TRANSAT A.T. INC.
THIRD QUARTERLY REPORT
Period ended July 31, 2016

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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 July 31, 2016, compared with the quarter ended July 31, 2015, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2015 and the accompanying notes and the 2015 Annual Report, including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a third-quarter update to the information contained in the MD&A section of our 2015 Annual Report. The risks and uncertainties set out in the MD&A of the 2015 Annual Report are herein incorporated by reference and remain unchanged. The information contained herein is dated as of September 7, 2016. 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 July 31, 2016 and the Annual Information Form for the year ended October 31, 2015.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- The outlook whereby the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.
- The outlook whereby the Corporation expects a decrease in operating expenses of 4.6% on the transatlantic market and an increase of 3.8% on the sun destinations market for the second semester, compared with the same period last year.
- The outlook whereby the Corporation expects its global results for the fourth quarter to be inferior to those of 2015.

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

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

The non-IFRS measures the Corporation uses to assess operational performance include adjusted operating income (loss), adjusted pre-tax income (loss) and adjusted net income (loss).

Management also uses total debt and total net debt to assess the Corporation's debt level, cash position, future cash needs and financial leverage ratio. Management believes these measures to be useful in assessing the Corporation's capacity to discharge its current and future financial obligations.

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.
Adjusted pre-tax income (loss)	Income (loss) before income tax expense before change in fair value of fuel-related derivatives and other derivatives, gain (loss) on disposal of a subsidiary, restructuring charge, lump-sum payments related to collective agreements, impairment of assets and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period.
Adjusted net income (loss)	Net income (loss) attributable to shareholders before net income (loss) from discontinued operations, change in fair value of fuel-related derivatives and other derivatives, gain (loss) on disposal of a subsidiary, restructuring charge, impairment of assets, 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, net of related taxes.
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.
Total net debt	Total debt (described above) less cash and cash equivalents.

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 July 31		Nine-month periods ended July 31	
	2016 $	2015 $	2016 $	2015 $
Operating income (loss)	(2,990)	34,480	(57,233)	(3,059)
Lump-sum payments related to collective agreements	4,200	—	4,200	—
Restructuring charge	3,700	—	3,700	—
Depreciation and amortization	12,111	10,318	35,335	32,862
Premium related to fuel-related derivatives and other derivatives matured during the period	(1,057)	—	(6,723)	—
Adjusted operating income (loss)	15,964	44,798	(20,721)	29,803
Income (loss) before income tax expense	11,755	18,305	(95,064)	(17,026)
Lump-sum payments related to collective agreements	4,200	—	4,200	—
Restructuring charge	3,700	—	3,700	—
Change in fair value of fuel-related derivatives and other derivatives	(13,922)	18,895	24,042	21,016
Loss on disposal of a subsidiary	—	—	843	—
Asset impairment	—	—	15,809	—
Premium related to fuel-related derivatives and other derivatives matured during the period	(1,057)	—	(6,723)	—
Adjusted pre-tax income (loss)	4,676	37,200	(53,193)	3,990
Net income (loss) attributable to shareholders	9,439	13,067	(76,668)	(26,543)
Net income (loss) from discontinued operations	(1,735)	(9)	5,645	12,428
Lump-sum payments related to collective agreements	4,200	—	4,200	—
Restructuring charge	3,700	—	3,700	—
Change in fair value of fuel-related derivatives and other derivatives	(13,922)	18,895	24,042	21,016
Loss on disposal of a subsidiary	—	—	843	—
Asset impairment	—	—	15,809	—
Premium related to fuel-related derivatives and other derivatives matured during the period	(1,057)	—	(6,723)	—
Tax impact	1,898	(5,067)	(10,573)	(5,635)
Adjusted net income (loss)	2,523	26,886	(39,725)	1,266
Adjusted net income (loss)	2,523	26,886	(39,725)	1,266
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	36,678	38,496	36,925	38,630
Adjusted net income (loss) per share	0.07	0.70	(1.08)	0.03

	As at July 31, 2016	As at October 31, 2015
	$	$
Aircraft rent for the past four quarters	129,276	98,859
Multiple	5	5
Adjusted operating leases	646,380	494,295
Long-term debt	—	—
Adjusted operating leases	646,380	494,295
Total debt	646,380	494,295
Total debt	646,380	494,295
Cash and cash equivalents	(470,065)	(336,423)
Total net debt	176,315	157,872

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share amounts)	Quarters ended July 31 2016 $	2015 $	Difference $	Difference %	Nine-month periods ended July 31 2016 $	2015 $	Difference $	Difference %
Consolidated Statements of Income								
Revenues	663,591	704,844	(41,253)	(5.9)	2,277,535	2,263,946	13,589	0.6
Adjusted operating income (loss)(1)	15,964	44,798	(28,834)	(64.4)	(20,721)	29,803	(50,524)	(169.5)
Net income (loss) attributable to shareholders	9,439	13,067	(3,628)	(27.8)	(76,668)	(26,543)	(50,125)	(188.8)
Basic earnings (loss) per share	0.26	0.34	(0.08)	(23.5)	(2.08)	(0.69)	(1.39)	(201.4)
Diluted earnings (loss) per share	0.26	0.34	(0.08)	(23.5)	(2.08)	(0.69)	(1.39)	(201.4)
Adjusted net income (loss)(1)	2,523	26,886	(24,363)	(90.6)	(39,725)	1,266	(40,991)	(3,237.7)
Adjusted net income (loss) per share(1)	0.07	0.70	(0.63)	(90.0)	(1.08)	0.03	(1.11)	(3,700.0)
Consolidated Statements of Cash Flows								
Operating activities	52,162	69,594	(17,432)	(25.0)	217,813	266,903	(49,090)	(18.4)
Investing activities	(18,089)	(4,975)	(13,114)	(263.6)	(42,774)	(39,360)	(3,414)	(8.7)
Financing activities	(751)	(4,751)	4,000	84.2	(8,870)	(7,489)	(1,381)	(18.4)
Effect of exchange rate changes on cash and cash equivalents	(3,815)	(778)	(3,037)	(390.4)	(10,091)	(1,203)	(8,888)	(738.8)
Net change in cash and cash equivalents	29,507	59,090	(29,583)	(50.1)	156,078	218,851	(62,773)	(28.7)

	As at July 31, 2016 $	As at October 31, 2015 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	470,065	336,423	133,642	39.7
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	246,044	412,099	(166,055)	(40.3)
	716,109	748,522	(32,413)	(4.3)
Total assets	1,568,025	1,513,764	54,261	3.6
Long-term debt	—	—	—	—
Total debt(1)	646,380	494,295	152,085	30.8
Total net debt(1)	176,315	157,872	18,443	11.7

1 SEE NON-IFRS FINANCIAL MEASURES

OVERVIEW

CORE BUSINESS

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

VISION

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

STRATEGY

To deliver on its vision, the Corporation intends to continue to maximize synergies from its vertical integration model in a targeted manner, according to tourism industry trends. In this respect, in recent years, the Corporation has considerably improved the effectiveness of its airline operations and launched a certain number of actions, including technological initiatives, to become more efficient and improve its performance as a distributor. The strategy also includes entry into new source markets and the launch of new destinations, targeting new markets for its traditional destinations and increasing its buying power for these routes. Alongside these initiatives, Transat intends to leverage targeted technology investments and efficiency gains from changes to its internal management structure and a cost reduction and unit margin improvement program to improve its operating income and maintain or grow market share in all its markets. Transat acknowledges the growing strategic importance of sustainable development in the holiday and air travel industries. Given this trend, Transat has undertaken to adopt avant-garde policies on corporate responsibility and sustainable tourism.

For fiscal 2016, Transat has set the following objectives as at the beginning of the fiscal year:

1. Implement an integrated distribution and brand strategy, including an enhanced online shopping experience, higher controlled sales, deployment of the Transat brand and finalization of required technological projects.

2. Increase capacity and improve the competitiveness of our sun destination offering, strengthen our presence and increase our capacity in the transatlantic market, and continue deploying the Lookéa club offering.

3. Reduce winter financial losses and maintain summer profitability, in particular by continuing our cost reduction and unit margin improvement program, with gains of $30 million expected in 2016.

