TRANSAT A.T. INC.
FIRST QUARTERLY REPORT
Period ended January 31, 2018

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MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of Transat A.T. Inc.'s operations, performance and financial position for the quarter ended January 31, 2018, compared with the quarter ended January 31, 2017, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2017 and the accompanying notes and the 2017 Annual Report, including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a first-quarter update to the information contained in the MD&A section of our 2017 Annual Report. The risks and uncertainties set out in the MD&A of the 2017 Annual Report are herein incorporated by reference and remain substantially unchanged. The information contained herein is dated as of March 14, 2018. 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, 2018 and the Annual Information Form for the year ended October 31, 2017.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, 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 the MD&A included in our 2017 Annual Report.

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 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 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 second quarter results to be comparable to 2017 performance.

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

NON-IFRS FINANCIAL MEASURES

This MD&A was prepared using results and financial information determined under IFRS. In addition to IFRS financial measures, management uses non-IFRS measures to assess the Corporation's operational performance. It is likely that the non-IFRS financial measures used by the Corporation will not be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions. The measures used by the Corporation are 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 results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect the Corporation's operating performance for the period, such as the change in fair value of fuel-related derivatives and other derivatives, restructuring charges, impairment of goodwill, depreciation and amortization and other significant unusual items, we believe this MD&A helps users to better analyze the Corporation's results and ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

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

Adjusted operating income (loss)	Operating income (loss) before depreciation and amortization expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the 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, lump-sum payments related to collective agreements, asset impairment and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the 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, lump-sum payments related to collective agreements, asset impairment and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the 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	
	2018 $	2017 $
Operating income (loss)	**(45,795)**	(50,671)
Depreciation and amortization	**14,769**	14,206
Premiums related to fuel-related derivatives and other derivatives matured during the period	**—**	(614)
Adjusted operating income (loss)	**(31,026)**	(37,079)
Income (loss) before income tax expense	**(17,469)**	(45,111)
Change in fair value of fuel-related derivatives and other derivatives	**4,219**	(4,804)
Gain on business disposals	**(30,696)**	—
Premiums related to fuel-related derivatives and other derivatives matured during the period	**—**	(614)
Adjusted pre-tax income (loss)	**(43,946)**	(50,529)
Net income (loss) attributable to shareholders	**(6,588)**	(32,073)
Change in fair value of fuel-related derivatives and other derivatives	**4,219**	(4,804)
Gain on business disposals	**(30,696)**	—
Premiums related to fuel-related derivatives and other derivatives matured during the period	**—**	(614)
Tax impact	**(803)**	1,452
Adjusted net income (loss)	**(33,868)**	(36,039)
Adjusted net income (loss)	**(33,868)**	(36,039)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	**37,181**	36,883
Adjusted net income (loss) per share	**(0.91)**	(0.98)

	As at January 31, 2018 $	As at October 31, 2017 $
Aircraft rent for the past four quarters	**126,205**	132,139
Multiple	**5**	5
Adjusted operating leases	**631,025**	660,695
Long-term debt	**—**	—
Adjusted operating leases	**631,025**	660,695
Total debt	**631,025**	660,695
Total debt	**631,025**	660,695
Cash and cash equivalents	**(749,342)**	(593,582)
Total net debt (Cash and cash equivalents net of total debt)	**(118,317)**	67,113

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share amounts)	2018 $	2017 $	Difference $	Difference %
				Quarters ended January 31
Consolidated Statements of Income (Loss)				
Revenues	**725,782**	689,332	36,450	5.3
Operating income (loss)	**(45,795)**	(50,671)	4,876	9.6
Net income (loss) attributable to shareholders	**(6,588)**	(32,073)	25,485	79.5
Basic earnings (loss) per share	**(0.18)**	(0.87)	0.69	79.3
Diluted earnings (loss) per share	**(0.18)**	(0.87)	0.69	79.3
Adjusted operating income (loss)[1]	**(31,026)**	(37,079)	6,053	16.3
Adjusted net income (loss)[1]	**(33,868)**	(36,039)	2,171	6.0
Adjusted net income (loss) per share[1]	**(0.91)**	(0.98)	0.07	7.1
Consolidated Statements of Cash Flows				
Operating activities	**107,774**	116,383	(8,609)	(7.4)
Investing activities	**19,500**	(24,286)	43,786	180.3
Financing activities	**1,415**	(357)	1,772	496.4
Effect of exchange rate changes on cash and cash equivalents	**747**	(577)	1,324	229.5
Net change in cash and cash equivalents	**129,436**	91,163	38,273	42.0

	As at January 31, 2018 $	As at October 31, 2017 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	**749,342**	593,582	155,760	26.2
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**386,631**	309,064	77,567	25.1
	1,135,973	902,646	233,327	25.8
Total assets	**1,677,137**	1,453,216	223,921	15.4
Debt (current and non-current)	**—**	—	—	—
Total debt[1]	**631,025**	660,695	(29,670)	(4.5)
Total net debt (Cash and cash equivalents net of total debt)[1]	**(118,317)**	67,113	(185,430)	(276.3)

1 SEE NON-IFRS FINANCIAL MEASURES

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 U.K. and in ten other European countries, directly or through intermediaries, as part of a multi-channel strategy. Transat is also a retail distributor, both online and through travel agencies, some of which it owns. 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 customers.

Furthermore, Transat will strengthen its current model by maintaining its focus on satisfying the expectations of leisure customers with user-friendly service at affordable prices. 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 2018, Transat has set the following objectives at the beginning of the reporting period:

1. Launch a wholly-owned Transat hotel chain: set up the team, develop the concept and select the brand, and initiate the first acquisitions of hotels and/or land.

2. Improve efficiency, in particular by improving revenue management, pricing and aircraft utilization and by pursuing its cost reduction policy.

3. Improve distribution by continuing to grow direct sales, refining channel management and strengthening our presence in mobile technologies.

