TRANSAT A.T. INC.
FIRST QUARTERLY REPORT
Period ended January 31, 2017

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MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of Transat A.T. Inc.'s operations, performance and financial position for the quarter ended January 31, 2017, compared with the quarter ended January 31, 2016, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2016 and the accompanying notes and the 2016 Annual Report, including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a first-quarter update to the information contained in the MD&A section of our 2016 Annual Report. The risks and uncertainties set out in the MD&A of the 2016 Annual Report are herein incorporated by reference and remain unchanged. The information contained herein is dated as of March 15, 2017. You will find more information about us on Transat's website at www.transat.com and on SEDAR at www.sedar.com, including the Attest Reports for the quarter ended January 31, 2017 and the Annual Information Form for the year ended October 31, 2016.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). We occasionally refer to non-IFRS financial measures in the MD&A. See the Non-IFRS financial measures section for more information. All dollar figures in this MD&A are in Canadian dollars unless otherwise indicated. The terms "Transat," "we," "us," "our" and the "Corporation" mean Transat A.T. Inc. and its subsidiaries, unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "would," the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, extreme weather conditions, fuel prices, armed conflicts, terrorist attacks, general industry, market and economic conditions, disease outbreaks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, labour relations, collective bargaining and labour disputes, pension issues, exchange and interest rates, availability of financing in the future, statutory changes, adverse regulatory developments or procedures, pending litigation and actions by third parties, and other risks detailed from time to time in the Corporation's continuous disclosure documents.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The Corporation made a number of assumptions in making forward-looking statements in this MD&A such as certain economic, market, operational and financial assumptions and assumptions about transactions and forward-looking statements.

Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.
- The outlook whereby the Corporation expects the impact of the weakened Canadian dollar, added to the increase in fuel costs, to be a 3.3% increase in operating costs on the sun destinations market for the second quarter, compared with the same period last year.
- The outlook whereby the Corporation expects the impact of higher fuel costs, combined with currency variations, to result in an increase in operating costs of 1.7% on the transatlantic market for the second quarter, compared with the same period last year.
- The outlook whereby second-quarter resultats may show slight improvement over those of last year.

- The outlook whereby the Corporation expects that for the summer season, the impact of increased fuel cost combined with currency fluctuation will not result in any increase of operating expenses.

In making these statements, the Corporation has assumed, among other things, that travellers will continue to travel, that credit facilities will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year and that fuel prices, foreign exchange rates and hotel and other destination-based costs will remain steady. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this MD&A.

The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance, speak only as of the date this MD&A is issued, and represent the Corporation's expectations as of that date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

NON-IFRS FINANCIAL MEASURES

This MD&A was prepared using results and financial information determined under IFRS. In addition to IFRS financial measures, management uses non-IFRS measures to assess the Corporation's operational performance. It is likely that the non-IFRS financial measures used by the Corporation will not be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions. The measures used by the Corporation are furnished to provide additional information and should not be considered in isolation or as a substitute for IFRS financial performance measures.

Generally, a non-IFRS financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures are important as they provide users of our consolidated financial statements with a better understanding of the results of our recurring operations and their related trends, while increasing transparency and clarity into our operating results. Management also believes these measures to be useful in assessing the Corporation's capacity to discharge its financial obligations.

By excluding from results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect the Corporation's operating performance for the period, such as the change in fair value of fuel-related derivatives and other derivatives, restructuring charges, impairment of goodwill, depreciation and amortization and other significant unusual items, we believe this MD&A helps users to better analyze the Corporation's results and ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

The non-IFRS measures used by the Corporation are as follows:

Adjusted operating income (loss)	Operating income (loss) before depreciation and amortization expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the items mentioned previously to ensure better comparability of financial results.
Adjusted pre-tax income (loss)	Income (loss) before income tax expense before change in fair value of fuel-related derivatives and other derivatives, gain (loss) on disposal of a subsidiary, restructuring charge, lump-sum payments related to collective agreements, asset impairment and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the items mentioned previously to ensure better comparability of financial results.
Adjusted net income (loss)	Net income (loss) attributable to shareholders before net income (loss) from discontinued operations, change in fair value of fuel-related derivatives and other derivatives, gain (loss) on disposal of a subsidiary, restructuring charge, lump-sum payments related to collective agreements, asset impairment and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the items mentioned previously to ensure better comparability of financial results. Adjusted net income (loss) is also used in calculating the variable compensation of employees and senior executives.
Adjusted net income (loss) per share	Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.
Adjusted operating leases	Aircraft rental expense for the past four quarters multiplied by 5.
Total debt	Long-term debt plus the amount for adjusted operating leases. Management uses total debt to assess the Corporation's debt level, future cash needs and financial leverage ratio. Management believes this measure is useful in assessing the Corporation's capacity to discharge its current and future financial obligations.
Total net debt	Total debt (described above) less cash and cash equivalents. Total net debt is used to assess the cash position with respect to the Corporation's debt level. Management believes this measure is useful in assessing the Corporation's capacity to discharge its current and future financial obligations.

The following tables reconcile the non-IFRS financial measures to the most comparable IFRS financial measures:

(in thousands of Canadian dollars, except per share amounts)	Quarters ended January 31	
	2017 $	2016 $
Operating income (loss)	(50,671)	(40,541)
Depreciation and amortization	14,206	11,506
Premium related to fuel-related derivatives and other derivatives matured during the period	(614)	(2,647)
Adjusted operating income (loss)	(37,079)	(31,682)
Income (loss) before income tax expense	(45,111)	(72,056)
Change in fair value of fuel-related derivatives and other derivatives	(4,804)	34,088
Premium related to fuel-related derivatives and other derivatives matured during the period	(614)	(2,647)
Adjusted pre-tax income (loss)	(50,529)	(40,615)
Net income (loss) attributable to shareholders	(32,073)	(61,155)
Net income (loss) from discontinued operations	—	7,762
Change in fair value of fuel-related derivatives and other derivatives	(4,804)	34,088
Premium related to fuel-related derivatives and other derivatives matured during the period	(614)	(2,647)
Tax impact	1,452	(8,426)
Adjusted net income (loss)	(36,039)	(30,378)
Adjusted net income (loss)	(36,039)	(30,378)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	36,883	37,260
Adjusted net income (loss) per share	(0.98)	(0.82)

	As at January 31, 2017 $	As at October 31, 2016 $
Aircraft rent for the past four quarters	139,641	135,813
Multiple	5	5
Adjusted operating leases	698,205	679,065
Long-term debt	—	—
Adjusted operating leases	698,205	679,065
Total debt	698,205	679,065
Total debt	698,205	679,065
Cash and cash equivalents	(454,827)	(363,664)
Total net debt	243,378	315,401

FINANCIAL HIGHLIGHTS

	Quarters ended January 31			
(in thousands of Canadian dollars, except per share amounts)	2017 $	2016 $	Difference $	Difference %
Consolidated Statements of Income (Loss)				
Revenues	689,332	725,723	(36,391)	(5.0)
Operating income (loss)	(50,671)	(40,541)	(10,130)	(25.0)
Net income (loss) attributable to shareholders	(32,073)	(61,155)	29,082	47.6
Basic earnings (loss) per share	(0.87)	(1.64)	0.77	47.0
Diluted earnings (loss) per share	(0.87)	(1.64)	0.77	47.0
Adjusted operating income (loss)[1]	(37,079)	(31,682)	(5,397)	(17.0)
Adjusted net income (loss)[1]	(36,039)	(30,378)	(5,661)	(18.6)
Adjusted net income (loss) per share[1]	(0.98)	(0.82)	(0.16)	(19.5)
Consolidated Statements of Cash Flows				
Operating activities	116,383	134,255	(17,872)	(13.3)
Investing activities	(24,286)	(15,786)	(8,500)	(53.8)
Financing activities	(357)	(4,674)	4,317	92.4
Effect of exchange rate changes on cash and cash equivalents	(577)	(241)	(336)	(139.4)
Net change in cash and cash equivalents	91,163	113,554	(22,391)	(19.7)

