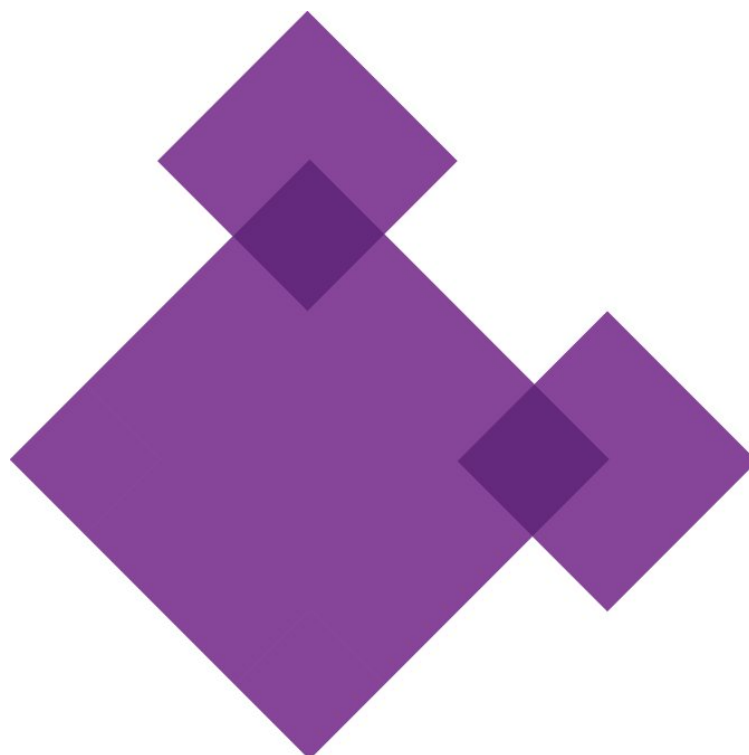




CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018 and 2017

Unaudited





MANAGEMENT'S REPORT

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

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

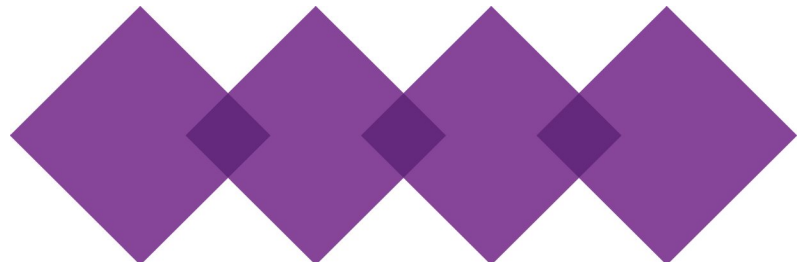
November 13, 2018

(signed) "Jeremy Rabe"

JEREMY RABE
Chief Executive Officer

(signed) "Mark Grafton"

MARK GRAFTON
Chief Financial Officer





CONSOLIDATED STATEMENTS OF OPERATIONS

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
<i>(in millions of Canadian dollars, except share and per share amounts)</i>					
		(unaudited)	(unaudited) (Restated - Notes 2 & 5)	(unaudited)	(unaudited) (Restated - Notes 2 & 5)
Revenue	Notes 3 & 9	\$ 372.7	\$ 350.5	\$ 1,154.1	\$ 1,114.2
Cost of sales					
Cost of rewards and direct costs	Note 4	218.1	201.8	686.8	643.4
Depreciation and amortization		12.8	9.1	40.4	28.2
Amortization of accumulation partners' contracts, customer relationships and technology	Note 4	37.7	40.7	117.0	101.5
		268.6	251.6	844.2	773.1
Gross margin		104.1	98.9	309.9	341.1
Operating expenses					
Selling and marketing expenses		67.2	74.4	207.5	256.4
General and administrative expenses	Notes 10 & 16A	34.6	42.8	95.9	139.1
Impairment charges	Note 16A	—	—	8.0	—
		101.8	117.2	311.4	395.5
Operating income (loss)		2.3	(18.3)	(1.5)	(54.4)
Gain (loss) on disposal of businesses and other assets	Note 5	—	(19.9)	(5.3)	(13.7)
Financial income	Note 15	2.1	1.9	6.4	14.8
Financial expenses		(3.0)	(9.9)	(13.5)	(30.2)
Fair value gain on investments in equity instruments	Note 15	12.7	—	46.5	—
Net financial income (expenses)		11.8	(8.0)	39.4	(15.4)
Share of net earnings of equity-accounted investments	Note 8	8.0	4.2	23.0	19.6
Earnings (loss) before income taxes		22.1	(42.0)	55.6	(63.9)
Income tax (expense) recovery					
Current		(1.2)	(15.4)	(11.5)	(19.8)
Deferred		0.8	14.9	2.5	15.0
		(0.4)	(0.5)	(9.0)	(4.8)
Net earnings (loss) from continuing operations		\$ 21.7	\$ (42.5)	\$ 46.6	\$ (68.7)
Net earnings from discontinued operations	Note 5	—	2.2	7.6	12.9
Net earnings (loss)		\$ 21.7	\$ (40.3)	\$ 54.2	\$ (55.8)
Weighted average number of shares		152,307,196	152,307,196	152,307,196	152,302,863
Earnings (loss) per common share					
Continuing operations - Basic and fully diluted	Note 6	\$ 0.11	\$ (0.31)	\$ 0.22	\$ (0.53)
Discontinued operations - Basic and fully diluted	Note 6	\$ 0.00	\$ 0.02	\$ 0.05	\$ 0.08
	Note 6	\$ 0.11	\$ (0.29)	\$ 0.27	\$ (0.45)

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



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<i>(in millions of Canadian dollars)</i>				
	(unaudited)	(unaudited) (Restated - Notes 2 & 5)	(unaudited)	(unaudited) (Restated - Notes 2 & 5)
Net earnings (loss)	\$ 21.7	\$ (40.3)	\$ 54.2	\$ (55.8)
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to net earnings (loss)</i>				
Foreign currency translation adjustments	(7.7)	(11.6)	(0.9)	(5.6)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	—	2.7	(14.0)	(4.4)
	Note 5			
<i>Items that will not be reclassified subsequently to net earnings (loss)</i>				
Defined benefit plans actuarial gains (losses), net of tax	4.7	0.8	8.9	(4.1)
	Note 16C			
Other comprehensive loss	(3.0)	(8.1)	(6.0)	(14.1)
Comprehensive income (loss)	\$ 18.7	\$ (48.4)	\$ 48.2	\$ (69.9)
Comprehensive income (loss):				
Continuing operations	18.7	(48.5)	53.6	(84.0)
Discontinued operations	—	0.1	(5.4)	14.1
	\$ 18.7	\$ (48.4)	\$ 48.2	\$ (69.9)



