TRANSAT A.T. Inc.
RESTATED FIRST QUARTERLY REPORT
Period ended January 31, 2019

Investor Relations
Denis Pétrin
Chief Financial Officer
investorrelations@transat.com

Ticker symbol
TSX: TRZ

RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS

This restated 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, 2019, compared with the quarter ended January 31, 2018, and should be read in conjunction with the restated audited consolidated financial statements for the year ended October 31, 2018 and the accompanying notes and the restated 2018 Annual Report, including the restated 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 restated 2018 Annual Report. The risks and uncertainties set out in the MD&A of the restated 2018 Annual Report are herein incorporated by reference and remain substantially unchanged. The information contained herein is dated as of March 13, 2019. 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, 2019 and the Annual Information Form for the year ended October 31, 2018.

The restated consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). We occasionally refer to non-IFRS financial measures in this restated MD&A. See the Non-IFRS financial measures section for more information. All dollar figures in this restated 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.

RESTATEMENT

On June 27, 2019, the Corporation announced that it needed to restate its consolidated financial statements and MD&A for the quarter ended January 31, 2019. Management has concluded that a restatement of its consolidated financial statements was necessary regarding the carrying amount of the non-controlling interest in the Trafictours Canada Inc. subsidiary.

The carrying amount of the non-controlling interest is related to the Trafictours Canada Inc. subsidiary and the right of the minority shareholder to require the Corporation to purchase the Trafictours Canada Inc. shares it holds at a price calculated in accordance with a pre-determined formula, subject to adjustment based on the circumstances, payable in cash. The estimated repurchase value of this option is taken into account in the carrying amount of the non-controlling interest. The difference results from the application of a different formula than as per the contract for the calculation of the purchase price of the minority interest. As a result, the liability for the non-controlling interest reported under Trade and other payables in the consolidated statements of financial position was undervalued by $23.3 million and $25.9 million as at January 31, 2019 and October 31, 2018, respectively. These under-valuations have no impact on the consolidated statements of income for the aforementioned periods as these adjustments are recorded as equity transactions in Retained earnings.

As part of the restatement of its consolidated financial statements as at October 31, 2018, the Corporation reviewed subsequent events up to September 11, 2019, the new date of authorization to publish the financial statements for the year ended October 31, 2018. On June 5, 2019, the Corporation settled, without admission of liability, for an amount of US$5.0 million [$6.7 million], a litigation whereby plaintiffs alleged misappropriation of confidential information and solicitation of employees; this amount was recorded as a subsequent event under Special items in the restated consolidated statement of income for the year ended October 31, 2018. This adjustment is included under Trade and other payables and Retained earnings in the consolidated statement of financial position as at January 31, 2019 and October 31, 2018. No provision was recorded in the October 31, 2018 financial statements as initially disclosed since it was not possible to determine with certainty the impact of the financial liability that could arise from such proceedings if the defense of the Corporation was not retained.

For further information on the restatement, see note 3 to the restated interim condensed consolidated financial statements.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This restated 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.

The forward-looking statements contained in this restated MD&A, including the forward-looking statements under sections Overview and Outlook were made as at March 13, 2019 and have not been revised as part of the restatement of the consolidated financial statements. Forward-looking statements regarding the Corporation as at September 11, 2019 can be found in our MD&A for the quarter ended July 31, 2019 available on the SEDAR website at www.sedar.com.

Forward-looking statements, by their nature, 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, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, real or perceived terrorism, outbreaks of epidemics or disease, consumer preferences and consumer habits, consumers' perceptions of the safety of destination services and aviation safety, demographic trends, disruptions to the air traffic control system, the cost of protective, safety and environmental measures, competition, the Corporation's ability to maintain and grow its reputation and brand, the availability of funding in the future, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, changes in legislation, unfavourable regulatory developments or procedures, pending litigation and third party lawsuits, the ability to reduce operating costs, the Corporation's ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of our restated 2018 Annual Report.

This restated MD&A also contains certain forward-looking statements about the Corporation concerning a potential transaction involving the acquisition of all the shares of the Corporation. These statements are based on certain assumptions deemed reasonable by the Corporation, but are subject to certain risks and uncertainties, several of which are outside the control of the Corporation, which may cause actual results to vary materially. In particular, the completion of a transaction will be subject to certain closing conditions, including regulatory approvals described in Transat's management information circular dated July 19, 2019, as well as other customary closing conditions. In addition, a public interest assessment regarding the arrangement is being undertaken by Transport Canada with input from the Commissioner of Competition. If the required regulatory approvals are obtained and conditions are met, it is now expected that the transaction will be completed by the second quarter of the 2020 calendar year. In addition, statements regarding the results of a potential transaction will depend on the purchaser's plans following the completion of a potential transaction.

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 forward-looking statements in this restated MD&A are based on a number of assumptions relating to economic and market conditions as well as the Corporation's operations, financial position and transactions. Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby Air Canada will acquire all of the shares of the Corporation.
- The outlook whereby if the required regulatory approvals are obtained and conditions are met, it is now expected that the potential transaction with Air Canada will be completed by the second quarter of the 2020 calendar year.
- 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 that the impact of fluctuations in the Canadian dollar, combined with higher fuel costs, will result in a 2.7% increase in operating expenses if the Canadian dollar relative to the U.S. dollar and fuel prices remain stable.

- The outlook whereby the Corporation expects that second-quarter adjusted operating income could be lower than the restated amount of $12.1 million for 2018.

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 year and that fuel prices, foreign exchange rates, selling prices and hotel and other costs will remain stable. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this restated MD&A.

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

These statements reflect current expectations regarding future events and operating performance, speak only as of the date this restated 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 restated 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 intended 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 fulfill its financial obligations.

By excluding from our results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect our operating performance for the period, such as the change in fair value of fuel-related derivatives and other derivatives, gain (loss) on business disposals, restructuring charges, asset impairment, depreciation and amortization and other significant unusual items, and by including premiums for fuel-related derivatives and other derivatives that matured during the period, we believe this MD&A helps users to better analyze our results, as well as our 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 and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the aforementioned items 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 business disposals, restructuring charge, asset impairment and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items 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 business disposals, restructuring charge, asset impairment and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items 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 meet its current and future financial obligations.
Total net debt (Cash and cash equivalents, net of total debt)	Total debt (described above) less cash and cash equivalents. Total net debt is used to assess the cash position relative to the Corporation's debt level. Management believes this measure is useful in assessing the Corporation's capacity to meet 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	
	2019	2018 Restated[(1)]
	$	$
Operating income (loss)	**(52,555)**	(43,528)
Depreciation and amortization	**14,917**	14,769
Premiums related to fuel-related derivatives and other derivatives matured during the period	**(90)**	—
Adjusted operating income (loss)	**(37,728)**	(28,759)
Income (loss) before income tax expense	**(66,354)**	(12,846)
Change in fair value of fuel-related derivatives and other derivatives	**18,692**	1,863
Gain on business disposals	**—**	(30,696)
Premiums related to fuel-related derivatives and other derivatives matured during the period	**(90)**	—
Adjusted pre-tax income (loss)	**(47,752)**	(41,679)
Net income (loss) attributable to shareholders	**(49,646)**	(3,195)
Change in fair value of fuel-related derivatives and other derivatives	**18,692**	1,863
Gain on business disposals	**—**	(30,696)
Premiums related to fuel-related derivatives and other derivatives matured during the period	**(90)**	—
Tax impact	**(4,985)**	(168)
Adjusted net income (loss)	**(36,029)**	(32,196)
Adjusted net income (loss)	**(36,029)**	(32,196)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	**37,572**	37,181
Adjusted net income (loss) per share	**(0.96)**	(0.87)

[1] The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the 2018 figures. See Changes in Accounting Policies section.

	As at January 31, 2019	As at October 31, 2018
	$	$
Aircraft rent for the past four quarters	**132,881**	124,454
Multiple	**5**	5
Adjusted operating leases	**664,405**	622,270
Long-term debt	**—**	—
Adjusted operating leases	**664,405**	622,270
Total debt	**664,405**	622,270
Total debt	**664,405**	622,270
Cash and cash equivalents	**(620,445)**	(593,654)
Total net debt	**43,960**	28,616

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share amounts)	2019 $	2018 Restated[2] $	Quarters ended January 31 Difference $	Difference %
Consolidated Statements of Income (Loss)				
Revenues	**647,566**	648,389	(823)	(0.1)
Operating income (loss)	**(52,555)**	(43,528)	(9,027)	(20.7)
Net income (loss) attributable to shareholders	**(49,646)**	(3,195)	(46,451)	(1,453.9)
Basic earnings (loss) per share	**(1.32)**	(0.09)	(1.23)	(1,366.7)
Diluted earnings (loss) per share	**(1.32)**	(0.09)	(1.23)	(1,366.7)
Adjusted operating income (loss)[1]	**(37,728)**	(28,759)	(8,969)	(31.2)
Adjusted net income (loss)[1]	**(36,029)**	(32,196)	(3,833)	(11.9)
Adjusted net income (loss) per share[1]	**(0.96)**	(0.87)	(0.09)	(10.3)
Consolidated Statements of Cash Flows				
Operating activities	**54,503**	107,774	(53,271)	(49.4)
Investing activities	**(29,393)**	19,500	(48,893)	(250.7)
Financing activities	**341**	1,415	(1,074)	(75.9)
Effect of exchange rate changes on cash and cash equivalents	**1,340**	747	593	79.4
Net change in cash and cash equivalents	**26,791**	129,436	(102,645)	(79.3)

	As at January 31, 2019 Restated[2] $	As at October 31, 2018 Restated[2] $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	**620,445**	593,654	26,791	4.5
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**456,379**	338,919	117,460	34.7
	1,076,824	932,573	144,251	15.5
Total assets	**1,798,023**	1,566,790	231,233	14.8
Debt (current and non-current)	**—**	—	—	—
Total debt[1]	**664,405**	622,270	42,135	6.8
Total net debt[1]	**43,960**	28,616	15,344	53.6

1 See Non-IFRS Financial Measures section

2 The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the 2018 figures. See Changes in Accounting Policies section. The Corporation also restated its consolidated statements of financial position as at January 31, 2019 and October 31, 2018. See Restatement section.