4. Enhance customer proximity, particularly through centralized records management and satisfaction metrics.

5. Strengthen our commitment to corporate responsibility, particularly by obtaining Travelife certification and refining our employee satisfaction metrics.

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 14, 2017 OUTLOOK

In its MD&A as at October 31, 2017, the Corporation indicated that, provided that the trends observed continue, the Corporation expected the results for the first half of the year to exceed winter 2017 performance. The results for the first quarter of 2018 were slightly better than a year ago, owing to an increase in the number of travellers, combined with an increase in average selling prices across all our markets.

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. The expected selling price amounts to $48.4 million, of which $47.3 million was received in cash on that date. The disposed subsidiary's net assets amounted to $13.0 million on November 30, 2017. The Corporation recognized a gain on business disposal of $31.3 million, net of transaction costs of $0.5 million and of $3.7 million due to the Fonds de Solidarité des Travailleurs du Québec ["Fonds"], of which $3.3 million was paid in cash during the quarter, as an additional consideration to the repurchase price of the 19.93% interest held by the Fonds in December 2016. The selling price remains subject to certain adjustments, owing to a working capital adjustment.

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 loss and comprehensive loss for the quarter ended January 31, 2018. As at October 31, 2017, the assets and liabilities of Jonview have been reported as held for sale in the consolidated statements of financial position.

OCEAN HOTELS

On October 4, 2017, the Corporation completed the sale of its 35% minority interest in Ocean Hotels to H10 Hotels for an amount of US$150.5 million [$187.5 million], received in cash. The disposed interest had a carrying value of $97.3 million as at October 4, 2017. The Corporation recognized a gain on business disposal of $86.0 million, net of transaction costs of $1.9 million, as well as a foreign exchange gain of $15.5 million realized on the reclassification of the cumulative exchange differences related to the investment. Under the terms of the agreement, the selling price was adjusted downward by US$1.8 million [$2.3 million] as at January 31, 2018 to US$148.7 million [$185.2 million], subject to certain adjustments that could take place up to 24 months after the transaction. Transat remains committed to becoming a full-fledged hotel operator and sold its minority interest in Ocean Hotels to accelerate the development of its own sun destination hotel chain.

CONSOLIDATED OPERATIONS

			Quarters ended January 31	
(in thousands of dollars)	2018 $	2017 $	Difference $	Difference %
Revenues	**725,782**	689,332	36,450	5.3
Operating expenses				
Costs of providing tourism services	**362,266**	372,006	(9,740)	(2.6)
Salaries and employee benefits	**93,790**	89,677	4,113	4.6
Aircraft fuel	**78,927**	63,706	15,221	23.9
Aircraft maintenance	**53,167**	42,800	10,367	24.2
Aircraft rent	**30,169**	36,103	(5,934)	(16.4)
Airport and navigation fees	**27,014**	24,104	2,910	12.1
Commissions	**28,351**	28,791	(440)	(1.5)
Other airline costs	**48,341**	42,754	5,587	13.1
Other	**35,020**	29,439	5,581	19.0
Share of net income of an associate and a joint venture	**(237)**	(3,583)	3,346	(93.4)
Depreciation and amortization	**14,769**	14,206	563	4.0
	771,577	740,003	31,574	4.3
Operating income (loss)	**(45,795)**	(50,671)	4,876	9.6
Financing costs	**461**	444	17	3.8
Financing income	**(3,741)**	(1,757)	(1,984)	112.9
Change in fair value of fuel-related derivatives and other derivatives	**4,219**	(4,804)	9,023	187.8
Gain on business disposals	**(30,696)**	—	(30,696)	100.0
Foreign exchange loss on non-current monetary items	**1,431**	557	874	156.9
Income (loss) before income tax expense	**(17,469)**	(45,111)	27,642	61.3
Income taxes (recovery)				
Current	**(4,951)**	(14,937)	9,986	66.9
Deferred	**(7,285)**	880	(8,165)	(927.8)
	(12,236)	(14,057)	1,821	13.0
Net income (loss) for the period	**(5,233)**	(31,054)	25,821	83.1
Net income (loss) attributable to:				
Shareholders	**(6,588)**	(32,073)	25,485	79.5
Non-controlling interests	**1,355**	1,019	336	33.0
	(5,233)	(31,054)	25,821	83.1

REVENUES

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

Revenues for the quarter ended January 31, 2018 were up $36.5 million (5.3%) compared with 2017. The growth was driven by a 6.2% rise in the number of travellers in the sun destination market, our main market for the period, resulting from our decision to increase our product offering by 10.5% in that market. The increase was accentuated by a 20.3% addition to our product offering in the transatlantic market, resulting in a 20.3% rise in the number of travellers in that market. In addition, average selling prices increased slightly across all our markets. The higher revenues were partially offset by the sale of our Jonview subsidiary.

OPERATING EXPENSES

Total operating expenses were up $31.6 million (4.3%) for the quarter compared with 2017. The increase resulted primarily from a rise in the number of travellers, driven by our decision to increase our product offering by 10.5% in the sun destination market, our main market for the period, which was partially offset by the strengthening of the dollar against the U.S. dollar.

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 2017, these costs were down $9.7 million (2.6%) for the quarter. The higher costs resulting from the increase in the number of travellers was more than offset by the strengthening of the dollar against the U.S. dollar and by the decrease in the number of person-nights sold in Canada following the sale of our Jonview subsidiary.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits were up $4.1 million (4.6%) for the quarter, compared with 2017. The increase resulted primarily from annual salary reviews and the hiring of cabin crew following the growth in our capacity compared with 2017.

AIRCRAFT FUEL

Aircraft fuel expense rose $15.2 million (23.9%) during the quarter. This increase was mainly attributable to a rise in fuel price indices in financial markets combined with higher capacity compared with 2017. The increase was offset by the strengthening 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 2017, these expenses increased by $10.4 million (24.2%) during the quarter. This increase was mainly attributable to more significant repairs than last year and to the expansion of our fleet compared with 2017, partially offset by the strengthening of the dollar against the U.S. dollar.

