$375.1 million for the year ended December 31, 2014, an increase of \$12.4 million or 3.4%. On a constant currency basis, Gross Billings decreased by \$6.5 million or 1.8% and is primarily explained by lower reward fulfillment Gross Billings in the US region offset in part by a net increase in business from existing and new clients in the region.

**Total Revenue** amounted to \$380.4 million for the year ended December 31, 2014, an increase of \$17.9 million or 4.9%. On a constant currency basis, total revenue decreased by \$1.3 million or 0.4%. The variance is primarily explained by lower reward fulfillment revenue in the US region offset in part by a net increase in business from existing and new clients in the region.

Cost of Rewards and Direct Costs amounted to \$204.0 million for the year ended December 31, 2014, an increase of \$2.3 million or 1.1%. On a constant currency basis, cost of rewards and direct costs decreased by \$7.3 million or 3.6% and is primarily explained by lower reward fulfillment direct costs in the US region offset in part by a net increase in business from existing and new clients.

Gross Margin before Depreciation and Amortization represented 46.4% of total revenue for the year ended December 31, 2014 and increased by 2.0 percentage-points or 1.8 percentage-points on a constant currency basis, mostly resulting from the mix of services rendered.

Operating Expenses amounted to \$172.6 million for the year ended December 31, 2014, a decrease of \$11.3 million or 6.1%. On a constant currency basis, operating expenses decreased by \$20.8 million or 11.3%, explained mostly by the goodwill impairment charge of \$19.1 million related to the US Proprietary Loyalty CGU in the fourth quarter of 2013. The remaining variance is primarily explained by an increase in costs related to business offset in part by lower information technology and professional services costs and the absence of integration and acquisition related expenses.

**Depreciation and Amortization**, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to \$12.9 million for the year ended December 31, 2014, an increase of \$0.4 million or 3.2%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by \$0.3 million or 2.4%.

Operating Income (Loss) amounted to \$(9.1) million for the year ended December 31, 2014, an improvement of \$26.5 million or 74.4%. On a constant currency basis, operating loss improved by \$27.1 million or 76.1%, explained by the goodwill impairment charge recorded during the fourth quarter of 2013 of \$19.1 million related to the US Proprietary Loyalty CGU and other factors described above.

Adjusted EBITDA amounted to \$(1.5) million for the year ended December 31, 2014, an improvement of \$2.3 million. On a constant currency basis, Adjusted EBITDA improved by \$2.5 million due to lower direct costs and operating expenses, offset in part by lower Gross Billings.

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

#### **CORPORATE**

	Years Ende	Years Ended December 31,			
(in millions of Canadian dollars)	2014	2014 2013		%	
Operating expenses before the undernoted	88.6	72.0	16.6	23.1	
Share-based compensation	8.3	19.4	(11.1)	(57.2)	
Total operating expenses (a)	96.9	91.4	5.5	6.0	
Operating loss	(96.9)	(91.4)	(5.5)	6.0	
Adjusted EBITDA (b)	(81.7)	(77.4)	(4.3)	5.6	
Included in Adjusted EBITDA:			,		
Distributions from equity-accounted investments	15.2	14.0	1.2	8.6	

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

*Operating Expenses* amounted to \$96.9 million for the year ended December 31, 2014, an increase of \$5.5 million or 6.0%, mainly attributable to higher costs in business development and information technology to support growth in the global businesses, offset in part by a decrease in consulting and professional fees and lower share-based compensation expense, resulting from the revaluation of share-based awards partly counterbalanced by an increase in share based awards granted.

Adjusted EBITDA amounted to \$(81.7) million for the year ended December 31, 2014 compared to \$(77.4) million for the year ended December 31, 2013. Adjusted EBITDA for the year ended December 31, 2014 and 2013 included distributions received from PLM of \$15.2 million and \$14.0 million, respectively.

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

### QUARTER ENDED DECEMBER 31, 2014 COMPARED TO QUARTER ENDED DECEMBER 31, 2013

#### **CONSOLIDATED OPERATING RESULTS**

	Three Months En	Three Months Ended December 31,			Variance C.C. (h)(i)	
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%	\$	%
Gross Billings from the sale of Loyalty Units	497.0	464.7	32.3	7.0	23.7	5.1
Other Gross Billings	191.1	193.3	(2.2)	(1.1)	(9.6)	(5.0)
Total Gross Billings	688.1 (b)	658.0 <i>(b)</i>	30.1	4.6	14.1	2.1
Revenue from Loyalty Units before the undernoted	549.2	496.5	52.7	10.6	41.3	8.3
Change in Breakage estimate	<b>19.4</b> (c)	_	19.4	**	19.4	**
Revenue from Loyalty Units	568.6	496.5	72.1	14.5	60.7	12.2
Revenue from proprietary loyalty services	157.8	160.9	(3.1)	(1.9)	(9.0)	(5.6)
Other revenue	34.7	30.2	4.5	14.9	3.0	9.9
Total revenue	761.1	687.6	73.5	10.7	54.7	8.0
Cost of rewards and direct costs	493.9	427.3	66.6	15.6	54.5	12.8
Gross margin before depreciation and amortization	267.2	260.3	6.9	2.7	0.2	0.1
Gross margin as a % of total revenue	35.1%	37.9 %	**	(2.8) pp	**	(2.8) pp
Depreciation and amortization (a)	49.3	35.7	13.6	38.1	13.0	36.4
Gross margin	217.9	224.6	(6.7)	(3.0)	(12.8)	(5.7)
Operating expenses before the undernoted	190.4	375.4 (d)	(185.0)	(49.3)	(189.8)	(50.6)
Share-based compensation	(0.9)	5.8	(6.7)	**	(6.7)	**
Impairment of goodwill	_	19.1	(19.1)	**	(19.1)	**
Total operating expenses	189.5	400.3 (d)	(210.8)	(52.7)	(215.6)	(53.9)
Operating income (loss)	28.4	(175.7) (d)	204.1	**	202.8	**
Adjusted EBITDA <sup>(h)</sup>	60.0	(111.1) <sup>(d)</sup>	171.1	**	168.5	**
Adjusted EBITDA as a % of total Gross Billings	8.7%	(16.9)%	**	25.6 pp	**	25.4 pp
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	49.8	34.1	15.7	46.0	**	**
Distributions from equity-accounted investments	5.5	5.3	0.2	3.8	**	**
Adjusted Net Earnings <sup>(h)</sup>	40.5	(83.4) (f)	123.9	**	**	**
Free Cash Flow before Dividends Paid (h)	17.1 (g)	(52.1) (e)	69.2	**	**	**
Free Cash Flow <sup>(h)</sup>	(19.1) (g)	(84.3) (e)	65.2	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

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

Gross Billings generated for the three months ended December 31, 2014 amounted to \$688.1 million, an increase of \$30.1 million or 4.6%. On a constant currency basis, Gross Billings increased by \$14.1 million or 2.1% and is mostly explained by the performance of the Aeroplan Program in the financial sector and other Gross Billings in the EMEA region offset in part by lower Gross Billings from Loyalty Units in the EMEA region as well as lower other Gross Billings in the US & APAC region.

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

**Total Revenue** generated for the three months ended December 31, 2014 amounted to \$761.1 million, an increase of \$73.5 million or 10.7%. On a constant currency basis, total revenue increased by \$54.7 million or 8.0% and is mostly explained by higher revenue from Loyalty Units in the Aeroplan, Nectar and Nectar Italia programs, including the favourable impact resulting from the change in the Breakage estimate in the Nectar Italia Program in the fourth quarter of 2014. The variance is also explained by an increase in other revenue in the EMEA region, offset in part by lower revenue from proprietary loyalty services in the Canada and US & APAC regions.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the selling price of a Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the average selling price of a Loyalty Unit would have resulted in a fluctuation in revenue and earnings before income taxes of \$5.5 million for the three months ended December 31, 2014.

Cost of Rewards and Direct Costs amounted to \$493.9 million for the three months ended December 31, 2014, an increase of \$66.6 million or 15.6%. On a constant currency basis, cost of rewards and direct costs increased by \$54.5 million or 12.8% and is mainly explained by higher cost of rewards in the Aeroplan Program primarily due to enhanced travel reward offerings under the Distinction program and higher redemption volumes offset in part by lower direct costs in the Canada and US & APAC regions.

Given the large volume of Loyalty Units issued and redeemed, slight fluctuations in the Average Cost of Rewards per Loyalty Unit will have a significant impact on results. On a consolidated basis, the impact of a 1% change to the Average Cost of Rewards per Loyalty Unit would have resulted in a fluctuation in cost of sales and earnings before income taxes of \$4.1 million for the three months ended December 31, 2014.

Gross Margin before Depreciation and Amortization represented 35.1% of total revenue for the three months ended December 31, 2014 and decreased by 2.8 percentage-points on a reported and constant currency basis compared to the same period in 2013, a direct result of the factors described above.

*Operating Expenses* amounted to \$189.5 million for the three months ended December 31, 2014, a decrease of \$210.8 million or 52.7%. On a constant currency basis, operating expenses decreased by \$215.6 million or 53.9% and is explained mostly by:

- the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan
   Program in the fourth quarter of 2013; and
- the goodwill impairment charge of \$19.1 million related to the US Proprietary Loyalty CGU in the fourth quarter of 2013.

The remaining variance, representing an increase of \$3.5 million, is mainly explained by higher corporate expenses and an increase in global product development costs reported within the EMEA region, offset in part by lower operating expenses in the US & APAC region.

Depreciation and Amortization, including Amortization of Accumulation Partners' Contracts, Customer Relationships and Technology, amounted to \$49.3 million for the three months ended December 31, 2014, an increase of \$13.6 million or 38.1%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by \$13.0 million or 36.4% and is primarily explained by the revision made to the estimated useful lives of certain Accumulation Partners' contracts and customer relationships at the end of 2013.

Operating Income amounted to \$28.4 million for the three months ended December 31, 2014, an improvement of \$204.1 million. On a constant currency basis, operating income improved by \$202.8 million and is mostly explained by the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program and the goodwill impairment charge of \$19.1 million related to the US Proprietary Loyalty CGU in the fourth guarter of 2013, with the remainder a direct result of the factors described above.

**Net Financial Expenses** for the three months ended December 31, 2014 consist primarily of interest expense on long-term debt of \$10.0 million; offset in part by interest revenue of \$3.4 million earned on cash and cash equivalents, short-term investments on deposit and long-term investments in bonds, and other financial income of \$0.6 million.

Net Earnings (Loss) for the three months ended December 31, 2014 and 2013 include the effect of \$5.7 million and \$2.2 million of current income tax expenses, respectively, as well as \$15.3 million and \$58.8 million of deferred income tax recoveries, respectively. Net earnings (loss) for the three months ended December 31, 2014 and 2013 also include the share of net earnings (loss) of equity-accounted investments of \$(10.5) million and \$1.5 million, respectively.

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

Adjusted EBITDA amounted to \$60.0 million for the three months ended December 31, 2014, an increase of \$171.1 million. On a constant currency basis, Adjusted EBITDA improved by \$168.5 million, mostly explained by the unfavourable impact of the CIBC Payment and the Card Migration Provision totaling \$200.0 million in the fourth quarter of 2013. The remaining variance, representing a decrease of \$31.5 million is mostly explained by an increase in redemption cost per Aeroplan Mile, offset in part by an increase in Gross Billings from the Aeroplan Program.

Adjusted Net Earnings amounted to \$40.5 million or 5.9% (as a % of Gross Billings) for the three months ended December 31, 2014. Adjusted Net Earnings for the three months ended December 31, 2013 amounted to \$(83.4) million or (12.7)% (as a % of Gross Billings), and included the unfavourable impact of the CIBC Payment and the

Card Migration Provision of \$146.9 million, net of an income tax recovery of \$53.1 million. The effective tax rate has been impacted as described under the *Net Earnings (Loss)* section.

Adjusted EBITDA and Adjusted Net Earnings for the three months ended December 31, 2014 and 2013 include distributions received or receivable from equity-accounted investments of \$5.5 million and \$5.3 million, respectively.

Free Cash Flow for the three months ended December 31, 2014, amounted to \$(19.1) million compared to \$(84.3) million for the three months ended December 31, 2013. The Migration Provision had no impact on cash from operating activities for the three months ended December 31, 2013, accordingly the explanations provided below exclude any non-cash related impact. The favourable variance of \$65.2 million is mainly the result of:

- an increase in cash from operating activities of \$77.3 million, explained primarily by the CIBC Payment of
  \$150.0 million in the fourth quarter of 2013 and related harmonized sales tax of \$22.5 million, an increase in
  Gross Billings of \$30.1 million and the receipt of \$7.5 million from Revenue Quebec related to the income
  tax refund of loss carry back applied in Canada, offset in part by higher cost of rewards and direct costs of
  \$66.6 million, higher operating expenses of \$15.0 million, excluding share-based compensation expense
  and any impairment of goodwill charge, with the remainder explained by changes in the net operating
  assets;
- higher capital expenditures of \$8.1 million resulting mostly from real estate and information technology initiatives; and
- increased dividends paid on common shares and preferred shares of \$4.0 million, explained primarily by the increase in the quarterly dividend from \$0.17 to \$0.18 per common share and by the dividends paid on the Series 3 Preferred Shares which were issued on January 15, 2014.

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

#### **SEGMENTED OPERATING RESULTS**

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

#### **CANADA**

	Variance			
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%
		l		
Gross Billings from the sale of Loyalty Units	324.6	289.4	35.2	12.2
Other Gross Billings	49.2	57.7	(8.5)	(14.7)
Total Gross Billings	373.8	347.1	26.7	7.7
Revenue from Loyalty Units	262.2	225.4	36.8	16.3
Revenue from proprietary loyalty services	39.7	46.0	(6.3)	(13.7)
Other revenue	9.4	11.5	(2.1)	(18.3)
Total revenue	311.3	282.9	28.4	10.0
Cost of rewards and direct costs	212.5	155.7	56.8	36.5
Gross margin before depreciation and amortization	98.8	127.2	(28.4)	(22.3)
Gross margin as a % of total revenue	31.7%	45.0 %	**	(13.3) pp
Depreciation and amortization (a)	39.2	26.9	12.3	45.7
Gross margin	59.6	100.3	(40.7)	(40.6)
Total operating expenses	73.0	272.9 (b)	(199.9)	(73.3)
Operating loss	(13.4)	(172.6) (b)	159.2	92.2
Adjusted EBITDA (c)	49.9	(114.9) (b)	164.8	**
Adjusted EBITDA as a % of total Gross Billings	13.3%	(33.1)%	**	46.4 pp
Included in Adjusted EBITDA:				
Change in Future Redemption Costs	(38.4)	(33.4)	(5.0)	(15.0)
Operating metrics (year-over-year variance):				
Accumulation activity - Aeroplan	10.5%	2.1 %	**	**
Redemption activity - Aeroplan	15.7%	(8.9)%	**	**
Total rewards issued - Aeroplan	25.6%	n.d.	**	**
Total air rewards issued - Aeroplan	32.1%	n.d.	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

*Gross Billings* generated for the three months ended December 31, 2014 amounted to \$373.8 million, an increase of \$26.7 million or 7.7%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2014 amounted to \$324.6 million, an increase of \$35.2 million or 12.2%. The variance is mainly explained by an increase of 18.3% in the financial sector driven by higher purchase volumes, card acquisitions and partner program conversions, as well as a moderate increase in selling price of a loyalty unit due to the new financial card agreements. The positive variance also resulted from increased performance in airline partner activity.