OVERVIEW

CORE BUSINESS

Transat is a leading integrated international tourism company specializing in holiday travel, which operates and markets its services in the Americas and Europe. It develops and markets holiday travel services in packages, including air travel and hotel stays, and air-only formats. Transat operates under the Transat and Air Transat brands mainly in Canada, France, the United Kingdom 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. It offers destination services in Mexico, the Dominican Republic and Jamaica. Recently, Transat started setting up a division with a mission to own and operate hotels in the Caribbean and Mexico and to market them, particularly in the United States, in Europe and in Canada.

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 range of operations and mission to include the hotel business.

STRATEGY

As part of its 2018–2022 strategic plan, Transat set a two-pronged objective of building sustainable profitability: improve and strengthen its current business model and pursue hotel development.

Hotel development will be achieved by creating a business unit to operate all-inclusive hotels in the Caribbean and Mexico, some wholly owned and some not. This hotel chain will strengthen Transat's profitability, particularly during winter, while enabling it to deliver a controlled end-to-end experience to its Canadian, European and U.S. customers.

Furthermore, Transat will strengthen its current model by maintaining its focus on satisfying the expectations of leisure customers with user-friendly service for an affordable price. This will be made possible by greater synergy between the Corporation's various divisions in Canada, continued efforts to increase efficiency and reduce costs, continuous improvement in the Corporation's digital footprint and a special focus on the development of certain functions, such as revenue management or air network planning.

Lastly, corporate responsibility, whether in terms of the environment, customers, employees or partners, will remain a key part of Transat's strategy.

For 2019, Transat has set the following objectives at the beginning of the reporting period:

1. Develop our hotel division: start construction work on the first hotel in Mexico, acquire a second parcel of land or a hotel in operation and finish setting up the team, subject to recent developments

2. Strengthen our air network: increase network density by increasing frequencies on our main routes and consider potential feeder/defeeder alliances to increase route density

3. Increase our revenues, by improving ancillary revenue streams and by finalizing the improvement of our level of expertise and the implementation of new practices within the revenue management department

4. Transform our fleet: complete the changes planned for this year, including the introduction of the first A321 LRs, finalize fleet planning over 3–5 years, while improving reliability, and integrating new pilot fatigue rules and the passenger bill of rights

5. Reduce and control costs

6. Optimize distribution, namely by increasing our involvement in direct distribution channels

7. Increase customer satisfaction, measured by our Net Promoter Score

8. Expand our digital footprint with customers and digitize and automate business processes

9. Unite our teams and maintain their 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.

REVISITING OUR DECEMBER 13, 2018 OUTLOOK

In its MD&A as at October 31, 2018, the Corporation stated that it is still too early to give any guidance regarding final results for the winter season.

RECENT DEVELOPMENTS

On August 23, 2019, a significant majority of the Corporation's shareholders voted in favour of the special resolution approving the previously announced plan of arrangement pursuant to which Air Canada will acquire all of the issued and outstanding Class A variable voting shares and Class B voting shares of Transat for a cash consideration of $18.00 per share.

On August 29, 2019, the Corporation announced that the Superior Court of Quebec issued a final order approving the plan of arrangement with Air Canada. The arrangement remains subject to certain closing conditions, including regulatory approvals described in Transat's management information circular dated July 19, 2019, as well as other customary closing conditions. In addition, a public interest assessment regarding the arrangement is being undertaken by Transport Canada with input from the Commissioner of Competition. If the required regulatory approvals are obtained and conditions are met, it is now expected that the transaction will be completed by the second quarter of the 2020 calendar year.

The hotel development strategy and related objectives set out in the Strategy section are affected by the plan of arrangement as the Corporation has agreed to limit its commitments and expenses related to the execution of its hotel strategy in the period leading up to the closing of the potential transaction.

BUSINESS DISPOSALS

JONVIEW CANADA INC.

On November 30, 2017, the Corporation completed the sale of its wholly owned subsidiary Jonview Canada Inc. ["Jonview"], which has an incoming tour operator business in Canada, to Japanese multinational H.I.S. Co. Ltd., which specializes in travel distribution, following approval of the transaction by the Competition Bureau of Canada and compliance with other customary conditions. Under the terms of the agreement, the selling price totalled $48.9 million, of which $1.1 million was received in cash during the quarter ended January 31, 2019, bringing the total amount received in cash to $47.8 million, with the balance of $1.1 million receivable under certain contractual conditions prior to May 31, 2019. During the quarter ended January 31, 2018, the Corporation recognized a gain on business disposal of $31.3 million.

Since Jonview's operations do not represent a principal and separate line of business for the Corporation, its results are included in the Corporation's net income (loss) from continuing operations reported in the consolidated statements of income (loss) and comprehensive income (loss) for the quarter ended January 31, 2018.

OCEAN HOTELS

On October 4, 2017, the Corporation completed the sale of its 35% minority interest in Ocean Hotels to H10 Hotels. During the quarter ended January 31, 2018, the Corporation recorded a downward adjustment to the gain on business disposal of $0.6 million in connection with the disposal of its interest as well as an unfavourable adjustment to current income taxes of $0.3 million.

CONSOLIDATED OPERATIONS

				Quarters ended January 31
	2019	2018 Restated[1]	Difference	Difference
(in thousands of dollars)	$	$	$	%
Revenues	**647,566**	648,389	(823)	(0.1)
Operating expenses				
Costs of providing tourism services	**241,120**	266,477	(25,357)	(9.5)
Salaries and employee benefits	**97,985**	93,790	4,195	4.5
Aircraft fuel	**92,569**	78,927	13,642	17.3
Aircraft maintenance	**58,496**	53,167	5,329	10.0
Sales and distribution costs	**51,456**	53,252	(1,796)	(3.4)
Aircraft rent	**38,596**	30,169	8,427	27.9
Airport and navigation fees	**29,324**	27,014	2,310	8.6
Other airline costs	**50,897**	48,341	2,556	5.3
Other	**24,935**	26,248	(1,313)	(5.0)
Share of net income of a joint venture	**(174)**	(237)	63	(26.6)
Depreciation and amortization	**14,917**	14,769	148	1.0
	700,121	691,917	8,204	1.2
Operating income (loss)	**(52,555)**	(43,528)	(9,027)	(20.7)
Financing costs	**395**	461	(66)	(14.3)
Financing income	**(5,256)**	(3,741)	(1,515)	40.5
Change in fair value of fuel-related derivatives and other derivatives	**18,692**	1,863	16,829	903.3
Gain on business disposals	**—**	(30,696)	30,696	100.0
Foreign exchange loss (gain) on non-current monetary items	**(32)**	1,431	(1,463)	(102.2)
Income (loss) before income tax expense	**(66,354)**	(12,846)	(53,508)	(416.5)
Income taxes (recovery)				
Current	**(3,531)**	(4,951)	1,420	28.7
Deferred	**(14,164)**	(6,055)	(8,109)	(133.9)
	(17,695)	(11,006)	(6,689)	(60.8)
Net income (loss) for the period	**(48,659)**	(1,840)	(46,819)	(2,544.5)
Net income (loss) attributable to:				
Shareholders	**(49,646)**	(3,195)	(46,451)	(1,453.9)
Non-controlling interests	**987**	1,355	(368)	(27.2)
	(48,659)	(1,840)	(46,819)	(2,544.5)

[1] The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the 2018 figures. See Changes in Accounting Policies section.

RESTATEMENT OF COMPARATIVE FIGURES

The Corporation adopted IFRS 9, *Financial Instruments,* and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and the consolidated statement of loss for the period ended January 31, 2018 has been restated. Total revenues for the period ended January 31, 2018 have been restated to present revenues on the same basis as for the period ended January 31, 2019. Costs of providing tourism services, sales and distribution costs, other costs and the change in fair value of fuel-related derivatives and other derivatives for the period ended on January 31, 2018 were also restated. The main changes related to the adoption of IFRS 9 and IFRS 15 are described in note 3 to the interim condensed consolidated financial statements for the period ended January 31, 2019.

REVENUES

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

Compared with 2018, revenues were down $0.8 million (0.1%) for the quarter ended January 31, 2019. In the sun destinations market, our main market for the period, the number of travellers increased 3.5% following our decision to increase our capacity in that market, with a greater proportion of flight-only sales, which generate less revenue than packages. As a result, revenues decreased slightly from 2018 despite a 2.8% increase in average selling prices of packages.

OPERATING EXPENSES

Total operating expenses were up $8.2 million (1.2%) for the quarter, compared with 2018. The increase resulted primarily from a rise in fuel price indices, combined with the weakening of the dollar against the U.S. dollar and our higher capacity in the sun destinations market, our main market for the period.

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. Compared with 2018, these costs were down $25.4 million (9.5%) for the quarter. This decrease in costs was mainly due to the lower number of packages sold than in 2018, partially offset by the unfavourable impact of the weakening of the dollar against the U.S. dollar.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits were up $4.2 million (4.5%) for the quarter, compared with 2018. The increase resulted primarily from annual salary reviews and the hiring of pilots and mechanics following the higher capacity in 2019.

AIRCRAFT FUEL

Aircraft fuel expense was up $13.6 million (17.3%) for the quarter. This increase was mainly attributable to a rise in fuel price indices in financial markets combined with higher capacity compared with 2018, as well as the weakening of the dollar against the U.S. dollar.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat for leased aircraft. Compared with 2018, these expenses increased by $5.3 million (10.0%) during the quarter. This increase was mainly attributable to the expansion of our fleet compared with 2018, combined with the weakening of the dollar against the U.S. dollar.