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	September 30,	December 31,	January 1,
<i>(in millions of Canadian dollars)</i>	2018	2017	2017
	(unaudited)	(unaudited) (Restated - Note 2)	(unaudited) (Restated - Note 2)
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 273.9	\$ 489.9	\$ 293.0
Restricted cash	18.7	17.9	20.3
Short-term investments	105.0	65.2	80.4
Income taxes receivable	—	—	0.8
Accounts receivable	153.7	156.1	286.7
Inventories	1.8	5.0	4.8
Prepaid expenses	32.4	18.2	33.1
Assets held for sale	—	254.2	72.8
	585.5	1,006.5	791.9
<i>Long-term assets</i>			
Long-term receivable	—	5.3	—
Long-term investments	254.4	259.1	342.1
Equity-accounted investments	110.9	99.7	103.8
Property and equipment	17.0	19.2	30.5
Intangible assets	853.6	994.3	1,264.0
Goodwill	1,685.6	1,685.6	1,975.7
	\$ 3,507.0	\$ 4,069.7	\$ 4,508.0
LIABILITIES AND EQUITY			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	\$ 232.4	\$ 189.2	\$ 395.6
Income taxes payable	9.0	4.6	—
Provisions	3.4	4.4	1.1
Customer deposits	13.1	15.5	18.2
Deferred revenue	1,306.3	1,286.2	1,487.2
Current portion of long-term debt	268.8	—	—
Liabilities held for sale	—	415.5	108.3
	1,833.0	1,915.4	2,010.4
<i>Long-term liabilities</i>			
Provisions	12.1	15.2	4.3
Long-term debt	50.7	449.3	448.3
Pension and other long-term liabilities	86.7	106.1	73.1
Deferred income taxes	88.2	88.4	97.8
Deferred revenue	1,609.8	1,716.3	1,736.6
	3,680.5	4,290.7	4,370.5
Total equity	(173.5)	(221.0)	137.5
	\$ 3,507.0	\$ 4,069.7	\$ 4,508.0
Contingencies and commitments	Notes 12 & 14		

Approved by the Board of Directors

(signed) Roman Doroniuk

Roman Doroniuk
Director

(signed) Robert Christopher Kreidler

Robert Christopher Kreidler
Director

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



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2017 and 2018 (unaudited) (Restated - Note 2)		Common shares outstanding	Share capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Contributed surplus	Total equity
<i>(In millions of Canadian dollars, except share amounts)</i>							
Balance, January 1, 2017	Note 2	152,294,611	\$ 1,665.0	\$ (2,721.2)	\$ 40.5	\$ 1,153.2	\$ 137.5
Total comprehensive income (loss)							
Net loss				(55.8)			(55.8)
Other comprehensive income (loss):							
Foreign currency translation adjustments					(5.6)		(5.6)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	Note 5				(4.4)		(4.4)
Defined benefit plans actuarial losses, net of tax	Note 16C			(4.1)			(4.1)
Total comprehensive loss		—	—	(59.9)	(10.0)	—	(69.9)
Transactions with owners, recorded directly in equity							
Common shares issued upon exercise of stock options		12,585	0.1			—	0.1
Quarterly dividends, common and preferred	Note 13			(69.4)			(69.4)
Accretion related to stock-based compensation plans						2.9	2.9
Total contributions by and distributions to owners		12,585	0.1	(69.4)	—	2.9	(66.4)
Balance, September 30, 2017	Note 2	152,307,196	\$ 1,665.1	\$ (2,850.5)	\$ 30.5	\$ 1,156.1	\$ 1.2
Balance, December 31, 2017							
Note 2	152,307,196	\$ 1,665.1	\$ (3,070.4)	\$ 28.9	\$ 1,155.4	\$ (221.0)	
Total comprehensive income (loss)							
Net earnings				54.2			54.2
Other comprehensive income (loss):							
Foreign currency translation adjustments					(0.9)		(0.9)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	Note 5				(14.0)		(14.0)
Defined benefit plans actuarial gains, net of tax	Note 16C			8.9			8.9
Total comprehensive income (loss)		—	—	63.1	(14.9)	—	48.2
Transactions with owners, recorded directly in equity							
Accretion related to stock-based compensation plans						(0.7)	(0.7)
Total contributions by and distributions to owners		—	—	—	—	(0.7)	(0.7)
Balance, September 30, 2018		152,307,196	\$ 1,665.1	\$ (3,007.3)	\$ 14.0	\$ 1,154.7	\$ (173.5)

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(unaudited)	(unaudited) (Restated - Note 2)	(unaudited)	(unaudited) (Restated - Note 2)
CASH FLOWS FROM (USED IN)				
Operating activities				
Net earnings (loss)	\$ 21.7	\$ (40.3)	\$ 54.2	\$ (55.8)
Adjustments for:				
Depreciation and amortization	50.5	52.4	157.4	137.9
Share-based compensation and other performance awards	3.3	2.4	3.6	(2.9)
Share of net earnings of equity-accounted investments	(8.0)	(6.9)	(23.5)	(24.9)
Net financial (income) expenses	(11.8)	7.8	(37.7)	15.5
Income tax expense (recovery)	0.4	(0.1)	9.0	2.5
Impairment charges	—	—	8.0	—
Loss (gain) on disposal of businesses and other assets	—	19.9	(0.1)	13.7
Changes in operating assets and liabilities	Note 16B	(16.3)	24.2	(65.6)
Other		(1.3)	(1.5)	(1.5)
		16.8	98.2	50.7
Cash generated from operating activities		38.5	57.9	104.9
Interest received		1.3	0.8	6.3
Distributions received from equity-accounted investments	Note 8	5.4	5.5	14.2
Interest paid		(0.3)	(0.2)	(12.3)
Income taxes received (paid), net		0.7	(0.9)	3.7
Net cash from operating activities	Note 5	45.6	63.1	116.8
Investing activities				
Net proceeds from (payments for) the disposal of businesses and other assets	Note 5	—	53.8	(200.0)
Proceeds from disposal of equity-accounted investments	Note 8	—	—	3.7
Proceeds from investments in corporate and government bonds		10.0	—	29.1
Purchases of investments in corporate and government bonds		(10.0)	—	(17.8)
Additions to property, equipment, software and technology		(8.1)	(11.2)	(18.9)
Net cash from (used in) investing activities	Note 5	(8.1)	42.6	(207.6)
Financing activities				
Quarterly dividends	Note 13	—	—	—
Acquisition of non-controlling interest		—	—	(2.7)
Issuance of common shares		—	—	—
Borrowings from the revolving facility	Note 11	—	—	—
Repayment of the revolving facility	Note 11	(10.0)	—	(130.2)
Repayment of Senior Secured Notes	Note 11	—	—	—
Net cash used in financing activities		(10.0)	—	(132.9)
Net change in cash and cash equivalents		27.5	105.7	(223.7)
Translation adjustment related to cash		(2.2)	(4.0)	7.7
Cash and cash equivalents, beginning of period		248.6	273.1	489.9
Cash and cash equivalents, end of period		\$ 273.9	\$ 374.8	\$ 273.9
				\$ 374.8

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

THESE FINANCIAL STATEMENTS CONTAIN THE FOLLOWING NOTES:

1.	STRUCTURE OF THE CORPORATION	8
2.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
3.	SEGMENTED INFORMATION	19
4.	MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER	24
5.	DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS	26
6.	EARNINGS (LOSS) PER COMMON SHARE	32
7.	LONG-TERM INVESTMENTS	32
8.	EQUITY-ACCOUNTED INVESTMENTS	33
9.	DEFERRED REVENUE	34
10.	PROVISIONS	35
11.	LONG-TERM DEBT	37
12.	CONTINGENT LIABILITIES	39
13.	DIVIDENDS	41
14.	COMMITMENTS	42
15.	FAIR VALUE OF FINANCIAL INSTRUMENTS	43
16.	ADDITIONAL FINANCIAL INFORMATION	45

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

1. STRUCTURE OF THE CORPORATION

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

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

Coalitions

Within the Coalitions segment, Aimia owns and operates the Aeroplan Program (*Note 5*), a premier coalition loyalty program in Canada, and the Corporation's Canadian rewards business. The division also includes a 48.9% interest in, and joint control with Grupo Aeromexico of, PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program, and an investment in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program.