	As at January 31, 2017 $	As at October 31, 2016 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	454,827	363,664	91,163	25.1
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	379,096	338,581	40,515	12.0
	833,923	702,245	131,678	18.8
Total assets	1,481,076	1,277,420	203,656	15.9
Long-term debt	—	—	—	—
Total debt[1]	698,205	679,065	19,140	2.8
Total net debt[1]	243,378	315,401	(72,023)	(22.8)

[1] SEE NON-IFRS FINANCIAL MEASURES

OVERVIEW

CORE BUSINESS

Transat is an integrated international tour operator. We operate solely in the holiday travel industry and market our services in the Americas and Europe. As a tour operator, Transat's core business consists in developing and marketing holiday travel services in package and air-only formats. We operate as both an outgoing and incoming tour operator by bundling services purchased in Canada and abroad and reselling them primarily in Canada, France, the U.K. and in ten other European countries, directly or through intermediaries, as part of a multi-channel strategy. Transat is also a retail distributor, both online and through travel agencies, some of which it owns. Transat relies on its subsidiary Air Transat for a significant portion of its needs, but also deals with other air carriers as needed. Transat offers destination services to Canada, Mexico, the Dominican Republic and Jamaica. Transat holds an interest in a hotel business which owns, operates or manages properties in Mexico, Cuba and the Dominican Republic.

VISION

As a leader in holiday travel, Transat intends to pursue growth by inspiring trust in travellers and by offering them an experience that is exceptional, heart-warming and reliable. Our customers are our primary focus, and sustainable development of tourism is our passion. We intend to expand our business to other countries where we see high growth potential for an integrated tour operator specializing in holiday travel.

STRATEGY

To deliver on its vision, the Corporation has considerably improved the effectiveness of its airline operations and launched technological initiatives to improve its efficiency as a distributor. The strategy also includes entry into new source markets and the launch of new destinations, targeting new markets for its traditional destinations and increasing its buying power for these routes. Alongside these initiatives, Transat intends to leverage targeted technology investments and efficiency gains to improve its operating income and maintain or grow market share in all its markets. Given the growing strategic importance of sustainable development in the holiday and air travel industries, Transat has undertaken to adopt avant-garde policies on corporate responsibility and sustainable tourism.

For fiscal 2017, Transat has set the following objectives at the beginning of the fiscal year:

1. Increase the competitiveness of our distribution, notably by reinforcing our product offering and network, continuing to increase our controlled sales and client intimacy and optimizing our revenue management.

2. Continue to improve Air Transat's operational efficiency and plan for the optimization and renewal of our fleet.

3. Increase our presence in hotels and acquire more hotel management competencies.

4. Pursue our cost reduction and unit margin improvement initiatives.

5. Continue working on employee engagement.

Our key performance drivers are adjusted operating income (loss), market share, and revenue growth, which are essential to successfully implement our strategy and meet our objectives.

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives. Our financial resources consist primarily of cash not held in trust or otherwise reserved and the undrawn balances of our credit facilities. Our non-financial resources include our brand, structure, employees and relationships with suppliers.

ACQUISITION OF A SUBSIDIARY

On December 21, 2016, upon exercise of a put option by the minority shareholder in the subsidiary Jonview Canada Inc., the Corporation completed the purchase of 19.93% of the shares of its subsidiary Jonview Canada Inc., which has an incoming tour operator business in Canada, thereby bringing its interest in the subsidiary to 100%. The cash consideration totalled $5.0 million, being the fair value of the put option at the time of the transaction. Also, the non-controlling interest item was derecognized without any impact being recognized in the consolidated statements of loss.

DISCONTINUED OPERATIONS

On October 31, 2016, the Corporation completed the sale of its tour operating businesses in France (Transat France) and Greece (Tourgreece) for an amount of €63.4 million ($93.3 million) to TUI AG, a multinational tourism company. On January 27, 2017, TUI AG confirmed that the purchase price will not be subject to any working capital adjustments after the final closing and audit of accounts.

As at January 31, 2016, the tour operating businesses in France and Greece were not identified as discontinued operations or as assets held for sale. Accordingly, the comparative consolidated statements of loss and comprehensive loss were restated to report discontinued operations separately from continuing operations.

The disposal of Transat France and Tourgreece has no impact on Transat's transatlantic program or on Air Transat's operations.

CONSOLIDATED OPERATIONS

	Quarters ended January 31			
(in thousands of dollars)	2017 $	2016 $	Difference $	Difference %
Continuing operations				
Revenues	689,332	725,723	(36,391)	(5.0)
Costs of providing tourism services	372,006	409,413	(37,407)	(9.1)
Salaries and employee benefits	89,677	85,191	4,486	5.3
Aircraft fuel	63,706	61,410	2,296	3.7
Aircraft maintenance	42,800	39,953	2,847	7.1
Aircraft rent	36,103	32,275	3,828	11.9
Airport and navigation fees	24,104	24,808	(704)	(2.8)
Commissions	28,791	28,986	(195)	(0.7)
Other air costs	42,754	43,777	(1,023)	(2.3)
Other	29,439	30,877	(1,438)	(4.7)
Share of net income of an associate	(3,583)	(1,932)	(1,651)	85.5
Depreciation and amortization	14,206	11,506	2,700	23.5
Operating expenses	740,003	766,264	(26,261)	(3.4)
Operating income (loss)	(50,671)	(40,541)	(10,130)	(25.0)
Financing costs	444	386	58	15.0
Financing income	(1,757)	(1,781)	24	(1.3)
Change in fair value of fuel-related derivatives and other derivatives	(4,804)	34,088	(38,892)	(114.1)
Foreign exchange loss (gain) on non-current monetary items	557	(1,178)	1,735	147.3
Income (loss) before income tax expense	(45,111)	(72,056)	26,945	37.4
Income taxes (recovery)				
Current	(14,937)	(12,651)	(2,286)	(18.1)
Deferred	880	(7,364)	8,244	112.0
	(14,057)	(20,015)	5,958	29.8
Net income (loss) from continuing operations	(31,054)	(52,041)	20,987	40.3
Discontinued operations				
Net income (loss) from discontinued operations	—	(7,762)	7,762	100.0
Net income (loss) for the period	(31,054)	(59,803)	28,749	48.1
Net income (loss) attributable to:				
Shareholders	(32,073)	(61,155)	29,082	47.6
Non-controlling interests	1,019	1,352	(333)	(24.6)
	(31,054)	(59,803)	28,749	48.1

REVENUES

We derive our revenues from outgoing tour operators, air transportation, travel agencies, distribution, incoming tour operators and services at travel destinations.

Revenues for the quarter ended January 31, 2017 were down $36.4 million (5.0%) compared with 2016. The decrease resulted primarily from a 3.5% decline in total travellers to sun destinations, our main market for the period, due to our decision to reduce our product offering by 5.2% in this market during the quarter and to the higher proportion of flights sold without a land portion compared with 2016. In the transatlantic market, we increased our product offering by 10.1%, leading to a 4.4% increase in total travellers. Average selling prices increased in the sun destinations market but decreased in the transatlantic market.