SALES AND DISTRIBUTION COSTS

Sales and distribution costs include commissions, which are expenses paid by tour operators to travel agencies for their services as intermediaries between the tour operator and the consumer, credit card fees, distribution expenses and marketing expenses. Sales and distribution costs were down $1.8 million (3.4%) during the quarter, compared with 2018. This decrease was mainly attributable to the lower marketing expenses.

AIRCRAFT RENT

For the quarter, Air Transat's permanent fleet consists of twenty Airbus A330s, six Airbus A310s, five Boeing 737-800s and two Airbus A321ceos. Aircraft rent was up $8.4 million (27.9%) for the quarter. The increase was mainly due to the greater number of seasonal aircraft and the addition of three Airbus A330s to our permanent fleet, compared with the first quarter of 2018.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. During the quarter, these fees rose $2.3 million (8.6%) compared with 2018, driven by an increase in our capacity from 2018.

OTHER AIRLINE COSTS

Other airline costs consist mainly of handling, crew and catering costs. Other airline costs were up $2.6 million (5.3%) for the quarter, compared with 2018. The increase was primarily due to higher capacity compared with 2018.

OTHER

Other expenses were down $1.3 million (5.0%) for the quarter, compared with 2018.

SHARE OF NET INCOME OF A JOINT VENTURE

Our share of net income of a joint venture represents our share of the net income of Desarrollo Transimar, our hotel joint venture acquired in 2017. Our share of net income remained stable at $0.2 million for the first quarter.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense includes depreciation and amortization as well as impairment losses relating to property, plant and equipment, intangible assets and deferred lease incentives. Depreciation and amortization expense rose $0.1 million (1.0%) in the first quarter, compared with 2018.

OPERATING RESULTS

Given the above, we recorded an operating loss of $52.6 million (8.1%) for the first quarter, compared with $43.5 million (6.7%) in 2018. The increase in our operating loss is primarily due to the fact that the higher average selling prices of packages could not offset the increase in fuel prices combined with the weakening of the dollar against the U.S. dollar, and from additional costs incurred for the transition and optimisation of the Corporation's fleet. The increase in operating loss was partly offset by a higher number of flight-only sales in the sun destinations market, compared with 2018.

For the quarter, the Corporation reported an adjusted operating loss of $37.7 million (5.8%) compared with $28.8 million (4.4%) in 2018.

OTHER EXPENSES AND REVENUES

FINANCING COSTS

Financing costs include interest on long-term debt and other interest, standby fees, as well as financial expenses. Financing costs decreased $0.1 million (14.3%) for the quarter, compared with 2018.

FINANCING INCOME

Financing income increased by $1.5 million (40.5%) during the quarter compared with 2018, primarily as a result of rising interest rates since last year.

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

The change in fair value of fuel-related derivatives and other derivatives corresponds to 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 decreased by $18.7 million compared with $1.9 million in 2018. The decrease was due primarily to the lower fair value and the maturing of fuel-related derivatives.

GAIN ON BUSINESS DISPOSALS

On November 30, 2017, the Corporation completed the sale of its wholly owned subsidiary Jonview for an expected consideration of $48.4 million, of which $47.3 million was received in cash on that date. The Corporation recognized a gain on business disposal of $31.3 million. Following the sale of its 35% minority interest in Ocean Hotels on October 4, 2017, the Corporation recorded a downward adjustment to the gain on business disposal of $0.6 million during the quarter ended January 31, 2018.

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

For the quarter, the Corporation posted a foreign exchange gain on non-current monetary items of $0.0 million compared with a foreign exchange loss of $1.4 million in 2018. This change was principally due to favourable exchange rates on foreign currency deposits, as a result of the strengthening of the U.S. dollar against the dollar during the first quarter of 2019, compared with the corresponding period of 2018.

INCOME TAXES

Income tax recovery for the first quarter totalled $17.7 million, compared with $11.0 million for the corresponding quarter of last year. Excluding the gain on business disposals and the share of net income of a joint venture, the effective tax rate was 26.6% for the quarter, compared with 25.1% for the corresponding period of 2018. The change in tax rates for the quarter was due to the differences in statutory tax rates by country applicable to the foreign subsidiaries' results.

NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Considering the items discussed in the Consolidated Operations section, the net loss was $48.7 million for the quarter ended January 31, 2019, compared with $1.8 million in 2018. Net loss attributable to shareholders amounted to $49.6 million or $1.32 per share (basic and diluted) compared with $3.2 million or $0.09 per share (basic and diluted) for the corresponding quarter of last year. For the first quarter of 2019, the weighted average number of outstanding shares used to compute per share amounts was 37,572,000 (basic and diluted), compared with 37,181,000 (basic and diluted) for the corresponding quarter of 2018.

For the first quarter, the adjusted net loss was $36.0 million ($0.96 per share) compared with $32.2 million ($0.87 per share) in 2018.

Selected Quarterly Financial Information

The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the quarterly financial information shown in the table below for 2018. However, the analysis of the quarterly financial information for 2018 compared with 2017 was carried out on the results before restatement to ensure comparability.

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, with the exception of the second quarter. For the first part of winter (Q1), the decrease in revenues is attributable to the increase in the number of flight-only sales and a slightly lower selling prices on the transatlantic market. The decrease in revenues was partially offset by a 3.2% rise in the number of travellers in the sun destinations market, following the increase in our capacity. For Q2, following our decision to increase our capacity across all of our markets, the number of travellers and average selling prices were up. For the summer season, the decrease in revenues was due to the sale of our subsidiary Jonview, partially offset by an increase in business volume in the transatlantic market, our main market for the period.

In terms of our operating results, the increase in our operating loss for Q1 resulted primarily from the fact that the higher average selling prices of packages could not offset the increase in fuel prices combined with the weakening of the dollar against the U.S. dollar. The decrease in operating results was partially offset by a higher number of flight-only sales and an increase in load factors in the sun destinations market, compared with 2018. For Q2, the decrease in our operating loss was primarily due to a higher number of travellers, combined with an increase in average selling prices across all of our markets, as well as the favourable foreign exchange effect on our costs. For the summer season, the deterioration in our operating results was mainly attributable to higher fuel prices, combined with the foreign exchange effect. The decrease in our operating results during the summer was accentuated by the disposal of our wholly owned subsidiary Jonview and our minority interest in Ocean Hotels. 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)	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018	Q1-2019
				Restated[2]				
	$	$	$	$	$	$	$	$
Revenues	884,310	733,152	698,551	648,389	867,154	664,569	668,843	647,566
Aircraft rent	37,361	32,390	26,285	30,169	33,352	32,090	28,843	38,596
Operating income (loss)	(15,061)	40,952	59,500	(43,528)	(3,179)	(10,736)	6,851	(52,555)
Net income (loss)	(6,155)	27,168	148,413	(1,840)	9,743	(4,693)	6,784	(48,659)
Net income (loss) attributable to shareholders	(8,354)	26,588	148,147	(3,195)	7,939	(5,046)	6,754	(49,646)
Basic earnings (loss) per share	(0.23)	0.72	4.00	(0.09)	0.21	(0.13)	0.18	(1.32)
Diluted earnings (loss) per share	(0.23)	0.72	3.97	(0.09)	0.21	(0.13)	0.18	(1.32)
Adjusted operating income (loss)[1]	1,508	59,055	78,541	(28,759)	12,130	2,350	31,474	(37,728)
Adjusted net income (loss)[1]	(8,100)	26,857	46,381	(32,196)	(456)	(5,040)	13,659	(36,029)
Adjusted net income (loss) per share[1]	(0.22)	0.73	1.24	(0.87)	(0.01)	(0.13)	0.36	(0.96)

1 See Non-IFRS Financial Measures section

2 The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the 2018 figures. See Changes in Accounting Policies section. The Corporation also restated its consolidated financial statements as at October 31, 2018. See Restatement section.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2019, cash and cash equivalents totalled $620.4 million compared with $593.7 million as at October 31, 2018. Cash and cash equivalents in trust or otherwise reserved amounted to $456.4 million at the end of the first quarter of 2019, compared with $338.9 million as at October 31, 2018. The Corporation's statement of financial position reflected $202.2 million in working capital, for a ratio of 1.18, compared with $287.5 million and a ratio of 1.33 as at October 31, 2018.

Total assets increased by $231.2 million (14.8%), from $1,566.8 million as at October 31, 2018 to $1,798.0 million as at January 31, 2019. This increase is explained in the financial position table provided below. Equity decreased by $47.4 million, from $571.6 million as at October 31, 2018 to $524.2 million as at January 31, 2019. This decrease resulted from a $49.6 million net loss attributable to shareholders, combined with a $2.8 million unrealized loss on cash flow hedges, partially offset by a $1.6 million foreign exchange gain on the translation of the financial statements of foreign subsidiaries.

CASH FLOWS

		Quarters ended January 31	
	2019	**2018 Restated(1)**	**Difference**
(in thousands of dollars)	**$**	**$**	**$**
Cash flows related to operating activities	**54,503**	107,774	(53,271)
Cash flows related to investing activities	**(29,393)**	19,500	(48,893)
Cash flows related to financing activities	**341**	1,415	(1,074)
Effect of exchange rate changes on cash	**1,340**	747	593
Net change in cash and cash equivalents	**26,791**	129,436	(102,645)

1 The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the 2018 figures. See Changes in Accounting Policies section.

OPERATING ACTIVITIES

Operating activities generated cash flows of $54.5 million during the first quarter, compared with $107.8 million in 2018. The $53.3 million decrease resulted primarily from a $32.5 million reduction in the net change in non-cash working capital balances related to operations, an $8.6 million decrease in net income before operating items not involving an outlay (receipt) of cash, and a $7.3 million decrease in the provision for overhaul of leased aircraft. The adoption of IFRS 15 has led to a change in how the balance of Cash and cash equivalents in trust or otherwise reserved is calculated from November 1, 2018 onwards. The impact of this change is an increase in $32.0 million of Cash and cash equivalents in trust or otherwise reserved as at January 31, 2019 and an equivalent decrease in the balance of Cash and cash equivalents. The impact of this change is greater as at January 31, 2019 and should be less significant as at April 30, July 31 and October 31, 2019 as the adoption of IFRS 15 has an impact on revenue from the land portion of packages. As at January 31, 2019, the Corporation is midway through the winter season where the packages for sun destinations represent an significant portion of revenues.