AIRCRAFT RENT

For the quarter, Air Transat's permanent fleet consisted of eighteen Airbus A330s, including two commissioned in the summer of 2017 and two commissioned in the winter of 2018, seven Airbus A310s and seven Boeing 737-800s. Although the number of aircraft increased compared with last year, aircraft rent was down $5.9 million (16.4%) for the quarter, following the renegotiation of lease agreements for Airbus A330s which are already part of our fleet.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. Compared with 2017, these expenses rose $2.9 million (12.1%) during the quarter, driven by an increase in our capacity from 2017.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense decreased $0.4 million (1.5%) during the quarter compared with 2017. As a percentage, commissions decreased and accounted for 3.9% of our revenues compared with 4.2% in 2017. This decrease was attributable to the lower revenue base used to calculate commissions.

OTHER AIR COSTS

Other air costs consist mainly of handling, crew and catering costs. Other air costs were up $5.6 million (13.1%) for the quarter, compared with 2017. The increase was primarily due to a higher capacity compared with 2017.

OTHER

Other expenses were up $5.6 million (19.0%) for the first quarter compared with 2017, principally attributable to higher digital marketing costs.

SHARE OF NET INCOME OF AN ASSOCIATE AND A JOINT VENTURE

In 2018, our share of net income of an associate and a joint venture represents our share of the net income of Desarrollo, a hotel joint venture acquired in 2017. For the corresponding quarter of 2017, our share of net income of an associate and a joint venture represented our share of the net income of Caribbean Investments B.V. ["CIBV"], which was sold on October 4, 2017. Our share of net income for the first quarter amounted to $0.2 million, compared with $3.6 million for the corresponding quarter of 2017; this decrease resulted from the sale of CIBV.

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 inducements. Depreciation and amortization expense rose $0.6 million (4.0%) in the first quarter, compared with 2017. The increase was primarily attributable to the capitalization of recent aircraft improvements.

OPERATING RESULTS

Given the above, we recorded an operating loss of $45.8 million (6.3%) for the quarter, compared with $50.7 million (7.4%) in 2017. The decrease in our operating loss was due primarily to an increase in the number of travellers, combined with slightly higher average selling prices across all our markets as well as the favourable foreign exchange effect which together with an increase in fuel prices, resulted in a $13.3 million reduction in operating expenses for the quarter. The decrease in our operating loss was partially offset by lower load factors in the sun destination market, our main market during the winter season, and by more significant repairs than last year.

For the quarter, the Corporation reported an adjusted operating loss of $31.0 million (4.3%) compared with $31.7 million (5.4%) in 2017.

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 remained stable for the quarter, compared with 2017.

FINANCING INCOME

Financing income increased by $2.0 million (112.9%) during the quarter, compared with 2017, as a result of higher cash and cash equivalents compared with 2017 and the recent rise in interest rates.

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 $4.2 million, compared with a $4.8 million increase in fair value in 2017. The decrease was attributable to the decline in fair value of foreign exchange derivatives, partially offset by the increase in fair value 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 ON NON-CURRENT MONETARY ITEMS

For the quarter, the Corporation recorded a foreign exchange loss on non-current monetary items of $1.4 million compared with $0.6 million in 2017. This change was principally due to unfavourable exchange rates on foreign currency deposits, as a result of the strengthening of the dollar against the U.S. dollar during the quarter ended January 31, 2018.

INCOME TAXES

Income tax recovery totalled $12.2 million for the first quarter compared with $14.1 million for the corresponding quarter of last year. Excluding the gain on business disposal and the share of net income of an associate and a joint venture, the effective tax rate was 25.3% for the quarter, compared with 28.9% for the corresponding period of 2017. 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 LOSS ATTRIBUTABLE TO SHAREHOLDERS

Considering the items discussed in the Consolidated operations section, the net loss was $5.2 million for the quarter ended January 31, 2018, compared with $31.1 million in 2017. Net loss attributable to shareholders was $6.6 million or $0.18 per share (basic and diluted) compared with $32.1 million or $0.87 per share (basic and diluted) for the corresponding quarter of the previous year. For the first quarter of 2018, the weighted average number of outstanding shares used to compute per share amounts was 37,181,000 (basic and diluted), compared with 36,883,000 (basic and diluted) for the corresponding quarter of 2017.

For the first quarter, the adjusted net loss was $33.9 million ($0.91 per share) compared with $36.0 million ($0.98 per share) in 2017.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. Revenues increased compared with the corresponding quarters, with the exception of the second quarter. For the first part of winter (Q1), following our decision to increase our product offering by 10.5% in the sun destination market and by 20.3% in the transatlantic market, the number of travellers and average selling prices were up. For Q2, the number of travellers decreased and average selling prices increased on the sun destination market. For the summer season, the number of travellers and average selling prices were up across all our markets compared with the previous year.