Insights & Loyalty Solutions

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

Other Businesses

Other Businesses include the results of the U.S. Channel and Employee Loyalty (“CEL”) business, the New Zealand business and the royalty revenue related to the Canadian Air Miles trademarks, until their respective disposals (*Note 5*). Other businesses also include a minority interest in Cardlytics, a US-based company that makes marketing more relevant and measurable through their purchase intelligence platform.

Discontinued Operations (Note 5)

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

(a) Statement of Compliance

These condensed unaudited consolidated interim financial statements ("interim financial statements") were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and in compliance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Accordingly, certain information and notes disclosures normally included in the audited annual consolidated financial statements, have been omitted or condensed. These interim financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2017.

The interim financial statements include all adjustments considered necessary by management to fairly state the Corporation's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

These interim financial statements were authorized for issue by the Corporation's Board of Directors on November 13, 2018.

(b) Basis of Measurement

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

- Assets held for sale were measured at fair value;
- Investments in equity instruments are measured at fair value (*Notes 7 & 15*);
- Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- Accrued pension benefit liability is recognized as the net total of the fair value plan assets, less the present value of the defined benefit obligation;
- Contingent considerations related to business acquisitions or disposals are measured at fair value (*Notes 5 & 15*);
- Investments in convertible notes were measured at fair value (*Note 15*).

(c) Presentation Currency

These interim financial statements are expressed in Canadian Dollars.

(d) Use of Estimates and Judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

statements are the same as those set out in *Note 2* of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2017.

(e) Accounting Policies

These interim financial statements have been prepared using the same accounting policies as those presented in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2017, except as described below.

Changes in Accounting Policies

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

IFRS 9 Financial Instruments

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

related to the investment in Cardlytics in the fourth quarter of 2017 was recorded in the statement of operations as the investment was considered permanently impaired, consistent with the presentation of gain or loss on investment at FVPL under the newly adopted IFRS 9.

IFRS 15 Revenue from Contracts with Customers

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

In April 2016, the IASB issued amendments to IFRS 15 - *Revenue from Contracts with Customers* to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent considerations. The amendments also provide additional practical expedients on transition.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

(a) Accounting for loyalty programs

Key differences between IFRS 15 and IAS 18 and areas of focus relating to the Corporation's coalition loyalty programs were identified as follows:

- Whether the sale of a loyalty unit includes one or multiple performance obligations and the implications on the transaction price allocation. Management has concluded that the points issued by all of its coalition loyalty programs are a single performance obligation, which is consistent with the previous accounting treatment.
- Whether Aimia acts as the principal or an agent for the respective coalition loyalty programs that the Corporation is currently managing. The key elements to determine if Aimia acts as a principal or an agent are whether Aimia is primarily responsible to fulfill the promise to deliver the goods or services associated with the loyalty units redemption, whether Aimia has inventory risk and whether Aimia has discretion in establishing the prices for the goods and services it is providing. Management has concluded the following:
 - Aimia acts as the principal for its Aeroplan program as it is primarily responsible for fulfilling the promise to provide the goods or services, it obtains control over such goods and services offered under the term of the program before they are transferred to the customer and it has discretion in establishing the price for the specified goods and services. Therefore, there was no change to the previous revenue recognition for the program.
 - Aimia acts as an agent for its Nectar (*Note 5*) and Air Miles Middle-East programs. As a result, revenues from loyalty units of those programs were restated to be recognized on a net basis. Under the previous accounting policy, revenues of those programs were recognized on a gross basis. While the impact of this change reduces Revenue and Cost of Rewards, there is no impact on Gross Margin, Operating Income and Cash flow from Operating Activities related to this change.

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

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

- Whether Aimia acts as the principal or an agent for other loyalty services, including rewards fulfillment activities. Management has concluded that Aimia is acting as an agent in its rewards fulfillment activities and will therefore recognize the revenues associated with these activities on a net basis. This is a change from previous revenue recognition practice as a significant portion of these activities were previously recorded on a gross basis.
- Whether loyalty platforms service agreements include one or multiple performance obligations and the implications on the transaction price allocation. Management has concluded that there is no change to its revenue recognition of its loyalty platform services and the related implementation and support services revenue associated with these agreements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

(c) Impact on the financial statements

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

	Three Months Ended September 30, 2017			
	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of operations (extract)				
Revenue from Loyalty Units	309.6	(7.6)	—	302.0
Revenue from Loyalty Services and Other	72.5	—	(24.0)	48.5
Total revenue	382.1	(7.6)	(24.0)	350.5
Cost of rewards and direct costs	233.4	(7.6)	(24.0)	201.8
Depreciation and amortization	49.8	—	—	49.8
Gross margin	98.9	—	—	98.9
Operating expenses	117.2	—	—	117.2
Operating income (loss)	(18.3)	—	—	(18.3)
Earnings (loss) before income taxes	(42.0)	—	—	(42.0)
Net earnings (loss) from continuing operations	(42.5)	—	—	(42.5)
Net earnings (loss) from discontinued operations	2.2	—	—	2.2
Net earnings (loss)	(40.3)	—	—	(40.3)
Earnings (loss) per common share	(0.29)	—	—	(0.29)
Continuing operations - Basic and fully diluted	(0.31)	—	—	(0.31)
Discontinued operations - Basic and fully diluted	0.02	—	—	0.02
Statement of comprehensive income (extract)				
Net earnings (loss)	(40.3)	—	—	(40.3)
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to net earnings (loss)</i>				
Foreign currency translation adjustments	(11.6)	—	—	(11.6)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	2.7	—	—	2.7
<i>Items that will not be reclassified subsequently to net earnings (loss)</i>				
Defined benefit plans actuarial gains (losses), net of tax	0.8	—	—	0.8
Other comprehensive income (loss)	(8.1)	—	—	(8.1)
Comprehensive income (loss)	(48.4)	—	—	(48.4)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