INVESTING ACTIVITIES

Cash flows used in investing activities amounted to $29.4 million for the first quarter compared with cash inflows of $19.5 million in 2018, representing a decrease of $48.9 million. Additions to property, plant and equipment and intangible assets amounted to $30.5 million during the quarter, compared with $9.8 million in 2018. On November 28, 2018, the Corporation acquired a second parcel of land in Puerto Morelos, Mexico, adjacent to the first land acquired in 2018, for an amount of $15.8 million. Both parcels of land are to be combined in order to soon start the construction of our first hotel complex. In 2017, the Corporation received consideration, net of cash disposed of $29.3 million, for the disposal of the Jonview subsidiary on November 30, 2017.

FINANCING ACTIVITIES

Cash flows generated by financing activities were down $1.1 million from $1.4 million for the first quarter of 2018 to $0.3 million in 2019. The decrease was driven primarily by the exercise of options totalling $1.8 million in 2018 compared with nil options exercised in 2019. In addition, in the first quarter of 2018, the Corporation repurchased shares related to stock-based compensation for an amount of $0.5 million.

RESTATED CONSOLIDATED FINANCIAL POSITION

	January 31, 2019 Restated(1) $	October 31, 2018 Restated(1) $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**620,445**	593,654	26,791	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**456,379**	338,919	117,460	Seasonal nature of operations
Trade and other receivables	**156,262**	139,979	16,283	Increase in receivables from lessors due to aircraft maintenance and taxes receivable
Income taxes receivable	**30,686**	26,505	4,181	Increase in income taxes recoverable given deductible losses
Inventories	**11,496**	14,464	(2,968)	Decrease in fuel inventories
Prepaid expenses	**117,885**	68,890	48,995	Increase in prepayments made to hotel operators due to the seasonal nature of operations
Deposits	**63,062**	61,992	1,070	Increase in deposits for aircraft on order
Deferred tax assets	**27,570**	14,954	12,616	Increase in deferred tax related to deductible losses and derivative financial instruments
Property, plant and equipment	**218,762**	201,478	17,284	Acquisition of land in Puerto Morelos, Mexico
Intangible assets	**40,982**	42,689	(1,707)	Amortization for the period, partially offset by additions
Derivative financial instruments	**10,228**	20,497	(10,269)	Unfavourable change in fuel prices and maturity of fuel-related derivatives combined with the maturity of foreign exchange derivatives
Investment	**16,257**	16,084	173	No significant difference
Other assets	**28,009**	26,685	1,324	Increase in deferred rent
Liabilities				
Trade and other payables	**359,265**	320,732	38,533	Seasonal nature of operations
Provision for overhaul of leased aircraft	**53,333**	57,228	(3,895)	Decrease in provision due to aircraft maintenance
Income taxes payable	**928**	1,117	(189)	No significant difference
Derivative financial instruments	**15,614**	3,445	12,169	Unfavourable change in fuel prices related to contracted derivatives
Customer deposits and deferred revenues	**752,847**	517,352	235,495	Seasonal nature of operations combined with higher business volume
Other liabilities	**91,090**	92,025	(935)	Decrease in deferred lease incentives related to aircraft
Deferred tax liabilities	**706**	3,252	(2,546)	Decrease in deferred tax liabilities due to increase in deductible losses
Equity				
Share capital	**220,025**	219,684	341	Shares issued from treasury
Share-based payment reserve	**18,542**	18,017	525	Share-based payment expense
Retained earnings	**293,730**	340,766	(47,036)	Net loss
Unrealized gain (loss) on cash flow hedges	**(839)**	1,971	(2,810)	Net loss on financial instruments designated as cash flow hedges
Cumulative exchange differences	**(7,218)**	(8,799)	1,581	Foreign exchange gain on translation of financial statements of foreign subsidiaries

1 The Corporation adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, on November 1, 2018, and restated the 2018 figures. See Changes in Accounting Policies section. The Corporation also restated its consolidated statements of financial position as at January 31, 2019 and October 31, 2018. See Restatement section.

FINANCING

As at March 13, 2019, 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 2022, the Corporation may increase the credit limit to $100 million, subject to lender approval. The agreement may be extended for a year on 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 ratios and conditions. As at January 31, 2019, all financial ratios and conditions 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 cash flows, some of which are reported as liabilities in the restated interim condensed consolidated financial statements and others are disclosed in the notes to the restated consolidated financial statements. The Corporation did not report any obligations in the statement of financial position as at January 31, 2019 and October 31, 2018.

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 $2,456.9 million as at January 31, 2019 ($2,506.9 million as at October 31, 2018) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	As at January 31, 2019 $	As at October 31, 2018 $
Guarantees		
Irrevocable letters of credit	**28,942**	31,221
Collateral security contracts	**419**	419
Operating leases		
Obligations under operating leases	**2,427,549**	2,475,276
	2,456,910	2,506,916

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, 2019, $55.8 million had been drawn down under the facility, of which $51.2 million was to secure obligations under senior executive 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 secure obligations under senior executive defined benefit pension agreements will be drawn down.

The Corporation also has a guarantee facility renewable in 2020. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term and for a total amount of $50.0 million. This facility allows the Corporation, among other things, to issue collateral security contracts to some suppliers to whom letters of credit were previously issued and for which the Corporation had to pledge cash for the total amount of the outstanding letters of credit. As at January 31, 2019, $28.0 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 £3.8 million ($6.6 million), which has been fully drawn down.

As at January 31, 2019, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had decreased by $50.0 million compared with October 31, 2018. This decrease resulted primarily from repayments made 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 consolidated statement of financial position.

The Corporation's total debt stood at $664.4 million as at January 31, 2019, up $42.1 million from October 31, 2018. The increase was mainly due to the addition of aircraft to our fleet during the past twelve months.

Total net debt increased by $15.3 million, from $28.6 million as at October 31, 2018 to $44.0 million as at January 31, 2019. The increase in total net debt resulted from the increase in total debt, partially offset by higher cash and cash equivalent balances than in 2018.

OUTSTANDING SHARES

As at January 31, 2019, 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 September 6, 2019, there were 37,747,090 total voting shares outstanding.

STOCK OPTIONS

As at September 6, 2019, there were a total of 1,748,570 stock options outstanding, 1,428,716 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of twenty Airbus A330s (332, 345 or 375 seats), six Airbus A310s (250 seats), five Boeing 737-800s (189 seats) and two Airbus A321ceos (199 seats).

During winter 2019, the Corporation also had seasonal rentals for nine Boeing 737-800s (189 seats), eight Airbus A321ceos (190 seats), three Boeing 737-700s (149 seats) and two Airbus A320s (199 seats).

CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation used by the Corporation are the same as those used in the annual consolidated financial statements for the year ended October 31, 2018. There have been no significant changes to the Corporation's accounting policies since that date, except for the adoption of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Customer Contracts.*

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, 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, and supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The Corporation adopted IFRS 9 on November 1, 2018 with retrospective application and restatement of comparative figures. The Corporation applies the new hedge accounting model foreign exchange risk management disclosure requirements with prospective application as of November 1, 2018. For hedging relationships including options that existed as at November 1, 2017 or those that have been designated since then, the Corporation accounts for the changes related to the time value of the options retrospectively, with restatement of comparative figures. The accounting policies and the main changes related to the adoption of IFRS 9 are explained in notes 2 and 3, respectively, to the restated interim condensed consolidated financial statements for the period ended January 31, 2019.

IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15, *Revenue from Contracts with Customers*, supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 specifies the steps and timing of revenue recognition for issuers as well as requiring the provision of more informative and relevant 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 was applied retrospectively on November 1, 2018 with an adjustment to the opening consolidated statement of financial position as at November 1, 2017 and the consolidated statement of loss for the period ended January 31, 2018. The accounting policies and the main changes related to the adoption of IFRS 15 are explained in notes 2 and 3, respectively, to the restated interim condensed consolidated financial statements for the period ended January 31, 2019.

FUTURE CHANGES IN ACCOUNTING POLICIES

A standard issued but not yet effective is described below. The Corporation has not early adopted this standard.

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 the current IAS 17 standard, 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 lessee accounting model under which most 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. Certain exemptions will apply to short-term leases and leases of low value assets.

Considering that the Corporation is committed under numerous operating leases in accordance with IAS 17, the Corporation expects that the adoption of IFRS 16 will have a significant impact on its consolidated financial statements. The Corporation will be required to recognize a right-of-use asset and a liability at the present value of future lease payments. Amortization of the right-of-use asset and interest expense on the lease obligation will replace rent expense related to operating leases.

For leased aircraft, the right-of-use assets will be broken down and eligible maintenance work will be incorporated into the cost of the asset and depreciated over the shorter of the lease term or expected useful life. As a result, the maintenance expense of leased aircraft is expected to decrease and the depreciation expense is expected to increase following the adoption of IFRS 16.

The application of IFRS 16 is mandatory and will be effective for the Corporation's annual reporting period beginning on November 1, 2019. The Corporation intends to apply the retrospective method with restatement for each prior reporting period presented. The Corporation intends to apply the practical expedient relating to the accounting for short-term leases and to reassess its previous conclusions to determine whether its contracts contain leases at the date of initial application, as it does not expect to use the practical expedient described in IFRS 16 paragraph C3. The Corporation continues to assess the impact of the adoption of this new standard on its consolidated financial statements.