In terms of operating results, the decrease in our operating loss for Q1 was primarily due to a higher number of travellers combined with a slight increase in average selling prices across all our markets, as well as the favourable foreign exchange effect on our costs. The decrease in operating loss was partially offset by lower load factors in the sun destination market. For Q2, increases in average selling prices for sun packages combined with cost reduction and margin improvement initiatives were not sufficient to offset the unfavourable foreign exchange effect on our costs. For the summer season, the improvement in our operating income was driven by an increase in the number of travellers, combined with higher average selling prices and load factors across all our markets. 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)	Q2-2016 $	Q3-2016 $	Q4-2016 $	Q1-2017 $	Q2-2017 $	Q3-2017 $	Q4-2017 $	Q1-2018 $
Revenues	888,221	663,591	612,111	689,332	884,310	733,152	698,551	725,782
Aircraft rent	38,749	31,946	32,843	36,103	37,361	32,390	26,285	30,169
Operating income (loss)	(13,701)	(2,990)	26,898	(50,671)	(15,061)	40,952	59,500	(45,795)
Net income (loss)	(23,817)	10,548	36,313	(31,054)	(6,155)	27,168	148,413	(5,233)
Net income (loss) attributable to shareholders	(24,952)	9,439	34,920	(32,073)	(8,354)	26,588	148,147	(6,588)
Basic earnings (loss) per share	(0.68)	0.26	0.95	(0.87)	(0.23)	0.72	4.00	(0.18)
Diluted earnings (loss) per share	(0.68)	0.26	0.95	(0.87)	(0.23)	0.72	3.97	(0.18)
Net income (loss) from continuing operations attributable to shareholders	(25,333)	7,704	(20,497)	(32,073)	(8,354)	26,588	148,147	(6,588)
Basic earnings (loss) per share from continuing operations	(0.69)	0.21	(0.56)	(0.87)	(0.23)	0.72	4.00	(0.18)
Diluted earnings (loss) per share from continuing operations	(0.69)	0.21	(0.56)	(0.87)	(0.23)	0.72	3.97	(0.18)
Adjusted operating income (loss)(1)	(5,002)	15,964	46,497	(37,079)	1,508	59,055	78,541	(31,026)
Adjusted net income (loss)(1)	(11,868)	2,523	24,183	(36,039)	(8,100)	26,857	46,381	(33,868)
Adjusted net income (loss) per share(1)	(0.32)	0.07	0.66	(0.98)	(0.22)	0.73	1.24	(0.91)

1 SEE NON-IFRS FINANCIAL MEASURES

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2018, cash and cash equivalents totalled $749.3 million compared with $593.6 million as at October 31, 2017. Cash and cash equivalents in trust or otherwise reserved amounted to $386.6 million at the end of the first quarter of 2018, compared with $309.1 million as at October 31, 2017. The Corporation's statement of financial position reflected $362.4 million in working capital, for a ratio of 1.36, compared with $386.6 million and a ratio of 1.51 as at October 31, 2017.

Total assets increased by $223.9 million (15.4%) from $1,453.2 million as at October 31, 2017 to $1,677.1 million as at January 31, 2018. This increase is explained in the financial position table provided below. Equity decreased by $13.9 million, from $577.9 million as at October 31, 2017 to $564.0 million as at January 31, 2018. This decrease resulted from a $12.6 million unrealized loss on cash flow hedges combined with a $6.6 million net loss attributable to shareholders, partially offset by a $3.7 million foreign exchange gain on the translation of the financial statements of foreign subsidiaries.

CASH FLOWS

	Quarters ended January 31		
	2018	2017	Difference
(in thousands of dollars)	$	$	$
Cash flows related to operating activities	**107,774**	116,383	(8,609)
Cash flows related to investing activities	**19,500**	(24,286)	43,786
Cash flows related to financing activities	**1,415**	(357)	1,772
Effect of exchange rate changes on cash	**747**	(577)	1,324
Net change in cash and cash equivalents	**129,436**	91,163	38,273

OPERATING ACTIVITIES

Operating activities generated cash flows of $107.8 million during the first quarter, compared with $116.4 million in 2017. The $8.6 million decline resulted primarily from a $10.9 million decrease in the net change in non-cash working capital balances related to operations.

INVESTING ACTIVITIES

Cash flows generated by investing activities totalled $19.5 million for the first quarter, compared with cash flows used of $24.3 million in 2017, representing an increase of $43.8 million. The increase was primarily due to the $29.3 million consideration received, net of cash disposed of, for the disposal of the Jonview subsidiary on November 30, 2017. Also, the additions to property, plant and equipment and intangible assets decreased by $9.5 million compared with 2017, owing to significant acquisitions related to maintenance and aircraft equipment last year. Lastly, during the corresponding quarter of 2017, the Corporation had paid a $5.0 million consideration for the acquisition of all the shares of the Jonview subsidiary.

FINANCING ACTIVITIES

Financing activities used cash flows of $0.4 million for the first quarter of 2017 while generating cash flows of $1.4 million in 2018, representing an increase of $1.8 million. The increase was driven primarily by the exercise of options totalling $1.8 million in 2018 compared with nil options exercised in 2017.

CONSOLIDATED FINANCIAL POSITION

	January 31, 2018 $	October 31, 2017 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**749,342**	593,582	155,760	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**386,631**	309,064	77,567	Seasonal nature of operations
Trade and other receivables	**117,587**	121,618	(4,031)	Collection of receivables from lessors
Income taxes receivable	**26,653**	17,418	9,235	Increase in income taxes recoverable given deductible losses
Inventories	**12,786**	12,790	(4)	No significant difference
Prepaid expenses	**96,905**	64,245	32,660	Increase in prepayments to hotel operators due to the seasonal nature of operations
Deposits	**50,625**	52,129	(1,504)	Decrease in deposits paid to hotel operators due to seasonal nature of operations
Assets held for sale	**—**	47,472	(47,472)	Sale of Jonview in November 2017
Deferred tax assets	**27,088**	16,286	10,802	Increase in deferred tax related to derivative financial instruments and deductible losses
Property, plant and equipment	**130,990**	134,672	(3,682)	Depreciation for the period, partially offset by additions
Intangible assets	**48,117**	49,604	(1,487)	Depreciation for the period, partially offset by additions
Derivative financial instruments	**14,585**	18,058	(3,473)	Strengthening of the dollar against the U.S. currency
Investment	**15,381**	15,888	(507)	Foreign exchange differences, partially offset by share of net income of a joint venture
Other assets	**447**	390	57	No significant difference
Liabilities				
Trade and other payables	**300,131**	245,013	55,118	Seasonal nature of operations, partially offset by foreign exchange differences
Provision for overhaul of leased aircraft	**51,312**	47,917	3,395	Increase in the number of aircraft and impact of the repair schedule, partially offset by foreign exchange differences
Income taxes payable	**5,674**	8,102	(2,428)	Settlement of balances due
Derivative financial instruments	**26,832**	8,278	18,554	Strengthening of the dollar against the U.S. currency
Liabilities related to assets held for sale	**—**	33,109	(33,109)	Sale of Jonview in November 2017
Customer deposits and deferred revenues	**636,753**	433,897	202,856	Seasonal nature of operations
Other liabilities	**91,246**	96,813	(5,567)	Increase in deferred lease inducements related to aircraft
Deferred tax liabilities	**1,221**	2,217	(996)	Decrease in deferred tax related to derivative financial instruments
Equity				
Share capital	**218,383**	215,444	2,939	Exercise of options and shares issued from treasury
Share-based payment reserve	**16,375**	17,817	(1,442)	Vesting of PSUs and exercise of options, partially offset by share-based payment expense
Retained earnings	**344,550**	351,138	(6,588)	Net loss
Unrealized gain (loss) on cash flow hedges	**(8,028)**	4,532	(12,560)	Net loss on financial instruments designated as cash flow hedges
Cumulative exchange differences	**(7,312)**	(11,061)	3,749	Foreign exchange gain on translation of financial statements of foreign subsidiaries