Accumulation Activity - Aeroplan Miles issued during the three month period ended December 31, 2014 increased by 10.5% mainly due to higher purchase volumes, higher promotional mileage and card acquisitions as well as increased partner program conversions.

Other Gross Billings amounted to \$49.2 million for the three months ended December 31, 2014, a decrease of \$8.5 million or 14.7%, mainly explained by a decrease in Gross Billings from proprietary loyalty services due to lower client activity and lower Gross Billings from ancillary services related to the Aeroplan Program.

Redemption Activity - Total Miles redeemed under the Aeroplan Program for the three months ended December 31, 2014 increased by 15.7%, driven mostly by an increase in air redemptions due to enhanced travel reward offerings under the Distinction program which commenced on January 1, 2014. The comparative period had lower redemption activity in anticipation of the program changes. The total number of rewards issued and the total number of air rewards issued increased by 25.6% and 32.1% respectively compared to the same period in the prior year.

*Total Revenue* amounted to \$311.3 million for the three months ended December 31, 2014, an increase of \$28.4 million or 10.0%, explained primarily by:

- an increase of \$36.8 million in revenue from Loyalty Units due to an increase in redemption volumes; offset in part by
- a decrease of \$6.3 million in revenue from proprietary loyalty services mostly related to lower client activity;
- a decrease of \$2.1 million in other revenue due to lower revenue from ancillary services related to the Aeroplan Program.

Cost of Rewards and Direct Costs amounted to \$212.5 million for the three months ended December 31, 2014, an increase of \$56.8 million or 36.5%. This change is mainly attributable to the following factors:

- a higher redemption cost per Aeroplan Mile redeemed of \$41.7 million primarily due to enhanced travel reward offerings under the Distinction program which commenced on January 1, 2014; and
- a higher volume of redemptions for the period, representing \$20.6 million; offset in part by
- a decrease in proprietary loyalty services direct costs of \$5.5 million due mostly to lower client activity.

*Gross Margin before Depreciation and Amortization* represented 31.7% of total revenue for the three month period ended December 31, 2014 and decreased by 13.3 percentage-points compared to the same period in 2013, a direct result of the factors described above.

Operating Expenses amounted to \$73.0 million for the three months ended December 31, 2014, a decrease of \$199.9 million or 73.3%, mostly explained by the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program included the comparable period. The remaining variance, representing an increase of \$0.1 million, is mostly explained by higher real estate expenses, including an onerous lease provision of \$4.7 million, and information technology costs, offset in part by lower marketing and promotional expenses as well as professional fees.

**Depreciation and Amortization**, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to \$39.2 million for the three months ended December 31, 2014, an increase of \$12.3 million or 45.7%. The variance is primarily explained by the revision made to the estimated useful lives of certain Accumulation Partners' contracts at the end of 2013.

Operating Income (Loss) amounted to \$(13.4) million for the three months ended December 31, 2014, an improvement of \$159.2 million, explained by the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program in the comparable period and other factors described above.

Adjusted EBITDA amounted to \$49.9 million for the three months ended December 31, 2014, an improvement of \$164.8 million which is explained mostly by the items listed below:

- the unfavourable impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million in the Aeroplan Program in the fourth quarter of 2013; and
- an unfavourable impact of \$4.1 million on the Change in Future Redemption Costs of the current period attributable to higher promotional mileage issued on new financial cards acquired.

The remaining variance, representing a decrease of \$18.9 million is due to an increase in Gross Billings which was more than offset by an increase in redemption cost per Aeroplan Mile.

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

#### **EMEA**

		nths Ended nber 31,	Variar	псе	Variance C.C. (d)(e)	
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%	\$	%
Gross Billings from the sale of Loyalty Units	172.4	175.3	(2.9)	(1.7)	(11.5)	(6.6)
Other Gross Billings	31.9	24.7	7.2	29.1	5.4	21.9
Total Gross Billings	<b>204.3</b> (b)	200.0 (b)	4.3	2.2	(6.1)	(3.1)
Revenue from Loyalty Units before the undernoted	287.0	271.1	15.9	5.9	4.5	1.7
Change in Breakage estimate <sup>(c)</sup>	19.4	_	19.4	**	19.4	**
Revenue from Loyalty Units (as reported)	306.4	271.1	35.3	13.0	23.9	8.8
Revenue from proprietary loyalty services	6.4	5.9	0.5	8.5	0.3	5.1
Other revenue	25.3	18.7	6.6	35.3	5.1	27.3
Intercompany revenue	0.1	0.1	_	_	_	_
Total revenue	338.2	295.8	42.4	14.3	29.3	9.9
Cost of rewards and direct costs	221.7	210.3	11.4	5.4	1.9	0.9
Gross margin before depreciation and amortization	116.5	85.5	31.0	36.3	27.4	32.0
Gross margin as a % of total revenue	34.4 %	28.9 %	**	5.5 pp	**	5.8 pp
Depreciation and amortization (a)	6.2	4.7	1.5	31.9	1.2	25.5
Gross margin	110.3	80.8	29.5	36.5	26.2	32.4
Total operating expenses	43.6	38.7	4.9	12.7	2.7	7.0
Operating income	66.7	42.1	24.6	58.4	23.5	55.8
Adjusted EBITDA (d)	28.7	20.2	8.5	42.1	6.3	31.2
Adjusted EBITDA as a % of total Gross Billings	14.0 %	10.1 %	**	3.9 pp	**	3.6 pp
Included in Adjusted EBITDA:						
Change in Future Redemption Costs	88.2	67.5	20.7	30.7	**	**
Distributions from equity-accounted investments	1.5	1.7	(0.2)	(11.8)	**	**
Operating metrics (year-over-year variance):						
Accumulation activity - Nectar	(9.1)%	14.4 %	**	**	**	**
Accumulation activity - Air Miles Middle East	2.5 %	4.9 %	**	**	**	**
Accumulation activity - Nectar Italia	(8.4)%	(12.5)%	**	**	**	**
Redemption activity - Nectar	1.1 %	12.5 %	**	**	**	**
Redemption activity - Air Miles Middle East	9.2 %	n.d.	**	**	**	**
Redemption activity - Nectar Italia	21.0 %	(6.8)%	**	**	**	**

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

*Gross Billings* generated for the three months ended December 31, 2014, an increase of \$4.3 million or 2.2%. On a constant currency basis, Gross Billings decreased by \$6.1 million or 3.1%.

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

Gross Billings from the Sale of Loyalty Units generated for the three months ended December 31, 2014 amounted to \$172.4 million, a decrease of \$2.9 million or 1.7%. On a constant currency basis, Gross Billings from the sale of Loyalty Units decreased by \$11.5 million or 6.6% and is mostly explained by a \$9.0 million decrease in the Nectar Program, driven mostly by lower activity in the grocery sector and energy sector due to regulatory restrictions. The variance is also due to a reduction of \$1.7 million in the Nectar Italia Program due to difficult economic conditions

and its impact on the grocery and fuel sectors and a \$0.8 million reduction in the Air Miles Middle East Program due to new contractual terms.

**Accumulation activity** - Nectar UK Points issued during the three months ended December 31, 2014 decreased by 9.1% for the reasons described above.

Air Miles Middle East Loyalty Units issued during the three months ended December 31, 2014 increased by 2.5% mainly resulting from bonusing activity.

Nectar Italia Points issued during the three months ended December 31, 2014 decreased by 8.4% mostly due to the reasons described above.

*Other Gross Billings* amounted to \$31.9 million for the three months ended December 31, 2014, an increase of \$7.2 million or 29.1%. On a constant currency basis, other Gross Billings increased by \$5.4 million or 21.9% and is primarily explained by growth in Gross Billings from analytics and insights services, including ISS activities.

**Redemption Activity** - Redemption activity in the Nectar Program increased by 1.1% mainly driven by an increase in the number of Nectar Points in circulation at the beginning of the period.

Total points redeemed in the Nectar Italia Program for the three months ended December 31, 2014 increased by 21.0% in anticipation of the expiry of points in the first quarter of 2015.

Redemption activity in the Air Miles Middle East program increased by 9.2% explained primarily by an increase in the number of loyalty units in circulation.

*Total Revenue* amounted to \$338.2 million for the three months ended December 31, 2014, an increase of \$42.4 million or 14.3%. On a constant currency basis, total revenue increased by \$29.3 million or 9.9% and is explained mostly by the following:

- an increase of \$23.9 million in revenue from Loyalty Units mostly explained by a \$19.4 million impact relating
  to the change in the Breakage estimate in the Nectar Italia Program as well as higher redemptions in the
  Nectar Italia, Nectar UK and Air Miles Middle East programs;
- an increase of \$5.1 million in other revenue driven by growth in revenue from analytics and insights services, including ISS activities; and
- an increase of \$0.3 million in revenue from proprietary loyalty services.

Cost of Rewards and Direct Costs amounted to \$221.7 million for the three months ended December 31, 2014, an increase of \$11.4 million or 5.4%. On a constant currency basis, cost of rewards and direct costs increased by \$1.9 million or 0.9% and is mainly attributable to the following factors:

- an increase in direct costs of \$1.0 million resulting from growth in analytics and insights services, including ISS activities; and
- an increase driven by redemption activity in the Nectar Program, representing \$0.9 million.

*Gross Margin before Depreciation and Amortization* represented 34.4% of total revenue for the three month period ended December 31, 2014 and increased by 5.5 percentage-points or 5.8 percentage-points on a constant currency basis, a direct result of the factors described above.

*Operating Expenses* amounted to \$43.6 million for the three months ended December 31, 2014, an increase of \$4.9 million or 12.7%. On a constant currency basis, operating expenses increased by \$2.7 million or 7.0% and is mostly explained by an increase in global product development costs of \$3.6 million, partially offset by operational efficiencies, including lower compensation costs.

**Depreciation and Amortization**, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to \$6.2 million for the three months ended December 31, 2014, an increase of \$1.5 million or 31.9%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, increased by \$1.2 million or 25.5% and is mainly driven by new technology initiatives.

Operating Income amounted to \$66.7 million for the three months ended December 31, 2014, an improvement of \$24.6 million or 58.4%. On a constant currency basis, operating income improved by \$23.5 million or 55.8%, a direct result of the factors described above.

Adjusted EBITDA amounted to \$28.7 million for the three months ended December 31, 2014, an improvement of \$8.5 million or 42.1%. On a constant currency basis, Adjusted EBITDA improved by \$6.3 million or 31.2%, due mostly to analytics and insights services growth in Gross Billings, a \$3.1 million favourable impact on the Change in Future Redemption Costs resulting from the change in the Breakage estimate in the Nectar Italia Program, margin improvements and operational efficiencies, offset in part by higher global product development expenses.

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

#### **US & APAC**

		iths Ended ber 31,	Variance		Variance C.C. (c)(d)	
(in millions of Canadian dollars unless otherwise noted)	2014	2013	\$	%	\$	%
Gross Billings from the sale of Loyalty Units	_	_	_	_	_	_
Other Gross Billings	110.2	111.0	(8.0)	(0.7)	(6.4)	(5.8)
Total Gross Billings	110.2 (b)	111.0 <i>(b)</i>	(0.8)	(0.7)	(6.4)	(5.8)
Revenue from Loyalty Units	_	_	_	_	_	
Revenue from proprietary loyalty services	111.7	109.0	2.7	2.5	(3.0)	(2.8)
Other revenue	_	_	_	_	_	_
Intercompany revenue	0.1	_	0.1	**	0.1	**
Total revenue	111.8	109.0	2.8	2.6	(2.9)	(2.7)
Cost of rewards and direct costs	59.7	61.3	(1.6)	(2.6)	(4.2)	(6.9)
Gross margin before depreciation and amortization	52.1	47.7	4.4	9.2	1.3	2.7
Gross margin as a % of total revenue	46.6%	43.8%	**	2.8 pp	**	2.4 pp
Depreciation and amortization (a)	3.9	4.1	(0.2)	(4.9)	(0.5)	(12.2)
Gross margin	48.2	43.6	4.6	10.6	1.8	4.1
Operating expenses before the undernoted	41.8	41.2	0.6	1.5	(2.0)	(4.9)
Impairment of goodwill	_	19.1	(19.1)	**	(19.1)	**
Total operating expenses	41.8	60.3	(18.5)	(30.7)	(21.1)	(35.0)
Operating income (loss)	6.4	(16.7)	23.1	**	22.9	**
Adjusted EBITDA (c)	8.7	8.5	0.2	2.4	(0.2)	(2.4)
Adjusted EBITDA as a % of total Gross Billings	7.9%	7.7%	**	0.2 pp	**	0.2 pp

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

Gross Billings amounted to \$110.2 million for the three months ended December 31, 2014, a decrease of \$0.8 million or 0.7%. On a constant currency basis, Gross Billings decreased by \$6.4 million or 5.8% and is primarily explained by lower reward fulfillment Gross Billings in the US region offset in part by a net increase in business from existing and new clients in the region.

**Total Revenue** amounted to \$111.8 million for the three months ended December 31, 2014, an increase of \$2.8 million or 2.6%. On a constant currency basis, total revenue decreased by \$2.9 million or 2.7% and is primarily explained by lower reward fulfillment revenue in the US region offset in part by a net increase in business from existing and new clients in the region.

Cost of Rewards and Direct Costs amounted to \$59.7 million for the three months ended December 31, 2014, a decrease of \$1.6 million or 2.6%. On a constant currency basis, cost of rewards and direct costs decreased by \$4.2 million or 6.9% and is primarily explained by lower reward fulfillment direct costs in the US region offset in part by a net increase in business from existing and new clients in the region.

Gross Margin before Depreciation and Amortization represented 46.6% of total revenue for the three month period ended December 31, 2014 and increased by 2.8 percentage-points or 2.4 percentage-points on a constant currency basis, mostly resulting from the mix of services rendered.

Operating Expenses amounted to \$41.8 million for the three months ended December 31, 2014, a decrease of \$18.5 million or 30.7%. On a constant currency basis, operating expenses decreased by \$21.1 million or 35.0%, explained mostly by the goodwill impairment charge of \$19.1 million related to the US Proprietary Loyalty CGU in the fourth quarter of 2013. The remaining variance is primarily due to lower information technology and professional services costs and the absence of integration and acquisition related expenses, offset in part by increased severance expenses.

**Depreciation and Amortization**, including amortization of Accumulation Partners' contracts, customer relationships and technology, amounted to \$3.9 million for the three months ended December 31, 2014, a decrease of \$0.2 million or 4.9%. On a constant currency basis, depreciation and amortization, including amortization of Accumulation Partners' contracts, customer relationships and technology, decreased by \$0.5 million or 12.2%.

*Operating Income* amounted to \$6.4 million for the three months ended December 31, 2014, an improvement of \$23.1 million. On a constant currency basis, operating income improved by \$22.9 million and is explained by the goodwill impairment charge recorded during the fourth quarter of 2013 of \$19.1 million related to the US Proprietary Loyalty CGU and other factors described above.

*Adjusted EBITDA* amounted to \$8.7 million for the three months ended December 31, 2014, an improvement of \$0.2 million or 2.4%. On a constant currency basis, Adjusted EBITDA decreased by \$0.2 million or 2.4%.

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

#### **CORPORATE**

	Three Months Er	ided December 31,	Variand	ce
(in millions of Canadian dollars)	2014	2013	\$	%
Operating expenses before the undernoted	32.2	22.7	9.5	41.9
Share-based compensation	(0.9)	5.8	(6.7)	**
Total operating expenses (a)	31.3	28.5	2.8	9.8
Operating loss	(31.3)	(28.5)	(2.8)	9.8
Adjusted EBITDA (b)	(27.3)	(24.9)	(2.4)	9.6
Included in Adjusted EBITDA:				
Distributions from equity-accounted investments	4.0	3.6	0.4	11.1

Refer to section entitled Notations to Financial Tables for details on notations in the table above beginning on page 103.