IFRIC 23, *UNCERTAINTY OVER INCOME TAX TREATMENTS*

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*, which clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. IFRIC 23 sets out the circumstances in which uncertain tax treatments should be treated separately or together, and the assumptions to consider in the assessment of an uncertain tax treatment to determine whether it is probable that a taxation authority will accept the treatment. The application of IFRIC 23 will be effective for the Corporation's annual reporting period beginning on November 1, 2019. The Corporation is currently assessing the impact of the adoption of this new IFRIC interpretation on its consolidated 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. In light of the restatement of the consolidated financial statements as discussed above in the Restatement section, the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation have concluded that the Corporation's ICFR were ineffective as at January 31, 2019 owing to a material weakness in ICFR that required a restatement of its quarterly consolidated financial statements.

MATERIAL WEAKNESS

The material weakness in the Corporation's ICFR as at January 31, 2019 had an impact on the accounting treatment for the non-controlling interest of the Trafictours Canada Inc. subsidiary. In June 2019, the Corporation identified a difference resulting from the application of a different formula than as per the contract for the calculation of the purchase price of the minority interest, which led to an undervaluation of $23.3 million as at January 31, 2019, as discussed in the Restatement section.

Although the ICFR relating to the accounting treatment for the non-controlling interest in question was designed such that it operates as intended, the observed deficiency prevented the ICFR from detecting in a timely manner a material misstatement in an amount reported in the Corporation's quarterly financial statements as at January 31, 2019 and accordingly, this ICFR is considered deficient in its design, as defined in National Instrument 52-109.

REMEDIAL ACTIONS

Following the identification of this weakness, remedial actions were taken as of June 2019 to remediate this material weakness and also to strengthen the Corporation's DC&P and ICFR, as referred to the Section "Controls and Procedures" of the restated financial statements as of October 31, 2018.

Excluding the material weakness identified, the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer have not identified other significant changes in ICFR occurred during the first quarter ended January 31, 2019 that have materially affected or are reasonably likely to materially affect the Corporation's ICFR.

OUTLOOK

Second quarter outlook - In the sun destination market, the Corporation's main market during the winter season, Transat's capacity is up 2.0% compared with last year. To date, 82% of that capacity has been sold, bookings are ahead by 0.6% and the load factors are tracking 3.1% higher compared with 2018. The impact of fluctuations in the Canadian dollar, combined with higher fuel costs, will result in a 2.7% increase in operating expenses if the Canadian dollar relative to the U.S. dollar and fuel prices remain stable. Unit margins are currently tracking 1.1% lower than at the same date last year.

In the transatlantic market, where it is low season, load factors are tracking 7.0% ahead of last winter. Prices are currently 3.0% lower than those recorded last year.

If these trends continue, Transat expects that second-quarter adjusted operating income could be lower than the restated amount of $12.1 million for 2018.

Summer outlook - In the transatlantic market, the Corporation's main market during the summer, Transat's capacity is tracking 1.0% ahead of 2018. To date, 33% of seats have been sold, load factors are up 2.4% and selling prices are 2.2% lower compared with the same date last year. Fuel costs, net of fluctuations in the Canadian dollar against the U.S. dollar, Euros and Pounds have triggered no increase in operating costs to date. Unit margins are similar to those recorded at the same date last year.

Apart from these initial trends, it is still too early to draw any conclusions for summer 2019.

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

(in thousands of Canadian dollars)	Notes	As at January 31, 2019 Restated [note 3] $	As at October 31, 2018 Restated [note 3] $
ASSETS			
Cash and cash equivalents		**620,445**	593,654
Cash and cash equivalents in trust or otherwise reserved	6	**405,195**	287,735
Trade and other receivables		**156,262**	139,979
Income taxes receivable		**15,586**	11,405
Inventories		**11,496**	14,464
Prepaid expenses		**117,885**	68,890
Derivative financial instruments		**9,963**	20,413
Current portion of deposits		**17,390**	20,250
Current assets		**1,354,222**	1,156,790
Cash and cash equivalents reserved	6	**51,184**	51,184
Deposits		**45,672**	41,742
Income taxes receivable		**15,100**	15,100
Deferred tax assets		**27,570**	14,954
Property, plant and equipment		**218,762**	201,478
Intangible assets		**40,982**	42,689
Derivative financial instruments		**265**	84
Investment	7	**16,257**	16,084
Other assets		**28,009**	26,685
Non-current assets		**443,801**	410,000
		1,798,023	1,566,790
LIABILITIES			
Trade and other payables		**359,265**	320,732
Current portion of provision for overhaul of leased aircraft	8	**24,666**	27,313
Income taxes payable		**928**	1,117
Customer deposits and deferred revenues		**752,847**	517,352
Derivative financial instruments		**14,354**	2,766
Current liabilities		**1,152,060**	869,280
Provision for overhaul of leased aircraft	8	**28,667**	29,915
Other liabilities	10	**91,090**	92,025
Derivative financial instruments		**1,260**	679
Deferred tax liabilities		**706**	3,252
Non-current liabilities		**121,723**	125,871
EQUITY			
Share capital	11	**220,025**	219,684
Share-based payment reserve		**18,542**	18,017
Retained earnings		**293,730**	340,766
Unrealized gain (loss) on cash flow hedges		**(839)**	1,971
Cumulative exchange differences		**(7,218)**	(8,799)
		524,240	571,639
		1,798,023	1,566,790

See accompanying notes to restated unaudited interim condensed consolidated financial statements

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

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

(in thousands of Canadian dollars, except per share amounts)	Notes	Quarters ended January 31 2019 $	2018 Restated [note 3] $
Revenues		**647,566**	648,389
Operating expenses			
Costs of providing tourism services		**241,120**	266,477
Salaries and employee benefits		**97,985**	93,790
Aircraft fuel		**92,569**	78,927
Aircraft maintenance		**58,496**	53,167
Sales and distribution costs		**51,456**	53,252
Aircraft rent		**38,596**	30,169
Airport and navigation fees		**29,324**	27,014
Other airline costs		**50,897**	48,341
Other		**24,935**	26,248
Share of net income of a joint venture		**(174)**	(237)
Depreciation and amortization		**14,917**	14,769
		700,121	691,917
Operating income (loss)		**(52,555)**	(43,528)
Financing costs		**395**	461
Financing income		**(5,256)**	(3,741)
Change in fair value of fuel-related derivatives and other derivatives		**18,692**	1,863
Gain on business disposals	5	**—**	(30,696)
Foreign exchange loss (gain) on non-current monetary items		**(32)**	1,431
Income (loss) before income tax expense		**(66,354)**	(12,846)
Income taxes (recovery)			
Current		**(3,531)**	(4,951)
Deferred		**(14,164)**	(6,055)
		(17,695)	(11,006)
Net income (loss) for the period		**(48,659)**	(1,840)
Net income (loss) attributable to:			
Shareholders		**(49,646)**	(3,195)
Non-controlling interests		**987**	1,355
		(48,659)	(1,840)
Earnings (loss) per share	11		
Basic		**(1.32)**	(0.09)
Diluted		**(1.32)**	(0.09)

See accompanying notes to restated unaudited interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Quarters ended January 31	
	2019	**2018**
		Restated
		[note 3]
(in thousands of Canadian dollars)	**$**	**$**
Net income (loss) for the period	**(48,659)**	(1,840)
Other comprehensive income (loss)		
Items that will be reclassified to net income (loss)		
Change in fair value of derivatives designated as cash flow hedges	**(7,848)**	(20,586)
Reclassification to net income (loss)	**3,977**	1,128
Deferred taxes	**1,061**	5,169
	(2,810)	(14,289)
Foreign exchange gain on translation of financial statements of foreign subsidiaries	**1,581**	3,749
Total other comprehensive income (loss)	**(1,229)**	(10,540)
Comprehensive income (loss) for the period	**(49,888)**	(12,380)
Comprehensive income (loss) for the period attributable to:		
Shareholders	**(50,897)**	(13,735)
Non-controlling interests	**1,009**	1,355
	(49,888)	(12,380)

See accompanying notes to restated unaudited interim condensed consolidated financial statements