OPERATING EXPENSES

Total operating expenses were down $26.3 million (3.4%) for the quarter compared with 2016. The decrease resulted primarily from a decline in total travellers, due to our decision to reduce our product offering in the sun destinations market, and to the higher proportion of flights sold without a land portion compared with 2016. Although the dollar strengthened against the U.S. dollar, the Corporation was unable to fully benefit from this increase given the currency hedging program in place; this foreign exchange effect resulted in an increase in operating expenses.

COSTS OF PROVIDING TOURISM SERVICES

Costs of providing tourism services are incurred by our tour operators. They include hotel room costs and the cost of booking blocks of seats or full flights with carriers other than Air Transat. The $37.4 million decrease (9.1%) resulted from the addition of two Airbus A330s and a Boeing 737 to our fleet compared with 2016, which led to a decrease in the Corporation's flight purchases from air carriers other than Air Transat, the decline in our product offering in the sun destinations market during the season and to the higher proportion of flights sold without a land portion compared with 2016.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits rose $4.5 million (5.3%) to $89.7 million for the quarter ended January 31, 2017. The increase resulted primarily from the hiring of pilots and mechanics following the addition of Airbus A330 and Boeing 737 to our aircraft fleet, and annual salary reviews.

AIRCRAFT FUEL

Aircraft fuel expense rose $2.3 million (3.7%) during the quarter. Although the dollar strengthened against the U.S. dollar (fuel is paid mainly in U.S. dollars), the Corporation was unable to fully benefit from this increase given the currency hedging program in place; this foreign exchange effect resulted in an increase in the fuel expense.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat. Compared with 2016, these expenses rose $2.8 million (7.1%) during the quarter. This increase was largely due to the expansion in our aircraft fleet compared with 2016, partly offset by the dollar's strengthening against the U.S. dollar.

AIRCRAFT RENT

In line with our strategic plan, we implemented a flexible aircraft fleet at the beginning of fiscal 2015. In addition to our permanent fleet, this flexible fleet allows us, among other options, to operate a seasonal fleet that comprises a greater number of Boeing 737s during the winter than during the summer season.

During the quarter, Air Transat's permanent fleet consisted of fourteen Airbus A330s, nine Airbus A310s and seven Boeing 737-800s. Of this number, two Airbus A330s and three Boeing 737-800s were commissioned in summer 2016, which contributed to the $3.8 million (11.9%) increase in aircraft rent during the quarter. Although the dollar strengthened against the U.S. dollar, the Corporation was unable to fully benefit from this increase given the currency hedging program in place; this foreign exchange effect resulted in an increase in aircraft rent.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees decreased $0.7 million (2.8%) during the quarter, compared with 2016, due to a lower number of flights than in 2016, despite the growth in our fleet.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense decreased $0.2 million (1.9%) during the quarter compared with 2016. As a percentage of revenues, commissions increased and accounted for 4.2% of revenues for the quarter, compared with 4.0% in 2016. This increase is attributable to an increase in the proportion of revenues on which commissions are calculated compared with total revenues.

OTHER AIR COSTS

Other air costs consist mainly of handling, crew and catering costs. These costs decreased $1.0 million (2.3%) during the quarter compared with 2016. This decrease is attributable to a lower number of flights than in 2016, despite the growth in our fleet.

OTHER

Other expenses were down $1.4 million (4.7%) for the first quarter compared with 2016, due primarily to lower marketing costs.

SHARE OF NET INCOME OF AN ASSOCIATE

Our share of net income of an associate is generated by Caribbean Investments B.V. ["CIBV"], our hotel business. Our share of net income of an associate for the first quarter totalled $3.6 million, compared with $1.9 million for the corresponding quarter of 2016. This increase resulted from an improved operating profitability and the strength of the U.S. dollar against other currencies.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense includes the depreciation of property, plant and equipment, and the amortization of intangible assets subject to amortization and deferred lease inducements. Depreciation and amortization expense increased $2.7 million (23.5%) in the first quarter, compared 2016. The increase resulted primarily from recent aircraft maintenance work that was capitalized.

OPERATING INCOME (LOSS)

In light of the foregoing, we recorded an operating loss of $50.7 million (7.4%) for the quarter compared with $40.5 million (5.6%) in 2016. Although the dollar strengthened against the U.S. dollar, the Corporation was unable to fully benefit from this increase given the currency hedging program in place; this foreign exchange effect, partly offset by a slight decline in fuel prices, resulted in a $18.3 million increase in our operating expenses for the quarter. The higher average selling prices for sun packages could not offset this increase. The deterioration in our operating results was also due to decreases in load factors and average selling prices in the transatlantic market, partly offset by increases in average selling prices and load factors in the sun destinations market.

For the quarter, the Corporation reported an adjusted operating loss of $37.1 million (5.4%) compared with $31.7 million (4.4%) in 2016.

OTHER EXPENSES AND REVENUES

FINANCING COSTS

Financing costs comprise interest on long-term debt and other interest, standby fees, and financial expenses. Financing costs rose $0.1 million during the quarter compared with 2016.

FINANCING INCOME

Financing income remained unchanged during the first quarter, compared with 2016.

CHANGE IN FAIR VALUE OF FUEL-RELATED DERIVATIVES AND OTHER DERIVATIVES

The change in fair value of fuel-related derivatives and other derivatives represents the change in fair value, for the period, of the portfolio of derivative financial instruments held and used by the Corporation to manage its exposure to fluctuations in fuel prices and foreign exchange. During the quarter, the fair value of fuel-related derivatives and other derivatives increased by $4.8 million, compared with a $34.1 million decrease in fair value in 2016. The increase is attributable to the higher fair value of derivative financial instruments used for aircraft fuel purchases.

FOREIGN EXCHANGE LOSS (GAIN) ON NON-CURRENT MONETARY ITEMS

For the quarter, the Corporation posted a foreign exchange loss on non-current monetary items of $0.6 million compared with a foreign exchange gain of $1.2 million in 2016. This change resulted mainly from the unfavourable exchange effect on foreign currency deposits.

INCOME TAXES

Income tax recovery totalled $14.1 million for the first quarter compared with $20.0 million for the corresponding quarter of the previous fiscal year. Excluding the share of net income of an associate, the effective tax rate stood at 28.9% for the first quarter compared with 27.1% for the corresponding period of 2016. The change in tax rates for the quarter resulted from differences between countries in the statutory tax rates applied to taxable income.

NET LOSS FROM CONTINUING OPERATIONS

In light of the items discussed in the Consolidated operations section, the Corporation reported a net loss of $31.1 million for the quarter ended January 31, 2017, compared with a net loss from continuing operations of $52.0 million in 2016. The net loss from continuing operations attributable to shareholders stood at $32.1 million or $0.87 per share (basic and diluted) compared with $53.4 million or $1.43 per share (basic and diluted) for the corresponding quarter of the previous fiscal year. For the first quarter of 2017, the weighted average number of outstanding shares used to compute per share amounts was 36,883,000 (basic and diluted), compared with 37,260,000 (basic and diluted) for the corresponding quarter of 2016.

NET LOSS FROM DISCONTINUED OPERATIONS

As mentioned in the Discontinued operations section, for the quarter ended January 31, 2016, the net income (loss) of our subsidiaries Transat France and Tourgreece, which is generated from sales made to clients in Europe, is reported as net loss from discontinued operations.

For the quarter ended January 31, 2016, our discontinued operations generated $121.2 million in revenues and posted a net loss of $7.8 million (6.4%).

NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

For the first quarter, net loss attributable to shareholders stood at $32.1 million or $0.87 per share (basic and diluted) compared with $61.2 million or $1.64 per share (basic and diluted) for the corresponding quarter of the previous fiscal year.