*Operating Expenses* amounted to \$31.3 million for the three months ended December 31, 2014, an increase of \$2.8 million or 9.8%, mainly attributable to higher costs in business development and information technology to support growth in the global businesses. These factors were offset in part by lower share-based compensation expense, resulting from the revaluation of share-based awards, as well as a decrease in consulting and professional fees.

Adjusted EBITDA amounted to \$(27.3) million for the three months ended December 31, 2014 compared to \$(24.9) million for the three months ended December 31, 2013. Adjusted EBITDA for the three months ended December 31, 2014 and 2013 included distributions received from PLM of \$4.0 million and \$3.6 million, respectively.

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

#### **SEGMENTED INFORMATION**

At December 31, 2014, the Corporation had three reportable and operating segments: Canada, EMEA and US & APAC.

The segments are the Corporation's strategic business units. Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. Management of global shared services and share-based compensation is centralized and, consequently, these expenses are not allocated to the operating segments with the exception of global product development costs which are fully included in the EMEA segment. For additional information on the determination of operating segments, refer to the audited consolidated financial statements of Aimia for the year ended December 31, 2014.

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

					Ye	ears Ended Dec	ember 31,					
(in millions of Canadian dollars)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Operating Segments	Cana	ada	EMI	ΕA	US & /	APAC	Corpo	rate <sup>(b)</sup>	Elimina	tions	Consol	lidated
Gross Billings from the sale of Loyalty Units	1,342.2 (f)	1,085.8	667.0	625.6	_	_	_	_	_	_	2,009.2 <sup>(f)</sup>	1,711.4
Other Gross Billings	198.0	214.3	105.2	78.5	375.1	362.7	_	_	(0.9)	(0.5)	677.4	655.0
Total Gross Billings	1,540.2 <sup>(f)</sup>	1,300.1	772.2 (c)	704.1 (¢)	375.1 (c)	362.7 (c)	_	_	(0.9)	(0.5)	2,686.6 (c)(f)	2,366.4 (c)
Revenue from Loyalty Units before the undernoted	1,085.8	1,010.5	675.1	625.3	_	_	_	_	_	_	1,760.9	1,635.8
Change in Breakage estimate	_	(617.0) <sup>(g)</sup>	19.4 <sup>(g)</sup>	_	_	_	_	_	_	_	19.4 <sup>(g)</sup>	(617.0) <sup>(g)</sup>
Revenue from Loyalty Units (as reported)	1,085.8	393.5	694.5	625.3	_	_	_	_	_	_	1,780.3	1,018.8
Revenue from proprietary loyalty services	155.8	166.5	24.1	18.5	379.8	362.3	_	_	_	_	559.7	547.3
Other revenue	47.6	47.4	81.2	60.0	_	_	_	_	_	_	128.8	107.4
Intercompany revenue	_	_	0.3	0.3	0.6	0.2	_	_	(0.9)	(0.5)	_	_
Total revenue	1,289.2	607.4	800.1	704.1	380.4	362.5	_	_	(0.9)	(0.5)	2,468.8	1,673.5
Cost of rewards and direct costs	866.4	689.1	535.7	410.9 <i>(i)</i>	204.0	201.7	_	_	_	_	1,606.1	1,301.7 (i)
Gross margin before depreciation and amortization	422.8	(81.7)	264.4	293.2 <sup>(i)</sup>	176.4	160.8	_	_	(0.9)	(0.5)	862.7	371.8 <sup>(i)</sup>
Depreciation and amortization (a)	149.3	98.8	22.0	16.6	12.9	12.5	_	_	_	_	184.2	127.9
Gross margin	273.5	(180.5)	242.4	276.6 (i)	163.5	148.3	_	_	(0.9)	(0.5)	678.5	243.9 <i>(i)</i>
Operating expenses before the undernoted	246.7	438.8 (h)	172.5	195.3 <i>(i)</i>	172.6	164.8	88.6	72.0	(0.9)	(0.5)	679.5	870.4 <i>(i)</i>
Share-based compensation	_	_	_	-	_	_	8.3	19.4	_	_	8.3	19.4
Impairment of goodwill	_	_	_	-	_	19.1	_	_	_	_	_	19.1
Total operating expenses	246.7	438.8 (h)	172.5	195.3 <i>(i)</i>	172.6	183.9	96.9	91.4	(0.9)	(0.5)	687.8	908.9 <i>(i)</i>
Operating income (loss)	26.8	(619.3) (h)	69.9	81.3 <i>(i)</i>	(9.1)	(35.6)	(96.9)	(91.4)	_	_	(9.3)	(665.0) (i)
Adjusted EBITDA <sup>(i)</sup>	323.5 (f)	137.7 <i>(h)</i>	76.1	94.0 <i>(i)</i>	(1.5)	(3.8)	(81.7)	(77.4)	_	_	316.4 (f)	150.5 (h)(i)
Included in Adjusted EBITDA:												
Change in Future Redemption Costs	(103.6)	(34.5)	10.6	(5.6)	_	-	_	_	_	_	(93.0)	(40.1)
Distributions from equity-accounted investments	_	_	1.5	1.7	_	_	15.2	14.0	_	_	16.7	15.7
Additions to non-current assets (d)	50.0	33.1	26.3	17.7	3.8	3.6	1.4	_	N/A	N/A	81.5	54.4
Non-current assets (d)	3,027.8	3,131.1	536.6 (e)	516.7 <sup>(e)</sup>	75.2 (e)	78.1 <sup>(e)</sup>	1.4	2.2	N/A	N/A	3,641.0 <sup>(e)</sup>	3,728.1 (e)

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the financial position and operating results of our operations in India.
- (c) Includes third party Gross Billings of \$657.4 million in the UK and \$214.3 million in the US for the year ended December 31, 2014, compared to third party Gross Billings of \$573.2 million in the UK and \$227.2 million in the US for the year ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (d) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment.
- (e) Includes non-current assets of \$483.6 million in the UK and \$67.4 million in the US as of December 31, 2014, compared to non-current assets of \$463.5 million in the UK and \$69.1 million in the US as of December 31, 2013.
- (f) Includes a \$100.0 million upfront contribution received on January 2, 2014 from TD to help fund Aeroplan's program enhancements.
- (g) Represents the non-comparable impact of the change in the Breakage estimate in the Nectar Italia Program, which occurred in the fourth quarter of 2014, of \$19.4 million, and the non-comparable impact of the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of \$617.0 million attributable to the years prior to 2013.
- (h) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (i) Includes a favourable impact of \$26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation which occurred in the second quarter of 2013. Of this amount, \$74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and \$48.8 million (£30.6 million) as an increase to operating expenses.
  - Prior to the issuance of the final ruling, Aimia had recorded an amount of \$2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.
- (j) A non-GAAP measurement.

	Three Months Ended December 31,											
(in millions of Canadian dollars)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Operating Segments	Car	nada	EME	Α	US & /	APAC	Corpo	orate <sup>(b)</sup>	Elimina	ations	Conso	lidated
Gross Billings from the sale of Loyalty Units	324.6	289.4	172.4	175.3	_	_	_	_	_	_	497.0	464.7
Other Gross Billings	49.2	57.7	31.9	24.7	110.2	111.0	_	_	(0.2)	(0.1)	191.1	193.3
Total Gross Billings	373.8	347.1	<b>204.3</b> (c)	200.0 (c)	110.2 (c)	111.0 (c)	_	_	(0.2)	(0.1)	688.1 (c)	658.0 (c)
Revenue from Loyalty Units before the undernoted	262.2	225.4	287.0	271.1	_	_	_	_	_	_	549.2	496.5
Change in Breakage estimate	_		19.4 <sup>(g)</sup>	_	_	_	_	_	_	_	19.4 <sup>(g)</sup>	_
Revenue from Loyalty Units (as reported)	262.2	225.4	306.4	271.1	-	_	_	_	_	_	568.6	496.5
Revenue from proprietary loyalty services	39.7	46.0	6.4	5.9	111.7	109.0	_	_	_	_	157.8	160.9
Other revenue	9.4	11.5	25.3	18.7	_	_	_	_	_	_	34.7	30.2
Intercompany revenue	_	_	0.1	0.1	0.1	_	_	_	(0.2)	(0.1)	_	_
Total revenue	311.3	282.9	338.2	295.8	111.8	109.0	_	_	(0.2)	(0.1)	761.1	687.6
Cost of rewards and direct costs	212.5	155.7	221.7	210.3	59.7	61.3	_	_	_	_	493.9	427.3
Gross margin before depreciation and amortization	98.8	127.2	116.5	85.5	52.1	47.7	_	_	(0.2)	(0.1)	267.2	260.3
Depreciation and amortization (a)	39.2	26.9	6.2	4.7	3.9	4.1	_	_	_	_	49.3	35.7
Gross margin	59.6	100.3	110.3	80.8	48.2	43.6	_	_	(0.2)	(0.1)	217.9	224.6
Operating expenses before the undernoted	73.0	272.9 <i>(f)</i>	43.6	38.7	41.8	41.2	32.2	22.7	(0.2)	(0.1)	190.4	375.4 <i>(f)</i>
Share-based compensation	_	_	_	_	_	_	(0.9)	5.8	_	_	(0.9)	5.8
Impairment of goodwill	_	_	_	_	_	19.1	_	_	_	_	_	19.1
Total operating expenses	73.0	272.9 <i>(f)</i>	43.6	38.7	41.8	60.3	31.3	28.5	(0.2)	(0.1)	189.5	400.3 <i>(f)</i>
Operating income (loss)	(13.4)	(172.6) (f)	66.7	42.1	6.4	(16.7)	(31.3)	(28.5)	_	_	28.4	(175.7) <i>(f)</i>
Adjusted EBITDA (h)	49.9	(114.9) <i>(f)</i>	28.7	20.2	8.7	8.5	(27.3)	(24.9)	_	_	60.0	(111.1) <i>(f)</i>
Included in Adjusted EBITDA:												
Change in Future Redemption Costs	(38.4)	(33.4)	88.2	67.5	_	_	_	_	_	_	49.8	34.1
Distributions from equity-accounted investments	_	_	1.5	1.7	_	_	4.0	3.6	_		5.5	5.3
Additions to non-current assets (d)	18.7	14.1	8.3	6.0	2.0	1.8	1.0	_	N/A	N/A	30.0	21.9
Non-current assets (d)	3,027.8	3,131.1	536.6 (e)	516.7 <sup>(e)</sup>	<b>75.2</b> (e)	78.1 <sup>(e)</sup>	1.4	2.2	N/A	N/A	3,641.0 (e)	3,728.1 (e)

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the financial position and operating results of our operations in India.
- (c) Includes third party Gross Billings of \$175.3 million in the UK and \$63.8 million in the US for the three months ended December 31, 2014, compared to third party Gross Billings of \$170.3 million in the UK and \$68.5 million in the US for the three months ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (d) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment.
- (e) Includes non-current assets of \$483.6 million in the UK and \$67.4 million in the US as of December 31, 2014, compared to non-current assets of \$463.5 million in the UK and \$69.1 million in the US as of December 31, 2013.
- (f) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (g) Represents the non-comparable impact of the change in the Breakage estimate in the Nectar Italia Program, which occurred in the fourth quarter of 2014, of \$19.4 million.
- (h) A non-GAAP measurement.

#### **SUMMARY OF QUARTERLY RESULTS**

This section includes sequential quarterly data for the eight quarters ended December 31, 2014.

			2014			2	013	
(in millions of Canadian dollars, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1 <sup>(p)</sup>
Gross Billings from the sale of Loyalty Units	497.0	472.4	491.1	548.7 (d)	464.7	419.1	414.3	413.3
Other Gross Billings	191.1	160.8	157.0	168.5	193.3	157.6	156.3	147.8
Gross Billings	688.1	633.2	648.1	717.2 (d)	658.0	576.7	570.6	561.1
Revenue	<b>761.1</b> (o)	543.4	555.4	608.9	687.6	499.7	(123.3) (e)	609.5
Cost of rewards and direct costs	(493.9)	(353.2)	(354.5)	(404.5)	(427.3)	(290.4)	(230.6) (h)	(353.4)
Gross margin before depreciation and amortization (a)	<b>267.2</b> (o)	190.2	200.9	204.4	260.3	209.3	(353.9) (e)(h)	256.1
Operating expenses	(189.5)	(160.9)	(168.5)	(168.9)	(400.3) <sub>(f)(g)</sub>	(157.1)	(198.2) <sub>(h)</sub>	(153.3)
Depreciation and amortization	(15.2)	(12.4)	(12.1)	(11.5)	(11.8)	(10.9)	(10.5)	(10.3)
Amortization of Accumulation Partners' contracts, customer relationships and technology	(34.1)	(32.9)	(33.0)	(33.0)	(23.9)	(20.1)	(20.1)	(20.3)
Operating income (loss)	<b>28.4</b> (o)	(16.0)	(12.7)	(9.0)	(175.7) <sub>(f)(g)</sub>	21.2	(582.7) (e)(h)	72.2
Net earnings (loss) attributable to equity holders of the Corporation	<b>20.5</b> (o)	(24.3)	(19.2)	(17.3)	(125.6) <sub>(g)(j)</sub>	2.1	(415.3) <sup>(e)(h)</sup>	40.5
Adjusted EBITDA (b)	60.0	63.9	58.7	132.6 <i>(d)</i>	(111.1) <i>(f)</i>	85.7	102.0 (h)(l)	82.8
Included in Adjusted EBITDA:								
Change in Future Redemption Costs	49.8	(59.0)	(73.8)	(11.2)	34.1	(47.0)	(46.7)	28.4
Distributions from equity-accounted investments	5.5	3.8	7.4		5.3	3.5	6.9	
Net earnings (loss) attributable to equity holders of the Corporation	<b>20.5</b> (o)	(24.3)	(19.2)	(17.3)	(125.6) <sub>(g)(j)</sub>	2.1	(415.3) <sup>(e)(h)</sup> (i)(k)	40.5
Earnings (loss) per common share (c)	0.09 (0)	(0.17)	(0.14)	(0.13)	(0.74) <sub>(g)(j)</sub>	0.00	(2.43) (e)(h) (i)(k)	0.22
Free Cash Flow before Dividends Paid (b)	17.1 (n)	56.3	153.1 <sub>(n)</sub>	60.5 (d)(m)	(52.1) <sub>(m)</sub>	68.5	88.8	(9.6)
Free Cash Flow (b)	(19.1) (n)	19.9	116.6 <i>(n)</i>	26.3 (d)(m)	(84.3) (m)	36.3	56.7	(40.0)
Future Redemption Cost liability - Unbroken Loyalty Units	2,225.9	2,284.9	2,226.0	2,183.4	1,828.1	1,854.0	1,809.4	1,308.6
Potential redemption liability - Broken Loyalty Units	862.9	815.9	800.0	792.9	681.6	644.4	628.7	1,110.5