4. Enter a new market via acquisition and optimize our hotel strategy, particularly through our interest in Ocean Hotels.

5. Simplify the organizational structure and optimize the succession management plan.

6. Obtain Travelife Partner status.

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.

DISCONTINUED OPERATIONS

On May 11, 2016, the Corporation announced that it had received a firm offer from TUI AG, the world's leading tourism business, to purchase our tour operating business in France (Transat France) and Greece (Tourgreece) for an enterprise value of €54.5 million ($79.7 million) subject to working capital adjustments at closing. The projected transaction is subject to approval from European competition authorities and the obtaining of an advisory opinion from Transat France's Works Council, as mandated by French law, which was granted during the third quarter. The closing is expected to take place by October 31, 2016.

Accordingly, as at July 31, 2016, the assets and liabilities of Transat France and Tourgreece have been reported as held for sale in the consolidated statements of financial position and their results, as discontinued operations in the consolidated statements of income (loss) and comprehensive income (loss). The projected transaction had no other impact on the financial statements of the Corporation for the period ended July 31, 2016.

The projected transaction would have no impact on the transatlantic program, operations and development of Air Transat in France or in Europe. Transat maintains its growth objectives for its air carrier services between Europe and Canada.

This project results from the 2015-2017 strategic plan, which emphasizes profitable growth in the Americas by developing tour operating, distribution and hotel businesses.

CONSOLIDATED OPERATIONS

	Quarters ended July 31				Nine-month periods ended July 31			
(in thousands of dollars)	2016 $	2015 $	Difference $	Difference %	2016 $	2015 $	Difference $	Difference %
Continuing operations								
Revenues	663,591	704,844	(41,253)	(5.9)	2,277,535	2,263,946	13,589	0.6
Costs of providing tourism services	239,269	253,926	(14,657)	(5.8)	1,141,407	1,091,958	49,449	4.5
Salaries and employee benefits	90,764	86,624	4,140	4.8	267,784	246,440	21,344	8.7
Aircraft fuel	99,287	130,511	(31,224)	(23.9)	235,034	326,079	(91,045)	(27.9)
Aircraft maintenance	53,839	37,897	15,942	42.1	130,611	109,695	20,916	19.1
Aircraft rent	31,946	24,702	7,244	29.3	102,970	72,553	30,417	41.9
Airport and navigation fees	37,192	33,734	3,458	10.3	93,648	83,730	9,918	11.8
Commissions	12,623	13,413	(790)	(5.9)	81,495	83,951	(2,456)	(2.9)
Other	84,106	80,804	3,302	4.1	249,227	225,603	23,624	10.5
Share of net income of an associate	(2,456)	(1,565)	(891)	56.9	(10,643)	(5,866)	(4,777)	81.4
Depreciation and amortization	12,111	10,318	1,793	17.4	35,335	32,862	2,473	7.5
Special items	7,900	—	7,900	100.0	7,900	—	7,900	100.0
Operating expenses	666,581	670,364	(3,783)	(0.6)	2,334,768	2,267,005	67,763	3.0
Operating results	(2,990)	34,480	(37,470)	(108.7)	(57,233)	(3,059)	(54,174)	(1,771.0)
Financing costs	416	437	(21)	(4.8)	1,337	1,231	106	8.6
Financing income	(1,676)	(1,921)	245	(12.8)	(5,403)	(5,932)	529	(8.9)
Change in fair value of fuel-related derivatives and other derivatives	(13,922)	18,895	(32,817)	(173.7)	24,042	21,016	3,026	14.4
Foreign exchange loss (gain) on non-current monetary items	437	(1,236)	1,673	135.4	1,203	(2,348)	3,551	151.2
Loss on disposal of a subsidiary	—	—	—	—	843	—	843	100.0
Asset impairment	—	—	—	—	15,809	—	15,809	100.0
Income (loss) before income tax expense	11,755	18,305	(6,550)	(35.8)	(95,064)	(17,026)	(78,038)	(458.3)
Income taxes (recovery)								
Current	(2,461)	11,127	(13,588)	(122.1)	(24,280)	1,015	(25,295)	(2,492.1)
Deferred	5,403	(6,633)	12,036	181.5	(3,739)	(7,468)	3,729	49.9
	2,942	4,494	(1,552)	(34.5)	(28,019)	(6,453)	(21,566)	(334.2)
Net income (loss) from continuing operations	8,813	13,811	(4,998)	(36.2)	(67,045)	(10,573)	(56,472)	(534.1)
Discontinued operations								
Net income (loss) from discontinued operations	1,735	9	1,726	N/A	(5,645)	(12,428)	6,783	54.6
Net income (loss) for the period	10,548	13,820	(3,272)	(23.7)	(72,690)	(23,001)	(49,689)	(216.0)
Net income (loss) attributable to:								
Shareholders	9,439	13,067	(3,628)	(27.8)	(76,668)	(26,543)	(50,125)	(188.8)
Non-controlling interests	1,109	753	356	47.3	3,978	3,542	436	12.3
	10,548	13,820	(3,272)	(23.7)	(72,690)	(23,001)	(49,689)	(216.0)

REVENUES

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

Revenues for the quarter ended July 31, 2016 were down $41.3 million (5.9%) compared with fiscal 2015 due primarily to decreases in load factors and average selling prices, resulting from a 15% increase in overall capacity in the transatlantic market. Lower fuel prices also contributed to the decrease in average selling prices. In the transatlantic market, we increased our product offering by 5.0%, while decreasing the product offering by 2.2% for our sun destinations. In addition, the increase in our incoming tour operating activities in Canada contributed to the overall increase in total travellers of 2.8% across all our markets.

Revenues for the nine-month period were up $13.6 million (0.6%). The increase resulted from our winter season during which we recorded an overall increase in total travellers of 5.9% across all our markets and higher average selling prices for package-type products to sun destinations, our main market for the period.

OPERATING EXPENSES

Total operating expenses were down $3.8 million (0.6%) for the quarter and increased by $67.8 million (3.0%) for the nine-month period, compared with 2015. For the nine-month period, the increase resulted primarily from our winter season during the number of total travellers increased, driven by our decision to increase our sun destination product offering to sun destinations, our main market for the period, by 4.5%, and the weakening 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 the corresponding periods of the previous fiscal year, the costs of providing tourism services decreased by $14.7 million (5.8%) but increased by $49.4 million (4.5%) for the nine-month period. The quarterly decline resulted from the decline in our flight purchases from air carriers other than Air Transat, following the addition of three Boeing 737s to our fleet, compared with summer 2015. The increase for the nine-month period resulted from the dollar's weakening against the U.S. dollar and the increase in our sun destination product offering during the winter season, partially offset by lower hotel room costs.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits were up $4.1 million (4.8%) for the quarter and $21.3 million (8.7%) for the nine-month period compared with fiscal 2015. The increases resulted mainly from the hiring of pilots, cabin crew and mechanics following the addition of Boeing 737s to our aircraft fleet, and annual salary reviews.

AIRCRAFT FUEL

Aircraft fuel expense decreased by $31.2 million (23.9%) for the quarter and by $91.0 million (27.9%) for the nine-month period compared with fiscal 2015. The decreases resulted from lower fuel price indicators in financial markets. However, the Corporation was unable to fully benefit from this decrease due to the fuel price hedging program it has in place. The dollar's weakening against the U.S. dollar (fuel is paid mainly in U.S. dollars) and the expansion of our aircraft fleet compared with 2015 also contributed to mitigate the decrease in aircraft fuel prices.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat. Compared with fiscal 2015, aircraft maintenance costs increased by $15.9 million (42.1%) for the third quarter and by $20.9 million (19.1%) for the nine-month period. The increases resulted from the weakening of the dollar against the U.S. dollar, the expansion of our fleet compared with 2015 as well as the breakdown of a Boeing 737 engine during the quarter ended July 31, 2016.

AIRCRAFT RENT

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

During the quarter, Air Transat's permanent fleet consisted of fourteen Airbus A330s, nine Airbus A310s and seven Boeing 737-800s. Of this number, two Airbus A330s and three Boeing 737-800s were commissioned in summer 2016, which, combined with the weakening of the dollar against the U.S. dollar, contributed to the $7.2 million (29.3%) increase in aircraft rent during the quarter.