FINANCING

As at March 14, 2018, the Corporation had several types of financing, consisting primarily of a revolving term credit facility and lines of credit for issuing letters of credit.

The Corporation has a $50 million revolving credit facility agreement for operating purposes. Under the agreement, which expires in 2020, the Corporation may increase the credit limit to $100 million, subject to lender approval. The agreement may be extended for a year 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 criteria and ratios. As at January 31, 2018, all the financial ratios and criteria were met and the credit facility was undrawn.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and cash flows, some of which are reported as liabilities in the interim condensed consolidated financial statements and others are disclosed in the notes to the financial statements. The Corporation did not report any obligations in the statement of financial position as at January 31, 2018 and October 31, 2017.

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 $1,770.2 million as at January 31, 2018 ($1,745.2 million as at October 31, 2017) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	As at January 31, 2018 $	As at October 31, 2017 $
Guarantees		
Irrevocable letters of credit	**26,325**	27,137
Collateral security contracts	**407**	701
Operating leases		
Obligations under operating leases	**1,743,419**	1,717,383
	1,770,151	1,745,221

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 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, 2018, $56.1 million had been drawn down under the facility, of which $50.1 million was to secure obligations under senior executives defined benefit pension agreements; this irrevocable letter of credit is held by a third party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure obligations under senior executive defined benefit pension agreements will be drawn down.

In addition, the Corporation has a $35.0 million guarantee facility renewable annually in February. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. 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, 2018, $25.9 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 £7.8 million [$13.7 million], which has been fully drawn down.

As at January 31, 2018, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had increased by $24.9 million compared with October 31, 2017. This increase resulted primarily from the agreements entered into during the quarter to lease two Airbus A321ceos and two Airbus A330s, which will be commissioned during the year. The increase was partially offset by the strengthening of the dollar against the U.S. dollar and the repayments made.

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

DEBT LEVELS

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

The Corporation's total debt stood at $631.0 million, down $29.7 million from October 31, 2017, owing primarily to the renegotiation of lease agreements for Airbus A330s.

Total net debt decreased by $185.4 million from $67.1 million as at October 31, 2017 to a total debt net of cash and cash equivalents of $118.3 million as at January 31, 2018. The decrease in total net debt resulted from higher cash and cash equivalent balances than in 2017, combined with a reduction in total debt.

OUTSTANDING SHARES

As at January 31, 2018, the Corporation had three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at March 9, 2018, there were 37,416,779 total voting shares outstanding.

STOCK OPTIONS

As at March 9, 2018, there were a total of 2,032,924 stock options outstanding, 1,599,142 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of eighteen Airbus A330s (332, 345 or 375 seats), two of which were commissioned in the summer of 2017 and two commissioned in the winter of 2018, seven Airbus A310s (250 seats) and seven Boeing 737-800s (189 seats).

During winter 2018, the Corporation also has seasonal rentals for twelve Boeing 737-800s (189 seats) and four Boeing 737-700s (149 seats). During the second quarter of 2018, two Airbus A320s (199 seats) will be commissioned and two Boeing 737-800s (189 seats) will be withdrawn from the fleet.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 9, *FINANCIAL INSTRUMENTS*

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

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

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

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The IFRS 9 transition rules include an exemption allowing companies to continue to apply current hedge accounting under IAS 39 until the final hedge model is effective.

Application of IFRS 9 will be effective for the Corporation's annual reporting period beginning on November 1, 2018, with earlier adoption permitted. Other than the potential impact of adopting optional hedge accounting in accordance with IFRS 9, the Corporation does not expect the adoption of IFRS 9 to have a material impact on its financial statements. The Corporation continues to assess the impact of the adoption of IFRS 9 on its financial statements, including the decision regarding the hedge accounting transition.

IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

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

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 financial statements. The Corporation will be required to recognize an asset related to the right of use 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.

The application of IFRS 16 is mandatory and will be effective for the Corporation's annual reporting period beginning on November 1, 2019, with earlier adoption permitted if the new IFRS 15 standard on revenue has also been applied. The Corporation continues to assess the impact of the adoption of this new standard on its financial statements and has not determined which transition method it will use.

CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 of the Canadian Securities Authorities, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer that, among other things, deem adequate as at January 31, 2018 the design of:

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

The President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation have also evaluated whether there were changes to its ICFR during the quarter ended January 31, 2018 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

Second quarter outlook - In the sun destination market outbound from Canada, the Corporation's main market during the winter, Transat's capacity is up 5.5% compared with last year. To date, 77% of that capacity has been sold, bookings are ahead by 4% and the load factors are down 1.4%. Due to the strengthening of the Canadian dollar, offset by rising fuel costs, operating expenses are currently down 3.3%. Unit margins are up 0.8% compared with the same date last year.