- (a) Excludes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) A non-GAAP measurement.
- (c) After deducting dividends declared on preferred shares.
- (d) Includes a \$100.0 million upfront contribution received from TD to help fund Aeroplan's program enhancements.
- (e) Includes the impact of the change in the Breakage estimate in the Aeroplan Program which resulted in a reduction of \$663.6 million to revenue from Loyalty Units, of which \$617.0 million is attributable to the years prior to 2013, \$25.1 million to the three month period ended March 31, 2013 and \$21.5 million to the three month period ended June 30, 2013.
- (f) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million.
- (g) Includes a goodwill impairment charge of \$19.1 million recorded during the three month ended December 31, 2013 related to the US Proprietary Loyalty CGU.
- (h) Includes a favourable impact of \$26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation which occurred in the second quarter of 2013. Of this amount, \$74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and \$48.8 million (£30.6 million) as an increase to operating expenses.
- (i) Includes the unfavourable impact of the change in Breakage estimate in the Aeroplan Program, net of an income tax recovery of \$179.8 million, of which \$167.5 million is attributable to years prior to 2013, \$6.6 million to the three month period ended March 31, 2013 and \$5.7 million to the three month period ended June 30, 2013.
- (j) Includes the unfavourable impact attributable to the CIBC Payment and the Card Migration Provision totaling \$146.9 million, net of an income tax recovery of \$53.1 million.
- (k) Includes the favourable impact of the reversal in the second quarter of 2013 of previously accrued interest of \$17.3 million (£10.8 million) resulting from the final judgment of the VAT litigation.
- (I) The Change in Future Redemption costs for the three months ended June 30, 2013 includes the unfavourable impact resulting from the change in the Breakage estimate in the Aeroplan Program amounting to \$24.8 million, of which \$12.4 million relates to the three month period ended March 31, 2013 and \$12.4 million to the three month period ended June 30, 2013.
  - Additionally, the Change in Future Redemption costs for the three months ended June 30, 2013 includes the favourable impact of \$0.5 million (£0.3 million) resulting from the final judgment of the VAT litigation.
- (m) The Free Cash Flow for the three month period ended December 31, 2013 includes the CIBC Payment of \$150.0 million made upon the closing of the asset purchase agreement and the related harmonized sales tax of \$22.5 million.
  - The Free Cash Flow for the three month period ended March 31, 2014 includes the receipt of the related harmonized sales tax of \$22.5 million.
- (n) The Free Cash Flow for the three month period ended June 30, 2014 includes an amount of \$83.4 million received from the CRA related to the income tax refund of loss carry back applied in Canada.
  - The Free Cash Flow for the three month period ended December 31, 2014 includes an amount of \$7.5 million received from the Revenue Quebec related to the income tax refund of loss carry back applied in Canada.
- (o) Includes the impact of the change in the Breakage estimate in the Nectar Italia Program which resulted in an increase of \$19.4 million to revenue from Loyalty Units, of which \$13.4 million is attributable to the years prior to 2014, \$4.1 million to the three month period ended September 30, 2014 and \$1.9 million to the three month period ended December 31, 2014.
- (p) These figures do not include any effect related to the change in Breakage estimate made during the second quarter of 2013 in the Aeroplan Program.

#### FINANCING STRATEGY, LIQUIDITY AND CAPITAL RESOURCES

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

At December 31, 2014, Aimia had \$567.6 million of cash and cash equivalents, \$28.8 million of restricted cash, \$51.3 million of short-term investments and \$258.0 million of long-term investments in bonds, for a total of \$905.7 million. Approximately \$4.2 million of the total amount is invested in Bankers' Acceptances and term deposits maturing on various dates through to January 2015 and \$309.3 million is mostly invested in corporate, federal and provincial government bonds maturing at various dates between June 2015 and July 2020. The Aeroplan Miles redemption reserve described under *Redemption Reserve* is included in short-term investments and long-term investments.

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

	Years ended D	ecember 31,
(in millions of Canadian dollars , except per share information)	2014	2013
Adjusted EBITDA (a)	316.4	150.5
Change in Future Redemption Costs (b)	93.0	40.1
Share-based compensation	8.3	19.4
Income taxes received (paid)	54.4	(18.8)
Net cash interest paid	(33.2)	(31.5)
Change to operating assets and liabilities and other	(70.4)	(9.7)
Cash flow from operations	368.5	150.0
Capital expenditures	(81.5)	(54.4)
Free Cash Flow before Dividends Paid (a)	287.0	95.6
Free Cash Flow before Dividends Paid per common share <sup>(a)(c)</sup>	1.54	0.49
Dividends	(143.3)	(126.9)
Free Cash Flow <sup>(a)</sup>	143.7	(31.3)

- (a) A non-GAAP measurement.
- (b) The per unit cost derived from this calculation is retroactively applied to all prior periods with the effect of revaluing the Future Redemption Cost liability on the basis of the latest available average unit cost.
- (c) After deducting dividends declared on preferred shares.

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

	Years Ended	December 31,
(in millions of Canadian dollars)	2014	2013
Cash and cash equivalents, beginning of year	449.1	498.0
Cash from operating activities	368.5	150.0
Cash used in investing activities	(99.6)	(92.1)
Cash used in financing activities	(163.5)	(129.2)
Translation adjustment related to cash	13.1	22.4
Cash and cash equivalents, end of year	567.6	449.1

#### **OPERATING ACTIVITIES**

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

Cash flows from operating activities amounted to \$368.5 million for the year ended December 31, 2014 compared to \$150.0 million for the year ended December 31, 2013.

The final judgment of the VAT litigation, with the exception of the provision payable to certain employees amounting to \$7.2 million (£4.5 million) which was paid during the third quarter of 2013, and the Migration Provision had no impact on cash from operating activities for the year ended December 31, 2013, accordingly the explanations provided below exclude any non-cash related impact.

The favourable variance of \$218.5 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 is explained primarily by an increase in Gross Billings of \$320.2 million, including the \$100.0 million upfront contribution received from TD, the CIBC Payment of \$150.0 million in the fourth quarter of 2013 and related harmonized sales tax of \$22.5 million which was subsequently collected in the first quarter of 2014, the receipt of \$90.0 million related to the income tax refund of loss carry back applied in Canada, offset in part by higher cost of rewards and direct costs of \$231.6 million, higher operating expenses of \$50.7 million, excluding share-based compensation expense and any impairment of goodwill charge, and a \$20.7 million deposit made to Revenue Quebec described under the *Income Taxes* section, with the remainder explained by changes in the net operating assets.

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

#### **INVESTING ACTIVITIES**

Investing activities for the year ended December 31, 2014 reflect proceeds from short-term investments of \$55.4 million as well as long-term investments made of \$45.7 million.

Investing activities for the year ended December 31, 2014 also reflect investments made in equity-accounted investments, including \$20.8 million for Think Big, \$3.9 million for Travel Club, \$1.6 million for China Rewards and \$0.6 million for Prismah.

Capital expenditures for the year ended December 31, 2014 amounted to \$81.5 million. Anticipated capital expenditures for 2015 are expected to approximate between \$70.0 million and \$80.0 million.

#### **FINANCING ACTIVITIES**

Financing activities for the year ended December 31, 2014 reflect the payment of common and preferred dividends amounting to \$143.3 million, the repayment of the Senior Secured Notes Series 2 in the amount of \$150.0 million on September 2, 2014 and the repurchase of common shares in the amount of \$28.3 million.

Financing activities for the year ended December 31, 2014 also reflect the proceeds from the issuance of the Series 3 Preferred Shares of \$146.0 million, net of \$4.0 million of issue costs. During the year ended December 31, 2014, financing activities also reflect the receipt by the Corporation of \$12.1 million upon the exercise of stock options.

#### **LIQUIDITY**

Aimia anticipates that total capital requirements for the 2015 fiscal year will be between \$214.4 million and \$224.4 million, including \$144.4 million in respect of anticipated cash dividends to its common and preferred shareholders and between \$70.0 million and \$80.0 million in respect of capital expenditures. The capital requirements will be funded from operations, cash and securities, available cash on deposit from the *Redemption Reserve* to the extent required and where applicable (i.e. in periods of unusually high redemption activity) and undrawn credit facilities, if necessary.

#### REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Miles redemption reserve (the "Reserve"), which, subject to compliance with the provisions of the Corporation's credit facilities, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. To date, Aimia has not used the funds held in the Reserve. At December 31, 2014, the Reserve amounted to \$300.0 million and was included in short-term investments and long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At December 31, 2014, the Reserve was invested in corporate, federal and provincial bonds.

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

At December 31, 2014, the Reserve, as well as other assets held to comply with a contractual covenant with a major Accumulation Partner, represented 19.6% of the consolidated Future Redemption Cost liability or \$437.4 million.

The deferred revenue presented in the balance sheet represents accumulated unredeemed Loyalty Units valued at their weighted average selling price and unrecognized Breakage. The estimated consolidated Future Redemption Cost liability of those Loyalty Units, calculated at the current Average Cost of Rewards per Loyalty Unit redeemed, is approximately \$2,225.9 million.

#### CREDIT FACILITIES AND LONG-TERM DEBT

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

(in millions of Canadian dollars)	Authorized at December 31, 2014	Drawn at December 31, 2014	Drawn at December 31, 2013
Revolving facility (a)	300.0	_	_
Senior Secured Notes Series 2 (b)	N/A	_	150.0
Senior Secured Notes Series 3 (c)	N/A	200.0	200.0
Senior Secured Notes Series 4 (d)	N/A	250.0	250.0
Senior Secured Notes Series 5 (e)	N/A	200.0	200.0
Unamortized transaction costs (f)	N/A	(3.6)	(5.1)
Total long-term debt		646.4	794.9
Less: current portion (b)		_	150.0
Long-term debt		646.4	644.9

- (a) On May 9, 2014, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by two years to April 23, 2018. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%.
  - Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of \$54.4 million. This amount reduces the available credit under the revolving facility.
- (b) The Senior Secured Notes Series 2, in the principal amount of \$150.0 million and bearing interest at 7.9% per annum, matured on September 2, 2014 and were repaid with cash on hand.
- (c) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of \$200.0 million. These notes bear interest at 6.95% per annum, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017.
- (d) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of \$250.0 million. These notes bear interest at 5.60% per annum, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019. The proceeds from the notes issued were used to repay the funds drawn on the revolving facility and for general corporate purposes.
- (e) On November 22, 2012, Aimia issued Senior Secured Notes Series 5 in the principal amount of \$200.0 million. These notes bear interest at 4.35% per annum, payable semi-annually in arrears on January 22nd and July 22nd of each year, commencing January 22, 2013, and mature on January 22, 2018. The proceeds from the notes issued were used to finance the acquisition of the additional 20% equity participation in PLM and for general corporate purposes.
- (f) Long-term debt is presented net of unamortized transaction costs.

Each of the Senior Secured Notes Series 3, 4 and 5 are secured by certain present and future undertakings, property and assets of the Corporation and certain of its subsidiaries and rank equally and pari passu, including with respect to security interest, with all other present and future unsubordinated debt of the Corporation, and are subject to compliance with certain affirmative and negative covenants.

The continued availability of the credit facilities is subject to Aimia's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

The following table illustrates the financial ratios calculated on a trailing twelve-month basis:

Ratio	Result	Test
Leverage	1.87	≤ 3.00
Debt service (a)	(0.70)	≤ 2.00
Interest coverage	10.95	≥ 3.00

<sup>(</sup>a) This ratio takes into account Aimia's net debt, calculated as long-term debt less cash, restricted cash, short-term investments and long-term investments in corporate and government bonds.

#### **BUSINESS ACQUISITIONS**

#### A) SMART BUTTON ASSOCIATES, INC.

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

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

Purchase price	
(in millions of Canadian dollars)	
Total consideration	19.8
Deferred compensation	(4.2)
Total consideration to allocate	15.6

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

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

Recognized amounts of identifiable assets acquired and liabilities assumed	
(in millions of Canadian dollars)	
Cash and cash equivalents	0.7
Technology	10.1
Customer relationships	1.3
Other intangibles	0.9
Other identifiable assets	0.9
Deferred income taxes	(4.8)
Other identifiable liabilities	(1.1)
Total identifiable net assets (liabilities)	8.0
Goodwill	7.6
Total	15.6

#### B) OTHER

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

### INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT ARRANGEMENTS

The table below summarizes Aimia's investments in equity instruments (excluding Air Canada Class B shares), associates and joint arrangements:

Name	Nature of business	Nature of investment	Reporting segment	Country of incorporation and place of business	% of ownership interest	Measurement method
PLM	Coalition Loyalty	Joint venture	Corporate	Mexico	48.9	Equity
i2c	Analytics and Insights	Joint venture	EMEA	United Kingdom	50.0	Equity
Think Big	Coalition Loyalty	Joint venture	Corporate	Malaysia	< 20.0	Equity
China Rewards	Coalition Loyalty	Associate	Corporate	China	< 20.0	Equity
Travel Club	Coalition Loyalty	Associate	EMEA	Spain	25.0	Equity
Cardlytics	Proprietary Loyalty & Analytics and Insights	Equity instrument	Corporate	United States	< 20.0	Fair value
Fractal Analytics	Analytics and Insights	Equity instrument	Corporate	India	< 20.0	Fair value

#### **EQUITY-ACCOUNTED INVESTMENTS**

As at	December 31,	December 31,
(in millions of Canadian dollars)	2014	2013
Investment in PLM Premier, S.A.P.I. de C.V. (a)	87.6	97.2
Other equity-accounted investments in joint ventures (b)	20.2	4.1
Equity-accounted investments in associates (c)	7.7	4.1
Total	115.5	105.4

- (a) During the years ended December 31, 2014 and 2013, Aimia received distributions from PLM of \$15.2 million (US\$13.7 million) and \$14.0 million (US\$13.7 million), respectively.
- (b) On February 6, 2014 and on December 23, 2014, Aimia invested \$17.1 million (RM\$51.1 million) and \$3.7 million (RM \$11.0 million) respectively in Think Big. An additional \$3.6 million (RM\$10.9 million) will be invested if certain milestones are achieved by December 31, 2015.
  - On April 3, 2013 and October 15, 2014, Aimia invested additional amounts of \$5.5 million (US\$5.5 million) and \$0.6 million (US\$0.5 million) respectively in Prismah to fund operating activities. Furthermore, at December 31, 2014, Aimia and Multiplus S.A. decided to wind up the joint arrangement in Prismah and expect this to be completed by March 31, 2015.
- (c) On April 10, 2014, Aimia acquired a 25% stake in Travel Club, a coalition loyalty program in Spain, for a total cash consideration of \$3.9 million (€2.6 million).

During the years ended December 31, 2014 and 2013, Aimia made investments of \$1.6 million (US\$1.5 million) and \$4.3 million (US\$4.2 million), respectively, in China Rewards, a Chinese based retail coalition loyalty program start-up.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
(in millions of Canadian dollars)	2014	2013
Investment in PLM Premier, S.A.P.I. de C.V.	(2.3)	(3.7)
Other equity-accounted investments in joint ventures	(4.3)	(1.3)
Equity-accounted investments in associates	(3.0)	(1.6)
Total	(9.6)	(6.6)

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

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

#### Summarized statement of comprehensive income

	Years Ended I	December 31,
(in millions of Canadian dollars)	2014	2013
Revenue	127.8	111.1
Cost of rewards and operating expenses	(128.8)	(105.9)
Depreciation and amortization	(1.3)	(0.6)
Operating income (loss)	(2.3)	4.6
Net financing income	13.3	3.7
Income tax recovery (expense)	(3.3)	0.2
Net earnings	7.7	8.5
Other comprehensive loss	(6.0)	(5.4)
Comprehensive income	1.7	3.1

For the summarized balance sheet information and for the reconciliation of the summarized financial information to the carrying amount and Aimia's share of net earnings, refer to *Note 4* of the audited consolidated financial statements for the year ended December 31, 2014.

PLM reported Gross Billings of \$49.5 million and \$178.1 million for the three and twelve months ended December 31, 2014, respectively, compared to \$40.6 million and \$156.8 million for the three and twelve months ended December 31, 2013, respectively.