	Nine Months Ended September 30, 2017			
	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of operations (extract)				
Revenue from Loyalty Units	949.9	(26.1)	—	923.8
Revenue from Loyalty Services and Other	275.9	—	(85.5)	190.4
Total revenue	1,225.8	(26.1)	(85.5)	1,114.2
Cost of rewards and direct costs	755.0	(26.1)	(85.5)	643.4
Depreciation and amortization	129.7	—	—	129.7
Gross margin	341.1	—	—	341.1
Operating expenses	395.5	—	—	395.5
Operating income (loss)	(54.4)	—	—	(54.4)
Earnings (loss) before income taxes	(63.9)	—	—	(63.9)
Net earnings (loss) from continuing operations	(68.7)	—	—	(68.7)
Net earnings (loss) from discontinued operations	12.9	—	—	12.9
Net earnings (loss)	(55.8)	—	—	(55.8)
Earnings (loss) per common share	(0.45)	—	—	(0.45)
Continuing operations - Basic and fully diluted	(0.53)	—	—	(0.53)
Discontinued operations - Basic and fully diluted	0.08	—	—	0.08
Statement of comprehensive income (extract)				
Net earnings (loss)	(55.8)	—	—	(55.8)
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to net earnings (loss)</i>				
Foreign currency translation adjustments	(5.6)	—	—	(5.6)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	(4.4)	—	—	(4.4)
<i>Items that will not be reclassified subsequently to net earnings (loss)</i>				
Defined benefit plans actuarial gains (losses), net of tax	(4.1)	—	—	(4.1)
Other comprehensive income (loss)	(14.1)	—	—	(14.1)
Comprehensive income (loss)	(69.9)	—	—	(69.9)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

	At September 30, 2017			
	As originally presented	Air Miles Middle East program	Rewards fulfillment activities	Restated
Statement of financial position (extract)				
Total assets	4,260.0	—	—	4,260.0
Current liabilities				
Deferred revenue	1,632.0	(10.0)	—	1,622.0
Long-term liabilities				
Deferred revenue	1,695.2	(12.0)	—	1,683.2
Total liabilities	4,280.8	(22.0)	—	4,258.8
Total equity	(20.8)	22.0	—	1.2

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

IFRS 2 Amendments, Share-based payments

The IASB issued amendments to IFRS 2 - *Share-based payments* to clarify the classification and measurement of share-based payment transactions. The amendments clarify the accounting requirements for cash-settled share-based payment transactions that include a performance condition introducing guidance that follows the same approach as used for equity-settled share-based payments. The amendments also address the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These changes did not result in any adjustments to the Corporation's financial statements.

Future Accounting Changes

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

IAS 19 Amendments, Employee benefits

The IASB issued amendments to IAS 19 - *Employee benefits* which require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. The amendments also require an entity to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments are effective for plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after January 1, 2019. At this time, management is reviewing the impact that these amendments will have on its consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

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

- IFRS 3, *Business Combinations* was amended to clarify measurement of previously held interests in a joint operation when control is obtained.
- IFRS 11, *Joint Arrangements* was amended to clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests.
- IAS 12, *Income Taxes* was amended to clarify income tax consequences of payments on financial instruments classified as equity.
- IAS 23, *Borrowing Costs* was amended to clarify borrowing costs eligible for capitalization.

These amendments are effective for annual periods beginning on or after January 1, 2019. At this time, management is reviewing the impact that these amendments will have on its consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

3. SEGMENTED INFORMATION

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

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

The Coalitions segment derives its revenues primarily from the Aeroplan Program (*Note 5*) and from non-platform based loyalty solutions services in Canada. The ILS segment derives its revenues primarily from loyalty services, including revenue from the Aimia Loyalty Platform - Enterprise and Aimia Loyalty Platform - SAAS. In addition, the ILS segment derives its revenues from Aimia's Middle East loyalty business, which includes the Air Miles Middle East loyalty program, as well as from Aimia's international analytics platform and services business.

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

	Three Months Ended September 30,									
	2018	2017 ^(g)	2018	2017 ^(g)	2018	2017 ^(g)	2018	2017 ^(g)	2018	2017 ^(g)
Operating Segments	Coalitions		ILS		Other Businesses		Eliminations		Consolidated	
Gross Billings from the sale of Loyalty Units	307.3	321.0	9.0	10.7	—	—	—	—	316.3	331.7
Gross Billings from Loyalty Services and Other	16.4	15.5	30.5	31.9	—	1.7	(0.4)	(0.4)	46.5	48.7
Total Gross Billings	323.7	336.5	39.5	42.6	—	1.7	(0.4)	(0.4)	362.8 ^(b)	380.4 ^(b)
Revenue from Loyalty Units	322.2	298.3	3.7	3.7	—	—	—	—	325.9	302.0
Revenue from Loyalty Services and Other	16.3	15.4	30.5	31.8	—	1.3	—	—	46.8	48.5
Intercompany revenue	0.4	—	—	—	—	0.4	(0.4)	(0.4)	—	—
Total revenue	338.9	313.7	34.2	35.5	—	1.7	(0.4)	(0.4)	372.7	350.5
Cost of rewards and direct costs	214.0	198.7	4.3	3.1	—	—	(0.2)	—	218.1	201.8
Depreciation and amortization ^(a)	47.1	47.3	3.4	2.4	—	0.1	—	—	50.5	49.8
Gross margin	77.8	67.7	26.5	30.0	—	1.6	(0.2)	(0.4)	104.1	98.9
Operating expenses before share-based compensation and other performance awards	64.0	73.7	34.7	40.6	—	0.9	(0.2)	(0.4)	98.5	114.8
Share-based compensation and other performance awards	2.3	2.0	1.0	0.4	—	—	—	—	3.3	2.4
Total operating expenses	66.3	75.7	35.7	41.0	—	0.9	(0.2)	(0.4)	101.8	117.2
Operating income (loss) ^(f)	11.5	(8.0)	(9.2)	(11.0)	—	0.7	—	—	2.3	(18.3)
Additions to non-current assets ^(c)	5.1	6.2	3.0	3.5	—	—	N/A	N/A	8.1	9.7
Non-current assets ^(c)	2,502.0	3,025.3 ^(e)	54.2	64.6	—	—	N/A	N/A	2,556.2 ^(d)	3,089.9 ^{(d)(e)}

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$323.3 million in Canada for the three months ended September 30, 2018, compared to third party Gross Billings of \$336.5 million in Canada for the three months ended September 30, 2017. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment. Additions to non-current assets presented in the segmented information table relate to continuing operations only. The additions to non-current assets related to discontinued operations are presented in *Note 5*.
- (d) Includes non-current assets of \$2,501.8 million in Canada as of September 30, 2018, compared to non-current assets of \$2,677.5 million in Canada as of September 30, 2017.
- (e) Includes non-current assets related to the discontinued operations of \$347.7 million at September 30, 2017. At December 31, 2017, non-current assets related to the discontinued operations were presented as assets held for sale. The discontinued operations were disposed of on January 31, 2018 (*Note 5*).
- (f) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the three months ended September 30, 2018 and September 30, 2017 is presented in the consolidated statements of operations.
- (g) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Note 2* for additional information.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