The hurricanes that occurred in September 2017 significantly impacted results in the sun destination market outbound from Canada. The results from Cuba destinations, which represent 25% of the Corporation's sun destination capacity in the second quarter, were negatively impacted by these hurricanes. Besides, it should also be noted that bookings taken until December 2017 presented higher margins than last year's. This is less the case since January.

In the transatlantic market, where it is low season, Transat's capacity is up 19% compared to that offered last winter. To date, 68% of that capacity has been sold, bookings are ahead by 15% and the load factors are down 4.9%. Unit margins are down 1.2% from the same date last year.

If these trends continue, Transat expects second quarter results to be comparable to 2017 performance.

Summer outlook - In the transatlantic market, the Corporation's main market during the summer, Transat's capacity is up 17% compared with 2017. To date, 30% of seats have been sold, load factors are similar and selling prices are up 1.7% compared with the same date last year. Higher fuel costs, net of fluctuations in the Canadian dollar against the U.S. dollar, the euro and the pound, have currently led to a 3.3% increase in operating costs. 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 2018.

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

(in thousands of Canadian dollars)	As at January 31, 2018 $	As at October 31, 2017 $
ASSETS		
Cash and cash equivalents	**749,342**	593,582
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	**336,531**	258,964
Trade and other receivables	**117,587**	121,618
Income taxes receivable	**11,553**	2,318
Inventories	**12,786**	12,790
Prepaid expenses	**96,905**	64,245
Derivative financial instruments	**14,519**	18,024
Current portion of deposits	**17,440**	18,487
Assets held for sale *[note 4]*	**—**	47,472
Current assets	**1,356,663**	1,137,500
Cash and cash equivalents reserved *[note 5]*	**50,100**	50,100
Deposits	**33,185**	33,642
Income taxes receivable	**15,100**	15,100
Deferred tax assets	**27,088**	16,286
Property, plant and equipment	**130,990**	134,672
Intangible assets	**48,117**	49,604
Derivative financial instruments	**66**	34
Investment *[note 6]*	**15,381**	15,888
Other assets	**447**	390
Non-current assets	**320,474**	315,716
	1,677,137	1,453,216
LIABILITIES		
Trade and other payables	**300,131**	245,013
Current portion of provision for overhaul of leased aircraft	**25,750**	22,699
Income taxes payable	**5,674**	8,102
Customer deposits and deferred revenues	**636,753**	433,897
Derivative financial instruments	**25,951**	8,123
Liabilities related to assets held for sale *[note 4]*	**—**	33,109
Current liabilities	**994,259**	750,943
Provision for overhaul of leased aircraft *[note 7]*	**25,562**	25,218
Other liabilities *[note 9]*	**91,246**	96,813
Derivative financial instruments	**881**	155
Deferred tax liabilities	**1,221**	2,217
Non-current liabilities	**118,910**	124,403
EQUITY		
Share capital *[note 10]*	**218,383**	215,444
Share-based payment reserve	**16,375**	17,817
Retained earnings	**344,550**	351,138
Unrealized gain (loss) on cash flow hedges	**(8,028)**	4,532
Cumulative exchange differences	**(7,312)**	(11,061)
	563,968	577,870
	1,677,137	1,453,216

See accompanying notes to interim condensed consolidated financial statements

NOTICE

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

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

(in thousands of Canadian dollars, except per share amounts)	Quarters ended January 31 2018 $	 2017 $
Revenues	**725,782**	689,332
Operating expenses		
Costs of providing tourism services	**362,266**	372,006
Salaries and employee benefits	**93,790**	89,677
Aircraft fuel	**78,927**	63,706
Aircraft maintenance	**53,167**	42,800
Aircraft rent	**30,169**	36,103
Airport and navigation fees	**27,014**	24,104
Commissions	**28,351**	28,791
Other airline costs	**48,341**	42,754
Other	**35,020**	29,439
Share of net income of an associate and a joint venture	**(237)**	(3,583)
Depreciation and amortization	**14,769**	14,206
	771,577	740,003
Operating income (loss)	**(45,795)**	(50,671)
Financing costs	**461**	444
Financing income	**(3,741)**	(1,757)
Change in fair value of fuel-related derivatives and other derivatives	**4,219**	(4,804)
Gain on business disposals *[note 4]*	**(30,696)**	—
Foreign exchange loss on non-current monetary items	**1,431**	557
Income (loss) before income tax expense	**(17,469)**	(45,111)
Income taxes (recovery)		
Current	**(4,951)**	(14,937)
Deferred	**(7,285)**	880
	(12,236)	(14,057)
Net income (loss) for the period	**(5,233)**	(31,054)
Net income (loss) attributable to:		
Shareholders	**(6,588)**	(32,073)
Non-controlling interests	**1,355**	1,019
	(5,233)	(31,054)
Earnings (loss) per share *[note 10]*		
Basic	**(0.18)**	(0.87)
Diluted	**(0.18)**	(0.87)

See accompanying notes to interim condensed consolidated financial statements

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

	Quarters ended January 31	
	2018	2017
(in thousands of Canadian dollars)	$	$
Net income (loss) for the period	**(5,233)**	(31,054)
Other comprehensive income (loss)		
Items that will be reclassified to net income (loss)		
Change in fair value of derivatives designated as cash flow hedges	**(18,230)**	(5,446)
Reclassification to net income (loss)	**1,128**	(239)
Deferred taxes	**4,542**	1,529
	(12,560)	(4,156)
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	**3,749**	(2,618)
Total other comprehensive income (loss)	**(8,811)**	(6,774)
Comprehensive income (loss) for the period	**(14,044)**	(37,828)
Comprehensive income (loss) for the period attributable to:		
Shareholders	**(15,399)**	(37,934)
Non-controlling interests	**1,355**	106
	(14,044)	(37,828)