#### **MEASUREMENT UNCERTAINTY**

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the revenue has been recognized or deferred and for which no liability has been recorded. The potential redemption cost for such Loyalty Units is estimated to be \$862.9 million at December 31, 2014.

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

Management has calculated that the cumulative effect of a 1% change in Breakage in each individual program would have a consolidated impact on revenue and earnings before income taxes of \$164.0 million for the period in which the change occurred, with \$144.2 million relating to prior years and \$19.8 million relating to the current year.

#### PROVISIONS, CONTINGENT LIABILITIES AND GUARANTEES

#### **PROVISIONS**

	Migration Provision (A)	VAT Provision ( <i>B</i> )	Total
(in millions of Canadian dollars)			
Balance at December 31, 2012	_	159.5	159.5
Provision recorded during the year	50.0	3.2	53.2
Provision used during the year	_	_	_
Provision reversed during the year	_	(161.3)	(161.3)
Foreign exchange translation adjustment	_	(1.4)	(1.4)
Balance at December 31, 2013	50.0	_	50.0
Provision recorded during the year	_	_	_
Provision used during the year	_	_	_
Provision reversed during the year	_	_	_
Foreign exchange translation adjustment	_	_	_
Balance at December 31, 2014	50.0	_	50.0
Represented by:			
Current portion	_	_	_
Long-term portion	50.0	_	50.0

#### A) Asset Purchase Agreement

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

#### B) VAT Litigation

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

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

For the three months ended March 31, 2013, \$2.1 million (£1.4 million) had been recorded in cost of rewards and \$1.1 million (£0.7 million) had been recorded in interest expense.

On June 20, 2013, the UK Supreme Court issued its final judgment in favour of Aimia. As a result, an amount of \$161.3 million (£101.1 million) was reversed from the provision to net earnings during the second quarter of 2013. Of this amount, \$142.4 million (£89.3 million) related to cost of rewards and represented input tax credits relating to the supply of goods claimed historically and to date, \$17.3 million (£10.8 million) related to interest expense and \$1.6 million (£1.0 million) to operating expenses as it represented legal fees. At the same time, the accounts receivable of \$67.5 million (£42.3 million) which would have been due from certain Redemption Partners in the event of Aimia EMEA Limited losing the case was also released to cost of rewards.

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

#### **CONTINGENT LIABILITIES AND GUARANTEES**

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

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At December 31, 2014, Aimia's maximum exposure under such guarantees was estimated to amount to \$224.5 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

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

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

Management has filed a strong defence to this class action lawsuit and believes that it is more likely than not that its position will be sustained, consequently, no liability has been recognized in these financial statements. If the ultimate

resolution of this class action lawsuit differs from this assessment and assumptions, a material adjustment to the financial position and results of operations could result.

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

#### **INCOME TAXES**

#### CANADA REVENUE AGENCY NOTICE OF REASSESSMENT

On August 30, 2013, Aimia received a notice of reassessment from the CRA with respect to the taxation year ended December 31, 2008. The reassessment relates to the timing of recognition for tax purposes of deferred revenues from Breakage. Aimia recognizes the deferred revenue from Breakage for tax purposes in the same manner as for accounting purposes. The CRA is of the view that Aimia should recognize for tax purposes all of its deferred revenue from Breakage in the year that it is billed. The impact of this reassessment is to increase taxable income at December 31, 2008 by \$222.5 million, representing the deferred Breakage revenue balance reflected in the accounts at December 31, 2008, with a corresponding increase in current income tax liability of \$54.0 million. Interest and penalties of \$24.0 million were also assessed.

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

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

Since management believes that it is more likely than not that its position will be sustained, no amounts related to this issue have been recorded in the financial statements as of December 31, 2014.

#### REVENUE QUEBEC NOTICE OF ASSESSMENT

On August 28, 2014, Aimia received a notice of assessment from Revenue Quebec ("RQ") with respect to the taxation year ended December 31, 2008. This assessment follows the same tax treatment for deferred breakage as assessed by the CRA resulting in an increase in taxable income at December 31, 2008 for Quebec tax purposes of \$222.5 million with a corresponding increase in current income tax liability of \$13.6 million. Interest and penalties of \$7.1 million were also assessed.

The difference in income inclusion for tax purposes versus the method adopted for accounting purposes represents a temporary difference which would give rise to a deferred income tax recovery asset of \$15.6 million.

The appeal filed by management contesting the similar reassessment issued by CRA has been recorded by RQ. On September 16, 2014, as required under tax laws, the Corporation deposited \$20.7 million with RQ to act as security for the assessment. This deposit will be repaid to the Corporation upon the successful defence of its filing position and is included in income taxes receivable.

Management believes that it is more likely than not that its position will be sustained.

#### FINANCIAL CARD AGREEMENTS

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD became Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards. The financial credit card agreement with TD includes a \$100.0 million upfront contribution payable by TD to Aimia to help fund program enhancements effective as of January 1, 2014. The contribution was received in full on January 2, 2014, and consequently recorded in deferred revenue. The contribution will be recognized as revenue over the term of the agreement in accordance with Aimia's accounting policy for the sale of Loyalty Units.

On September 16, 2013, Aimia also entered into an asset purchase agreement with TD and CIBC. These agreements were subject to certain regulatory approvals and other closing conditions, all of which were fulfilled on December 27, 2013. Pursuant to this agreement, TD acquired on December 27, 2013 approximately half of the Aeroplan credit card portfolio from CIBC and CIBC retained the balance, comprised of Aeroplan cardholders who have broader banking relationships with CIBC. As a result, a payment of \$150.0 million in relation to the sale of approximately half of the Aeroplan card portfolio to TD, was made by Aimia to CIBC and recorded in general and administrative expenses during the fourth quarter of 2013. Concurrent with the asset purchase agreement, the parties entered into a migration agreement. Depending on the net migration of Aeroplan-branded credit card accounts between CIBC and TD over the first five years of the agreement (meaning the net amount of cardholders retained by CIBC who choose to move to TD and the cardholders purchased by TD who choose to move to CIBC), TD, Aimia and CIBC have agreed to make payments of up to \$400.0 million. Aimia will be responsible for, or entitled to receive, up to \$100.0 million of these payments over five years. During the fourth guarter of 2013, a provision totaling \$50.0 million was recorded, representing management's best estimate of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over five years. There was no change to this provision for the year ended December 31, 2014. Please refer to the *Provisions* section for more information. In accordance with the migration agreement, the payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made within the first 45 days of each year, with the first payment being due in 2015.

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

#### TRANSACTIONS WITH AIR CANADA

Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada, which are described in Aimia's Annual Information Form dated March 20, 2014.

Air Canada is one of Aimia's largest Accumulation Partners, representing 9% of Gross Billings for the year ended December 31, 2014, or 10% of Gross Billings excluding the \$100.0 million upfront contribution received from TD in the first quarter of 2014, compared to 10% of Gross Billings for the year ended December 31, 2013. Under the CPSA, Air Canada's annual commitment, which is based on 85% of the average total Aeroplan Miles issued in respect of Air Canada flights or Air Canada airline affiliate products and services in the three preceding calendar years, is estimated to be \$211.7 million for 2015. Air Canada, including other Star Alliance partners, is Aimia's largest Redemption Partner. For the year ended December 31, 2014, 41% of total reported cost of rewards and direct costs was paid to Air Canada, in connection with rewards purchased from Air Canada and other airlines (Star Alliance Partners) compared to 37% for the year ended December 31, 2013. Excluding the impact of the final judgment of the VAT litigation in the second quarter of 2013, the cost of rewards and direct costs provided by Air Canada (and other Star Alliance Partners) as a percentage of total cost of rewards and direct costs is 35% for the year ended December 31, 2013.

#### CONTACT CENTRE EMPLOYEES AND PENSION TRANSFER AGREEMENT

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

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

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada would transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued by employees who were Air Canada customer sales and service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer was subject to regulatory approval from the Office of the Superintendent of Financial Institutions ("OSFI") and as such, as of December 31, 2013, the financial statements did not reflect assets and obligations in relation to this plan.

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

On May 29, 2014, the regulatory approval from OSFI was received and as a result the compensation amount of \$5.5 million was recognized in other revenue. Additionally, during the second quarter of 2014, a net defined benefit asset of \$1.1 million was recorded, with a corresponding offset recorded in other comprehensive income.

On July 31, 2014, pursuant to the pension asset transfer agreement, the Aeroplan defined benefit pension plan received a total of \$68.2 million from Air Canada, representing 95% of the estimated plan asset value at the transfer date. The balance of the transfer, representing the difference between the final value of the assets on the transfer date and the funds received on July 31, 2014, was received on August 26, 2014 and amounted to \$2.9 million. The letter of credit issued as security for the compensation amount expired upon the completion of the transfer of the plan assets to Aeroplan.

#### **CPSA**

On March 14, 2014, as provided for in the existing CPSA, Aeroplan and Air Canada executed an agreement relating to fixed capacity redemption rates to be paid by Aeroplan in connection with airline seat redemptions for the period beginning January 1, 2014 through to December 31, 2016. The outcome falls within the pre-established contractual parameters and is in line with Aeroplan's business expectations.

#### AIR CANADA WARRANTS AND CLASS B SHARES

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

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

On July 24, 2013, Aimia exercised 1,250,000 warrants at a price of \$1.51 each and acquired a corresponding number of Air Canada Class B shares for cash consideration of \$1.9 million. The fair value of these warrants amounted to \$0.9 million on July 24, 2013. On October 16, 2013, Aimia exercised the remaining 1,250,000 warrants at a price of \$1.44 each and acquired a corresponding number of Air Canada Class B shares for cash consideration of \$1.8 million. The fair value of these warrants amounted to \$4.4 million on October 16, 2013. During the period between January 1, 2013 and the exercise dates of the warrants, a fair value gain of \$4.2 million was recorded in financial income.

The investment in Air Canada Class B shares is presented in long-term investments and is accounted for as an available-for-sale investment, measured at fair value with changes recognized in other comprehensive income. At December 31, 2014, the fair value of Air Canada Class B shares amounted to \$29.7 million (December 31, 2013: \$18.5 million).

#### **SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

As at December 31, 2014, estimated future minimum payments under Aimia's contractual obligations and commitments are as follows:

Total Contractual Obligations and Commitments	3,832.4	616.5	572.6	760.3	741.1	767.6	374.3
Commitments	62.7	56.2	6.5	_	_	_	_
Letters of Credit and Surety Bonds	62.7	56.2	6.5	_	_	_	_
Commitments							
Contractual Obligations	3,769.7	560.3	566.1	760.3	741.1	767.6	374.3
Purchase obligation under the CPSA	2,532.8	460.5	460.5	460.5	460.5	460.5	230.3
Marketing support and other	267.2	28.3	42.0	47.0	44.0	33.9	72.0
Technology infrastructure and other	29.5	14.1	7.3	4.9	1.7	1.5	
Operating leases	159.3	20.0	18.9	17.4	16.3	14.7	72.0
Total long-term debt and interest	780.9	37.4	37.4	230.5	218.6	257.0	_
Interest on long-term debt (a)	130.9	37.4	37.4	30.5	18.6	7.0	_
Long-term debt	650.0	_	_	200.0	200.0	250.0	_
Contractual Obligations							
(in millions of Canadian dollars)	Total	2015	2016	2017	2018	2019	Thereafter

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

Under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. At December 31, 2014, Aimia complied with all such covenants.

#### **DIVIDENDS**

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2014 and 2013 were as follows:

	2014 <sup>(a)</sup>		2013	(b)
(in millions of Canadian dollars, except per-share amounts)	Amount	Per common share	Amount	Per common share
March	29.5	0.17	27.6	0.16
June	31.3	0.18	29.3	0.17
September	31.3	0.18	29.4	0.17
December	31.0	0.18	29.4	0.17
Total	123.1	0.71	115.7	0.67

- (a) On May 13, 2014, the Board of Directors of Aimia approved an increase to the common share dividend from \$0.17 to \$0.18 per share per quarter.
- (b) On May 13, 2013, the Board of Directors of Aimia approved an increase to the common share dividend from \$0.16 to \$0.17 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2014 and 2013 were as follows:

	20	14	20	13
(in millions of Canadian dollars, except per-share amounts)	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March	2.8	0.40625	2.8	0.40625
June	2.8	0.40625	2.8	0.40625
September	2.8	0.40625	2.8	0.40625
December	2.8	0.40625	2.8	0.40625
Total	11.2	1.62500	11.2	1.62500
Series 3				
March	1.9	0.321100	N/A	N/A
June	2.4	0.390625	N/A	N/A
September	2.3	0.390625	N/A	N/A
December	2.4	0.390625	N/A	N/A
Total	9.0	1.492975	N/A	N/A

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

On February 26, 2015, the Board of Directors of Aimia declared quarterly dividends of \$0.18 per common share, \$0.40625 per Series 1 Preferred Share and \$0.390625 per Series 3 Preferred Share, in each case payable on March 31, 2015.

#### **CAPITAL STOCK**

At December 31, 2014, Aimia had 171,984,343 common shares, 6,900,000 Series 1 Preferred Shares and 6,000,000 Series 3 Preferred Shares issued and outstanding for an aggregate amount of \$1,837.6 million. In addition, there were 7,973,093 stock options issued and outstanding under the Aimia Long-Term Incentive Plan.

#### **PREFERRED SHARES, SERIES 1**

On January 20, 2010 and January 26, 2010, pursuant to a prospectus supplement dated January 13, 2010, Aimia issued a total of 6,900,000 Preferred Shares, Series 1, for total cash consideration of \$167.3 million, net of issue costs of \$5.2 million. Additionally, a related income tax benefit of \$1.5 million was recorded. The Preferred Shares, Series 1, bear a 6.5% annual cumulative, quarterly dividend, which is subject to a rate reset on March 31, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 3.75%. The Preferred Shares, Series 1 are redeemable by Aimia on March 31, 2015, and every five years thereafter in accordance with their terms.

Holders of Preferred Shares, Series 1 will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 2 (the "Preferred Shares, Series 2"), subject to certain conditions, on March 31, 2015 and on March 31 every five years thereafter. Holders of the Preferred Shares, Series 2 will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.75%.

On February 26, 2015, the Board of Directors resolved that Aimia will not exercise its right to redeem all or any part of the outstanding Preferred Shares, Series 1 on March 31, 2015. As a result and subject to certain conditions, the holders of Preferred Shares, Series 1 will have the right to convert all or part of their Preferred Shares, Series 1, into Preferred Shares, Series 2 on a one-for-one basis. The dividend rate applicable to the Preferred Shares, Series 1 for the 5-year period from and including March 31, 2015, and the dividend rate applicable to the Preferred Shares, Series 2 for the 3-month period from and including March 31, 2015 will be announced by way of press release on March 2, 2015.

#### **PREFERRED SHARES, SERIES 3**

On January 15, 2014, pursuant to a prospectus supplement dated January 8, 2014, Aimia issued 6,000,000 Cumulative Rate Reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares"), including 1,000,000 Series 3 Preferred Shares that were issued upon the exercise in full of the underwriters' option to purchase additional shares,

for total cash consideration of \$146.0 million, net of issue costs of \$4.0 million. Additionally, a related income tax recovery of \$1.0 million was recorded. Holders of the Series 3 Preferred Shares will be entitled to receive, as and when declared, a cumulative quarterly fixed dividend yielding 6.25% annually for the initial five-year period, subject to a rate reset on March 31, 2019 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.20%. The net proceeds of the issue were used by Aimia to supplement its financial resources and for general corporate purposes.