	Nine Months Ended September 30,									
	2018	2017 ^(h)	2018	2017 ^(h)	2018	2017 ^(h)	2018	2017 ^(h)	2018	2017 ^(h)
Operating Segments	Coalitions		ILS		Other Businesses		Eliminations		Consolidated	
Gross Billings from the sale of Loyalty Units	916.7	942.3	30.1	35.0	—	—	—	—	946.8	977.3
Gross Billings from Loyalty Services and Other	50.1	46.8	91.7	103.1	—	44.9	(0.9)	(1.1)	140.9	193.7
Total Gross Billings	966.8	989.1	121.8	138.1	—	44.9	(0.9)	(1.1)	1,087.7 ^(b)	1,171.0 ^(b)
Revenue from Loyalty Units	1,001.2	909.2	11.8	14.6	—	—	—	—	1,013.0	923.8
Revenue from Loyalty Services and Other	49.4	46.5	91.7	103.0	—	40.9	—	—	141.1	190.4
Intercompany revenue	0.9	—	—	—	—	1.1	(0.9)	(1.1)	—	—
Total revenue	1,051.5	955.7	103.5	117.6	—	42.0	(0.9)	(1.1)	1,154.1	1,114.2
Cost of rewards and direct costs	674.6	627.5	12.7	16.3	—	—	(0.5)	(0.4)	686.8	643.4
Depreciation and amortization ^(a)	145.5	122.0	11.9	7.3	—	0.4	—	—	157.4	129.7
Gross margin	231.4	206.2	78.9	94.0	—	41.6	(0.4)	(0.7)	309.9	341.1
Operating expenses before share-based compensation and other performance awards and impairment charges	189.2	215.9	111.0	124.8	—	58.4 ^(c)	(0.4)	(0.7)	299.8	398.4 ^(c)
Share-based compensation and other performance awards	1.8	(2.6)	1.8	(0.3)	—	—	—	—	3.6	(2.9)
Impairment charges ^(Note 16A)	—	—	8.0	—	—	—	—	—	8.0	—
Total operating expenses	191.0	213.3	120.8	124.5	—	58.4 ^(c)	(0.4)	(0.7)	311.4	395.5 ^(c)
Operating income (loss) ^(a)	40.4	(7.1)	(41.9)	(30.5)	—	(16.8) ^(c)	—	—	(1.5)	(54.4) ^(c)
Additions to non-current assets ^(d)	11.0	19.1	7.9	12.1	—	0.1	N/A	N/A	18.9	31.3
Non-current assets ^(d)	2,502.0	3,025.3 ^(f)	54.2	64.6	—	—	N/A	N/A	2,556.2 ^(e)	3,089.9 ^{(e)(f)}

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

- (a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.
- (b) Includes third party Gross Billings of \$965.9 million in Canada for the nine months ended September 30, 2018, compared to third party Gross Billings of \$989.1 million in Canada for the nine months ended September 30, 2017. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.
- (c) Includes the unfavourable impact of an onerous contract provision of \$20.3 million recorded during the nine months ended September 30, 2017 related to an IT outsourcing arrangement in the US.
- (d) Non-current assets include amounts relating to goodwill, intangible assets and property and equipment. Additions to non-current assets presented in the segmented information table relate to continuing operations only. The additions to non-current assets related to discontinued operations are presented in *Note 5*.
- (e) Includes non-current assets of \$2,501.8 million in Canada as of September 30, 2018, compared to non-current assets of \$2,677.5 million in Canada as of September 30, 2017.
- (f) Includes non-current assets related to the discontinued operations of \$347.7 million at September 30, 2017. At December 31, 2017, non-current assets related to the discontinued operations were presented as assets held for sale. The discontinued operations were disposed of on January 31, 2018 (*Note 5*).
- (g) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the nine months ended September 30, 2018 and September 30, 2017 is presented in the consolidated statements of operations.
- (h) 2017 financial information was restated to reflect the retroactive application of IFRS 15. Refer to the *Note 2* for additional information.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

4. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Aimia's top four major Accumulation Partners account for a significant percentage of Gross Billings. Since Aimia's revenues are recognized based on redemptions by members as opposed to the issuance of Loyalty Units to members by the Accumulation Partners, the information on major customers is based on total Gross Billings, which include proceeds from the sale of Loyalty Units and services rendered or to be rendered. Gross Billings for each Accumulation Partner represent the contracted amounts received or receivable from Accumulation Partners and customers during each period. Aimia's top four Accumulation Partners accounted for a significant percentage of Gross Billings as follows:

Operating segment		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
		%	%	%	%
TD	Coalitions	28	28	27	27
CIBC	Coalitions	17	17	17	16
Air Canada	Coalitions	18	17	18	17
AMEX	Coalitions	15	13	15	13

CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

Air Canada, including other Star Alliance Partners, is Aimia's largest Redemption Partner. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total cost of rewards and direct costs is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	%	%	%	%
Air Canada (and other Star Alliance Partners)	86	85	86	85

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aimia Canada Inc. (operator of the Aeroplan Program and wholly-owned subsidiary of Aimia) ("Aeroplan") and airlines other than Air Canada (Star Alliance Partners). Aeroplan has various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada. The following is a summary of the relevant financial terms of the most significant agreements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2017, Aeroplan is required to purchase reward travel seats amounting to approximately \$581.3 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

On May 11, 2017, Aimia received a formal notice of non-renewal from Air Canada pursuant to the terms of the CPSA. Unless the parties come to an alternative agreement or Air Canada withdraws such notice, the current agreement will expire on June 29, 2020.

Agreement in principle for acquisition of Aeroplan loyalty business

Air Canada, The Toronto-Dominion Bank ("TD"), Canadian Imperial Bank of Commerce ("CIBC"), Visa Canada Corporation ("Visa") (collectively, "the Consortium") and Aimia announced on August 21, 2018 that they have entered into an agreement in principle for the acquisition of Aimia's Aeroplan loyalty business. Refer to *Note 5* for additional information.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

FINANCIAL CARD AGREEMENTS

Amex Bank of Canada

Pursuant to an agreement effective May 11, 2018, Aimia and Amex Bank of Canada ("AMEX") extended the term of their existing agreements to June 29, 2020.

As a result, the estimated life of the AMEX Accumulation Partners' contract has been revised to reflect the change to the contractual term. The effect of this change on the amortization of accumulation partners' contracts for current and future accounting periods is presented in the following table.

Accounting period	Increase (decrease)
Three months ended June 30, 2018	(1.9)
Three months ended September 30, 2018	(2.8)
Three months ending December 31, 2018	(2.8)
Year ending December 31, 2019	5.0
Year ending December 31, 2020	2.5

5. DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISCONTINUED OPERATIONS

Nectar coalition loyalty program and related assets

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

The Corporation received gross consideration of \$104.3 million (£60.0 million). Offsetting this cash consideration was cash transferred to cover the Nectar Redemption Liability of \$182.7 million (£105.0 million) and net working capital of \$84.0 million (£48.3 million). The transaction was subject to customary working capital adjustments based on closing accounts. The amount owed to Sainsbury's related to working capital adjustments of \$20.5 million (£11.8 million) was accrued in the three months ended March 31, 2018, offsetting cash generated by the disposed business in January, and was paid in April 2018.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