See accompanying notes to interim condensed consolidated financial statements

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

	Share capital	Share-based payment reserve	Retained earnings	Accumulated other comprehensive income (loss)		Total	Non-controlling interests	Total equity
				Unrealized gain (loss) on cash flow hedges	Cumulative exchange differences			
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Balance as at October 31, 2016	214,250	17,849	218,821	2,211	11,255	464,386	—	464,386
Net income (loss) for the period	—	—	(32,073)	—	—	(32,073)	1,019	(31,054)
Other comprehensive income (loss)	—	—	—	(4,156)	(1,705)	(5,861)	(913)	(6,774)
Comprehensive income (loss) for the period	—	—	(32,073)	(4,156)	(1,705)	(37,934)	106	(37,828)
Issued from treasury	273	—	—	—	—	273	—	273
Share-based payment expense	—	204	—	—	—	204	—	204
Dividends	—	—	—	—	—	—	(630)	(630)
Fair value changes in non-controlling interest liabilities	—	—	(900)	—	—	(900)	900	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(1,289)	(1,289)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(913)	(913)	913	—
	273	204	(900)	—	(913)	(1,336)	(106)	(1,442)
Balance as at January 31, 2017	214,523	18,053	185,848	(1,945)	8,637	425,116	—	425,116
Net income for the period	—	—	166,381	—	—	166,381	3,045	169,426
Other comprehensive income (loss)	—	—	1,096	6,477	(19,306)	(11,733)	(392)	(12,125)
Comprehensive income (loss) for the period	—	—	167,477	6,477	(19,306)	154,648	2,653	157,301
Issued from treasury	821	—	—	—	—	821	—	821
Exercise of options	100	(31)	—	—	—	69	—	69
Vesting of PSUs	—	(312)	—	—	—	(312)	—	(312)
Share-based payment expense	—	107	—	—	—	107	—	107
Dividends	—	—	—	—	—	—	(3,817)	(3,817)
Fair value changes in non-controlling interest liabilities	—	—	(2,187)	—	—	(2,187)	2,187	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(1,415)	(1,415)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(392)	(392)	392	—
	921	(236)	(2,187)	—	(392)	(1,894)	(2,653)	(4,547)
Balance as at October 31, 2017	215,444	17,817	351,138	4,532	(11,061)	577,870	—	577,870
Net income (loss) for the period	—	—	(6,588)	—	—	(6,588)	1,355	(5,233)
Other comprehensive income (loss)	—	—	—	(12,560)	3,749	(8,811)	—	(8,811)
Comprehensive income (loss) for the period	—	—	(6,588)	(12,560)	3,749	(15,399)	1,355	(14,044)
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**	**344,550**	**(8,028)**	**(7,312)**	**563,968**	**—**	**563,968**

See accompanying notes to interim condensed consolidated financial statements

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

(in thousands of Canadian dollars)	Quarters ended January 31 2018 $	 2017 $
OPERATING ACTIVITIES		
Net income (loss) for the period	(5,233)	(31,054)
Operating items not involving an outlay (receipt) of cash:		
Depreciation and amortization	14,769	14,206
Change in fair value of fuel-related derivatives and other derivatives	4,219	(4,804)
Gain on business disposals	(30,696)	—
Foreign exchange loss on non-current monetary items	1,431	557
Share of net income of an associate and a joint venture	(237)	(3,583)
Deferred taxes	(7,285)	880
Employee benefits	700	689
Share-based payment expense	507	204
	(21,825)	(22,905)
Net change in non-cash working capital balances related to operations	128,212	139,120
Net change in provision for overhaul of leased aircraft	3,395	1,704
Net change in other assets and liabilities related to operations	(2,008)	(1,536)
Cash flows related to operating activities	107,774	116,383
INVESTING ACTIVITIES		
Additions to property, plant and equipment and other intangible assets	(9,761)	(19,303)
Consideration paid for a business acquisition	—	(4,983)
Proceeds from the disposal of a business, net of cash disposed of	29,261	—
Cash flows related to investing activities	19,500	(24,286)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,145	273
Repurchase of shares related to stock-based compensation	(539)	—
Dividends paid by a subsidiary to a non-controlling shareholder	(191)	(630)
Cash flows related to financing activities	1,415	(357)
Effect of exchange rate changes on cash and cash equivalents	747	(577)
Net change in cash and cash equivalents	129,436	91,163
Cash and cash equivalents held for sale, beginning of period	26,324	—
Cash and cash equivalents, beginning of period	593,582	363,664
Cash and cash equivalents, end of period	749,342	454,827
Supplementary information (as reported in operating activities)		
Net income taxes paid (recovered)	7,479	822
Interest paid	117	129

See accompanying notes to 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."

The Corporation 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 interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended January 31, 2018 were approved by the Corporation's Board of Directors on March 14, 2018.

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

Note 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation's Annual Report for the year ended October 31, 2017.

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

Note 3 FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 9, *FINANCIAL INSTRUMENTS*

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

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

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

Lastly, IFRS 9 introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The IFRS 9 transition rules include an exemption allowing companies to continue to apply current hedge accounting under IAS 39 until the final hedge model is effective.

Application of IFRS 9 will be effective for the Corporation's annual reporting period beginning on November 1, 2018, with earlier adoption permitted. Other than the potential impact of adopting optional hedge accounting in accordance with IFRS 9, the Corporation does not expect the adoption of IFRS 9 to have a material impact on its financial statements. The Corporation continues to assess the impact of the adoption of IFRS 9 on its financial statements, including the decision regarding the hedge accounting transition.

IFRS 15, *Revenue from Contracts with Customers*

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

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 financial statements. The Corporation will be required to recognize an asset related to the right of use 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.

The application of IFRS 16 is mandatory and will be effective for the Corporation's annual reporting period beginning on November 1, 2019, with earlier adoption permitted if the new IFRS 15 standard on revenue has also been applied. The Corporation continues to assess the impact of the adoption of this new standard on its financial statements and has not determined which transition method it will use.