For the first quarter, the Corporation posted an adjusted net loss of $36.0 million ($0.98 per share) compared with $30.4 million ($0.82 per share) in 2016.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. Revenues decreased compared with the corresponding quarters. For the first part of winter (Q1), following our decision to reduce our product offering by 5.2% in the sun destinations market, total travellers decreased and average selling prices increased for sun destinations. The reverse occurred in the transatlantic market due to the 10.1% increase in our product offering in this market. In Q2, total travellers increased while average selling prices decreased. For the summer season (Q3 and Q4), average selling prices were lower in the transatlantic market , our main market for the period, owing to the decline in fuel prices and a 14% rise in overall capacity in the transatlantic market, while there was an increase in total travellers compared with 2015. In terms of operating results, increases in average selling prices for sun packages in winter combined with cost reduction and margin improvement initiatives were not sufficient to offset the foreign exchange effect on our costs arising from the strength of the U.S. dollar. For the summer season, the decline in average selling prices and load factors were only partially offset by lower fuel prices. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

Selected unaudited quarterly financial information								
(in thousands of dollars, except per share data)	Q2-2015 $	Q3-2015 $	Q4-2015 $	Q1-2016 $	Q2-2016 $	Q3-2016 $	Q4-2016 $	Q1-2017 $
Revenues	875,151	704,844	634,004	725,723	888,221	663,591	612,111	689,332
Aircraft rent	24,684	24,702	26,306	32,275	38,749	31,946	32,843	36,103
Operating income (loss)	(4,039)	34,480	57,850	(40,541)	(13,701)	(2,990)	26,898	(50,671)
Adjusted operating income (loss)[(1)]	7,751	44,798	70,805	(31,682)	(5,002)	15,964	46,497	(37,079)
Net income (loss)	26,267	13,820	69,965	(59,803)	(23,817)	10,548	36,313	(31,054)
Net income (loss) attributable to shareholders	24,704	13,067	69,108	(61,155)	(24,952)	9,439	34,920	(32,073)
Basic earnings (loss) per share	0.64	0.34	1.82	(1.64)	(0.68)	0.26	0.95	(0.87)
Diluted earnings (loss) per share	0.64	0.34	1.82	(1.64)	(0.68)	0.26	0.95	(0.87)
Net income (loss) from continuing operations attributable to shareholders	26,434	13,058	59,035	(53,393)	(25,333)	7,704	(20,497)	(32,073)
Basic earnings (loss) per share from continuing operations	0.68	0.34	1.56	(1.43)	(0.69)	0.21	(0.56)	(0.87)
Diluted earnings (loss) per share from continuing operations	0.68	0.34	1.55	(1.43)	(0.69)	0.21	(0.56)	(0.87)
Adjusted net income (loss)[(1)]	(2,738)	26,886	44,648	(30,378)	(11,868)	2,523	24,183	(36,039)
Adjusted net income (loss) per share[(1)]	(0.07)	0.70	1.18	(0.82)	(0.32)	0.07	0.66	(0.98)

[(1)] SEE NON-IFRS FINANCIAL MEASURES

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2017, cash and cash equivalents totalled $454.8 million compared with $363.7 million as at October 31, 2016. As at the end of the first quarter of fiscal 2017, cash and cash equivalents in trust or otherwise reserved amounted to $379.1 million compared with $338.6 million as at October 31, 2016. The Corporation's statement of financial position reflected $140.4 million in working capital, for a ratio of 1.15, compared with $192.5 million and a ratio of 1.28 as at October 31, 2016.

Total assets increased by $203.7 million (15.9%), from $1,277.4 million as at October 31, 2016 to $1,481.1 million as at January 31, 2017, as shown in the financial position table provided further below. Equity decreased $39.3 million, from $464.4 million as at October 31, 2016 to $425.1 million as at January 31, 2017. This decrease resulted from the $32.1 million net loss attributable to shareholders, the $4.2 million unrealized loss on cash flow hedges and the $2.6 million foreign exchange loss on the translation of the financial statements of foreign subsidiaries.

CASH FLOWS

	Quarters ended January 31		
	2017	2016	Difference
(in thousands of dollars)	$	$	$
Cash flows related to operating activities	116,383	134,255	(17,872)
Cash flows related to investing activities	(24,286)	(15,786)	(8,500)
Cash flows related to financing activities	(357)	(4,674)	4,317
Effect of exchange rate changes on cash	(577)	(241)	(336)
Net change in cash and cash equivalents related to continuing operations	91,163	113,554	(22,391)
Net cash flows related to discontinued operations	—	(18,566)	18,566

OPERATING ACTIVITIES

Operating activities related to continuing operations generated $116.4 million in cash flows during the first quarter, compared with $134.3 million in 2016. The $17.9 million decrease during the quarter resulted primarily from an $8.4 million decrease in the net change in non-cash working capital balances related to operations, combined with a $7.1 million decline in our profitability.

INVESTING ACTIVITIES

Cash flows used in investing activities related to continuing operations during the first quarter totalled $24.3 million compared with $15.8 million in 2016, which represents an increase of $8.5 million. The increase is partly due to the $5.0 million consideration paid for the acquisition of all the shares of our subsidiary Jonview Canada Inc., and partly to the $3.5 million increase in our additions to property, plant and equipment and intangible assets. The additions are mainly related to maintenance and aircraft equipment.

FINANCING ACTIVITIES

Cash flows used in financing activities related to continuing operations decreased from $4.7 million for the first quarter of 2016 to $0.4 million in 2017, representing a decrease of $4.3 million. Lower utilization of cash flows than in 2016 resulted primarily from the $4.9 million share repurchases during 2016, compared with none in the current quarter.

CASH FLOWS RELATED TO DISCONTINUED OPERATIONS

For the quarter ended January 31, 2016, discontinued operations used cash flows of $18.6 million, of which $17.8 million represented cash flows used in operations.

CONSOLIDATED FINANCIAL POSITION

	January 31, 2017 $	October 31, 2016 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	454,827	363,664	91,163	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	379,096	338,581	40,515	Seasonal nature of operations
Trade and other receivables	98,753	105,003	(6,250)	Decrease in lease inducements receivable
Income taxes receivable	55,130	39,858	15,272	Increase in income taxes recoverable given deductible losses
Inventories	12,264	12,354	(90)	No significant difference
Prepaid expenses	109,562	58,657	50,905	Increase in prepayments to hotel operators due to the seasonal nature of operations
Derivative financial instruments	18,164	18,517	(353)	No significant difference
Deposits	47,134	42,044	5,090	Increase in deposits paid to hotel operators due to seasonal nature of operations
Deferred tax assets	15,898	15,055	843	No significant difference
Property, plant and equipment	139,456	134,959	4,497	Additions during the period, partially offset by depreciation
Intangible assets	50,986	50,327	659	Additions during the period, partially offset by depreciation
Investment in an associate	99,133	97,668	1,465	Share of net income of an associate, partially offset by foreign exchange differences
Other assets	673	733	(60)	No significant difference
Liabilities				
Trade and other payables	297,682	247,795	49,887	Seasonal nature of operations, partially offset by foreign exchange differences
Provision for overhaul of leased aircraft	42,565	40,861	1,704	Increase in the number of aircraft and impact of the repair schedule, partially offset by foreign exchange differences
Income taxes payable	572	976	(404)	Settlement of balances due
Customer deposits and deferred revenues	597,745	409,045	188,700	Seasonal nature of operations
Derivative financial instruments	23,609	21,358	2,251	Unfavourable change in the Canadian dollar compared with the U.S. currency with respect to foreign exchange derivative contracts entered into
Other liabilities	88,536	88,011	525	No significant difference
Deferred tax liabilities	5,251	4,988	263	No significant difference
Equity				
Share capital	214,523	214,250	273	Shares issued from treasury
Share-based payment reserve	18,053	17,849	204	Share-based payment expense
Retained earnings	185,848	218,821	(32,973)	Net loss
Unrealized gain (loss) on cash flow hedges	(1,945)	2,211	(4,156)	Net loss on financial instruments designated as cash flow hedges
Cumulative exchange differences	8,637	11,255	(2,618)	Foreign exchange loss on translation of financial statements of foreign subsidiaries

FINANCING

As at March 15, 2017, the Corporation had several types of financing, consisting primarily of a revolving term credit facility and lines of credit for issuing letters of credit.