On the basis of the status of the discussions between Aimia and Sainsbury's for the sale of the Nectar coalition loyalty program and related assets, an impairment charge of \$180.5 million (included in net loss from discontinued operations in the consolidated statement of operations) was recorded during the fourth quarter of 2017 to reduce the carrying amount of the disposal group to its fair value less costs of disposal. The impairment charge was applied to reduce the carrying amount of goodwill within the disposal group.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
		(Note 2)		(Note 2)
Results of the discontinued operations				
Gross Billings from the sale of Loyalty Units	—	86.7	25.7	266.1
Gross Billings from Loyalty Services and Other	—	5.7	1.5	19.7
Total Gross Billings	—	92.4	27.2	285.8
Revenue from Loyalty Units	—	12.0	6.5	43.4
Revenue from Loyalty Services and Other	—	5.8	1.5	19.8
Intercompany revenue	—	—	—	—
Total revenue	—	17.8	8.0	63.2
Cost of rewards and direct costs	—	0.7	—	5.0
Depreciation and amortization ^(a)	—	2.6	—	8.2
Gross margin	—	14.5	8.0	50.0
Total operating expenses	—	15.8	4.6	44.6
Operating income	—	(1.3)	3.4	5.4
Gain on disposal of businesses and other assets	—	—	5.4	—
Net financial income (expenses)	—	0.2	(1.7)	(0.1)
Share of net earnings of equity-accounted investments	—	2.7	0.5	5.3
Income tax recovery	—	0.6	—	2.3
Net earnings from discontinued operations	—	2.2	7.6	12.9

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net cash flows of discontinued operations				
Cash flows from (used in):				
Operating activities	—	24.6	15.3	(10.7)
Investing activities - Additions to property, equipment, software and technology	—	(1.5)	—	(4.8)
Investing activities - Net payments for the disposal of businesses and other assets	—	—	(187.6)	—
Total	—	23.1	(172.3)	(15.5)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

DISPOSAL OF BUSINESSES AND OTHER ASSETS

Canadian Air Miles trademarks

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

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

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

Prior to their disposal, the royalty revenue and the asset related to the Canadian Air Miles trademarks were included within Other Businesses (*Note 3*).

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

U.S. CEL business

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

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

Prior to their disposal, the assets and liabilities related to the U.S. CEL business were included within Other Businesses (*Note 3*).

New Zealand business

On May 8, 2017, Aimia sold its New Zealand business for a negligible consideration. The net assets on the disposal date, representing an amount of \$0.2 million, included cash and cash equivalents of \$2.1 million. As a result of the sale, the cumulative translation adjustments related to the New Zealand business, representing an amount of \$1.0 million, were reclassified to net earnings. Prior to their disposal, the assets and liabilities related to the New Zealand business were included within Other Businesses (*Note 3*).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

AGREEMENT IN PRINCIPLE FOR ACQUISITION OF AEROPLAN LOYALTY BUSINESS

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

The aggregate purchase price consists of \$450.0 million in cash and is on a cash-free, debt-free basis and includes the assumption of the Aeroplan Miles liability.

At September 30, 2018, the transaction was subject to the satisfactory conclusion of definitive transaction documents, Aimia shareholder approval, and other conditions, including the completion of due diligence, receipt of regulatory approvals and completion by the Consortium of credit card loyalty program and network agreements for future participation in Air Canada's new loyalty program. As a result, the Aeroplan loyalty business did not meet the criteria for presentation as held for sale at September 30, 2018, and accordingly, did not qualify for discontinued operations classification.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

6. EARNINGS (LOSS) PER COMMON SHARE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net earnings (loss) attributable to equity holders of the Corporation	21.7	(40.3)	54.2	(55.8)
Deduct: Dividends declared on preferred shares (<i>Note 13</i>)	—	—	—	(8.5)
Deduct: Cumulative undeclared dividends on preferred shares related to the period (<i>Note 13</i>)	(4.4)	(4.2)	(13.1)	(4.2)
Net earnings (loss) attributable to common shareholders	17.3	(44.5)	41.1	(68.5)
Weighted average number of basic and diluted common shares	152,307,196	152,307,196	152,307,196	152,302,863
Earnings (loss) per common share – Basic and fully diluted	\$ 0.11	\$ (0.29)	\$ 0.27	\$ (0.45)
Continuing operations - Basic and fully diluted	\$ 0.11	\$ (0.31)	\$ 0.22	\$ (0.53)
Discontinued operations - Basic and fully diluted	0.00	0.02	0.05	0.08

7. LONG-TERM INVESTMENTS

	September 30,	December 31,
	2018	2017
Investments in equity instruments ^(a)	99.4	52.0
Investment in corporate and government bonds ^(b)	155.0	207.1
Total	254.4	259.1

(a) Includes the investment in Cardlytics at September 30, 2018 and December 31, 2017 (*Note 15*).

(b) The investment in corporate and government bonds amounted to \$260.0 million at September 30, 2018 (December 31, 2017: \$272.3 million) of which \$105.0 million was classified as short-term investments (December 31, 2017: \$65.2 million) and \$155.0 million as long-term investments (December 31, 2017: \$207.1 million).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

8. EQUITY-ACCOUNTED INVESTMENTS

As at	September 30,		December 31,	
	2018		2017	
Investment in PLM Premier, S.A.P.I. de C.V. ^(a)	94.2		82.5	
Other equity-accounted investments in joint ventures ^(b)	16.7		17.2	
Total	110.9		99.7	

- (a) During the three and nine months ended September 30, 2018, Aimia received distributions from PLM of \$4.5 million million (US\$3.4 million) and \$13.3 million (US\$10.2 million), respectively, compared to distributions of \$4.2 million (US\$3.4 million) and \$13.3 million (US\$10.2 million) for the three and nine months ended September 30, 2017, respectively.
- (b) During the three and nine months ended September 30, 2018, Aimia received distributions from equity-accounted investments in joint ventures of \$0.9 million, compared to distributions of \$1.3 million and \$7.0 million for the three and nine months ended September 30, 2017, respectively. These amounts included distributions from i2c of \$1.3 million and \$5.0 million for the three and nine months ended September 30, 2017, respectively. At December 31, 2017, the carrying amount of the investment in i2c was presented in assets held for sale. On January 31, 2018, the investment in i2c was disposed of as part of the sale of the Nectar coalition loyalty program and related assets.

Share of net earnings (loss) of equity-accounted investments	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Investment in PLM Premier, S.A.P.I. de C.V.	7.7	4.3	22.7	17.8
Other equity-accounted investments in joint ventures	0.3	(0.1)	0.3	(0.9)
Equity-accounted investments in associates ^(a)	—	—	—	2.7
Total	8.0	4.2	23.0	19.6

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

9. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

As at	Loyalty Units		Loyalty Services and Other		Total	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Opening balance	3,236.2	3,204.2	10.0	38.7	3,246.2	3,242.9
Loyalty Units issued – Gross Billings	946.8	1,314.2	—	—	946.8	1,314.2
Other – Gross Billings	—	—	140.9	242.5	140.9	242.5
Revenue recognized	(1,013.0)	(1,231.6)	(141.1)	(239.7)	(1,154.1)	(1,471.3)
Cost of rewards - Air Miles Middle East program ^(a)	(22.7)	(34.7)	—	—	(22.7)	(34.7)
Deferred revenue relating to the disposal of businesses (Note 5)	(243.4)	—	(4.6)	(22.4)	(248.0)	(22.4)
Gross Billings related to discontinued operations (Note 5)	25.7	409.1	1.5	23.8	27.2	432.9
Revenue related to discontinued operations (Note 5)	(6.5)	(94.4)	(1.5)	(23.9)	(8.0)	(118.3)
Cost of rewards related to discontinued operations - Nectar program (Note 5) ^(a)	(23.0)	(333.5)	—	—	(23.0)	(333.5)
Foreign currency and other adjustments	9.2	2.9	1.6	(9.0)	10.8	(6.1)
Ending balance	2,909.3	3,236.2	6.8	10.0	2,916.1	3,246.2
Represented by:						
Current portion	1,299.5	1,280.7	6.8	5.5	1,306.3	1,286.2
Held for sale	—	239.3	—	4.4	—	243.7
Long-term	1,609.8	1,716.2	—	0.1	1,609.8	1,716.3

- (a) Gross Billings from the sale of loyalty units are deferred until the loyalty units are redeemed and the reward is provided to the member. With respect to the Air Miles Middle East program (and the Nectar program until its disposal), Aimia has determined that it acted as an agent in the delivery of the rewards to the members for the three and nine months ended September 30, 2018 and for the year ended December 31, 2017, therefore, the expenses charged by the suppliers are recorded against the deferred revenue, with only the margin being recognized as revenue.