During winter 2016, Air Transat's permanent fleet consisted of twelve Airbus A330s, nine Airbus A310s and four Boeing 737-800s. In addition, for its flexible fleet, the Corporation had seasonal lease agreements for fifteen Boeing 737s compared with 14 during winter 2015. The addition of aircraft, combined with the weakening of the dollar against the U.S. dollar, contributed to the $30.4 million (41.9%) increase in aircraft rent during the nine-month period.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. Fees were up by $3.5 million (10.3%) for the quarter and by $9.9 million (11.8%) for the nine-month period, compared with fiscal 2015. The increases were due to the expansion of our aircraft fleet compared with 2015 and the dollar's weakening against the U.S. dollar.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense was down by $0.8 million (5.9%) for the third quarter and by $2.5 million (2.9%) for the nine-month period, compared with fiscal 2015. As a percentage of our revenues, commissions remained stable and accounted for 1.9% of revenues for the quarter. For the nine-month period, as a percentage, commissions decreased to 3.6% of revenues, compared with 3.7% in fiscal 2015. This decrease is attributable to the lower revenue base used in calculating commissions.

OTHER

Other expenses were up $3.3 million (4.1%) for the quarter and $23.6 million (10.5%) for the nine-month period, compared with fiscal 2015. The increases resulted primarily from a rise in other air costs following the expansion of our fleet compared with 2015.

SHARE OF NET INCOME OF AN ASSOCIATE

Our share of net income of an associate represents our share of the net income of our hotel business, Caribbean Investments B.V. ["CIBV"]. Our share of net income of an associate for the third quarter totalled $2.5 million, compared with $1.6 million for the corresponding quarter of fiscal 2015. For the nine-month period, the share of net income stood at $10.6 million, compared with $5.9 million in fiscal 2015. The increases resulted from the strength of the U.S. dollar compared to other currencies and improved profitability.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense includes the depreciation of property, plant and equipment, and the amortization of intangible assets subject to amortization and deferred incentive benefits. Depreciation and amortization expense increased by $1.8 million for the third quarter of fiscal 2016 and by $2.5 million for the nine-month period, compared with fiscal 2015. The increases were due primarily to additions and improvements made to our aircraft fleet.

SPECIAL ITEMS

Special items include the restructuring charge, lump-sum payments related to collective agreements and other significant unusual items. During the quarter ended July 31, 2016, lump-sum payments in the amount of $4.2 million were recognized in connection with the renewal of the flight attendants' collective agreement, in addition to the restructuring charge of $3.7 million, comprising termination benefits, mainly related to the closure of call centres.

OPERATING RESULTS

In light of the foregoing, the Corporation recorded an operating loss of $3.0 million (0.5%) for the quarter compared with operating income of $34.5 million (4.9%) in fiscal 2015. The decrease in operating results was due primarily to decreases in load factors and average selling prices, resulting from the overall increase in the industry's capacity in the transatlantic market, partially offset by the decline in fuel prices, which, combined with the weakening of the dollar against the U.S. dollar led to a $10.0 million decrease in our operating expenses for the quarter. The special items also contributed to the deterioration in operating results. The decrease in operating income also results from the sun destinations market, where the impact of the weakening of the dollar against the U.S. dollar on operating expenses was only partially offset by the increase in average selling prices.

For the nine-month period, the Corporation reported an operating loss of $57.2 million (2.5%) compared with $3.1 million (0.1%) in fiscal 2015. The higher operating loss was mainly attributable to the factors mentioned above as well as the weakening of the dollar against the U.S. dollar, which, even combined with the decrease in fuel prices, led to a rise in operating expenses of $49.0 million for sun packages during the winter season. Nearly 60% of this increase was offset by our cost reduction initiatives and the increase in average selling prices for our sun packages. Lastly, for the quarter and the nine-month period, consumer fears about the Zika virus, the risk of strike action by Air Transat pilots, a slowdown in demand in the West and greater competition precluded an improvement in profitability.

For the quarter, the Corporation reported adjusted operating income of $16.0 million (2.4%) compared with $44.8 million (6.4%) in fiscal 2015. For the nine-month period, the Corporation reported an adjusted operating loss of $20.7 million (0.9%) compared with an adjusted operating income of $29.8 million (1.3%) in fiscal 2015.

OTHER EXPENSES AND REVENUES

FINANCING COSTS

Financing costs comprise interest on long-term debt and other interest, standby fees, and financial expenses. Financing costs remained stable for the quarter and increased by $0.1 million for the nine-month period compared with fiscal 2015.

FINANCING INCOME

Financing income was down $0.2 million during the quarter and $0.5 million over the nine-month period, compared with fiscal 2015.

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

The change in fair value of fuel-related derivatives and other derivatives represents the change in fair value, for the period, of the portfolio of derivative financial instruments held and used by the Corporation to manage its exposure to fluctuations in fuel prices and foreign exchange. During the quarter, the fair value of fuel-related derivatives and other derivatives increased by $13.9 million, compared with an $18.9 million decrease in fair value in fiscal 2015. For the nine-month period, the fair value of fuel-related derivatives and other derivatives was down $24.0 million, compared with a $21.0 million decrease in fair value in fiscal 2015. For the quarter, the increase resulted from the favourable change in the dollar compared with the U.S. dollar with respect to outstanding foreign currency derivatives and from matured foreign currency derivatives, partially offset by the decrease in the fair value of fuel-related derivatives. For the nine-month period, the decrease resulted from the unfavourable change in the dollar compared with the U.S. dollar with respect to outstanding foreign currency derivatives.

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

For the quarter, the Corporation posted a foreign exchange loss on non-current monetary items of $0.4 million compared with a foreign exchange gain of $1.2 million in fiscal 2015. For the nine-month period, the Corporation posted a foreign exchange loss on non-current monetary items of $1.2 million compared with a foreign exchange gain of $2.3 million in fiscal 2015. These changes resulted mainly from the unfavourable exchange effect on foreign currency deposits.

LOSS ON DISPOSAL OF A SUBSIDIARY

On April 1, 2016, the Corporation closed the sale of its Travel Superstore subsidiary for a total cash consideration of $0.3 million and recorded a $0.8 million loss on disposal of a subsidiary.

IMPAIRMENT OF ASSETS

The accounting policies adopted by the Corporation require that intangible assets with indefinite lives be tested for impairment annually on April 30. Accordingly, the Corporation performed an impairment test on April 30, 2016 to determine if the carrying amounts of the cash-generating units ("CGUs"), for the purposes of goodwill and trademarks, were higher than their recoverable amounts. Following this test, the Corporation recognized a $15.8 million asset impairment loss. The impairment loss is related to the trademarks and results from the implementation of an integrated distribution and brand strategy, including the introduction of a new reservation platform which, for European travellers, favours the purchasing of seats by directly from our Air Transat subsidiary instead of through our European subsidiaries, and the greater use of the Transat brand while decreasing the use of certain trademarks held by the Corporation.

INCOME TAXES

Income tax expense for the third quarter totalled $2.9 million compared with $4.5 million for the corresponding period of the previous fiscal year. For the nine-month period, the Corporation reported an income tax recovery of $28.0 million, compared with $6.5 million in fiscal 2015. Excluding the share of net income of an associate, the effective tax rate stood at 31.6% for the current quarter and 26.5% for the nine-month period, compared with 26.8% and 28.2%, respectively, for the corresponding periods of fiscal 2015. The change in tax rates for the quarter resulted from differences between countries in the statutory tax rates applied to taxable income.

NET INCOME (LOSS) FROM CONTINUING OPERATIONS

In light of the items discussed in the Consolidated operations section, the Corporation reported net income from continuing operations of $8.8 million for the quarter ended July 31, 2016, compared with $13.8 million in fiscal 2015. Net income attributable to shareholders for the quarter amounted to $7.7 million or $0.21 per share (basic and diluted), compared with $13.1 million or $0.34 per share (basic and diluted) for the corresponding quarter of the previous fiscal year. For the third quarter of fiscal 2016, the weighted average number of outstanding shares used to compute basic earnings per share was 36,571,000 (36,678,000 for diluted earnings per share), compared with 38,384,000 for basic earnings per share (38,496,000 for diluted earnings per share), for the corresponding quarter of fiscal 2015.