The Corporation has a $50 million revolving credit facility agreement for operating purposes. Under the agreement, which expires in 2020, the Corporation may increase the credit limit to $100 million, subject to lender approval. The agreement may be extended for a year at each anniversary date subject to lender approval and the balance becomes immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on the universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at January 31, 2017, all the financial ratios and criteria were met and the credit facility was undrawn.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and liquidity, some of which are reported as liabilities in the interim condensed consolidated financial statements and others are disclosed in the notes to the financial statements. The Corporation did not report any obligations in the statement of financial position as at January 31, 2017 and October 31, 2016.

Obligations that are not reported as liabilities are considered off-balance sheet arrangements. These contractual arrangements are entered into with non-consolidated entities and consist of the following:

- Guarantees
- Operating leases

Off-balance sheet arrangements that can be estimated, excluding agreements with suppliers and other obligations, amounted to approximately $719.3 million as at January 31, 2017 ($710.3 million as at October 31, 2016) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	As at January 31, 2017 $	As at October 31, 2016 $
Guarantees		
Irrevocable letters of credit	15,501	17,723
Collateral security contracts	718	721
Operating leases		
Obligations under operating leases	703,121	691,841
	719,340	710,285

In the normal course of business, guarantees are required in the travel industry to provide indemnifications and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts. Historically, Transat has not made any significant payments under such guarantees. Operating leases are entered into to enable the Corporation to lease certain items rather than acquire them.

The Corporation has a $75.0 million annually renewable revolving credit facility for issuing letters of credit in respect of which the Corporation must pledge cash totalling 100% of the amount of the issued letters of credit as collateral security. As at January 31, 2017, $63.6 million had been drawn down under the facility, of which $46.5 million was to insure the benefits to participants under senior executives defined benefit pension agreements; this irrevocable letter of credit is held by a third party trustee. In the event of a change of control, the irrevocable letter of credit issued to insure the benefit to the participants under the senior executives defined benefit pension agreements will be drawn down.

In addition, the Corporation has a $35.0 million guarantee facility renewable annually in February. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at January 31, 2017, $15.5 million was drawn down under this credit facility for issuing letters of credit to some of our service providers.

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits of £10.7 million [$17.5 million], which has been fully drawn down.

As at January 31, 2017, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had increased by $9.1 million compared with October 31, 2016. The increase resulted primarily from agreements signed during the quarter to lease two Airbus A330s. The increase was partially offset by the repayments made and by the strengthening of the dollar against the U.S. dollar during the quarter.

We believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

DEBT LEVELS

The Corporation did not report any debt on its statement of financial position.

The Corporation's total debt stood at $698.2 million, up $19.1 million from the October 31, 2016 level, due to the addition of Boeing 737s and Airbus A330s to our aircraft fleet.

Total net debt decreased $72.0 million from $315.4 million as at October 31, 2016 to $243.4 million as at January 31, 2017. The decrease in total net debt resulted from higher cash and cash equivalent balances than in 2016, partially offset by the increase in total debt.

OUTSTANDING SHARES

As at January 31, 2017, the Corporation had three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at March 10, 2017, there were 36,953,111 total voting shares outstanding.

STOCK OPTIONS

As at March 10, 2017, there were a total of 2,492,834 stock options outstanding, 2,281,266 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of fourteen Airbus A330s (332, 345 or 375 seats), nine Airbus A310s (250 seats) and seven Boeing 737-800s (189 seats).Two more Airbus A330s will be commissioned during summer 2017.

During winter 2017, the Corporation also has seasonal rentals for ten Boeing 737-800s (189 seats) and three Boeing 737-700s (149 seats).

FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective are discussed below. The Corporation has not early adopted these new standards.

IFRS 9, *FINANCIAL INSTRUMENTS*

In July 2014, the IASB completed its three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, and introduces a forward-looking expected-loss impairment model as well as a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in other comprehensive income rather than in the statement of income.

IFRS 9 also introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected credit losses on a more timely basis.

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

Application of IFRS 9 will be effective from the Corporation's fiscal year beginning on November 1, 2018, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more relevant and comprehensive disclosures. The core principle of IFRS 15 is that an entity should recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the expected consideration receivable in exchange for those goods or services. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. The application of IFRS 15 is mandatory and will be effective from the Corporation's fiscal year beginning on November 1, 2018, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 16, *LEASES*

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*. Leasing is an important and flexible source of financing for many companies. However, under current standard IAS 17, it is difficult to obtain a clear picture of the assets and liabilities related to the leasing agreements of an entity. IFRS 16 introduces a single, comprehensive recognition model for the lessee under which the vast majority of lease-related assets and liabilities are recognized in the statement of financial position. For the lessor, substantially all the current accounting requirements remain unchanged.

The application of IFRS 16 is mandatory and will be effective from the Corporation's fiscal year beginning on November 1, 2019, with earlier adoption permitted if the new IFRS 15 standard on revenue has also been applied. The Corporation is currently assessing the impact of adopting IFRS 16 on its financial statements.

CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 of the Canadian Securities Authorities, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer that, among other things, deem adequate as at January 31, 2017 the design of:

- Disclosure controls and procedures, which provide reasonable assurance that material financial information has been duly disclosed by the Corporation and its subsidiaries and that this information is recorded, processed, summarized and reported within the time periods specified in legislation;
- Internal control over financial reporting ("ICFR"), which, in accordance with COSO 2013 controls, provides reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements in accordance with IFRS.

The President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation have also evaluated whether there were changes to its ICFR during the quarter ended January 31, 2017 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

On the Sun destinations market outbound from Canada, the Corporation's main market segment in the winter, our capacity for the second quarter is equal to that offered last year. To date, 82% of that capacity has been sold, bookings are ahead by 1.1%, and load factors are higher by 0.9%. The impact of the weakened Canadian dollar, added to the increase in fuel costs, will be a 3.3% increase in operating costs if the dollar and fuel costs remain at their current levels. At this moment, unit margins are higher by 0.6% than last year at this time.

On the transatlantic market, currently in low season, our capacity is greater by 9% than that offered last winter. To date, 72% of that capacity has been sold, bookings are ahead by 9%, load factors are the same as at this time last year, and selling prices are lower by 0.5%. Higher fuel costs, combined with currency variations, will result in an increase in operating costs of 1.7% if fuel prices remain stable and the dollar remains at its current level against the U.S. dollar, the euro and the pound. Unit margins are currently lower by 4.4% than last year at this time.

With the winter of 2016 having been affected by several important events (worry over the Zika virus, the threat of strike action by pilots and terror attacks in Europe), the situation deteriorated as of the beginning of December. The Corporation forecasts that, if current trends continue, the results for the second quarter may show slight improvement over those of last year.