MEASUREMENT UNCERTAINTY

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the revenue has been recognized or deferred and for which no liability has been recorded. The potential redemption cost for such Loyalty Units is estimated to be \$592.9 million at September 30, 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

At September 30, 2018, the Corporation does not have historical data on the Aeroplan Program without Air Canada as a partner. Accordingly, while Air Canada will remain a partner of the Aeroplan Program on its current terms until June 2020, the model used to estimate Breakage cannot accurately project expected member behaviour based on this expected change to the Aeroplan Program after June 2020 or any changes to member behaviour following Air Canada's announcement of non-renewal. Management has reviewed the activity within the Aeroplan Program since the date of the non-renewal notice of Air Canada's participation in the Aeroplan program and compared it to historical patterns. Although we have seen an increase in redemption since the Air Canada non-renewal announcement, considering all information available and analysis performed to date, management considers that the Breakage estimate remains adequate at this time.

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 \$169.0 million for the period in which the change occurred, with \$155.8 million relating to prior years and \$13.2 million relating to the current nine month period.

10. PROVISIONS

	Card Migration Provision	Onerous Contract Provision	Total
Balance at December 31, 2016	5.4	—	5.4
Provision recorded during the year	—	20.3	20.3
Provision used during the year	(1.0)	(1.8)	(2.8)
Provision reversed during the year	(2.0)	—	(2.0)
Foreign exchange translation adjustment	—	(1.3)	(1.3)
Balance at December 31, 2017	2.4	17.2	19.6
Provision recorded during the period	—	—	—
Provision used during the period	(1.0)	(2.5)	(3.5)
Provision reversed during the period	(1.0)	—	(1.0)
Foreign exchange translation adjustment	—	0.4	0.4
Balance at September 30, 2018	0.4	15.1	15.5
Represented by:			
Current portion	0.4	3.0	3.4
Long-term portion	—	12.1	12.1

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

ASSET PURCHASE AGREEMENT

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

At December 31, 2016, the provision amounted to \$5.4 million. During the first quarter of 2017, an amount of \$1.0 million was paid by Aimia, representing the payment relating to the 2016 calendar year in accordance with the terms of the migration agreement. During the third quarter of 2017, based on actual card migration data and management's estimate of migration patterns going forward, the Card Migration Provision was reduced by an amount of \$2.0 million. The adjustment was recorded as a reduction to general and administrative expenses.

During the first quarter of 2018, an amount of \$1.0 million was paid by Aimia, representing the payment relating to the 2017 calendar year in accordance with the terms of the migration agreement. Based on actual card migration data and management's estimate of migration patterns going forward, the Card Migration Provision was reduced by \$0.7 million and \$0.3 million in the second and third quarters of 2018, respectively. The adjustments were recorded as a reduction to general and administrative expenses.

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

ONEROUS CONTRACT PROVISION

Upon the disposal the U.S. CEL Business (*Note 5*), the costs under an IT outsourcing arrangement in the US were considered onerous as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As a result, a provision of \$20.3 million was recorded during the second quarter of 2017 in general and administrative expenses. The provision represents the remaining payments to be made under the arrangement in the US until May 2025.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

11. LONG-TERM DEBT

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

	Authorized at September 30, 2018	Drawn at September 30, 2018	Drawn at December 31, 2017
Revolving facility ^{(a)(d)}	208.0	69.8	200.0
Senior Secured Notes Series 4 ^(b)	N/A	250.0	250.0
Unamortized transaction costs ^(c)	N/A	(0.3)	(0.7)
Total long-term debt		319.5	449.3
Less: current portion ^{(a)(b)}		268.8	—
Long-term debt		50.7	449.3

- (a) In connection with the consent required for the release of one of Aimia's subsidiary guarantors under its credit agreement, Aimia reduced its overall debt level with a \$100.0 million repayment made at closing of the Nectar transaction (*Note 5*) on January 31, 2018. The overall size of the facility was also reduced to \$208.0 million. Depending on the Corporation's credit ratings, the interest rates applicable to the revolving facility range between Canadian prime rate plus 1.00% to 2.00% and the Bankers' Acceptances and LIBOR rates plus 2.00% to 3.00%. In addition, Aimia has agreed to other amendments to its credit agreement which are described later in this note.

In May and August 2018, repayments of \$20.2 million and \$10.0 million, respectively, were made on the revolving facility, representing 50% of the reported free cash flow in the first quarter and second quarter of 2018. Based on the reported free cash flow in the third quarter of 2018, Aimia will repay an amount of \$18.8 million, representing 50% of the reported free cash flow in the quarter, on its revolving facility in November 2018.

At September 30, 2018, amounts borrowed under the revolving facility were primarily in the form of Bankers' Acceptances, bearing an interest rate of 4.70%.

Aimia has issued irrevocable letters of credit in the aggregate amount of \$8.9 million. This amount reduces the available credit under the revolving facility.

- (b) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of \$250.0 million. These notes were issued with a coupon interest of 5.60% per annum, subject to adjustment depending on the Corporation's credit ratings, payable semi-annually in arrears on May 17 and November 17 of each year, commencing November 17, 2012, and mature on May 17, 2019. As a result of credit rating downgrades by DBRS and S&P in August 2017, the notes currently bear interest at 6.85% per annum.
- (c) Long-term debt is presented net of unamortized transaction costs.
- (d) The issued Senior Secured Notes Series 5, in the principal amount of \$200.0 million bearing interest at 4.35% per annum, were early redeemed on June 12, 2017 with cash drawn from the revolving facility. Additionally, Aimia paid interest accrued on the Senior Secured Notes Series 5 up to repayment date, representing \$3.4 million, as well as an early redemption premium of \$3.6 million, during the second quarter of 2017.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

In addition to the repayment of \$100.0 million on the revolving facility and the overall reduction of the size of the revolving facility, Aimia agreed to certain amendments to the credit agreement, which include:

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

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

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

The following table illustrates the financial ratios calculated as at September 30, 2018 on a trailing twelve-month basis:

Ratio	Result	Test
Leverage	1.64	≤ 2.75
Debt service ^(a)	(1.06)	≤ 2.00
Interest coverage	11.88	≥ 3.00

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

12. CONTINGENT LIABILITIES

GUARANTEES AND INDEMNIFICATIONS

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

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At September 30, 2018, Aimia's maximum exposure under such guarantees was estimated to amount to \$2.7 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

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

CLASS ACTIONS

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

The estimated costs associated with the set amount of Aeroplan miles to be deposited referred to above are accrued in the Corporation's financial statements.