For the nine-month period ended July 31, 2016, the Corporation reported a net loss from continuing operations of $67.0 million compared with $10.6 million in fiscal 2015. Net loss from continuing operations attributable to shareholders stood at $71.0 million or $1.92 per share (basic and diluted), compared with $14.1 million or $0.37 per share (basic and diluted) for the corresponding nine-month period of the previous fiscal year. The weighted average number of outstanding shares used to compute the per share amounts was 36,925,000 for the nine-month period of fiscal 2016 and 38,630,000 for the corresponding period of fiscal 2015.

For the third quarter, the Corporation reported adjusted net income of $2.5 million ($0.07 per share), compared with $26.9 million ($0.70 per share) in fiscal 2015. For the nine-month period, the Corporation posted an adjusted net loss of $39.7 million ($1.08 per share) compared with an adjusted net loss of $1.3 million ($0.03 per share) in fiscal 2015.

NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS

As mentioned in the Discontinued operations section, for the quarter and the nine-month period ended July 31, 2016 and for the corresponding periods of the previous fiscal year, the net income (loss) of our Transat France and Tourgreece subsidiaries, which is generated by sales made to clients in Europe and Canada, is reported as net income (loss) from discontinued operations.

For the quarter, compared with fiscal 2015, revenues of our Transat France and Tourgreece subsidiaries were down $1.7 million (0.8%). The decline resulted from a 3.0% decrease in total travellers, particularly in Tunisia and Turkey due to their geopolitical situation, partially offset by higher average selling prices. Our discontinued operations reported net income of $1.7 million (0.8%) compared with $0.0 million (0.0%) in fiscal 2015. The improvement in net income resulted primarily from higher margins on tour revenues.

For the nine-month period, revenues of our Transat France and Tourgreece subsidiaries were up $35.1 million (7.6%). The increase resulted from higher average selling prices, partially offset by a 2.4% decrease in total travellers. Our discontinued operations reported a net loss of $5.6 million (1.1%) compared with $12.4 million (2.7%) in fiscal 2015. The decrease in net loss resulted primarily from higher margins on tour and package revenues, particularly in the Caribbean.

NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

For the third quarter, the Corporation reported net income attributable to shareholders of $9.4 million or $0.26 per share (basic and diluted), compared to net income attributable to shareholders of $13.1 million or $0.34 per share (basic and diluted) for the corresponding quarter of the previous fiscal year.

For the nine-month period, the Corporation reported a net loss attributable to shareholders of $76.7 million or $2.08 per share (basic and diluted), compared with $26.5 million or $0.69 per share (basic and diluted) for the corresponding period of fiscal 2015.

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 corresponding quarters, with the exception of summer 2016. For the winter season (Q1 and Q2), total travellers increased while average selling prices decreased. For the summer season (Q3 and Q4), average selling prices were lower due to the decline in fuel prices, the 15% increase in overall capacity in the transatlantic market, while total travellers remained stable in summer 2016 compared with fiscal 2015. In terms of operating results, increases in average selling prices for sun packages in winter combined with cost reduction and margin improvement initiatives were insufficient to offset the foreign exchange effect on our costs arising from the strength of the U.S. dollar. For the summer season, the decline in average selling prices and load factors were only partially offset by lower fuel prices. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

Selected unaudited quarterly financial information								
(in thousands of dollars, except per share data)	Q4-2014 $	Q1-2015 $	Q2-2015 $	Q3-2015 $	Q4-2015 $	Q1-2016 $	Q2-2016 $	Q3-2016 $
Revenues	624,330	683,951	875,151	704,844	634,004	725,723	888,221	663,591
Aircraft rent	24,856	23,167	24,684	24,702	26,306	32,275	38,749	31,946
Operating income (loss)	47,260	(33,500)	(4,039)	34,480	57,850	(40,542)	(13,701)	(2,990)
Adjusted operating income (loss)	64,370	(22,746)	7,751	44,798	70,805	(31,683)	(5,002)	15,964
Net income (loss)	31,236	(63,088)	26,267	13,820	69,965	(59,803)	(23,817)	10,548
Net income (loss) attributable to shareholders	30,607	(64,314)	24,704	13,067	69,108	(61,155)	(24,952)	9,439
Basic earnings (loss) per share	0.79	(1.66)	0.64	0.34	1.82	(1.64)	(0.68)	0.26
Diluted earnings (loss) per share	0.79	(1.66)	0.64	0.34	1.82	(1.64)	(0.68)	0.26
Net income (loss) from continuing operations attributable to shareholders	24,492	(53,607)	26,434	13,058	59,035	(53,394)	(25,333)	7,704
Basic earnings (loss) per share from continuing operations	0.63	(1.38)	0.68	0.34	1.56	(1.44)	(0.69)	0.21
Diluted earnings (loss) per share from continuing operations	0.63	(1.38)	0.68	0.34	1.55	(1.44)	(0.69)	0.21
Adjusted net income (loss)	39,419	(22,882)	(2,738)	26,886	44,648	(30,380)	(11,868)	2,523
Adjusted net income (loss) per share	1.02	(0.59)	(0.07)	0.70	1.18	(0.82)	(0.32)	0.07

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2016, cash and cash equivalents totalled $470.1 million compared with $336.4 million as at October 31, 2015. Cash and cash equivalents in trust or otherwise reserved amounted to $246.0 million as at the end of the third quarter of fiscal 2016, compared with $412.1 million as at October 31, 2015. The Corporation's statement of financial position reflected $47.8 million in working capital, for a ratio of 1.05, compared with $80.4 million in working capital and a ratio of 1.09 as at October 31, 2015.

Total assets increased by $54.3 million (3.6%) from $1,513.8 million as at October 31, 2015 to $1,568.0 million as at July 31, 2016, as shown in the financial position table provided further below. Equity decreased $110.4 million, from $537.3 million as at October 31, 2015 to $426.9 million as at July 31, 2016. This decrease resulted from the $76.7 million net loss attributable to shareholders, the $17.1 million unrealized loss on cash flow hedges, and the $11.3 million foreign exchange loss on the translation of the financial statements of foreign subsidiaries.

CASH FLOWS

	Quarters ended July 31			Nine-month periods ended July 31		
	2016	2015	Difference	2016	2015	Difference
(in thousands of dollars)	$	$	$	$	$	$
Cash flows related to operating activities	52,162	69,594	(17,432)	217,813	266,903	(49,090)
Cash flows related to investing activities	(18,089)	(4,975)	(13,114)	(42,774)	(39,360)	(3,414)
Cash flows related to financing activities	(751)	(4,751)	4,000	(8,870)	(7,489)	(1,381)
Effect of exchange rate changes on cash	(3,815)	(778)	(3,037)	(10,091)	(1,203)	(8,888)
Net change in cash and cash equivalents related to continuing operations	29,507	59,090	(29,583)	156,078	218,851	(62,773)
Net cash flows related to discontinued operations	19,872	14,926	4,946	11,759	(12,186)	23,945

OPERATING ACTIVITIES

Operating activities related to continuing operations generated $52.2 million in cash flows during the third quarter, compared with $69.6 million in fiscal 2015. The $17.4 million decrease recorded during the quarter resulted primarily from a $23.4 million decline in profitability and a $3.3 million decrease in the net change in provision for overhaul of leased aircraft, partially offset by an $11.6 million increase in the net change in other assets and liabilities related to operations.

For the nine-month period, cash flows from operating activities related to continuing operations decreased by $49.1 million from $266.9 million in 2015 to $217.8 million in 2016. The decrease resulted from a $32.1 million decline in profitability, a $27.5 decrease in the net change in non-cash working capital balances related to operations and a $14.2 million decrease in the net change in provision for overhaul of leased aircraft, partially offset by a $24.6 million increase in the net change in other assets and liabilities related to operations.