With regard to summer 2017, it is too soon to draw any conclusions. To date, 33% of seats have been sold. Compared with the summer of 2016, our capacity on the transatlantic market is higher by 5.9%. Load factors are up by 0.2% and prices are down by 4.8%. The impact of increased fuel cost combined with currency fluctuation will not result in any increase of operating expenses if the cost of fuel and the dollar against the US dollar, the euro and the pound remain at their current levels. This may not be a trend that will continue in the future, but during the past weeks, the prices on the transatlantic market have improved continuously.

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	As at January 31, 2017 $	As at October 31, 2016 $
ASSETS		
Cash and cash equivalents	454,827	363,664
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	332,646	292,131
Trade and other receivables	98,753	105,003
Income taxes receivable	40,030	24,758
Inventories	12,264	12,354
Prepaid expenses	109,562	58,657
Derivative financial instruments	17,966	18,318
Current portion of deposits	17,845	13,067
Current assets	1,083,893	887,952
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	46,450	46,450
Deposits	29,289	28,977
Income taxes receivable	15,100	15,100
Deferred tax assets	15,898	15,055
Property, plant and equipment	139,456	134,959
Intangible assets	50,986	50,327
Derivative financial instruments	198	199
Investment in an associate *[note 7]*	99,133	97,668
Other assets	673	733
Non-current assets	397,183	389,468
	1,481,076	1,277,420
LIABILITIES		
Trade and other payables	297,682	247,795
Current portion of provision for overhaul of leased aircraft	25,184	16,232
Income taxes payable	572	976
Customer deposits and deferred revenues	597,745	409,045
Derivative financial instruments	22,339	21,358
Current liabilities	943,522	695,406
Provision for overhaul of leased aircraft *[note 8]*	17,381	24,629
Other liabilities *[note 10]*	88,536	88,011
Derivative financial instruments	1,270	—
Deferred tax liabilities	5,251	4,988
Non-current liabilities	112,438	117,628
EQUITY		
Share capital *[note 11]*	214,523	214,250
Share-based payment reserve	18,053	17,849
Retained earnings	185,848	218,821
Unrealized gain (loss) on cash flow hedges	(1,945)	2,211
Cumulative exchange differences	8,637	11,255
	425,116	464,386
	1,481,076	1,277,420

See accompanying notes to interim condensed consolidated financial statements

NOTICE

The Corporation's independent auditors have not performed a review of the accompanying interim condensed consolidated financial statements.

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

	Quarters ended January 31	
	2017	2016
(in thousands of Canadian dollars, except per share amounts)	$	$
Continuing operations		
Revenues	689,332	725,723
Operating expenses		
Costs of providing tourism services	372,006	409,413
Salaries and employee benefits	89,677	85,191
Aircraft fuel	63,706	61,410
Aircraft maintenance	42,800	39,953
Aircraft rent	36,103	32,275
Airport and navigation fees	24,104	24,808
Commissions	28,791	28,986
Other air costs	42,754	43,777
Other	29,439	30,877
Share of net income of an associate	(3,583)	(1,932)
Depreciation and amortization	14,206	11,506
	740,003	766,264
Operating income (loss)	(50,671)	(40,541)
Financing costs	444	386
Financing income	(1,757)	(1,781)
Change in fair value of fuel-related derivatives and other derivatives	(4,804)	34,088
Foreign exchange loss (gain) on non-current monetary items	557	(1,178)
Income (loss) before income tax expense	(45,111)	(72,056)
Income taxes (recovery)		
Current	(14,937)	(12,651)
Deferred	880	(7,364)
	(14,057)	(20,015)
Net income (loss) from continuing operations	(31,054)	(52,041)
Discontinued operations		
Net income (loss) from discontinued operations *[note 6]*	—	(7,762)
Net income (loss) for the period	(31,054)	(59,803)
Net income (loss) attributable to:		
Shareholders	(32,073)	(61,155)
Non-controlling interests	1,019	1,352
	(31,054)	(59,803)
Earnings (loss) per share from continuing operations *[note 11]*		
Basic	(0.87)	(1.43)
Diluted	(0.87)	(1.43)
Earnings (loss) per share *[note 11]*		
Basic	(0.87)	(1.64)
Diluted	(0.87)	(1.64)

See accompanying notes to interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)	Quarters ended January 31 2017 $	 2016 $
Net income (loss) from continuing operations	(31,054)	(52,041)
Other comprehensive income (loss) from continuing operations		
Items that will be reclassified to net income (loss)		
Change in fair value of derivatives designated as cash flow hedges	(5,446)	(6,714)
Reclassification to net income (loss)	(239)	12,306
Deferred taxes	1,529	(1,449)
	(4,156)	4,143
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	(2,618)	5,028
Total other comprehensive income (loss) from continuing operations	(6,774)	9,171
Comprehensive income (loss) from continuing operations	(37,828)	(42,870)
Net income (loss) from discontinued operations *[note 6]*	—	(7,762)
Other comprehensive income (loss) from discontinued operations	—	718
Comprehensive income (loss) from discontinued operations	—	(7,044)
Comprehensive income (loss) for the period	(37,828)	(49,914)
Attributable to:		
Shareholders	(37,934)	(53,377)
Non-controlling interests	106	3,463
	(37,828)	(49,914)

See accompanying notes to interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Accumulated other comprehensive income (loss)					
	Share capital	Share-based payment reserve	Retained earnings	Unrealized gain (loss) on cash flow hedges	Cumulative exchange differences	Reserve related to assets held for sale	Total	Non-controlling interests	Total equity
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$	$
Balance as at October 31, 2015	218,134	17,105	263,812	14,960	23,241	—	537,252	—	537,252
Net income (loss) for the period	—	—	(61,155)	—	—	—	(61,155)	1,352	(59,803)
Other comprehensive income (loss)	—	—	—	4,255	3,663	—	7,918	2,111	10,029
Comprehensive income (loss) for the period	—	—	(61,155)	4,255	3,663	—	(53,237)	3,463	(49,774)
Issued from treasury	266	—	—	—	—	—	266	—	266
Share-based payment expense	—	457	—	—	—	—	457	—	457
Repurchase of shares	(4,018)	—	(922)	—	—	—	(4,940)	—	(4,940)
Dividends	—	—	—	—	—	—	—	—	—
Discontinued operations	—	—	—	112	606	(718)	—	—	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	—	(1,352)	(1,352)
Reclassification of non-controlling interest exchange difference	—	—	—	—	2,111	—	2,111	(2,111)	—
	(3,752)	457	(922)	112	2,717	(718)	(2,106)	(3,463)	(5,569)
Balance as at January 31, 2016	214,382	17,562	201,735	19,327	29,621	(718)	481,909	—	481,909
Net income for the period	—	—	19,407	—	—	—	19,407	3,637	23,044
Other comprehensive income (loss)	—	—	(2,360)	(16,746)	(17,968)	1,093	(35,981)	(1,479)	(37,460)
Comprehensive income (loss) for the period	—	—	17,047	(16,746)	(17,968)	1,093	(16,574)	2,158	(14,416)
Issued from treasury	953	—	—	—	—	—	953	—	953
Exercise of options	577	(177)	—	—	—	—	400	—	400
Share-based payment expense	—	464	—	—	—	—	464	—	464
Repurchase of shares	(1,662)	—	(505)	—	—	—	(2,167)	—	(2,167)
Dividends	—	—	—	—	—	—	—	(4,335)	(4,335)
Discontinued operations	—	—	(336)	(370)	1,081	(375)	—	—	—
Fair value changes in non-controlling interest liabilities	—	—	1,049	—	—	—	1,049	(1,049)	—
Other changes in non-controlling interest liabilities	—	—	(169)	—	—	—	(169)	169	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	—	1,578	1,578
Reclassification of non-controlling interest exchange difference	—	—	—	—	(1,479)	—	(1,479)	1,479	—
	(132)	287	39	(370)	(398)	(375)	(949)	(2,158)	(3,107)
Balance as at October 31, 2016	214,250	17,849	218,821	2,211	11,255	—	464,386	—	464,386
Net income (loss) for the period	—	—	(32,073)	—	—	—	(32,073)	1,019	(31,054)
Other comprehensive income (loss)	—	—	—	(4,156)	(1,705)	—	(5,861)	(913)	(6,774)
Comprehensive income (loss) for the period	—	—	(32,073)	(4,156)	(1,705)	—	(37,934)	106	(37,828)
Issued from treasury	273	—	—	—	—	—	273	—	273
Share-based payment expense	—	204	—	—	—	—	204	—	204
Dividends	—	—	—	—	—	—	—	(630)	(630)
Fair value changes in non-controlling interest liabilities	—	—	(900)	—	—	—	(900)	900	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	—	(1,289)	(1,289)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(913)	—	(913)	913	—
	273	204	(900)	—	(913)	—	(1,336)	(106)	(1,442)
Balance as at January 31, 2017	214,523	18,053	185,848	(1,945)	8,637	—	425,116	—	425,116