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

#### NORMAL COURSE ISSUER BID

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

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

No shares were repurchased during the period from May 16, 2012 to May 15, 2014.

On May 13, 2014, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 15,530,762 of its issued and outstanding common shares during the period from May 16, 2014 to no later than May 15, 2015.

From May 16, 2014 to December 31, 2014, Aimia repurchased 2,069,790 common shares for total cash consideration of \$29.8 million. Of this total, 1,964,790 common shares have been paid and cancelled during the period representing \$28.3 million. Share capital was reduced by \$18.3 million and the remaining \$11.5 million was accounted for as a reduction of contributed surplus.

Subsequent to December 31, 2014, Aimia repurchased and cancelled x common shares for total cash consideration of \$x.x million.

#### **CAPITAL DISCLOSURES**

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

Aimia's main objectives when managing capital are:

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations;
- · to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions; and
- to provide a rewarding return on investment to shareholders.

In managing its capital structure, Aimia monitors performance throughout the year to ensure anticipated cash dividends, working capital requirements and maintenance capital expenditures are funded from operations, available cash on deposit and, where applicable, bank borrowings. Aimia manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, Aimia may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

The total capital as at December 31, 2014 and 2013 is calculated as follows:

	Decemb	ber 31,
(in millions of Canadian dollars)	2014	2013
Cash and cash equivalents	(567.6)	(449.1)
Short-term investments	(51.3)	(60.7)
Long-term investments in corporate and government bonds	(258.0)	(269.7)
Long-term debt (including current portion)	646.4	794.9
Share Capital	1,837.6	1,693.8
Contributed surplus	1,213.1	1,221.5
Deficit	(2,379.2)	(2,181.2)
Total capital	441.0	749.5

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

- the leverage ratio, defined as debt to Adjusted EBITDA;
- the debt service ratio, defined as debt to operating cash flows; and

• the interest coverage ratio, defined as Adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

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

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

Aimia has also established the Reserve, which at December 31, 2014 amounted to \$300.0 million and is included in short-term investments and long-term investments. The amount held in the Reserve, as well as the types of securities in which it may be invested, are based upon policies established by management. This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities. To date, Aimia has not used any of the funds held in the Reserve. Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of operations.

### **FINANCIAL INSTRUMENTS**

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

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

#### **INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Aimia is exposed to fluctuations in interest rates with respect to cash and cash

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

At December 31, 2014, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,		
(in millions of Canadian dollars)	2014	2013	
Variable rate instruments			
Cash and cash equivalents, restricted cash and short-term investments	647.7	543.5	

For the year ended December 31, 2014, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments would have an impact of approximately \$6.5 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2013.

#### **CREDIT RISK**

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2014, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments, long-term investments and cash and cash equivalents, in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2014, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

With respect to accounts receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. In addition, Aimia is directly affected by the financial and operational strength of Air Canada. In order to manage its exposure to credit risk and assess credit quality, Aimia reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by Aimia have been negligible.

#### LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2014, Aimia had issued Senior Secured Notes in the amount of \$650.0 million maturing at various dates through May 17, 2019. In addition, Aimia had authorized and available credit facility of \$300.0 million under its revolving facility, maturing on April 23, 2018. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately \$55.0 million (of which \$54.4 million were issued against the revolving facility) at December 31, 2014 issued as security in the normal course of business.

At December 31, 2014, maturities of the financial liabilities are as follows:

(in millions of Canadian dollars)	Total	2015	2016	2017	2018	2019	Thereafter
Long-term debt including interest	780.9	37.4	37.4	230.5	218.6	257.0	_
Accounts payable and accrued liabilities	487.3	487.3	_	_	_	_	_
Contingent consideration payable	4.0	2.0	2.0	_	_	_	_
Total	1,272.2	526.7	39.4	230.5	218.6	257.0	_

#### **CURRENCY RISK**

Aimia is exposed to currency risk on its foreign operations which are denominated in a currency other than the Canadian dollar, mainly the pound sterling, and as such, is subject to fluctuations as a result of foreign exchange rate variations.

At December 31, 2014, Aimia held net financial assets denominated in pound sterling of approximately £105.2 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of \$1.9 million in the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2013.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Fair Value Hierarchy

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

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

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

Level 3 - valuation techniques with significant unobservable market inputs.

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

		December 31,	December 31,
(in millions of Canadian dollars)	Hierarchy	2014	2013
Financial assets			
Air Canada Class B shares	Level 1	29.7	18.5
Investments in equity instruments (excluding Air Canada shares)	Level 3	107.7	72.4
Financial liabilities			
Contingent considerations payable	Level 3	4.0	4.3

The fair value of the investments in equity instruments, excluding Air Canada Class B shares, is determined using a market approach with a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. During the year ended December 31, 2014, on the basis of the valuation related to an investment made by a third party, a fair value gain of \$24.2 million was recorded in other comprehensive income for the investment in Cardlytics. During the year ended December 31, 2013, a fair value gain of \$13.7 million was recorded in other comprehensive income on the basis of the valuation performed in connection with the additional investment made in Cardlytics on May 23, 2013.

The fair value of the Air Canada Class B shares is based on the quoted price of the publicly traded shares. During the year ended December 31, 2014, a fair value gain on the Air Canada Class B shares of \$11.2 million has been recorded in other comprehensive income, compared to a fair value gain of \$9.5 million for the year ended December 31, 2013.

The fair value of the contingent consideration payable related to the Smart Button acquisition was determined on the basis of management's best estimate and could represent a maximum of US\$5.0 million.

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

The fair value of the borrowings is estimated as being the quoted market value for the publicly traded debt securities while the fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

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

		December 31, 2014		December 31, 2013	
(in millions of Canadian dollars)	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	309.3	318.6	310.5	318.4
Long-term debt (including current portion)	Level 1	646.4	699.4	794.9	846.6

#### **OFFSETTING FINANCIAL ASSETS AND LIABILITIES**

Financial liabilities		Amounts offset		Amounts not offset	Net
(in millions of Canadian dollars)	Gross liabilities	Gross assets offset	Net amounts presented	Financial assets	
December 31, 2014					
Accounts payable and accrued liabilities (a)	551.0	(63.7)	487.3	_	487.3
Provisions (b)	50.0	_	50.0	(38.6)	11.4
December 31, 2013					
Accounts payable and accrued liabilities (a)	545.5	(62.7)	482.8	_	482.8
Provisions (b)	50.0	_	50.0	(3.1)	46.9

Financial assets		Amounts offset		Amounts not offset	Net
(in millions of Canadian dollars)	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2014					
Accounts receivable (a)(b)	543.9	(63.7)	480.2	(38.6)	441.6
<b>December 31, 2013</b>					
Accounts receivable (a)(b)	476.3	(62.7)	413.6	(3.1)	410.5

- (a) Under the terms of a contractual agreement with Air Canada, Aimia Canada Inc. has a right of offset in the normal course of business for amounts relating to Gross Billings and reward purchases as described under *Note 10* of the audited consolidated financial statements for the year ended December 31, 2014.
- (b) Under the terms of a contractual agreement with TD, Aimia Canada Inc. has a right of offset in the case of contract termination.

#### **LOSS PER COMMON SHARE**

Aimia's loss per share attributable to the equity holders of the Corporation amounted to \$0.35 and \$2.95 for the years ended December 31, 2014 and December 31, 2013, respectively. Loss per share are calculated after deducting dividends declared on preferred shares.

#### **CHANGES IN ACCOUNTING POLICIES**

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

#### IAS 32 Amendment, Clarification of Offsetting Requirements

IAS 32 - Financial Instruments: Presentation was amended to clarify certain requirements for offsetting financial assets and liabilities. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

#### IFRS 2 Amendment, Definitions of Vesting Conditions

IFRS 2 - Share-based Payment was amended to clarify the definition of vesting conditions applicable to share-based payment transactions with a grant date on or after July 1, 2014. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

#### IFRS 3 Amendment, Accounting for Contingent Consideration in a Business Combination

IFRS 3 - Business Combinations was amended to clarify that a contingent consideration in a business acquisition that is not classified as equity is measured at fair value through profit or loss. Consequential amendments were also made to the following standards under IFRS: IAS 37, IAS 39 and IFRS 9. The amendment was effective for business combinations with an acquisition date on or after July 1, 2014 and had no impact on the Corporation's consolidated financial statements as it already complied with this treatment.

#### **FUTURE ACCOUNTING CHANGES**

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

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

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments*. The new standard will replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. At this time, the Corporation is still evaluating the impact of these changes but does not anticipate that they will have a significant impact, if any, on its consolidated financial statements.

- B. In November 2013, the IASB issued an amendment to clarify the application of IAS 19- *Employee Benefits* to plans that require employees or third parties to contribute towards the cost of benefits. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment is effective for years beginning on or after July 1, 2014 with early adoption permitted. At this time, the Corporation does not anticipate that this amendment will have an impact on its consolidated financial statements.
- C. In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle which include the following amendments which are effective for years beginning on or after July 1, 2014:
  - IFRS 8- Operating Segments: Amended to require disclosure of judgments made by management in aggregating segments and the reconciliation of segment assets to the entity's assets if reported.
  - IAS 24- Related Party Disclosures: Amended to revise the definition of related party and clarify certain disclosures.
  - IFRS 3- Business Combinations: Amended to clarify the scope exemption for joint arrangements.

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

D. In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue, and related interpretations such as IFRIC 13 - Customer Loyalty Programmes. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. At this time, management is reviewing the impact that this standard will have on its consolidated financial statements.

- E. In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The following is a summary of the relevant and key clarifications and amendments:
  - IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations was amended to clarify that a change in disposal method should not be considered to be a new plan of disposal but a continuation of the original plan. There is therefore no interruption of the application of the requirements in this standard. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - IAS 19 Employee Benefits was amended to clarify that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated rather than where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

These amendments must be applied in annual periods beginning on or after January 1, 2016, with earlier application permitted.

This publication also includes the following amendments which are to be applied retrospectively for annual periods beginning on or after January 1, 2016 with early application permitted:

- IFRS 7 Financial Instrument: Disclosures was amended to clarify that offsetting disclosures are not required in the condensed interim financial statements.
- IAS 34 Interim Financial Reporting was amended to clarify the meaning of 'elsewhere in the
  interim financial report' and states that the required interim disclosures must be either in the interim
  financial statements or incorporated by cross-reference between the interim financial statements
  and wherever they are included within the greater interim financial report.

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

F. In September 2014, the IASB issued amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures to address inconsistencies between the standards. Specifically, the amendment clarifies that a full gain or loss is recognized when the transaction involves a business combination and a partial gain is recognized when the transaction involves assets that do not

- constitute a business. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.
- G. In December 2014, the IASB issued amendments to clarify IAS 1- Presentation of Financial Statements and guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2016. At this time, the Corporation does not anticipate that these changes will have a significant impact on its consolidated financial statements.

#### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with the International Financial Reporting Standards ("IFRS") requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to *Caution regarding forward-looking information*). Management has identified the areas, discussed below, which it believes are the most subject to judgments, often requiring the need to make estimates about the effects of matters that are inherently uncertain and may change significantly in subsequent periods.

The significant accounting policies are described in *Note 2* to the December 31, 2014 audited consolidated financial statements. The policies which Aimia believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

#### REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

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

Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis.

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2014 is 12% (December 31, 2013: 12%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2014.

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

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

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

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

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

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

The average remaining amortization period of individually significant Accumulation Partners' contracts is 10.8 years as at December 31, 2014. The amortization period reflects contract terms and renewals.

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

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

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

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

#### TRADE NAMES AND GOODWILL

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

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

#### **Acquisitions**

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

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

#### **IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs that include goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis beyond the highest of:

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

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

#### **INCOME TAXES**

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax

entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

### **CONTROLS AND PROCEDURES**

### DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

An evaluation of the design and effectiveness of the operation of Aimia's disclosure controls and procedures has been conducted by management, under the supervision of the Group Chief Executive ("GCE"), in the capacity of Chief Executive Officer, and the CFO. Based on this evaluation, the GCE and CFO have concluded that, as of December 31, 2014, Aimia's disclosure controls and procedures, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Internal control over financial reporting has been designed, based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of Aimia's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management, under the supervision of the GCE and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above. Based on this evaluation, the GCE and CFO have concluded that internal control over financial reporting, as defined by National Instrument 52-109, was effective as at December 31, 2014.

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

There has been no change in Aimia's internal control over financial reporting that occurred during the year ended December 31, 2014 that has materially affected, or is reasonable likely to materially affect, Aimia's internal control over financial reporting.

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

### RISKS AND UNCERTAINTIES AFFECTING THE BUSINESS

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

#### RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

#### Dependency on significant Accumulation Partners and Clients

Aimia's top four Accumulation Partners were responsible for approximately 52% of Gross Billings for the year ended December 31, 2014. A decrease in sales of Loyalty Units to these partners or to any other significant Accumulation Partner, for any reason, including a decrease in pricing or activity, or a decision to either utilize another service provider or to no longer outsource some or all of the services provided, could have a material adverse effect on Gross Billings and revenue. The success of our coalition programs is dependent to a large extent on our relationships with certain key anchor partners. There is no assurance that contracts with Aimia's principal Accumulation Partners, including anchor partners, will be renewed on similar terms, or at all when they expire.

The Aeroplan Program derives a significant portion of its Gross Billings from its agreements with TD, CIBC, Air Canada.

On January 1, 2014, ten-year financial credit card agreements between Aimia and each of TD and CIBC (the "New Credit Card Agreements") became effective. Under the New Credit Card Agreements, TD became Aeroplan's primary financial services partner and credit card issuer, while CIBC also continues to be an issuer of the Aeroplan credit cards. In connection with the New Credit Card Agreements, on December 27, 2013 TD acquired approximately half of the Aeroplan card portfolio and CIBC retained the balance, comprised of Aeroplan cardholders with broader banking relationships with CIBC. The terms of the New Credit Card Agreements are materially different from the previous agreement with CIBC (the "Old CIBC Agreement") which expired on December 31, 2013, pursuant to which CIBC administered various Visa and other products through which Aeroplan members could accumulate Aeroplan Miles from the credit cards and other spending. There can be no assurance that the New Credit Card Agreements will

provide, over the course of the term of the New Credit Card Agreements, a financial contribution to Aimia similar to the historical contribution of the Old CIBC Agreement and/or similar to the contribution from the first year of the term during which there was substantial bonusing activity as well as card acquisition incentives. In the event the New Credit Card Agreements provide, over the course of the term of the New Credit Card Agreements, a lesser financial contribution to Aimia as compared to the historical contribution of the Old CIBC Agreement or as compared to the first year of the term, there would be an adverse effect on our Gross Billings, revenue, redemption costs and profitability.

The New Credit Card Agreement with CIBC also includes an option for either party to terminate the agreement after its third year if certain conditions related to the migration of Aeroplan credit cards in CIBC's retained portfolio to other CIBC credit cards are met. In the event the termination option is exercised under the New Credit Card Agreement with CIBC, there can be no assurance that CIBC Aeroplan cardholders would migrate to TD or what level of cardholder migration, if any, may occur at that time. Consequently, the exercise of such termination option could have an adverse effect on Aimia's Gross Billings and revenues.

The CPSA between Aeroplan and Air Canada expires on June 29, 2020, subject to four automatic renewals of five years each, unless either party provides written notice to the other of its intention not to renew at least 12 months prior to the expiry of the initial term or the then current renewal term. See "Supply and Capacity Costs" below. Subject to the minimum number of Aeroplan Miles to be purchased by Air Canada under the CPSA, Air Canada can change the number of Aeroplan Miles awarded per flight without Aeroplan's consent, which could lead to a significant reduction in Gross Billings.