Note 4 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. The expected selling price amounts to $48,433, of which $47,329 was received in cash on that date. The disposed subsidiary's net assets amounted to $12,967 on November 30, 2017. The Corporation recognized a gain on business disposal of $31,264, net of transaction costs of $486 and of $3,716 due to the Fonds de Solidarité des Travailleurs du Québec ["Fonds"], of which $3,278 was paid in cash during the quarter, as an additional consideration to the repurchase price of the 19.93% interest held by the Fonds in December 2016. The selling price remains subject to certain adjustments due to a working capital adjustment.

Since Jonview's operations do not represent a principal and separate line of business for the Corporation, its results were included in the Corporation's net income from continuing operations reported in the consolidated statements of loss and comprehensive loss for the quarter ended January 31, 2018. As at October 31, 2017, the assets and liabilities of Jonview have been reported as held for sale in the consolidated statements of financial position.

The assets and liabilities disposed of in connection with Jonview are as follows:

	2018 $
Cash and cash equivalents	(14,304)
Other current assets	(10,812)
Non-current assets	(2,945)
Current liabilities	14,904
Non-current liabilities	190
Net assets disposed of	**(12,967)**
Cash consideration received	47,329
Cash consideration paid to the Fonds de Solidarité des Travailleurs du Québec (FSTQ)	(3,278)
Cash-settled transaction costs	(486)
Cash and cash equivalents disposed of	(14,304)
Cash flows from the disposal of Jonview	**29,261**

OCEAN HOTELS

On October 4, 2017, the Corporation completed the sale of its 35% minority interest in Ocean Hotels to H10 Hotels for an amount of US$150,500 [$187,500], received in cash. The disposed interest had a carrying value of $97,252 as at October 4, 2017. The Corporation recognized a gain on business disposal of $86,049, net of transaction costs of $1,897, as well as a foreign exchange gain of $15,478 realized on the reclassification of the cumulative exchange differences related to our investment. Under the terms of the agreement, the selling price was adjusted downward by US$1,789 [$2,302] as at January 31, 2018 to US$148,725 [$185,198], subject to certain adjustments that could take place up to 24 months after the transaction.

Note 5 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at January 31, 2018, cash and cash equivalents in trust or otherwise reserved included $316,638 [$239,974 as at October 31, 2017] 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 $69,993, of which $50,100 was recorded as non-current assets [$69,090 as at October 31, 2017, of which $50,100 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 6 INVESTMENT

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

	$
Balance as at October 31, 2017	15,888
Share of net income	237
Translation adjustment	(744)
Balance as at January 31, 2018	**15,381**

The investment was translated at the USD/CAD rate of 1.2294 as at January 31, 2018 [1.2898 as at October 31, 2017].

Note 7 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, 2017	**47,917**
Additional provisions	**7,307**
Utilization of provisions	**(3,912)**
Balance as at January 31, 2018	**51,312**
Current provisions	**25,750**
Non-current provisions	**25,562**
Balance as at January 31, 2018	**51,312**

Note 8 LONG-TERM DEBT

The Corporation has a $50,000 revolving credit facility agreement for operating purposes. Under the agreement, which expires in 2020, the Corporation may increase the credit limit to $100,000, 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 criteria and ratios. As at January 31, 2018, all the financial ratios and criteria were met and the credit facility was undrawn.

The Corporation also has a $75,000 annually renewable revolving credit facility 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, 2018, $56,052 had been drawn down under the facility [$54,847 as at October 31, 2017], of which $50,100 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 9 OTHER LIABILITIES

	As at January 31, 2018	As at October 31, 2017
	$	$
Employee benefits	**41,231**	40,764
Deferred lease inducements	**24,177**	29,649
Non-controlling interests	**25,838**	26,400
	91,246	96,813

Note 10 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 and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation. Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further action on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

PREFERRED SHARES

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

ISSUED AND OUTSTANDING SHARE CAPITAL

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

	Number of shares	$
Balance as at October 31, 2016	36,859,165	214,250
Issued from treasury	52,554	273
Balance as at January 31, 2017	36,911,719	214,523
Issued from treasury	142,686	821
Exercise of options	9,221	100
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**

As at January 31, 2018, the number of Class A Shares and Class B Shares was 3,442,353 and 33,941,650, respectively [3,457,571 and 33,606,055 as at October 31, 2017].

STOCK OPTION PLAN

	Number of options	Weighted average price ($)
Balance as at October 31, 2017	2,246,032	10.57
Granted	157,735	10.94
Exercised	(287,485)	6.38
Cancelled	(83,358)	13.99
Balance as at January 31, 2018	**2,032,924**	**11.06**
Options exercisable as at January 31, 2018	**1,599,142**	**11.25**

LOSS PER SHARE

Basic and diluted loss per share were calculated as follows:

	Quarters ended January 31	
	2018	2017
(in thousands, except per share data)	**$**	$
NUMERATOR		
Net income (loss) attributable to shareholders of the Corporation used in computing basic and diluted earnings per share	**(6,588)**	(32,073)
DENOMINATOR		
Adjusted weighted average number of outstanding shares	**37,181**	36,883
Effect of dilutive securities		
Stock options	**—**	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	**37,181**	36,883
Earnings (loss) per share		
Basic	**(0.18)**	(0.87)
Diluted	**(0.18)**	(0.87)

Given the net loss recognized for the quarters ended January 31, 2018 and 2017, all 2,032,924 and 2,492,834 outstanding stock options, respectively, were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Note 11 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 8, 10, 18, 25 and 26 to the financial statements for the year ended October 31, 2017 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, 2018, the total amount of these guarantees unsecured by deposits totalled $407. Historically, the Corporation has not made any significant payments under such agreements. As at January 31, 2018, no amounts had been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

The Corporation has a $35,000 guarantee facility renewable annually in February. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at January 31, 2018, $25,901 had been drawn under the facility.

Note 12 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 (loss) and consolidated statements of financial position include all the required information.

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