INVESTING ACTIVITIES

Cash flows used in investing activities related to continuing operations during the third quarter increased by $13.1 million to $18.1 million from $5.0 million in fiscal 2015. The increase resulted mainly from a $15.6 million increase in additions to property, plant and equipment and intangible assets. The additions are mainly related to aircraft maintenance and improvements, following the expansion of our fleet compared with fiscal 2015. Also, in the third quarter of fiscal 2016, the Corporation received a $9.1 million dividend from our associate compared with $6.7 million in 2015.

For the nine-month period, cash flows used in investing activities related to continuing operations increased by $3.4 million to $42.8 million from $39.4 million in fiscal 2015. Additions to property, plant and equipment and other intangible assets increased by $9.9 million to $50.6 million. The additions made during the nine-month period are mainly related to aircraft maintenance, improvements and equipment, as well as computer hardware and software. We also increased our non-current cash and cash equivalents reserved balance by $1.6 million, compared to an increase of $5.4 million in fiscal 2015.

FINANCING ACTIVITIES

Cash flows used in financing activities related to continuing operations for the third quarter decreased by $4.0 million, from $4.8 million in 2015 to $0.8 million in 2016. Lower utilization of cash flows than in 2015 resulted primarily from the $3.8 million repurchase of shares in 2015, compared with none in the current quarter.

For the nine-month period, financing activities related to continuing operations used cash flows of $8.9 million, compared with $7.5 million in fiscal 2015. Higher utilization of cash flows than in fiscal 2015 resulted primarily from the $7.1 million repurchase of shares during the nine-month period, compared with $5.1 million in fiscal 2015.

CASH FLOWS RELATED TO DISCONTINUED OPERATIONS

Discontinued operations for the third quarter generated cash flows of $19.9 million, compared with $14.9 million in fiscal 2015. The increase resulted mainly from a $3.7 million increase in profitability. For the nine-month period, discontinued operations generated cash flows of $11.8 million, compared with cash flows used of $12.2 million in fiscal 2015. The higher cash flows generated by discontinued operations resulted primarily from the $12.9 million increase in profitability and the $7.0 million increase in net change in other assets and liabilities related to operations.

CONSOLIDATED FINANCIAL POSITION

In the table below, the decreases are attributable to the reclassification of assets and liabilities of Transat France and Tourgreece as held for sale in the statement of financial position, as well as the following reasons:

	July 31, 2016 $	October 31, 2015 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	470,065	336,423	133,642	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	246,044	412,099	(166,055)	Seasonal nature of operations
Trade and other receivables	100,174	129,223	(29,049)	Sale of tour operators in France and Greece
Income taxes receivable	46,598	16,900	29,698	Increase in income taxes recoverable given deductible losses
Inventories	8,477	9,079	(602)	No significant difference
Prepaid expenses	51,114	80,318	(29,204)	Sale of tour operators in France and Greece
Derivative financial instruments	12,385	25,573	(13,188)	Foreign exchange derivatives matured during the period
Deposits	40,500	58,901	(18,401)	Sale of tour operators in France and Greece
Assets held for sale	220,367	—	220,367	Sale of tour operators in France and Greece
Deferred tax assets	23,063	32,939	(9,876)	Sale of tour operators in France and Greece
Property, plant and equipment	137,608	133,502	4,106	Additions during the period, partially offset by depreciation
Goodwill	65,010	99,527	(34,517)	Sale of tour operators in France and Greece
Intangible assets	46,607	79,863	(33,256)	Asset amortization and impairment during the period, partially offset by additions
Investment in an associate	99,216	97,897	1,319	Share of net income of an associate and foreign exchange difference, partially offset by dividend received
Other assets	797	1,520	(723)	No significant difference

	July 31, 2016 $	October 31, 2015 $	Difference $	Main reasons for significant differences
Liabilities				
Trade and other payables	349,355	355,656	(6,301)	Seasonal nature of operations and foreign exchange differences
Provision for overhaul of leased aircraft	43,071	42,962	109	No significant difference
Income taxes payable	618	1,431	(813)	Settlement of balances due
Customer deposits and deferred revenues	440,418	489,622	(49,204)	Sale of tour operators in France and Greece and seasonal nature of operations
Derivative financial instruments	54,710	23,203	31,507	Unfavourable change in the Canadian dollar compared with the U.S. currency with respect to foreign exchange forward contracts entered into
Liabilities related to assets held for sale	190,869	—	190,869	Sale of tour operators in France and Greece
Other liabilities	59,890	52,026	7,864	Increase in deferred lease inducements related to new aircraft leases entered into
Deferred tax liabilities	2,231	11,612	(9,381)	Decrease of deferred taxes related to derivative financial instruments
Equity				
Share capital	213,924	218,134	(4,210)	Repurchase of shares, net of shares issued from treasury
Share-based payment reserve	17,806	17,105	701	Share-based payment expense, net of options exercised
Retained earnings	185,548	263,812	(78,264)	Net income (loss)
Unrealized gain (loss) on cash flow hedges	(2,883)	14,960	(17,843)	Net loss on financial instruments designated as cash flow hedges
Cumulative exchange differences	11,441	23,241	(11,800)	Foreign exchange loss on translation of financial statements of foreign subsidiaries
Reserve related to assets held for sale	1,027	—	1,027	Sale of tour operators in France and Greece

FINANCING

As at July 31, 2016, the Corporation had several types of financing, consisting primarily of a revolving term credit facility as well as lines of credit for issuing letters of credit.

On February 19, 2016, the Corporation renewed its $50 million revolving credit facility agreement for operating purposes. Under the new agreement, which expires in 2020, the Corporation may increase the credit limit to $100 million, subject to lender approval. The agreement may be extended for a year at each anniversary date subject to lender approval and the balance becomes immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on the universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at July 31, 2016, all the financial ratios and criteria were met and the credit facility was undrawn.

In addition, for its operations, our Transat France subsidiary has access to undrawn lines of credit totalling €10.0 million [$14.6 million].

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and liquidity, some of which are reflected as liabilities in the interim condensed consolidated financial statements and others in the notes to the financial statements. The Corporation did not report any obligations in the statements of financial position as at July 31, 2016 and October 31, 2015.

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 $725.2 million as at July 31, 2016 ($713.7 million as at October 31, 2015) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	As at July 31, 2016 $	As at October 31, 2015 $
Guarantees		
Irrevocable letters of credit	31,188	36,838
Collateral security contracts	709	1,490
Operating leases		
Obligations under operating leases	693,309	675,385
	725,206	713,713

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 July 31, 2016, $65.7 million had been drawn down of which $46.5 million is to insure the benefits to participants under senior executives defined benefit pension agreements; such irrevocable letters of credit are held by a third party trustee. In the event of a change of control, the irrevocable letters of credit issued to guarantee the benefits to participants under the senior executives defined benefit pension agreements will be drawn down.

In addition, the Corporation has a $35.0 million guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at July 31, 2016, $17.3 million was drawn down under this credit facility for issuing letters of credit to some of our service providers.

For its French operations, the Corporation has guarantee lines of credit amounting to €17.6 million [$25.7 million], of which €9.5 million [$13.8 million] had been drawn down.

For its French operations, the Corporation also has access to bank lines of credit for issuing letters of credit secured by deposits. As at July 31, 2016, €2.7 million had been drawn down [$3.9 million].

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits of £11.7 million [$20.2 million], which has been fully drawn down.

As at July 31, 2016, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had increased by $11.5 million compared with October 31, 2015. The increase resulted primarily from agreements signed during the second quarter to lease two Airbus A330s and three Boeing 737-800s. The increase was almost entirely offset by the repayments made during the period.

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 $646.6 million, up $152.1 million from the October 31, 2015 level, due to the addition of Boeing 737s and Airbus A330s to our aircraft fleet.

Total net debt increased by $18.4 million, from $157.9 million as at October 31, 2015 to $176.3 million as at July 31, 2016. The increase in total net debt results from the increase in total debt, partially offset by higher cash and cash equivalents balances than in 2015.

OUTSTANDING SHARES

As at July 31, 2016, 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 2, 2016, there were 36,818,771 total voting shares outstanding.