The Nectar Program derives a significant portion of its Gross Billings from its founding coalition partner, Sainsbury's. The commercial agreements governing the participation of Sainsbury's as an Accumulation Partner and Redemption Partner in the Nectar Program expire in 2019, unless renewed by the parties. On October 13, 2014, Aimia announced that Nectar members will earn one point for every £1 spent in stores or online with Sainbury's starting in April of 2015, compared with the existing two points per £1, with greater emphasis being placed on bonus offers and increased personalized points offers. While these changes are intended to drive increased engagement and activity with more frequent and targeted bonusing, there can be no assurance that the new accumulation program will be successful in doing so and instead may lead to decreases in member engagement with the Nectar Program generally. Any material decrease in member engagement with the Nectar Program generally. Any material decrease in member engagement with the Nectar Program could have an adverse effect on Aimia's Gross Billings and revenues.

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

The existing commercial agreements with Sma and Auchan expire in the first quarter of 2015 and will not be renewed. Aimia will not have secured a replacement grocer at the time of expiry of the existing commercial agreements with Sma and Auchan. There can be no assurance that an agreement will be reached with replacement

grocer(s) or alternative anchor accumulation partner(s), or that any replacement grocer(s) or alternative anchor(s), if agreement is reached, will provide a financial contribution to Aimia similar to the historical contribution of the existing relationships with Sma and Auchan and/or at the levels Aimia anticipates and, in the event agreement cannot be reached with a replacement partner(s), or any replacement partner(s) provide a lesser financial contribution to Aimia as compared to the historical contribution of the existing partners, there would be an adverse effect on our Gross Billings, revenue, redemption costs and profitability and there could be additional loss of Accumulation Partners in the Nectar Italia Program.

Aimia's proprietary loyalty services clients are generally able to reduce marketing spending or cancel projects on short notice at their discretion. It is possible that such clients could reduce spending in comparison with historical patterns, or they could reduce future spending. A significant reduction in marketing spending by Aimia's largest proprietary loyalty services clients, or the loss of several large clients, if not replaced by new accounts or an increase in business from other clients, could adversely affect our proprietary loyalty service revenues and impact Aimia's results of operations and financial condition.

#### Failure to Safeguard Databases, Cyber Security and Consumer Privacy

As part of our coalition and proprietary loyalty programs and in connection with the activities of Aimia's proprietary loyalty and loyalty analytics businesses, member databases are maintained for our programs and those of our clients. These databases contain member information including account transactions. Although we have established rigorous physical and cyber security procedures, the databases may be vulnerable to potential unauthorized access to, or use or disclosure of member data.

If we were to experience a security breach, our reputation may be negatively affected and an increased number of members in our loyalty programs may opt out from receiving marketing materials or resist providing their personal data. The use of loyalty marketing services by partners and clients could decline in the event any compromise of security occurred.

Any public perception that we released consumer information without authorization could subject our businesses to complaints and investigation by the applicable privacy regulatory bodies and adversely affect relationships with members, clients and partners.

In addition, any unauthorized release of member information, or any public perception that member information was released without authorization, could lead to complaints from consumers and investigations by the applicable privacy regulatory bodies and adversely affect relationships with members and Commercial Partners and expose us to litigation (including class action litigation) and other enforcement proceedings, material fines, remediation costs and other compensatory damages, any of which could adversely affect our results of operations and financial condition.

#### Changes to the Aeroplan Program

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

#### Reliance on Redemption Partners

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

#### Conflicts of Interest

Aimia's businesses provide services to a number of clients who are competitors in various industries. Our ability to retain existing, and attract new, Accumulation Partners and clients may be limited by perceptions of conflicts of interest arising out of other relationships. If we are unable to adequately manage multiple client relationships and avoid potential conflicts of interests, there could be an impact on our results of operations and financial condition.

#### **Greater Than Expected Redemptions for Rewards**

A significant portion of our profitability is based on estimates of the number of Loyalty Units that will never be redeemed by the member base. The percentage of Loyalty Units that are not expected to be redeemed is known as "Breakage" in the loyalty industry. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' future redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of several programs it operates on a regular basis. The consolidated weighted average Breakage estimate at December 31, 2014 is 12% (December 31, 2013: 12%). The consolidated weighted average Breakage estimate is

calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2014, including management's revised expectations around Aeroplan member engagement and the cancellation of the Aeroplan seven-year mileage redemption policy. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage for the Aeroplan and Nectar Programs may decrease as such programs grow and a greater diversity of rewards becomes available. If actual redemptions are greater than current estimates, profitability could be adversely affected due to the cost of the excess redemptions. Furthermore, the actual mix of redemptions between air and non-air rewards could adversely affect profitability. Management believes that the estimates, methodologies, judgments and assumptions made in the preparation of the Corporation's financial statements, including those relating to the treatment of Breakage, are reasonable based upon the information available and reliance on subject matter experts. However, there can be no assurance that applicable tax or other regulatory authorities will agree with such estimates, judgments and assumptions.

#### **Regulatory Matters**

Aimia's businesses are subject to several types of regulation, including legislation relating to privacy, telemarketing, consumer protection, competition, advertising and sales, and lotteries, gaming and publicity contests. In addition, an increasing number of laws and regulations pertain to the Internet, including in relation to liability for information retrieved from or transmitted over the Internet and online content regulation. Moreover, the applicability to the Internet to existing laws governing personal privacy, intellectual property ownership and infringement and other issues continues to be uncertain and is developing. There is also the possibility that additional laws and regulations are adopted to specifically regulate the loyalty industry, or portions thereof.

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

#### A. Privacy

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

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

#### B. Payments in Canada

The voluntary Code of Conduct for the Credit and Debit Industry in Canada was introduced by the Federal Minister of Finance in 2010 in response to calls for greater transparency in respect of the fees associated with accepting electronic payments at the point of sale, specifically the costs incurred by merchants when accepting "premium" card products vs "standard" card products. At the same time, a Task Force for the Payments Systems Review was established to review the safety, soundness and efficiency of the Canadian payments system and to submit its final report with recommendations to the Minister of Finance by the end of 2011. In 2012, the Canadian Government announced the creation of the FinPay advisory committee, a forum of public and private sector representatives, to further review and provide recommendations to the Department of Finance on the Canadian payments eco-system. Aimia continues to work with the FinPay advisory committee and the Department of Finance to provide feedback and information on the evolution of the payments system into the future. Changes to various aspects of the current payments system, including changes to the system for setting interchange rates of credit cards could affect revenue for credit card companies and, as a result, could have an adverse effect on our Gross Billings.

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

On July 23, 2013, the Competition Tribunal dismissed the application filed by the Canadian Competition Bureau and shortly thereafter, the Competition Commissioner announced that it would not appeal the tribunal's decision. In dismissing the application, the Competition Tribunal noted that the proper solution to the concerns raised in the submission could be a regulatory framework that should be reviewed by the Department of Finance. As a result of the Competition Tribunal's comments, the Minister of Finance referred the matter to the FinPay advisory committee. FinPay has held consultations with its members to develop potential options and solutions to address the concerns raised. In parallel, the Department of Finance met with various industry participants on a bi-lateral basis to encourage the implementation of voluntary measures to address concerns rather than regulatory intervention. On February 11, 2014, as part of the 2014/2015 federal budget, the Minister of Finance announced that the Government would continue to work with stakeholders to promote fair and transparent practices and to help lower credit card acceptance costs, while encouraging merchants to lower prices to consumers. In order to attain these objectives, the

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

With the appointment of a new Minister of Finance in March 2014, Aimia actively participated in numerous stakeholder discussions and meetings, including with the Minister and his staff. Consistent with past consultations and throughout discussions held in the second and third quarters of 2014, Aimia provided information and our views, to ensure that the impacts on Aimia that could arise due to changes in the Canadian payments eco-system were thoroughly understood and considered by the Canadian Government.

On November 4, 2014, Visa and MasterCard submitted separate and individual voluntary undertakings to reduce their credit card fees to an average effective rate of 1.50% for the next five years. As stated by the Canadian Minister of Finance, the two commitments represent a reduction in credit card fees of approximately 10%. Aimia will be working with our key financial partners, TD and CIBC, between now and April 30, 2015, the date by which the fee reductions must start to be implemented, to develop the optimal outcome, and communicate the implications for our Aeroplan members and our business. For Aimia and our Aeroplan Program, our focus is on preserving our market leading value proposition and the rewards valued by our more than five million active members in Canada.

Should the fee reductions resulting from the voluntary proposals be implemented by industry participants, including Aeroplan's financial partners, in a manner that provides for an adequate sharing of the reduction among the parties, the impact on the Aeroplan Program and Aimia's business is expected to be minor. If, however, Aeroplan absorbs all or a significant portion of the reduction, this would have a material adverse effect on our Gross Billings and could lead to a reduction in value and benefits for Aeroplan members.

#### Retail Market/Economic Conditions

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

#### **Industry Competition**

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

#### Air Canada Liquidity Issues or Air Travel Industry Disruptions

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

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

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

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

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

Any disruptions or other material adverse changes in the airline industry, whether domestic or international, affecting Air Canada or a Star Alliance member airline, could have a material adverse impact on the business. This could manifest itself in Aeroplan's inability to fulfill member's flight redemption requests or to provide sufficient accumulation opportunities. As a result of airline or travel services industry disruption or delays, including those which may result from terrorist attacks or terrorist activity, accidents or disasters involving an aircraft, political instability, acts or war, epidemic diseases, environmental conditions and factors, such as those arising from volcanic eruptions or other natural phenomena, or from increasingly restrictive security measures, such as restrictions on the content of carry-on baggage, passenger identification document requirements, and passenger screening procedures, too much uncertainty could result in the minds of the traveling public and have a material adverse effect on passenger demand for air travel and on the number

of passengers traveling on Air Canada's flights. Consequently, members might forego redeeming miles for air travel and therefore might not participate in the Aeroplan Program to the extent they previously did which could adversely affect revenue from the Aeroplan Program. A reduction in member use of the Aeroplan Program could impact Aeroplan's ability to retain its current Commercial Partners and members and to attract new Commercial Partners and members.

#### Airline Industry Changes and Increased Airline Costs

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

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

#### Supply and Capacity Costs

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

If, upon the expiry of the CPSA, Aeroplan is unable to negotiate a replacement agreement with Air Canada on similarly favourable terms, or if Air Canada sharply reduces its seat capacity, Aeroplan may be required to pay more for seat capacity from Air Canada than the currently negotiated rates under the CPSA or to purchase seat capacity from other airlines. Seat capacity from other airlines could be more expensive than comparable seat capacity under the CPSA, and the routes offered by the other airlines may be inconvenient or undesirable to the redeeming members. As a result, Aeroplan would experience higher air travel redemption costs, while at the same time member satisfaction with the Aeroplan Program may be adversely affected by requiring travel on other carriers on certain routes.

#### **Unfunded Future Redemption Costs**

In the coalition loyalty program model, Gross Billings are derived from the sale of Loyalty Units to Accumulation Partners. The earnings process is not complete at the time a Loyalty Unit is sold as most of the costs are incurred on the redemption

thereof. Based on historical data, the estimated period between the issuance of a Loyalty Unit and its redemption is currently 30 months for the Aeroplan Program and 15 months for the Nectar Program; however, Aeroplan and Nectar have no control over the timing of the redemption or the number of units redeemed. Aeroplan and Nectar currently use proceeds from Gross Billings (which are deferred for accounting purposes) in the fiscal year from the issuance of the unit to pay for the redemption costs incurred in the year. As a result, if Aeroplan or Nectar were to cease to carry on business, or if redemption costs incurred in a given year were in excess of the revenues received in the year from the issuance of the Loyalty Units, they would face unfunded Future Redemption Costs, which could increase the need for working capital and, consequently, affect the payment of dividends to Shareholders.

#### **Changes to Coalition Loyalty Programs**

From time to time we may make changes to our coalition loyalty programs that may not be well received by certain segments of the membership and may affect their level of engagement. In addition, these members may choose to seek such legal and other recourses as available to them, which if successful, could have a negative impact on results of operations and /or reputation.

#### Seasonal Nature of the Business, Other Factors and Prior Performance

Aeroplan has historically experienced lower Gross Billings from the sale of Aeroplan Miles in the first and second quarters of the calendar year and higher Gross Billings from the sale of Aeroplan Miles in the third and fourth quarters of the calendar year. In addition, Aeroplan has historically experienced greater redemptions and therefore costs for rewards, in the first and second quarters of the calendar year and lower redemptions and related costs for rewards in the third and fourth quarters of the calendar year. This pattern results in significantly higher operating cash flow and margins in the third and fourth quarters for each calendar year compared to the first and second quarters. This pattern may however vary in future years as the degree of seasonality evolves over time.

Nectar's Gross Billings from the Nectar Program are seasonal with fourth quarter gross billings typically higher than the preceding quarters, as a result of the impact of Christmas shopping. Gross Billings for the other quarters are broadly similar. Redemption activity in the Nectar Program is more seasonal than Gross Billings. More than 45% of all redemptions for the Nectar Program in the last three years have taken place during the fourth quarter, as a result of members redeeming for gifts and other rewards prior to Christmas. Consequently, operating results for any one quarter may not be necessarily indicative of operating results for an entire year.

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

The proprietary loyalty business also fluctuates seasonally, with award redemptions typically higher around the Christmas shopping season, and business loyalty events typically occurring during the spring and fall.

#### Foreign Operations

A significant portion of Aimia's Gross Billings is generated outside Canada. We expect Gross Billings from outside Canada to continue to represent a significant portion of Aimia's consolidated Gross Billings in the foreseeable future. As a result, we are subject to the risks of doing business internationally, including changes in foreign laws and regulations and general changes in economic and geopolitical conditions.

#### **Legal Proceedings**

From time to time, Aimia becomes involved in various claims and litigation as a result of carrying on its business. Please see "Provisions, Contingent Liabilities and Guarantees". Our businesses are susceptible to various claims and litigation, including class action claims, arising in the course of operating our business or with respect to the interpretation of existing agreements. Any future claims or litigation could also have a material adverse effect on our business and results from operations.

#### Reliance on Key Personnel

Aimia's success depends on the abilities, experience, industry knowledge and personal efforts of senior Management and other key employees, including the ability to retain and attract skilled employees. The loss of the services of such key personnel could have a material adverse effect on our business, financial condition or future prospects. Aimia's growth plans may also put additional strain and demand on senior Management and key employees and produce risks in both productivity and retention levels. In addition, we may not be able to attract and retain additional qualified Management as needed in the future.

#### **Labour Relations**

Aeroplan's contact center employees are unionized. The collective agreement for these employees will expire on November 14, 2015. No strikes or lock-outs may lawfully occur during the term of the collective agreement, nor during the negotiations of its renewal until a number of pre-conditions have been satisfied. There can be no assurance that the collective agreement will be renewed without labour conflict or action or that there will not be a labour conflict that could lead to a dispute or to an interruption or stoppage in Aeroplan's contact center service or otherwise adversely affect the ability of Aeroplan to conduct its operations, any of which could have an adverse effect on our business, operations and financial condition.

#### **Pension Liability**

The transfer of over 800 contact centre employees from Air Canada to Aeroplan was fully effected on June 14, 2009. As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan.