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

				Accumulated other comprehensive income (loss)				
	Share capital	Share-based payment reserve	Retained earnings (deficit) Restated *[note 3]*	Unrealized gain (loss) on cash flow hedges Restated *[note 3]*	Cumulative exchange differences Restated *[note 3]*	Total Restated *[note 3]*	Non-controlling interests Restated *[note 3]*	Total equity Restated *[note 3]*
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Balance as at October 31, 2017	215,444	17,817	330,856	3,849	(10,385)	557,581	—	557,581
Net income (loss) for the period	—	—	(3,195)	—	—	(3,195)	1,355	(1,840)
Other comprehensive income (loss)	—	—	—	(14,289)	3,749	(10,540)	—	(10,540)
Comprehensive income (loss) for the period	—	—	(3,195)	(14,289)	3,749	(13,735)	1,355	(12,380)
Issued from treasury	312	—	—	—	—	312	—	312
Exercise of options	2,627	(794)	—	—	—	1,833	—	1,833
Vesting of PSUs	—	(1,155)	—	—	—	(1,155)	—	(1,155)
Share-based payment expense	—	507	—	—	—	507	—	507
Dividends	—	—	—	—	—	—	(191)	(191)
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(1,164)	(1,164)
	2,939	(1,442)	—	—	—	1,497	(1,355)	142
Balance as at January 31, 2018	218,383	16,375	327,661	(10,440)	(6,636)	545,343	—	545,343
Net income for the period	—	—	9,646	—	—	9,646	2,187	11,833
Other comprehensive income (loss)	—	—	1,624	12,411	(3,158)	10,877	995	11,872
Comprehensive income (loss) for the period	—	—	11,270	12,411	(3,158)	20,523	3,182	23,705
Issued from treasury	1,243	—	—	—	—	1,243	—	1,243
Exercise of options	58	(18)	—	—	—	40	—	40
Vesting of PSUs	—	(43)	—	—	—	(43)	—	(43)
Share-based payment expense	—	1,703	—	—	—	1,703	—	1,703
Dividends	—	—	—	—	—	—	(3,111)	(3,111)
Fair value changes in non-controlling interest liabilities	—	—	1,835	—	—	1,835	(1,835)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	2,759	2,759
Reclassification of non-controlling interest exchange difference	—	—	—	—	995	995	(995)	—
	1,301	1,642	1,835	—	995	5,773	(3,182)	2,591
Balance as at October 31, 2018	219,684	18,017	340,766	1,971	(8,799)	571,639	—	571,639
Net income (loss) for the period	—	—	(49,646)	—	—	(49,646)	987	(48,659)
Other comprehensive income (loss)	—	—	—	(2,810)	1,559	(1,251)	22	(1,229)
Comprehensive income (loss) for the period	—	—	(49,646)	(2,810)	1,559	(50,897)	1,009	(49,888)
Issued from treasury	341	—	—	—	—	341	—	341
Vesting of PSUs	—	(19)	—	—	—	(19)	—	(19)
Share-based payment expense	—	544	—	—	—	544	—	544
Fair value changes in non-controlling interest liabilities	—	—	2,610	—	—	2,610	(2,610)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	1,623	1,623
Reclassification of non-controlling interest exchange difference	—	—	—	—	22	22	(22)	—
	341	525	2,610	—	22	3,498	(1,009)	2,489
Balance as at January 31, 2019	**220,025**	**18,542**	**293,730**	**(839)**	**(7,218)**	**524,240**	**—**	**524,240**

See accompanying notes to restated unaudited interim condensed consolidated financial statements

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

	Quarters ended January 31	
	2019	**2018 Restated** *[note 3]*
(in thousands of Canadian dollars)	**$**	**$**
OPERATING ACTIVITIES		
Net income (loss) for the period	**(48,659)**	(1,840)
Operating items not involving an outlay (receipt) of cash:		
Depreciation and amortization	**14,917**	14,769
Change in fair value of fuel-related derivatives and other derivatives	**18,692**	1,863
Gain on business disposals	**—**	(30,696)
Foreign exchange loss (gain) on non-current monetary items	**(32)**	1,431
Share of net income of a joint venture	**(174)**	(237)
Deferred taxes	**(14,164)**	(6,055)
Employee benefits	**734**	700
Share-based payment expense	**544**	507
	(28,142)	(19,558)
Net change in non-cash working capital balances related to operations	**93,440**	125,945
Net change in provision for overhaul of leased aircraft	**(3,895)**	3,395
Net change in other assets and liabilities related to operations	**(6,900)**	(2,008)
Cash flows related to operating activities	**54,503**	107,774
INVESTING ACTIVITIES		
Additions to property, plant and equipment and other intangible assets	**(30,493)**	(9,761)
Proceeds from the disposal of a business, net of cash disposed of	**1,100**	29,261
Cash flows related to investing activities	**(29,393)**	19,500
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**341**	2,145
Repurchase of shares related to stock-based compensation	**—**	(539)
Dividends paid by a subsidiary to a non-controlling shareholder	**—**	(191)
Cash flows related to financing activities	**341**	1,415
Effect of exchange rate changes on cash and cash equivalents	**1,340**	747
Net change in cash and cash equivalents	**26,791**	129,436
Cash and cash equivalents held for sale, beginning of period	**—**	26,324
Cash and cash equivalents, beginning of period	**593,654**	593,582
Cash and cash equivalents, end of period	**620,445**	749,342
Supplementary information (as reported in operating activities)		
Net income taxes paid (recovered)	**344**	7,479
Interest paid	**186**	117

See accompanying notes to restated unaudited interim condensed consolidated financial statements

[Amounts are expressed in thousands of Canadian dollars, except for per share amounts or unless specified otherwise] [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."

Transat A.T. Inc. is an integrated company specializing in the organization, marketing and distribution of holiday travel in the tourism industry. 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 restated interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended January 31, 2019 were approved by the Corporation's Board of Directors on March 13, 2019.

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 restated 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 restated 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 restated interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements with the exception of the adoption of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, the effects of which are described in note 3. The interim condensed consolidated financial statements should be read in conjunction with the restated audited annual consolidated financial statements and notes included in the Corporation's restated Annual Report for the year ended October 31, 2018.

These restated 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.

REVENUE RECOGNITION

The Corporation recognizes revenue when it satisfies the performance obligation, that is, when the service is transferred to the customer and the customer obtains control of that service. Amounts received from customers for services not yet rendered are included in current liabilities as Customer deposits and deferred revenues.

Revenue from contracts with customers includes revenue from passenger air transportation, revenue from the land portion of holiday packages and commission revenue from travel agencies. Revenue from passenger air transportation is recognized when such transportation is provided. Revenue from the land portion of holiday packages includes hotel services, among others, and the related costs are recognized when the corresponding services are rendered over the course of the stay. Commission revenue from travel agencies is recognized when passengers depart.

Other revenue includes, among others, aircraft subleasing, cargo and franchising revenue.

Revenue for which the Corporation provides multiple services, such as air transportation, hotel and travel agency services, is recognized once the service is provided to the customer based on the Corporation's accounting policy for revenue recognition. These different services are considered as separate units of accounting, as each service has value to the customer on a stand-alone basis, and the selling price is allocated using the expected cost plus a reasonable market margin approach.

BREAKDOWN OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation operates mainly in the Americas, and serves two main markets that also represent its two main product lines: the transatlantic market and the Americas market, which includes the sun destinations market. Revenue from contracts with customers is broken down as follows:

	Quarters ended January 31	
	2019	**2018**
		Restated
		[note 3]
	$	**$**
Customers		
Transatlantic	**68,847**	67,958
Americas	**560,387**	560,516
Other	**18,332**	19,915
Total revenues	**647,566**	**648,389**

CONTRACT BALANCES

Contract balances with customers are included in Trade and other receivables, Prepaid expenses and Customer deposits and deferred revenues in the consolidated statement of financial position. Trade accounts receivable included under Trade and other receivables comprise receivables related to passenger air transportation, the land portion of holiday packages and commissions. Payment is generally received before services are provided, but some tour operators make payments after services are provided. Contract assets in Prepaid expenses include additional costs incurred to earn revenue from contracts with customers, consisting of hotel room costs, costs related to the worldwide distribution system and credit card fees, which are capitalized upon payment and expensed when the related revenue is recognized. Customer deposits and deferred revenues represent amounts received from customers for services not yet provided.

Given that contracts with customers have a duration of one year or less, the Corporation applies the practical expedient set forth in paragraph 121 of IFRS 15 under which no information is disclosed about the remaining performance obligations that are part of a contract that has a duration of one year or less.

Contract balances with customers are detailed as follows:

	As at January 31, 2019	**As at October 31, 2018**	**As at October 31, 2017**
		Restated	**Restated**
		[note 3]	*[note 3]*
	$	**$**	**$**
Trade accounts receivable, included in Trade and other receivables	**33,125**	30,831	33,486
Contract costs, inlcuded in Prepaid expenses	**88,027**	38,414	43,537
Customer deposits and deferred revenues	**752,847**	517,352	440,411

Note 3 RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES

RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On June 27, 2019, the Corporation announced that it needed to restate its consolidated financial statements and MD&A for the quarter ended January 31, 2019. Management has concluded that a restatement of its consolidated financial statements was necessary regarding the carrying amount of the non-controlling interest in the Trafictours Canada Inc. subsidiary.

The carrying amount of the non-controlling interest is related to the Trafictours Canada Inc. subsidiary and the right of the minority shareholder to require the Corporation to purchase the Trafictours Canada Inc. shares it holds at a price calculated in accordance with a pre-determined formula, subject to adjustment based on the circumstances, payable in cash. The estimated repurchase value of this option is taken into account in the carrying amount of the non-controlling interest. The difference results from the application of a different formula than as per the contract for the calculation of the purchase price of the minority interest. As a result, the liability for the non-controlling interest reported under Trade and other payables in the consolidated statements of financial position was undervalued by $23,290 and $25,900 as at January 31, 2019 and October 31, 2018, respectively. These under-valuations have no impact on the consolidated statements of income for the aforementioned periods as these adjustments are recorded as equity transactions in Retained earnings.

As part of the restatement of its consolidated financial statements as at October 31, 2018, the Corporation reviewed subsequent events up to September 11, 2019, the new date of authorization to publish the financial statements for the year ended October 31, 2018. On June 5, 2019, the Corporation settled, without admission of liability, for an amount of US$5,000 [$6,700], a litigation whereby plaintiffs alleged misappropriation of confidential information and solicitation of employees; this amount was recorded as a subsequent event under Special items in the restated consolidated statement of income for the year ended October 31, 2018. This adjustment is included under Trade and other payables and Retained earnings in the consolidated statement of financial position as at January 31, 2019 and October 31, 2018. No provision was recorded in the October 31, 2018 financial statements as initially disclosed since it was not possible to determine with certainty the impact of the financial liability that could arise from such proceedings if the defense of the Corporation was not retained.

IFRS 9, *FINANCIAL INSTRUMENTS*

IFRS 9, *Financial Instruments*, 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, and supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The Corporation adopted IFRS 9 on November 1, 2018 with retrospective application and restatement of comparative figures. The main changes are explained below.

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. Financial assets previously classified as “loans and receivables” are now included in the “amortized cost” category. With respect to financial liabilities, trade and other payables that were formerly classified as “other financial liabilities” are now included in the “amortized cost” category. The Corporation has determined that this change has no other impact on its consolidated financial statements, particularly with respect to the measurement of financial assets and financial liabilities.