Since November 16, 2015 Class A Variable Voting Shares and Class B Voting Shares of the Corporation are traded on the Toronto Stock Exchange under a single symbol, namely "TRZ."

STOCK OPTIONS

As at September 2, 2016, there were a total of 2,650,377 stock options outstanding, 2,400,323 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of fourteen Airbus A330s (332, 345 or 375 seats), nine Airbus A310s (249 seats) and seven Boeing 737-800s (189 seats). Of this number, two Airbus A330s and three Boeing 737-800s were commissioned in summer 2016.

During winter 2016, the Corporation also had seasonal rentals for thirteen Boeing 737-800s (189 seats) and two Boeing 737-700s (149 seats).

RENEWAL OF COLLECTIVE AGREEMENTS

The agreement-in-principle between Air Transat and the pilots' union to renew the collective agreement which expired on April 30, 2015 was approved by the pilots on March 22, 2016. The five-year work contract is now in force, retroactive to April 30, 2015.

The agreement-in-principle between Air Transat and the flight attendants' union to renew the collective agreement was approved by the flight attendants on July 23, 2016. The six-year work contract is now in force, retroactive to November 1, 2015.

NORMAL COURSE ISSUER BID

Pursuant to its normal course issuer bid approved on April 10, 2015, the Corporation was authorized to purchase for cancellation up to a maximum of 2,274,921 Class A Variable Voting Shares and Class B Voting Shares, representing approximately 10% of the public float of Class A Variable Voting Shares and Class B Voting Shares.

The normal course issuer bid was designed to allow the Corporation proper utilization, depending on the circumstances and in a wise manner, of a portion of the Corporation's excess cash.

Purchases under the Corporation's normal course issuer bid were made on the open market through the TSX in accordance with its policy on normal course issuer bids. The price paid by the Corporation for repurchased shares was the market price at the time of acquisition plus brokerage fees, where applicable. Purchases began as of April 15, 2015 and terminated on March 4, 2016.

On March 4, 2016, the Corporation completed its normal course issuer bid for a 12-month period launched on April 10, 2015; the Corporation repurchased a total of 2,274,921 Class B Voting Shares as of March 4, 2016, for a total cash consideration of $16.5 million. During the nine-month period ended July 31, 2016, the Corporation repurchased 978,831 Class B Voting Shares for a consideration of $7.1 million.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 9, *FINANCIAL INSTRUMENTS*

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

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

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

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

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

IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

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

IFRS 16, *LEASES*

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

The application of IFRS 16 is mandatory and will be effective for the Corporation's fiscal year beginning on November 1, 2019, with earlier adoption permitted subsequent to the application date of the new IFRS 15 standard on revenue. The Corporation is currently assessing the impact of adopting IFRS 16 on its financial statements.

CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 of the Canadian Securities Authorities, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer that, among other things, deem adequate as at July 31, 2016 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 its compliance with IFRS in its financial statements.

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 July 31, 2016 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

Summer 2016 - The transatlantic market outbound from Canada and Europe accounts for a substantial portion of Transat's business during the summer season. For the period August to October 2016, total industry capacity is higher by 14%, while that of the Corporation is higher by 8%. To date, Transat's load factors on that market are lower by 3.5% that those of summer 2015, 83% of the capacity has been sold, and selling prices of bookings taken are lower by 9.0% than those recorded at the same date in 2015. Lower fuel costs, offset in part by the weakened Canadian dollar, will result in a decrease in operating expenses of 4.6% if the dollar remains at its current level against the U.S. dollar, the euro and the pound, and if fuel prices remain stable.

On the Sun destinations market outbound from Canada, where summer is low season, Transat's capacity is higher by 5% than that marketed at the same date last year. To date, 73% of that capacity has been sold, load factors are lower by 4.2%, and selling prices are similar. If the weakened Canadian dollar remains at its current value against the U.S. currency and if fuel prices continue at their low level, operating expenses will increase by 3.8%.

With regard to the discontinued France-based operations, medium-haul bookings are ahead by 4%, while long-haul bookings are ahead by 8% compared with last year at this time. Average selling prices, however, are lower by 3%.

If the current trends hold, Transat expects its overall results for the fourth quarter to be lower those of last year, which were among the best in the Corporation's history.

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

(in thousands of Canadian dollars)	As at July 31, 2016 $	As at October 31, 2015 $
ASSETS		
Cash and cash equivalents	470,065	336,423
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	199,594	367,199
Trade and other receivables	100,174	129,223
Income taxes receivable	31,498	1,800
Inventories	8,477	9,079
Prepaid expenses	51,114	80,318
Derivative financial instruments	10,612	25,277
Current portion of deposits	9,793	18,298
Assets held for sale *[note 6]*	220,367	—
Current assets	1,101,694	967,617
Cash and cash equivalents reserved *[note 5]*	46,450	44,900
Deposits	30,707	40,603
Income taxes receivable	15,100	15,100
Deferred tax assets	23,063	32,939
Property, plant and equipment	137,608	133,502
Goodwill	65,010	99,527
Intangible assets	46,607	79,863
Derivative financial instruments	1,773	296
Investment in an associate *[note 8]*	99,216	97,897
Other assets	797	1,520
Non-current assets	466,331	546,147
	1,568,025	1,513,764
LIABILITIES		
Trade and other payables	349,355	355,656
Current portion of provision for overhaul of leased aircraft	18,063	17,281
Income taxes payable	618	1,431
Customer deposits and deferred revenues	440,418	489,622
Derivative financial instruments	54,612	23,188
Liabilities related to assets held for sale *[note 6]*	190,869	—
Current liabilities	1,053,935	887,178
Provision for overhaul of leased aircraft *[note 9]*	25,008	25,681
Other liabilities *[note 11]*	59,890	52,026
Derivative financial instruments	98	15
Deferred tax liabilities	2,231	11,612
Non-current liabilities	87,227	89,334
EQUITY		
Share capital *[note 12]*	213,924	218,134
Share-based payment reserve	17,806	17,105
Retained earnings	185,548	263,812
Unrealized gain (loss) on cash flow hedges	(2,883)	14,960
Cumulative exchange differences	11,441	23,241
Reserve related to assets held for sale *[note 6]*	1,027	—
	426,863	537,252
	1,568,025	1,513,764

See accompanying notes to unaudited 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 INCOME (LOSS)

(in thousands of Canadian dollars, except per share amounts)	Quarters ended July 31 2016 $	Quarters ended July 31 2015 $	Nine-month periods ended July 31 2016 $	Nine-month periods ended July 31 2015 $
Continuing operations				
Revenues	663,591	704,844	2,277,535	2,263,946
Operating expenses				
Costs of providing tourism services	239,269	253,926	1,141,407	1,091,958
Salaries and employee benefits	90,764	86,624	267,784	246,440
Aircraft fuel	99,287	130,511	235,034	326,079
Aircraft maintenance	53,839	37,897	130,611	109,695
Aircraft rent	31,946	24,702	102,970	72,553
Airport and navigation fees	37,192	33,734	93,648	83,730
Commissions	12,623	13,413	81,495	83,951
Other	84,106	80,804	249,227	225,603
Share of net income of an associate	(2,456)	(1,565)	(10,643)	(5,866)
Depreciation and amortization	12,111	10,318	35,335	32,862
Special items *[note 13]*	7,900	—	7,900	—
	666,581	670,364	2,334,768	2,267,005
Operating results	(2,990)	34,480	(57,233)	(3,059)
Financing costs	416	437	1,337	1,231
Financing income	(1,676)	(1,921)	(5,403)	(5,932)
Change in fair value of fuel-related derivatives and other derivatives	(13,922)	18,895	24,042	21,016
Foreign exchange (gain) loss on non-current monetary items	437	(1,236)	1,203	(2,348)
Loss on disposal of a subsidiary *[note 4]*	—	—	843	—
Asset impairment *[note 7]*	—	—	15,809	—
Income (loss) before income tax expense	11,755	18,305	(95,064)	(17,026)
Income taxes (recovery)				
Current	(2,461)	11,127	(24,280)	1,015
Deferred	5,403	(6,633)	(3,739)	(7,468)
	2,942	4,494	(28,019)	(6,453)
Net income (loss) from continuing operations	8,813	13,811	(67,045)	(10,573)
Discontinued operations				
Net income (loss) from discontinued operations *[note 6]*	1,735	9	(5,645)	(12,428)
Net income (loss) for the period	10,548	13,820	(72,690)	(23,001)
Net income (loss) attributable to:				
Shareholders	9,439	13,067	(76,668)	(26,543)
Non-controlling interests	1,109	753	3,978	3,542
	10,548	13,820	(72,690)	(23,001)
Earnings (loss) per share from continuing operations *[note 12]*				
Basic	0.21	0.34	(1.92)	(0.37)
Diluted	0.21	0.34	(1.92)	(0.37)
Earnings (loss) per share *[note 12]*				
Basic	0.26	0.34	(2.08)	(0.69)
Diluted	0.26	0.34	(2.08)	(0.69)