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

On December 17, 2014, Aimia was served with two motions for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. These proceedings seek reimbursement of fuel surcharges paid by Aeroplan members since December 12, 2011 when redeeming miles for flights operated by Air Canada, Air Canada Rouge and Air Canada Express within North America, and the reimbursement of airport improvement fees paid by Aeroplan members since December 15, 2011 when redeeming miles for flights departing from a number of Canadian airports, as well as \$100 in punitive damages for each class member in each action. On June 10, 2015, Aimia was served with another motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. This proposed proceeding seeks reimbursement of passenger charges paid by Aeroplan members since June 9, 2012 when redeeming miles for Air Canada flight tickets with segments departing from a number of airports in Europe and Japan, as well as \$100 in punitive damages for each class member.

These three motions were heard concurrently on February 24, 2017. In judgments rendered on July 11, 2017, the Superior Court of Quebec authorized the motions for the petitioners to bring class actions. These motions were the first procedural step before any class action could be instituted.

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

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

OTHER CLAIMS AND LITIGATION

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

13. DIVIDENDS

As communicated on June 14, 2017, the Corporation is prohibited from paying dividends declared on May 10, 2017 originally scheduled to have been paid on June 30, 2017, as well as declaring any further dividends on any of the outstanding common shares or preferred shares, based on Aimia's determination that the capital impairment test set forth in paragraph 42(b) of the *Canada Business Corporations Act* (the "CBCA") would not be satisfied.

At September 30, 2018, the dividends declared but not paid to common and preferred shareholders of record at June 16, 2017 are presented in pension and other long-term liabilities. In addition, cumulative preferred dividends not declared and not recorded at September 30, 2018 amounted to \$21.6 million.

Quarterly dividends declared to common shareholders of Aimia during the nine months ended September 30, 2017 were as follows:

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

Quarterly dividends declared to preferred shareholders of Aimia during the nine months ended September 30, 2017 were as follows:

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

14. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

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

Year ending December 31,	
2018	2.5
2019 to 2022	30.0
Thereafter	29.7
Total	62.2

B) OPERATING COMMITMENTS AND OTHER

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

Technology infrastructure and other	122.7
Marketing support and other	112.0

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

15. 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.

		September 30,	December 31,
	Hierarchy	2018	2017
Financial assets			
Investments in equity instruments (<i>Note 7</i>)	Levels 1 & 3	99.4	52.0
Contingent consideration receivable (<i>Note 5</i>)	Level 3	—	5.3

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

Since the first quarter of 2018, the fair value of the investment in equity instruments of Cardlytics is based on the quoted market value for the publicly traded equity securities following Cardlytics's initial public offering on February 9, 2018. During the three and nine months ended September 30, 2018, fair value gains of \$12.7 million and \$46.5 million, respectively, have been recorded in the consolidated statements of operations related to the investment in Cardlytics.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

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

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

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

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

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

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

	Hierarchy	September 30, 2018		December 31, 2017	
		Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	260.0	258.3	272.3	272.4
Long-term debt (including current portion)	Levels 1 & 3	319.5	321.8	449.3	435.1

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

16. ADDITIONAL FINANCIAL INFORMATION

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

A) STATEMENTS OF FINANCIAL POSITION

INTANGIBLE ASSETS

	September 30,	December 31,
	2018	2017
Accumulation partners' contracts and customer relationships (<i>Note 4</i>)	470.8	586.0
Software and technology	99.2	124.5
Trade names	283.6	283.7
Other intangibles	—	0.1
Total	853.6	994.3

Impairment charge related to the International ISS business

During the second quarter of 2018, the Corporation recorded an impairment charge of \$8.0 million relating to the International ISS business. The impairment charge has been recorded against the software and technology assets and is presented in impairment charges in the consolidated statement of operations.

The International ISS business cash-generating unit has been tested for impairment given delays in the execution of management's business plan. As a result, projected Gross Billings and Adjusted EBITDA have been reduced, resulting in lower projected cash flows.

The recoverable amount of the International ISS cash-generating units in the second quarter of 2018 was based on a fair value less costs of disposal calculation. The valuation technique is classified as level 3 in accordance with the fair value hierarchy described in *Note 15*. For more information, and for a complete description of fair value less costs of disposal calculation methodology, please refer to the Corporation's audited annual consolidated financial statements for the year ended December 31, 2017.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

RESTRUCTURING LIABILITIES

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

	Divisional structure	Other restructuring	Total
Balance at December 31, 2016	3.5	1.5	5.0
Liability recorded during the year	23.9	0.4	24.3
Payments made during the year	(20.6)	(1.0)	(21.6)
Liability disposed during the year (Note 5)	(0.2)	(0.8)	(1.0)
Foreign exchange translation adjustment	0.3	—	0.3
Balance at December 31, 2017	6.9	0.1	7.0
Liability recorded during the period	12.5	—	12.5
Payments made during the period	(17.7)	(0.1)	(17.8)
Liability relating to the disposal of businesses	—	—	—
Foreign exchange translation adjustment	(0.3)	—	(0.3)
Balance at September 30, 2018	1.4	—	1.4

Restructuring expenses recorded during the three and nine months ended September 30, 2018 and 2017 for each segment are presented below:

Segment	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Divisional structure	Other restructuring	Total	Divisional structure	Other restructuring	Total
Coalitions	0.5	—	0.5	8.2	—	8.2
ILS	0.5	—	0.5	1.8	0.1	1.9
Discontinued operations	—	—	—	1.0	—	1.0
Other Businesses	—	—	—	0.1	—	0.1
Total	1.0	—	1.0	11.1	0.1	11.2

Segment	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Divisional structure	Other restructuring	Total	Divisional structure	Other restructuring	Total
Coalitions	10.8	—	10.8	12.3	—	12.3
ILS	1.3	—	1.3	3.3	0.2	3.5
Discontinued operations	0.4	—	0.4	1.6	—	1.6
Other Businesses	—	—	—	0.3	0.4	0.7
Total	12.5	—	12.5	17.5	0.6	18.1

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

B) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Restricted cash	3.2	(0.3)	(0.8)	—
Accounts receivable	(1.7)	(0.3)	2.3	39.2
Inventories	(0.1)	(1.2)	3.1	0.9
Prepaid expenses	5.0	5.6	(14.0)	(5.4)
Accounts payable and accrued liabilities	0.2	(22.3)	50.3	(114.2)
Customer deposits	0.6	2.0	(2.0)	16.7
Provisions	(0.8)	(2.9)	(3.6)	16.4
Pension and other long-term liabilities	(4.2)	0.5	(9.1)	(5.9)
Deferred revenue	(18.5)	43.1	(91.8)	88.3
Total	(16.3)	24.2	(65.6)	36.0

C) STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

INCOME TAX EFFECTS

The defined benefit plan's actuarial gains (losses) for the three and nine months ended September 30, 2018 were net of deferred income tax (expenses) of \$(1.7) million and \$(3.2) million, respectively, compared to deferred income tax (expenses) recoveries of \$(0.2) million and \$1.5 million for the three and nine months ended September 30, 2017, respectively.