IFRS 9 also introduces a new expected loss impairment model requiring timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected credit losses on a timely basis. The Corporation has determined that this change had no impact on its consolidated financial statements.

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosure requirements regarding risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that allows entities to better reflect their risk management activities in their consolidated financial statements.

The Corporation has applied the new hedge accounting model and foreign exchange risk management disclosure requirements prospectively as of November 1, 2018. The Corporation enters into foreign currency contract options and designates the intrinsic value of these contracts as cash flow hedging on future purchases of foreign currencies. Applying the new hedge accounting model will give rise to the recognition of the time value of the options, including premiums paid, in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss) for the effective hedging relationships. The time value of these options, including premiums paid, remains in Other comprehensive income (loss) as "Unrealized Gain (Loss) on Cash Flow Hedges" until the settlement of the underlying hedged item, at which time the premiums paid accounted for under "Unrealized Gain (Loss) on Cash Flow Hedges" are reclassified under the same account in the consolidated statement of income (loss) as the underlying hedged item. The Corporation's hedging policy remains unchanged with the exception of the above-mentioned modifications .

The Corporation separates the intrinsic value and time value of an option and designates as the hedging instrument only the change in intrinsic value of an option; this method was also applied under IAS 39. Accordingly, for effective hedging relationships in existence as at November 1, 2017 or designated thereafter, the Corporation is required to account for the time value of the options retrospectively in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss). The cumulative effect of the adoption of IFRS 9 on the consolidated statement of financial position and the consolidated statement of income (loss) is disclosed below. The Corporation has determined that this change had no other impact on its consolidated financial statements.

IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15, *Revenue from Contracts with Customers*, supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various revenue interpretations. IFRS 15 specifies how, and when, to recognize revenue as well as requiring the provision of more informative and relevant 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 was applied retrospectively on November 1, 2018 with an adjustment to the opening consolidated statement of financial position as at November 1, 2017 and to the consolidated statement of profit (loss) for the period ended January 31, 2018. The main changes are explained below.

The practical expedient of paragraph C5(d) of IFRS 15 was applied. For the periods before the date of initial application, the Corporation does not need to disclose the amount of the transaction price allocated to the remaining performance obligations no ran explanation of when it expects to recognize that amount as revenue.

REVENUE FROM PASSENGER AIR TRANSPORTATION

Revenue from passenger air transportation is recognized when such transportation is provided. The adoption of IFRS 15 had no impact on the recognition of revenue from passenger air transportation.

REVENUE FROM THE LAND PORTION OF HOLIDAY PACKAGES

Revenue from the land portion of holiday packages, which includes, among others, hotel services, and the related costs are recognized when the corresponding services are rendered over the course of the stay. Prior to the adoption of IFRS 15, revenue was recognized when passengers depart. This change in accounting policy affects the timing of the recognition of revenue and related expenses.

REVENUE FROM TRAVEL AGENCY COMMISSIONS

Revenue from travel agency commissions is recognized when passengers depart. Prior to the adoption of IFRS 15, revenue was recognized at the time of booking. This change in accounting policy affects the timing of revenue recognition.

REPORTING REVENUE GROSS OR NET

All airport taxes are reported net as a result of new criteria set out in IFRS 15. Prior to the adoption of IFRS 15, revenue from certain airport taxes was reported gross. The impact on the consolidated statement of loss for the period ended January 31, 2018 consisted of a $46,486 decrease in revenue and the corresponding costs. For the year ended October 31, 2018, the impact on the consolidated statement of income consisted of a $156,430 decrease in revenue and the corresponding costs.

Prior to the adoption of IFRS 15, some revenues were reported net of commission costs. These revenues are now reported on a gross basis, with the corresponding commission costs reported under Selling and distribution costs. The impact on the consolidated statement of loss for the period ended January 31, 2018 consisted of a $2,900 increase in revenues and related costs. For the year ended October 31, 2018, the impact on the consolidated statement of income consisted of a $12,955 increase in revenue and the corresponding costs. This reclassification had no impact on operating results.

STATEMENT OF INCOME (LOSS) PRESENTATION

Statement of income (loss) presentation was also modified to better reflect the nature of operation expenses. Commissions, credit card fees, distribution costs and marketing costs have been combined under Selling and distribution costs. Credit card fees and distribution costs were formerly reported under Costs of providing tourism services and marketing costs were reported under Other costs. This change in consolidated statement of income (loss) presentation had no impact on operating results.

RECOGNIZING THE COSTS OF OBTAINING A CONTRACT

Certain additional costs incurred to earn income from air transportation services, such as costs related to the worldwide distribution system and credit card fees, are capitalized at the time of booking and expensed when revenue is recognized. Prior to the adoption of IFRS 15, some costs were expensed at the time of booking. This change in accounting policy affects the timing of expense recognition.

IMPACT ON PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

The effect of the restatement of consolidated financial statements and the cumulative effect of the adoption of IFRS 9 and IFRS 15 on the consolidated statement of financial position and the consolidated statement of income (loss) is detailed in the following tables. The cumulative effect on the consolidated statement of cash flows was not material:

					As at October 31, 2017
	Before adjustments	**Restatement**	**IFRS 9**	**IFRS 15**	**After adjustments**
Consolidated statement of financial position	**$**	**$**	**$**	**$**	**$**
Trade and other receivables	121,618	—	—	(30)	**121,588**
Prepaid expenses	64,245	—	—	3,918	**68,163**
Deferred tax assets	16,286	—	—	(404)	**15,882**
Total assets	**1,453,216**	**—**	**—**	**3,484**	**1,456,700**
Trade and other payables	245,013	—	—	(6,183)	**238,830**
Customer deposits and deferred revenues	433,897	—	—	6,514	**440,411**
Other liabilities	96,813	22,900	—	—	**119,713**
Deferred tax liabilities	2,217	—	—	542	**2,759**
Total liabilities	875,346	22,900	—	873	**899,119**
Retained earnings	351,138	(23,576)	683	2,611	**330,856**
Unrealized gain (loss) on cash flow hedges	4,532	—	(683)	—	**3,849**
Cumulative exchange differences	(11,061)	676	—	—	**(10,385)**
Total equity	577,870	(22,900)	—	2,611	**557,581**
Total liabilities and equity	**1,453,216**	**—**	**—**	**3,484**	**1,456,700**

					As at October 31, 2018
	Before adjustments	Restatement	IFRS 9	IFRS 15	After adjustments
Consolidated statement of financial position	$	$	$	$	$
Trade and other receivables	140,009	—	—	(30)	**139,979**
Prepaid expenses	63,789	—	—	5,101	**68,890**
Deferred tax assets	13,095	1,755	—	104	**14,954**
Total assets	**1,559,860**	**1,755**	**—**	**5,175**	**1,566,790**
Trade and other payables	294,021	32,600	—	(5,889)	**320,732**
Customer deposits and deferred revenues	510,631	—	—	6,721	**517,352**
Deferred tax liabilities	2,019	—	—	1,233	**3,252**
Total liabilities	960,486	32,600	—	2,065	**995,151**
Retained earnings	361,098	(31,203)	7,761	3,110	**340,766**
Unrealized gain (loss) on cash flow hedges	9,732	—	(7,761)	—	**1,971**
Cumulative exchange differences	(9,157)	358	—	—	**(8,799)**
Total equity	599,374	(30,845)	—	3,110	**571,639**
Total liabilities and equity	**1,559,860**	**1,755**	**—**	**5,175**	**1,566,790**

					Retained earnings
	Before adjustments	Restatement	IFRS 9	IFRS 15	After adjustments
(in thousands of Canadian dollars)	$	$	$	$	$
Balance as at October 31, 2017	351,138	(23,576)	683	2,611	**330,856**
Net income (loss) for the year	3,819	(4,945)	7,078	499	**6,451**
Other comprehensive income (loss)	1,624	—	—	—	**1,624**
Comprehensive income (loss) for the year	5,443	(4,945)	7,078	499	**8,075**
Fair value changes in non-controlling interest liabilities	4,517	(2,682)	—	—	**1,835**
Balance as at October 31, 2018	361,098	(31,203)	7,761	3,110	**340,766**
Comprehensive income (loss) for the period	(49,646)	—	—	—	**(49,646)**
Fair value changes in non-controlling interest liabilities	—	2,610	—	—	**2,610**
Balance as at January 31, 2019	311,452	(28,593)	7,761	3,110	**293,730**

					Quarter ended January 31, 2018
	Before adjustments	IFRS 9	IFRS 15	Presentation	After adjustments
Consolidated statement of income (loss)	$	$	$	$	$
Revenues	725,782	—	(77,393)	—	**648,389**
Costs of providing tourism services	362,266	—	(77,460)	(18,329)	**266,477**
Sales and distribution costs	—	—	(2,200)	55,452	**53,252**
Commission	28,351	—	—	(28,351)	**—**
Other	35,020	—	—	(8,772)	**26,248**
Total operating expenses	771,577	—	(79,660)	—	**691,917**
Operating income (loss)	(45,795)	—	2,267	—	**(43,528)**
Change in fair value of fuel-related derivatives and other derivatives	4,219	(2,356)	—	—	**1,863**
Deferred income taxes	(7,285)	627	603	—	**(6,055)**
Net income (loss) for the period	(5,233)	1,729	1,664	—	**(1,840)**
Net income (loss) attribuable to shareholders	(6,588)	1,729	1,664	—	**(3,195)**
Earnings (loss) per share					
Basic	(0.18)	0.05	0.04	—	**(0.09)**
Diluted	(0.18)	0.05	0.04	—	**(0.09)**

						Year ended October 31, 2018
	Before adjustments	Restatement	IFRS 9	IFRS 15	Presentation	After adjustments
Consolidated statement of income (loss)	$	$	$	$	$	$
Revenues	2,992,582	—	—	(143,627)	—	**2,848,955**
Costs of providing tourism services	1,091,924	—	—	(155,544)	(73,275)	**863,105**
Sales and distribution costs	—	—	—	11,235	198,686	**209,921**
Commission	87,763	—	—	—	(87,763)	**—**
Other	135,225	—	—	—	(37,648)	**97,577**
Special items	2,262	6,700	—	—	—	**8,962**
Total operating expenses	3,037,157	6,700	—	(144,309)	—	**2,899,548**
Operating income (loss)	(44,575)	(6,700)	—	682	—	**(50,593)**
Change in fair value of fuel-related derivatives and other derivatives	1,284	—	(9,644)	—	—	**(8,360)**
Deferred income taxes	551	(1,755)	2,566	183	—	**1,545**
Net income (loss) for the period	7,361	(4,945)	7,078	499	—	**9,993**
Net income (loss) attribuable to shareholders	3,819	(4,945)	7,078	499	—	**6,451**
Earnings (loss) per share						
Basic	0.10	(0.13)	0.19	0.01	—	**0.17**
Diluted	0.10	(0.13)	0.19	0.01	—	**0.17**

Note 4 FUTURE CHANGES IN ACCOUNTING POLICIES

A standard issued but not yet effective is discussed below. The Corporation has not early adopted this standard.