See accompanying notes to interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Quarters ended January 31 2017 $	2016 $
OPERATING ACTIVITIES		
Net income (loss) from continuing operations	(31,054)	(52,041)
Operating items not involving an outlay (receipt) of cash:		
Depreciation and amortization	14,206	11,506
Change in fair value of fuel-related derivatives and other derivatives	(4,804)	34,088
Foreign exchange loss (gain) on non-current monetary items	557	(1,178)
Share of net income of an associate	(3,583)	(1,932)
Deferred taxes	880	(7,364)
Employee benefits	689	670
Share-based payment expense	204	457
	(22,905)	(15,794)
Net change in non-cash working capital balances related to operations	139,120	147,557
Net change in other assets and liabilities related to operations	(1,536)	(818)
Net change in provision for overhaul of leased aircraft	1,704	3,310
Cash flows related to operating activities	116,383	134,255
INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangible assets	(19,303)	(15,786)
Consideration paid for the acquisition of a subsidiary	(4,983)	—
Cash flows related to investing activities	(24,286)	(15,786)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	273	266
Repurchase of shares	—	(4,940)
Dividends paid by a subsidiary to a non-controlling shareholder	(630)	—
Cash flows related to financing activities	(357)	(4,674)
Effect of exchange rate changes on cash and cash equivalents	(577)	(241)
Net change in cash and cash equivalents related to continuing operations	91,163	113,554
Net cash flows related to discontinued operations *[note 6]*	—	(18,566)
Cash and cash equivalents, beginning of period	363,664	336,423
Cash and cash equivalents, end of period	454,827	431,411
Supplementary information (as reported in operating activities)		
Income taxes paid (recovered)	822	5,004
Interest paid	129	125

See accompanying notes to interim condensed consolidated financial statements

[Unless specified otherwise, amounts are expressed in thousands of Canadian dollars, except for per share amounts] [unaudited]

Note 1 CORPORATE INFORMATION

Transat A.T. Inc. [the "Corporation"], headquartered at 300 Léo-Pariseau Street, Montréal, Québec, Canada, is incorporated under the Canada Business Corporations Act. Its Class A Variable Voting Shares and Class B Voting Shares are listed on the Toronto Stock Exchange and traded under a single ticker, namely "TRZ."

The Corporation is an integrated company specializing in the organization, marketing and distribution of holiday travel in the tourism industry. As at October 31, 2016, the core of its business consists of a tour operator based in Canada which is vertically integrated with its other services of air transportation, distribution through a dynamic travel agency network, value-added services at travel destinations and accommodations.

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended January 31, 2017 were approved by the Corporation's Board of Directors on March 15, 2017.

The Corporation's operations are seasonal in nature; consequently, interim operating results do not necessarily proportionately reflect the operating results for a full year.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"] and as adopted by the Accounting Standards Board of Canada. These interim condensed consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*.

These interim condensed consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency, except where otherwise indicated. Each entity of the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation's Annual Report for the year ended October 31, 2016.

These interim condensed consolidated financial statements have been prepared on a going concern basis, at historical cost, except for financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and measured at fair value.

Note 3 FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective are discussed below. The Corporation has not early adopted these new standards.

IFRS 9, *FINANCIAL INSTRUMENTS*

In July 2014, the IASB completed its three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement* by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, and introduces a forward-looking expected-loss impairment model as well as a substantially reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in other comprehensive income rather than in the statement of income.

IFRS 9 also introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected credit losses on a more timely basis.

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

Application of IFRS 9 will be effective from the Corporation's fiscal year beginning on November 1, 2018, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more relevant and comprehensive disclosures. The core principle of IFRS 15 is that an entity should recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the expected consideration receivable in exchange for those goods or services. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. The application of IFRS 15 is mandatory and will be effective from the Corporation's fiscal year beginning on November 1, 2018, with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*. Leasing is an important and flexible source of financing for many companies. However, under current standard IAS 17, it is difficult to obtain a clear picture of the assets and liabilities related to the leasing agreements of an entity. IFRS 16 introduces a single, comprehensive recognition model for the lessee under which the vast majority of lease-related assets and liabilities are recognized in the statement of financial position. For the lessor, substantially all the current accounting requirements remain unchanged.

The application of IFRS 16 is mandatory and will be effective from the Corporation's fiscal year beginning on November 1, 2019, with earlier adoption permitted if the new IFRS 15 standard on revenue has also been applied. The Corporation is currently assessing the impact of adopting IFRS 16 on its financial statements.

Note 4 Acquisition of a subsidiary

On December 21, 2016, upon exercise of a put option by the minority shareholder in the subsidiary Jonview Canada Inc., the Corporation completed the purchase of 19.93% of the shares of its subsidiary Jonview Canada Inc., which has an incoming tour operator business in Canada, thereby bringing its interest in the subsidiary to 100% The cash consideration totalled $4,983, being the fair value of the put option at the time of the transaction. Also, the non-controlling interest item was derecognized without any impact being recognized in the consolidated statements of loss.

Note 5 Cash and cash equivalents in trust or otherwise reserved

As at January 31, 2017, cash and cash equivalents in trust or otherwise reserved included $297,342 [$254,311 as at October 31, 2016] in funds received from customers, consisting primarily of Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included $81,754, of which $46,450 was recorded as non-current assets [$84,270 as at October 31, 2016, of which $46,450 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 6 Discontinued operations

On October 31, 2016, the Corporation completed the sale of its tour operating businesses in France (Transat France) and Greece (Tourgreece) for an amount of €63,428 ($93,254) to TUI AG, a multinational tourism company. On January 27, 2017, TUI AG confirmed that the purchase price will not be subject to any working capital adjustments after the final closing and audit of accounts.

As at January 31, 2016, the tour operating businesses in France and Greece were not identified as discontinued operations or as assets held for sale. Accordingly, the comparative consolidated statements of loss and comprehensive loss were restated to report discontinued operations separately from continuing operations.