See accompanying notes to unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
(in thousands of Canadian dollars)	$	$	$	$
Net income (loss) from continuing operations	8,813	13,811	(67,045)	(10,573)
Other comprehensive income (loss) from continuing operations				
Items that will be reclassified to net income (loss)				
Change in fair value of derivatives designated as cash flow hedges	12,725	26,485	(48,763)	(38,128)
Reclassification to net income (loss)	(899)	7,706	25,363	57,149
Deferred taxes	(3,102)	(8,884)	6,334	(4,460)
	8,724	25,307	(17,066)	14,561
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	(200)	9,524	(11,262)	14,767
Total other comprehensive income (loss) from continuing operations	8,524	34,831	(28,328)	29,328
Comprehensive income (loss) from continuing operations	17,337	48,642	(95,373)	18,755
Net income (loss) from discontinued operations *[note 6]*	1,735	9	(5,645)	(12,428)
Other comprehensive income (loss) from discontinued operations	1,118	4,755	(288)	4,964
Comprehensive income (loss) from discontinued operations	2,853	4,764	(5,933)	(7,464)
Comprehensive income (loss) for the period	20,190	53,406	(101,306)	11,291
Attributable to:				
Shareholders	17,928	53,211	(105,063)	9,117
Non-controlling interests	2,262	195	3,757	2,174
	20,190	53,406	(101,306)	11,291

See accompanying notes to unaudited interim condensed consolidated financial statements

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

				Accumulated other comprehensive income (loss)					
	Share capital	Share-based payment reserve	Retained earnings	Unrealized gain (loss) on cash flow hedges	Cumulative exchange differences	Reserve related to assets held for sale	Total	Non-controlling interests	Total equity
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$	$
Balance as at October 31, 2014	224,679	15,444	227,872	11,712	3,239	—	482,946	—	482,946
Net income (loss) for the period	—	—	(26,543)	—	—	—	(26,543)	3,542	(23,001)
Other comprehensive income (loss)	—	—	—	13,672	21,988	—	35,660	(1,368)	34,292
Comprehensive income (loss) for the period	—	—	(26,543)	13,672	21,988	—	9,117	2,174	11,291
Issued from treasury	736	—	—	—	—	—	736	—	736
Share-based payment expense	—	1,335	—	—	—	—	1,335	—	1,335
Repurchase of shares	(4,118)	—	(947)	—	—	—	(5,065)	—	(5,065)
Dividends	—	—	—	—	—	—	—	(3,160)	(3,160)
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	—	(382)	(382)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(1,368)	—	(1,368)	1,368	—
	(3,382)	1,335	(947)	—	(1,368)	—	(4,362)	(2,174)	(6,536)
Balance as at July 31, 2015	221,297	16,779	200,382	25,384	23,859	—	487,701	—	487,701
Net income (loss) for the period	—	—	69,108	—	—	—	69,108	857	69,965
Other comprehensive income (loss)	—	—	(537)	(10,424)	(5,526)	—	(16,487)	4,908	(11,579)
Comprehensive income (loss) for the period	—	—	68,571	(10,424)	(5,526)	—	52,621	5,765	58,386
Issued from treasury	237	—	—	—	—	—	237	—	237
Share-based payment expense	—	326	—	—	—	—	326	—	326
Repurchase of shares	(3,400)	—	(959)	—	—	—	(4,359)	—	(4,359)
Dividends	—	—	—	—	—	—	—	(1,061)	(1,061)
Other changes in non-controlling interest liabilities	—	—	(4,182)	—	—	—	(4,182)	4,182	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	—	(3,978)	(3,978)
Reclassification of non-controlling interest exchange difference	—	—	—	—	4,908	—	4,908	(4,908)	—
	(3,163)	326	(5,141)	—	4,908	—	(3,070)	(5,765)	(8,835)
Balance as at October 31, 2015	218,134	17,105	263,812	14,960	23,241	—	537,252	—	537,252
Net income (loss) for the period	—	—	(76,668)	—	—	—	(76,668)	3,978	(72,690)
Other comprehensive income (loss)	—	—	—	(17,066)	(11,041)	(288)	(28,395)	(221)	(28,616)
Comprehensive income (loss) for the period	—	—	(76,668)	(17,066)	(11,041)	(288)	(105,063)	3,757	(101,306)
Issued from treasury	893	—	—	—	—	—	893	—	893
Exercise of options	577	(177)	—	—	—	—	400	—	400
Share-based payment expense	—	878	—	—	—	—	878	—	878
Repurchase of shares	(5,680)	—	(1,427)	—	—	—	(7,107)	—	(7,107)
Dividends	—	—	—	—	—	—	—	(3,056)	(3,056)
Discontinued operations	—	—	—	(777)	(538)	1,315	—	—	—
Other changes in non-controlling interest liabilities	—	—	(169)	—	—	—	(169)	169	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	—	(1,091)	(1,091)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(221)	—	(221)	221	—
	(4,210)	701	(1,596)	(777)	(759)	1,315	(5,326)	(3,757)	(9,083)
Balance as at July 31, 2016	213,924	17,806	185,548	(2,883)	11,441	1,027	426,863	—	426,863

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
(in thousands of Canadian dollars)	$	$	$	$
OPERATING ACTIVITIES				
Net income (loss) from continuing operations	8,813	13,811	(67,045)	(10,573)
Operating items not involving an outlay (receipt) of cash:				
Depreciation and amortization	12,111	10,318	35,335	32,862
Change in fair value of fuel-related derivatives and other derivatives	(13,922)	18,895	24,042	21,016
Foreign exchange (gain) loss on non-current monetary items	437	(1,236)	1,203	(2,348)
Loss on disposal of a subsidiary	—	—	843	—
Asset impairment	—	—	15,809	—
Share of net income of an associate	(2,456)	(1,565)	(10,643)	(5,866)
Deferred taxes	5,403	(6,633)	(3,739)	(7,468)
Employee benefits	670	600	2,010	1,800
Share-based payment expense	215	465	878	1,335
	11,271	34,655	(1,307)	30,758
Net change in non-cash working capital balances related to operations	23,733	25,999	210,747	238,218
Net change in other assets and liabilities related to operations	11,674	124	8,264	(16,337)
Net change in provision for overhaul of leased aircraft	5,484	8,816	109	14,264
Cash flows related to operating activities	52,162	69,594	217,813	266,903
INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	(27,238)	(11,681)	(50,573)	(40,646)
Increase in cash and cash equivalents reserved	—	—	(1,550)	(5,420)
Proceeds from disposal of subsidiary	—	—	200	—
Dividend received from an associate	9,149	6,706	9,149	6,706
Cash flows related to investing activities	(18,089)	(4,975)	(42,774)	(39,360)
FINANCING ACTIVITIES				
Proceeds from issuance of shares	332	274	1,293	736
Repurchase of shares	—	(3,832)	(7,107)	(5,065)
Dividends paid by a subsidiary to a non-controlling shareholder	(1,083)	(1,193)	(3,056)	(3,160)
Cash flows related to financing activities	(751)	(4,751)	(8,870)	(7,489)
Effect of exchange rate changes on cash and cash equivalents	(3,815)	(778)	(10,091)	(1,203)
Net change in cash and cash equivalents related to continuing operations	29,507	59,090	156,078	218,851
Net cash flows related to discontinued operations *[note 6]*	19,872	14,926	11,759	(12,186)
Cash and cash equivalents, beginning of period	454,881	441,536	336,423	308,887
Cash and cash equivalents, end of period *[note 5]*	504,260	515,552	504,260	515,552
Supplementary information (as reported in operating activities)				
Income taxes paid (recovered)	857	(1,608)	8,385	22,959
Interest paid	124	116	401	238

See accompanying notes to unaudited interim condensed consolidated financial statements

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

Note 1 CORPORATE INFORMATION

Transat A.T. Inc. [the "Corporation"], headquartered at 300 Léo-Pariseau Street, Montréal, Québec, Canada, is incorporated under the *Canada Business Corporations Act*. Since November 16, 2015, Class A Variable Voting Shares and Class B Voting Shares of the Corporation 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 tour operators based in Canada and Europe which are 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 July 31, 2016 were approved by the Corporation's Board of Directors on September 7, 2016.