On June 8, 2012, Aeroplan entered into an agreement with Air Canada through which Air Canada will transfer to the Aeroplan defined benefit pension plan all the pension plan assets and obligations related to pension benefits accrued

by employees who were Air Canada customer sales & service agents prior to 2009 and who were transferred to Aeroplan in 2009. The transfer was subject to regulatory approval from the Office of the Superintendant of Financial Institutions ("OSFI"), which was received on May 29, 2014. As a result, all the defined benefit pension plan assets and liabilities were transferred to Aeroplan.

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

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

Aimia's ability to protect the data and contact centres of our coalition loyalty programs and those of our clients against damage from fire, power loss, telecommunications failure and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade their capabilities. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any damage to data and contact centres, any failure of telecommunication links that interrupts operations or any impairment of the ability to use licensed software could adversely affect the ability to meet our Commercial Partners', clients' and members' needs and their confidence in utilizing our services or programs in the future.

In addition, proper implementation and operation of technology initiatives is fundamental to the ability to operate a profitable business. We continuously invest in new technology initiatives to remain competitive, and our continued ability to invest sufficient amounts to enhance technology will affect our ability to operate successfully.

#### Failure to Protect Intellectual Property Rights

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

#### **RISKS RELATED TO AIMIA**

#### Interest Rate and Currency Fluctuations

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

Aimia's results are sensitive to fluctuations in the Canada/U.S. dollar exchange rate and to the exchange rate from pound sterling (GBP) to Canadian dollars. Aeroplan incurs expenses in U.S. dollars for such items as air, car rental and hotel rewards issued to redeeming Aeroplan members, while a substantial portion of its revenues are generated in Canadian dollars. A significant deterioration of the Canadian dollar relative to the U.S. dollar would increase the costs of Aimia. Substantially all of Aimia EMEA Limited's revenues and expenses are denominated in pounds sterling (GPB) rendering its results and their impact on Aimia's consolidated statements sensitive to fluctuations in the Canadian dollar exchange rate. Aimia US & APAC's activities are located in the United States and the Asia Pacific region. Financial results are sensitive to the changing value of the Canadian dollar and foreign operations are sensitive to the fluctuations of other currencies, including the United States dollar, British pound sterling and the Australian dollar.

#### Leverage and Restrictive Covenants in Current and Future Indebtedness

The ability of Aimia to pay dividends, make distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the credit facilities). The degree to which Aimia is leveraged has important consequences to Shareholders, including: (i) Aimia's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) certain borrowings will be at variable rates of interest, which exposes Aimia to the risk of increased interest rates; and (iv) Aimia may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

In addition, the credit facilities contain a number of financial and other restrictive covenants that require Aimia to meet certain financial ratios and financial condition tests and limit the ability to enter into certain transactions. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities, including any possible hedge contracts with the lenders, were to be accelerated, there can be no assurance that the assets of Aimia would be sufficient to repay in full that indebtedness.

Aimia may need to refinance its available credit facilities or other debt and there can be no assurance that it will be able to do so or be able to do so on terms as favourable as those presently in place. If Aimia is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Aimia's financial position, which may result in a reduction or suspension of payments of dividends to Shareholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact the ability of Aimia to pay dividends.

#### **Uncertainty of Dividend Payments**

Payment of dividends are dependent upon operating cash flows generated by Subsidiaries of Aimia, financial requirements of Aimia and the satisfaction of solvency tests on the payment of dividends pursuant to the Canada Business Corporations Act.

#### **Managing Growth**

We regularly review potential acquisitions of businesses we believe may be complementary to ours. As part of any acquisition we conduct customary due diligence with the goal of identifying and evaluating material risks. Notwithstanding our review, we may be unsuccessful in identifying all such risks or realizing the intended synergies of any given acquisition and our results of operations and financial condition could be adversely impacted. In addition, our inability to effectively manage growth could have a material adverse impact on our business, operations and prospects.

#### **Credit Ratings**

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

#### **Audits by Tax Authorities**

In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While Aimia believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities. We regularly review the potential for adverse outcomes in respect of tax matters and believe that any ultimate disposition of a reassessment will not have a material adverse impact on our liquidity, consolidated financial position or results of operations due to adequate provisioning for these tax matters. Should an outcome materially differ from existing provisions, the Corporation's effective tax rate, its earnings, and its liquidity and working capital position could be affected positively or negatively in the period in which matters are resolved.

### **MEASURING OUR PERFORMANCE AGAINST 2014 GUIDANCE**

On February 26, 2014, Aimia issued guidance for the year ending December 31, 2014, which was updated on May 13, 2014 and August 14, 2014. A comparison of Aimia's actual reported results for the year ended December 31, 2014 against the guidance issued and updated for such year is presented below:

Guidance <sup>1</sup> Issued February 26, 2014, as Updated	Comparison to Actual Results <sup>1</sup>
Consolidated Guidance for the Year Ending December 31,	2014
Gross Billings <sup>1,2</sup> growth between <u>7% and 9%.</u>	Gross Billings growth <sup>1,2</sup> rate was <u>9.3%</u> .
Adjusted EBITDA <sup>2</sup> margin of approximately <u>12%</u>	Adjusted EBITDA <sup>2</sup> margin of <u>11.8%</u>
Free Cash Flow before dividends paid <sup>2,3</sup> in excess of \$270.0 million	Free Cash Flow before dividends paid <sup>2,4</sup> was <u>\$287.0 million</u> .
Capital expenditures to approximate \$70.0 million to \$80.0 million.	Capital expenditures were reported at <u>\$81.5 million</u> . Expenditures were higher than expected due to timing of payments.

#### Notes:

- 1. The 2014 guidance and reported results exclude the effects of fluctuations in currency exchange rates, where applicable.
- The 2014 guidance and reported results include the \$100 million contribution received from TD.
- 3. The 2014 guidance includes \$100 million related to an income tax refund of a loss carry back applied in Canada and \$22.5 million input tax credit on harmonized sales tax payment made in 2013.
- 4. The 2014 reported results includes \$90.9 million related to an income tax refund of a loss carry back applied in Canada, \$22.5 million input tax credit on harmonized sales tax payment made in 2013, offset by a \$20.7 million deposit made to Revenue Quebec.

### **RECONCILIATION OF ADJUSTED NET EARNINGS**

The tables below present a reconciliation from net earnings (loss) attributable to equity holders of the Corporation and Adjusted Net Earnings for the years ended December 31, 2014, 2013 and 2012 and for the three months ended December 31, 2014 and 2013:

	Years ended December 31,			
(in millions of Canadian dollars , except share and per share information)	2014	2013	2012	
Net earnings (loss) attributable to equity holders of the Corporation	(40.3)	(498.3)	165.5	
Amortization of Accumulation Partners' contracts, customer relationships and technology	133.0	84.4	87.3	
Share of net (earnings) loss of equity-accounted investments	9.6	6.6	(2.9)	
Impairment of goodwill	_	19.1	_	
Adjusted EBITDA Adjustments	141.5	668.5	21.5	
Tax on adjustments (c)	(39.1)	(173.2)	(0.3)	
Non-controlling interests share on adjustments above	(2.3)	(4.0)	(2.3)	
Adjusted Net Earnings <sup>(a)</sup>	202.4	103.1	268.8	
Adjusted Net Earnings per common share (a)(b)	1.05	0.53	1.49	

- (a) A non-GAAP measurement.
- (b) After deducting dividends declared on preferred shares.
- (c) The effective tax rates on an entity level basis are applied to the related entity level adjustments noted above.

		nths Ended ber 31,
(in millions of Canadian dollars, except share and per share information)	2014	2013
Net earnings (loss) attributable to equity holders of the Corporation	20.5	(125.6)
Amortization of Accumulation Partners' contracts, customer relationships and technology	34.1	23.9
Share of net (earnings) loss of equity-accounted investments	10.5	(1.5)
Impairment of goodwill	_	19.1
Adjusted EBITDA Adjustments	(17.7)	9.8
Tax on adjustments (c)	(6.5)	(8.1)
Non-controlling interests share on adjustments above	(0.4)	(1.0)
Adjusted Net Earnings <sup>(a)</sup>	40.5	(83.4)
Adjusted Net Earnings per common share (a)(b)	0.20	(0.50)

- (a) A non-GAAP measurement.
- (b) After deducting dividends declared on preferred shares.
- (c) The effective tax rates on an entity level basis are applied to the related entity level adjustments noted above.

### **NOTATIONS TO FINANCIAL TABLES**

The section includes the notations to the tables included under the Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 and Quarter Ended December 31, 2014 Compared to Quarter Ended December 31, 2013 sections.

### YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

### **CONSOLIDATED OPERATING RESULTS**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$657.4 million in the UK and \$214.3 million in the US for the year ended December 31, 2014, compared to third party Gross Billings of \$573.2 million in the UK and \$227.2 million in the US for the year ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) Includes a \$100.0 million upfront contribution received on January 2, 2014 from TD to help fund Aeroplan's program enhancements.
- (d) Represents the non-comparable impact of the change in the Breakage estimate in the Nectar Italia Program, which occurred in the fourth quarter of 2014, of \$19.4 million, and the non-comparable impact of the change in Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of \$617.0 million attributable to the years prior to 2013.
- (e) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (f) Includes a favourable impact of \$26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation which occurred in the second quarter of 2013. Of this amount, \$74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and \$48.8 million (£30.6 million) as an increase to operating expenses.
  - Prior to the issuance of the final ruling, Aimia had recorded an amount of \$2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.
- (g) Includes an amount of \$83.4 million received in the second quarter of 2014 from the CRA and an amount of \$7.5 million received in the fourth quarter of 2014 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.
- (h) The harmonized sales tax of \$22.5 million related to the CIBC Payment made on December 27, 2013 was collected during the first quarter of 2014.
- (i) Includes the CIBC Payment of \$150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of \$22.5 million.
- (j) Adjusted Net Earnings for the year ended December 31, 2013 include the unfavourable impact attributable to the CIBC Payment and the Card Migration Provision totaling \$146.9 million, net of an income tax recovery of \$53.1 million.
- (k) Includes the favourable impact of the reversal in the second quarter of 2013 of previously accrued interest of \$17.3 million (£10.8 million) resulting from the final judgment of the VAT litigation.
  - Prior to the issuance of the final ruling, Aimia had recorded an amount of \$1.1 million (£0.7 million) as interest expense during the period from January 1, 2013 to March 31, 2013.
- (I) A non-GAAP measurement.
- (m) Represents the variance on a constant currency basis.
- \*\* Information not meaningful or not applicable.

#### **CANADA**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes a \$100.0 million upfront contribution received on January 2, 2014 from TD to help fund Aeroplan's program enhancements.
- (c) Represents the non-comparable impact of the change in the Breakage estimate in the Aeroplan Program, which occurred in the second quarter of 2013, of \$617.0 million attributable to the years prior to 2013.
- (d) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth guarter of 2013.
- (e) A non-GAAP measurement.
- \*\* Information not meaningful or not applicable.
- n.d. Information not disclosed.

#### **EMEA**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$657.4 million in the UK for the year ended December 31, 2014, compared to third party Gross Billings of \$573.2 million in the UK for the year ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) Includes a favourable impact of \$26.1 million (£16.4 million) resulting from the final judgment of the VAT litigation which occurred in the second quarter of 2013. Of this amount, \$74.9 million (£47.0 million) was recorded as a reduction of cost of rewards and \$48.8 million (£30.6 million) as an increase to operating expenses.
  - Prior to the issuance of the final ruling, Aimia had recorded an amount of \$2.1 million (£1.4 million) in cost of rewards, representing input tax credits accrued during the period from January 1, 2013 to March 31, 2013.
- (d) Represents the non-comparable impact of the change in the Breakage estimate in the Nectar Italia Program which occurred during the fourth quarter of 2014 and resulted in an increase of \$19.4 million to revenue from Loyalty Units, of which \$13.4 million is attributable to the years prior to 2014 and \$6.0 million to the year ended December 31, 2014.
- (e) A non-GAAP measurement.
- (f) Represents the variance on a constant currency basis.
- \*\* Information not meaningful or not applicable.
- n.d. Information not disclosed.

#### **US & APAC**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$214.3 million in the US for the year ended December 31, 2014, compared to third party Gross Billings of \$227.2 million in the US for the year ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) A non-GAAP measurement.
- (d) Represents the variance on a constant currency basis.
- \*\* Information not meaningful or not applicable.

#### **CORPORATE**

- (a) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the financial position and operating results of our operations in India.
- (b) A non-GAAP measurement.
- \*\* Information not meaningful or not applicable.

### QUARTER ENDED DECEMBER 31, 2014 COMPARED TO QUARTER ENDED DECEMBER 31, 2013

#### **CONSOLIDATED OPERATING RESULTS**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$175.3 million in the UK and \$63.8 million in the US for the three months ended December 31, 2014, compared to third party Gross Billings of \$170.3 million in the UK and \$68.5 million in the US for the three months ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) Represents the non-comparable impact of the change in the Breakage estimate in the Nectar Italia Program which occurred during the fourth quarter of 2014 and resulted in an increase of \$19.4 million to revenue from Loyalty Units, of which \$13.4 million is attributable to the years prior to 2014, \$4.1 million to the nine months ended September 30, 2014 and \$1.9 million to the three months ended December 31, 2014.
- (d) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (e) Includes the CIBC Payment of \$150.0 million made on December 27, 2013 upon the closing of the asset purchase agreement and the related harmonized sales tax of \$22.5 million.
- (f) Adjusted Net Earnings for the three months ended December 31, 2013 include the unfavourable impact attributable to the CIBC Payment and the Card Migration Provision totaling \$146.9 million, net of an income tax recovery of \$53.1 million.
- (g) Includes an amount of \$7.5 million received in the fourth quarter of 2014 from Revenue Quebec related to the income tax refund of loss carry back applied in Canada.
- (h) A non-GAAP measurement.
- (i) Represents the variance on a constant currency basis.
- \*\* Information not meaningful or not applicable.

#### **CANADA**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes the impact of the CIBC Payment of \$150.0 million and the Card Migration Provision of \$50.0 million which were recorded during the fourth quarter of 2013.
- (c) A non-GAAP measurement.
- \*\* Information not meaningful or not applicable.
- n.d. Information not disclosed.

#### **EMEA**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$175.3 million in the UK for the three months ended December 31, 2014, compared to third party Gross Billings of \$170.3 million in the UK for the three months ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) Represents the non-comparable impact of the change in the Breakage estimate in the Nectar Italia Program which occurred during the fourth quarter of 2014 and resulted in an increase of \$19.4 million to revenue from Loyalty Units, of which \$13.4 million is attributable to the years prior to 2014, \$4.1 million to the nine months ended September 30, 2014 and \$1.9 million to the three months ended December 31, 2014.
- (d) A non-GAAP measurement.
- (e) Represents the variance on a constant currency basis.
- \*\* Information not meaningful or not applicable.
- n.d. Information not disclosed.

#### **US & APAC**

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$63.8 million in the US for the three months ended December 31, 2014, compared to third party Gross Billings of \$68.5 million in the US for the three months ended December 31, 2013. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) A non-GAAP measurement.
- (d) Represents the variance on a constant currency basis.
- \*\* Information not meaningful or not applicable.

#### **CORPORATE**

- (a) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the financial position and operating results of our operations in India.
- (b) A non-GAAP measurement.
- \*\* Information not meaningful or not applicable.

#### **ADDITIONAL INFORMATION**

Additional information relating to Aimia and its operating businesses, including Aimia's Management Information Circular and Annual Information Form, respectively dated March 14 and March 20, 2014, is available on SEDAR at www.sedar.com or on Aimia's website at www.aimia.com under "Investors".