The net income (loss) from discontinued operations is entirely attributable to common shareholders of the Corporation and is detailed as follows:

	Quarters ended January 31	
	2017	2016
	$	$
Revenues	—	121,205
Operating expenses and other expenses	—	132,749
Income (loss) before income tax expense	—	(11,544)
Income tax expense (recovery)	—	(3,782)
Net income (loss) from discontinued operations	—	(7,762)

Basic and diluted earnings (loss) per share from discontinued operations are detailed as follows:

	Quarters ended January 31	
	2017	2016
	$	$
Earnings (loss) per share from discontinued operations		
De base	—	(0.21)
Diluted	—	(0.21)

The net change in cash flows related to discontinued operations is as follows:

	Quarters ended January 31	
	2017	2016
	$	$
Cash flows related to operating activities	—	(17,776)
Cash flows related to investing activities	—	(994)
Effect of exchange rate changes on cash and cash equivalents	—	204
Net cash flows related to discontinued operations	—	(18,566)

Note 7 INVESTMENT IN AN ASSOCIATE

The change in the investment in an associate, Caribbean Investments B.V. ["CIBV'], is detailed as follows:

	$
Balance as at October 31, 2016	97,668
Share of net income	3,583
Translation adjustment	(2,118)
Balance as at January 31, 2017	99,133

The investment in CIBV was translated at the CAD/USD rate of 1.3030 as at January 31, 2017 [1.3403 as at October 31, 2016].

Note 8 PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

The provision for overhaul of leased aircraft relates to the maintenance obligation for leased aircraft and spare parts used by the Corporation's airline under operating leases. The change in the provision for overhaul of leased aircraft for the quarter ended January 31 is detailed as follows:

	$
Balance as at October 31, 2016	40,861
Additional provisions	4,083
Utilization of provisions	(2,379)
Balance as at January 31, 2017	42,565
Current provisions	25,184
Non-current provisions	17,381
Balance as at January 31, 2017	42,565

Note 9 LONG-TERM DEBT

The Corporation has a $50,000 revolving credit facility agreement for operating purposes. Under the agreement, which expires in 2020, the Corporation may increase the credit limit to $100,000, with the approval of lenders. The agreement may be extended for a year at each anniversary date subject to lender approval and the balance becomes immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on the universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at January 31, 2017, all the financial ratios and criteria were met and the credit facility was undrawn.

The Corporation also has a $75,000 annually renewable revolving credit facility for issuing letters of credit in respect of which the Corporation must pledge cash totalling 100% of the amount of the issued letters of credit as collateral security. As at January 31, 2017, $65,638 had been drawn down under the facility [$66,220 as at October 31, 2016], of which $46,450 is to insure the benefits to participants under senior executives defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to insure the benefit to the participants under the senior executives defined benefit pension agreements will be drawn down.

Note 10 OTHER LIABILITIES

	As at January 31, 2017 $	As at October 31, 2016 $
Employee benefits	40,879	40,400
Deferred lease inducements	22,281	22,611
Non-controlling interests	25,376	29,984
	88,536	92,995
Less: Non-controlling interests included in Trade and other payables	—	(4,984)
	88,536	88,011

Note 11 EQUITY

AUTHORIZED SHARE CAPITAL

CLASS A VARIABLE VOTING SHARES

An unlimited number of participating Class A Variable Voting Shares ["Class A Shares"] which may be owned or controlled only by non-Canadians as defined by the Canada Transportation Act ["CTA"], carrying one vote per Class A Share unless [i] the number of issued and outstanding Class A Shares exceeds 25% of the total number of all issued and outstanding voting shares (or any higher percentage that the Governor in Council may specify pursuant to the CTA); or [ii] the total number of votes cast by or on behalf of holders of Class A Shares at any shareholders' meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed, the vote attached to each Class A Share will decrease automatically, without further act or formality. Under the circumstance described in subparagraph [i] above, the Class A Shares as a class cannot carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation. Under the circumstance described in subparagraph [ii] above, the Class A Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any higher percentage that the Governor in Council may specify pursuant to the CTA) of the total number of votes that can be exercised at the said meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further action on the part of the Corporation or of the holder if [i] the Class A Share is or becomes owned or controlled by a Canadian as defined by the CTA; or [ii] the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

CLASS B VOTING SHARES

An unlimited number of participating Class B Voting Shares ["Class B Shares"], which may be owned and controlled by Canadians as defined by the CTA only and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation. Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further action on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

PREFERRED SHARES

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

ISSUED AND OUTSTANDING SHARE CAPITAL

The changes affecting Class A Shares and Class B Shares were as follows:

	Number of shares	$
Balance as at October 31, 2015	37,590,747	218,134
Issued from treasury	40,838	266
Repurchase and cancellation of shares	(692,400)	(4,018)
Balance as at January 31, 2016	36,939,185	214,382
Issued from treasury	146,521	953
Exercise of options	59,890	577
Repurchase and cancellation of shares	(286,431)	(1,662)
Balance as at October 31, 2016	36,859,165	214,250
Issued from treasury	52,554	273
Balance as at January 31, 2017	36,911,719	214,523

On March 4, 2016, the Corporation completed its normal course issuer bid for a 12-month period launched on April 10, 2015; as of that date, the Corporation had repurchased a total of 2,274,921 Class B Shares for a cash consideration of $16,531. During the quarter ended January 31, 2016, the Corporation repurchased 692,400 Class B Shares for a cash consideration of $4,940.

As at January 31, 2017, the number of Class A Shares and Class B Shares stood at 2,396,659 and 34,515,060, respectively [2,476,020 and 34,383,145 as at October 31, 2016].

STOCK OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2016	2,611,891	11.94
Cancelled	(119,057)	12.23
Balance as at January 31, 2017	2,492,834	11.93
Options exercisable as at January 31, 2017	2,281,266	12.07

LOSS PER SHARE

Basic and diluted loss per share were computed as follows:

	Quarters ended January 31	
	2017	2016
(in thousands of dollars, except per share data)	$	$
NUMERATOR		
Net income (loss) attributable to shareholders	(32,073)	(61,155)
Net income (loss) from discontinued operations *[note 6]*	—	(7,762)
Net income (loss) from continuing operations attributable to shareholders	(32,073)	(53,393)
DENOMINATOR		
Adjusted weighted average number of outstanding shares	36,883	37,260
Effect of dilutive securities		
Stock options	—	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	36,883	37,260
Earnings (loss) per share		
Basic	(0.87)	(1.64)
Diluted	(0.87)	(1.64)
Earnings (loss) per share from continuing operations		
Basic	(0.87)	(1.43)
Diluted	(0.87)	(1.43)

In light of the net loss recognized for the quarters ended January 31, 2017 and 2016, all 2,492,834 and 2,740,723 outstanding stock options, respectively, were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Note 12 GUARANTEES

The Corporation has entered into agreements in the normal course of business containing clauses meeting the definition of a guarantee. These agreements provide compensation and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events, including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 5, 7, 16, 23, 24 and 25 to the financial statements for the fiscal year ended October 31, 2016 provide information about some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases expire at various dates through 2034. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements; moreover, the Corporation and its subsidiaries have liability insurance coverage in such circumstances.

COLLATERAL SECURITY CONTRACTS

The Corporation has entered into collateral security contracts with certain suppliers. Under these contracts, the Corporation guarantees the payment of certain services rendered that it undertook to pay. These contracts typically cover a one-year period and are renewable.

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, at the request of regulatory agencies, for the performance of the obligations included in mandates by its customers during the term of the licenses granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at January 31, 2017, the total amount of these guarantees unsecured by deposit totalled $718. Historically, the Corporation has not made any significant payments under such agreements. As at January 31, 2017, no amounts had been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

The Corporation has a $35,000 guarantee facility renewable annually in February. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at January 31, 2017, $15,501 had been drawn down under the facility.

Note 13 SEGMENTED DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation's continuing operations are mainly in the Americas. Revenues and non-current assets outside the Americas are not material. Therefore, the consolidated statements of income (loss) and consolidated statements of financial position include all the required information.

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