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 the current IAS 17 standard, 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 lessee accounting model under which most 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. Certain exemptions will apply to short-term leases and leases of low value assets.

Considering that the Corporation is committed under numerous operating leases in accordance with IAS 17, the Corporation expects that the adoption of IFRS 16 will have a significant impact on its consolidated financial statements. The Corporation will be required to recognize a right-of-use asset and a liability at the present value of future lease payments. Amortization of the right-of-use asset and interest expense on the lease obligation will replace rent expense related to operating leases.

For leased aircraft, the right-of-use assets will be broken down and eligible maintenance work will be incorporated into the cost of the asset and depreciated over the shorter of the lease term or expected useful life. As a result, the maintenance expense of leased aircraft is expected to decrease and the depreciation expense is expected to increase following the adoption of IFRS 16.

The application of IFRS 16 is mandatory and will be effective for the Corporation's annual reporting period beginning on November 1, 2019. The Corporation intends to apply the retrospective method with restatement for each prior reporting period presented. The Corporation intends to apply the practical expedient relating to the accounting for short-term leases and to reassess its previous conclusions to determine whether its contracts contain leases at the date of initial application, as it does not expect to use the practical expedient described in IFRS 16 paragraph C3. The Corporation continues to assess the impact of the adoption of this new standard on its consolidated financial statements.

IFRIC 23, *UNCERTAINTY OVER INCOME TAX TREATMENTS*

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*, which clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. IFRIC 23 sets out the circumstances in which uncertain tax treatments should be treated separately or together, and the assumptions to consider in the assessment of an uncertain tax treatment to determine whether it is probable that a taxation authority will accept the treatment. The application of IFRIC 23 will be effective for the Corporation's annual reporting period beginning on November 1, 2019. The Corporation is currently assessing the impact of the adoption of this new IFRIC interpretation on its consolidated financial statements.

Note 5 BUSINESS DISPOSALS

JONVIEW CANADA INC.

On November 30, 2017, the Corporation completed the sale of its wholly owned subsidiary Jonview Canada Inc. ["Jonview"], which has an incoming tour operator business in Canada, to Japanese multinational H.I.S. Co. td., which specializes in travel distribution, following approval of the transaction by the Competition Bureau of Canada and compliance with other customary conditions. Under the terms of the agreement, the selling price totalled $48,896, of which $1,100 was received in cash during the quarter ended January 31, 2019, bringing the total amount received in cash to $47,796, with the balance of $1,100 receivable under certain contractual conditions prior to May 31, 2019. During the quarter ended January 31, 2018, the Corporation recognized a gain on business disposal of $31,264.

Since Jonview's operations do not represent a principal and separate line of business for the Corporation, its results are included in the Corporation's net income from continuing operations reported in the consolidated statements of income (loss) and comprehensive income (loss) for the quarter ended January 31, 2018.

OCEAN HOTELS

On October 4, 2017, the Corporation completed the sale of its 35% minority interest in Ocean Hotels to H10 Hotels. During the quarter ended January 31, 2018, the Corporation recognized a $567 unfavourable adjustment to the gain on business disposal relating to the disposal of its interest, along with a $328 unfavourable adjustment to current tax.

Note 6 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at January 31, 2019, cash and cash equivalents in trust or otherwise reserved included $393,856 [$276,038 as at October 31, 2018] in funds received from customers, primarily 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 $62,523, $51,184 of which was recorded as non-current assets [$62,881 as at October 31, 2018, $51,184 of which was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 7 INVESTMENT

The change in our 50% investment in a joint venture, Desarrollo Transimar, is detailed as follows:

	$
Balance as at October 31, 2018	**16,084**
Share of net income	**174**
Translation adjustment	**(1)**
Balance as at January 31, 2019	**16,257**

The investment was translated at the USD/CAD rate of 1.3142 as at January 31, 2019 [1.3130 as at October 31, 2018].

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, 2018	**57,228**
Additional provisions	**9,322**
Utilization of provisions	**(13,217)**
Balance as at January 31, 2019	**53,333**
Current provisions	**24,666**
Non-current provisions	**28,667**
Balance as at January 31, 2019	**53,333**

Note 9 LONG-TERM DEBT

The Corporation has a $50,000 revolving credit facility agreement for operating purposes. Under the agreement, which expires in 2022, the Corporation may increase the credit limit to $100,000, subject to lender approval. The agreement may be extended for a year on 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 ratios and conditions. As at January 31, 2019, all financial ratios and conditions were met and the credit facility was undrawn.

The Corporation also has a $75,000 annually renewable revolving credit facility 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, 2019, $55,776 had been drawn down under the facility [$56,151 as at October 31, 2018], $51,184 of which is to secure obligations under senior executive 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 secure obligations under senior executive defined benefit pension agreements will be drawn down.

Note 10 OTHER LIABILITIES

	As at January 31, 2019 Restated *[note 3]* $	**As at October 31, 2018 Restated** *[note 3]* $
Employee benefits	**40,882**	40,388
Deferred lease incentives	**50,208**	51,637
Non-controlling interests	**47,100**	48,700
	138,190	140,725
Less: Non-controlling interests included in Trade and other payables	**(47,100)**	(48,700)
	91,090	92,025

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 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 Class B Voting Shares ["Class B Shares"], participating, which may be owned and controlled only by Canadians as defined by the CTA, conferring 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, 2017	37,063,626	215,444
Issued from treasury	32,892	312
Exercise of options	287,485	2,627
Balance as at January 31, 2018	37,384,003	218,383
Issued from treasury	155,893	1,243
Exercise of options	5,439	58
Balance as at October 31, 2018	37,545,335	219,684
Issued from treasury	59,816	341
Balance as at January 31, 2019	**37,605,151**	**220,025**

As at January 31, 2019, the number of Class A Shares and Class B Shares stood at 2,947,079 and 34,658,072, respectively [2,931,020 and 34,614,315, respectively, as at October 31, 2018].

STOCK OPTION PLAN

	Number of options	Weighted average price ($)
Balance as at October 31, 2018	1,786,588	10.13
Cancelled	(2,041)	12.49
Balance as at January 31, 2019	**1,784,547**	**10.13**
Options exercisable as at January 31, 2019	**1,464,693**	**10.06**

EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Quarters ended January 31	
	2019	**2018**
		Restated *[note 3]*
(in thousands, except per share data)	**$**	**$**
NUMERATOR		
Net income (loss) attributable to shareholders of the Corporation used in computing basic and diluted earnings (loss) per share	**(49,646)**	(3,195)
DENOMINATOR		
Adjusted weighted average number of outstanding shares	**37,572**	37,181
Effect of dilutive securities		
Stock options	**—**	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	**37,572**	37,181
Earnings (loss) per share		
Basic	**(1.32)**	(0.09)
Diluted	**(1.32)**	(0.09)

Given the net loss recognized for the quarters ended January 31, 2019 and 2018, all 1,784,547 and 2,032,924 outstanding stock options, respectively, were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Note 12 GUARANTEES

In the normal course of business, the Corporation has entered into agreements 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 6, 8, 16, 23 and 24 to the restated consolidated financial statements for the year ended October 31, 2018 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 and 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 licences 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, 2019, the total amount of these guarantees unsecured by deposits totalled $419. Historically, the Corporation has not made any significant payments under such agreements. As at January 31, 2019, no amounts had been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

In addition, the Corporation has a guarantee facility that is renewable in 2020. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term and for a total amount of $50,000. As at January 31, 2019, an amount of $27,955 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 operations are mainly in the Americas. Revenues and non-current assets outside the Americas are not material. Therefore, the consolidated statements of income and consolidated statements of financial position include all the required information.

Note 14 SUBSEQUENT EVENTS

On August 23, 2019, a significant majority of the Corporation's shareholders voted in favour of the special resolution approving the previously announced plan of arrangement pursuant to which Air Canada will acquire all of the issued and outstanding Class A variable voting shares and Class B voting shares of Transat for a cash consideration of $18.00 per share.

On August 29, 2019, the Corporation announced that the Superior Court of Quebec issued a final order approving the plan of arrangement with Air Canada. The arrangement remains subject to certain closing conditions, including regulatory approvals described in Transat's management information circular dated July 19, 2019, as well as other customary closing conditions. In addition, a public interest assessment regarding the arrangement is being undertaken by Transport Canada with input from the Commissioner of Competition. If the required regulatory approvals are obtained and conditions are met, it is now expected that the transaction will be completed by the second quarter of the 2020 calendar year.

transat