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 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, 2015.

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

Note 3 FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 9, *FINANCIAL INSTRUMENTS*

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

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

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

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

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

IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

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

IFRS 16, *LEASES*

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

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

Note 4 DISPOSAL OF A SUBSIDIARY

On April 1, 2016, the Corporation concluded the sale of its subsidiary Travel Superstore, which operates the website tripcentral.ca and 27 travel agencies. The cash consideration totalled $300 and the carrying amount of net assets transferred stood at $1,312, which resulted in a reversal of retained earnings of $169 and a loss on disposal of a subsidiary of $843.

Note 5 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at July 31, 2016, cash and cash equivalents in trust or otherwise reserved included $159,599 [$310,883 as at October 31, 2015] in funds received from customers, consisting primarily of Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included $86,445, of which $46,450 was recorded as non-current assets [$101,216 as at October 31, 2015, of which $44,900 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

In the statements of cash flows, cash and cash equivalents are presented as follows as at July 31, 2016:

	As at July 31, 2016
	$
Cash and cash equivalents related to continuing operations	470,065
Cash and cash equivalents related to discontinued operations	34,195
Cash and cash equivalents	504,260

Note 6 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Corporation announced on January 12, 2016 the initiation of a process to seek interest from third parties that could potentially lead to the sale of certain assets held by the Corporation outside Canada, namely its tour operations in France and Greece.

On May 11, 2016, the Corporation announced that it had received a firm offer from TUI AG, the world's leading tourism business, to purchase our tour operating business in France (Transat France) and Greece (Tourgreece) for an enterprise value of €54,500 ($79,706) subject to working capital adjustments at closing. The projected transaction is subject to approval from European competition authorities and the obtaining of an advisory opinion from Transat France's Works Council, as mandated by French law, which was granted during the third quarter. The closing is expected to take place by October 31, 2016.

On July 31, 2016, the Corporation had committed to a sale plan for assets totaling $220,367 and corresponding liabilities totalling $190,869. Assets and corresponding liabilities were reclassified as held for sale in the Consolidated Statements of Financial Position. Assets were measured at the lower of their carrying amount and their fair value less costs to sell. No losses resulted from the remeasurement of the assets held for sale.

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

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
	$	$	$	$
Revenues	213,607	215,279	498,377	463,256
Operating expenses and other expenses	209,645	215,452	504,611	481,882
Income (loss) before income tax expense	3,962	(173)	(6,234)	(18,626)
Income tax expense (recovery)	2,227	(182)	(589)	(6,198)
Net income (loss) from discontinued operations	1,735	9	(5,645)	(12,428)

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

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
	$	$	$	$
Earnings (loss) per share from discontinued operations				
De base	0.05	—	(0.15)	(0.32)
Diluted	0.05	—	(0.15)	(0.32)

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

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
	$	$	$	$
Cash flows related to operating activities	20,768	15,754	15,096	(9,141)
Cash flows related to investing activities	(1,319)	(2,031)	(3,443)	(3,770)
Effect of exchange rate changes on cash and cash equivalents	423	1,203	106	725
Net cash flows related to discontinued operations	19,872	14,926	11,759	(12,186)

Note 7 IMPAIRMENT OF ASSETS

In compliance with the accounting policies adopted by the Corporation, annual impairment testing for intangible assets with indefinite lives is required on April 30 and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of an asset, cash-generating unit ("CGU") or group of CGUs. Where the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized.

Asset impairment is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
	$	$	$	$
Intangible assets				
Trademarks	—	—	15,809	—

The aggregate carrying amounts of goodwill and trademarks allocated to each CGU are as follows:

	As at July 31, 2016		As at October 31, 2015	
	Goodwill	Trademarks	Goodwill	Trademarks
	$	$	$	$
Canada - United Kingdom - Netherlands	65,010	4,643	67,537	22,041
France *[note 6]*	—	—	21,016	—
Other* *[note 6]*	—	—	10,974	—
Net book value	65,010	4,643	99,527	22,041

* Multiple individual CGUs

INTANGIBLE ASSETS

The Corporation performed an impairment test as at April 30, 2016 to determine whether the carrying amount of trademarks was higher than their recoverable amount.

The recoverable amount is determined based on value in use, using a discounted cash flow model. The Corporation prepares cash flow forecasts based on the most recently approved annual budgets and three-year plans of the relevant business. Cash flow forecasts reflect the risk associated with each asset, as well as the most recent economic indicators. Cash flow forecasts beyond three years are extrapolated based on nil growth rates. The cash flow forecasts used also reflect the effects of implementing the Corporation's integrated distribution and brand strategy aiming to further expand the Transat brand, therefore decreasing the use of certain trademarks held by the Corporation.

Following the introduction of our new reservation platform which, for European travellers, favours the purchasing of seats directly from Air Transat instead of through our U.K. subsidiary, the Corporation concluded that the recoverable amount of its Canadian Affair trademark, determined based on value in use, was less than its carrying amount due to a decline in revenues and profitability generated by this trademark. As a result, the Corporation recorded an impairment charge of $9,726.

Implementation of the Corporation's integrated strategy to further expand the Transat brand will result in the discontinuation of its Vacances Tours Mont-Royal ("TMR") brand, which the Corporation uses for the sale of sun packages outbound from Canada. As this brand is no longer used, the Corporation has recorded an impairment charge of $4,483, which corresponds to its carrying amount.

Also as part of the implementation of the Corporation's distribution and brand strategy aiming to further expand the Transat brand, the Corporation is currently changing its wholly owned Marlin Travel agency banners to Voyages Transat. Following these changes, the Corporation concluded that the recoverable amount of its Marlin Travel trademark, determined based on value in use, was less than its carrying amount due to a decline in revenues and profitability generated by this trademark. As a result, the Corporation recorded an impairment charge of $1,600.

As at April 30, 2016, after-tax discount rates used for impairment testing for trademarks ranged from 10.3% to 18.0% [10.3% as at April 30, 2015].

On April 30, 2016, a 1% increase in the after-tax discount rate used for impairment testing, assuming that all others variables had remained the same, would have required an additional impairment charge of $200.

On April 30, 2016, a 10% decrease in the cash flows used for impairment testing, assuming that all other variables had remained the same, would have required an additional impairment charge of $300.

GOODWILL

The Corporation performed an impairment test as at April 30, 2016 to determine whether the carrying amount of CGUs was higher than their recoverable amount. No impairment of goodwill was identified by the Corporation.

The recoverable amount is determined based on value in use, using a discounted cash flow model. The Corporation prepares cash flow forecasts based on the most recently approved annual budgets and three-year plans of the relevant business. Cash flow forecasts reflect the risk associated with each CGU, as well as the most recent economic indicators. Cash flow forecasts beyond three years are extrapolated based on estimated growth rates that do not exceed the average long-term growth rates for the relevant markets.

As at April 30, 2016, an after-tax discount rate of 10.1% was used for testing the various CGUs for impairment [10.3% as at April 30, 2015]. The perpetual growth rate used for impairment testing was 1% as at April 30, 2016 [1% as at April 30, 2015].

On April 30, 2016, a 1% increase in the after-tax discount rate used for impairment testing, assuming that all other variables had remained the same, would not have required any impairment charge.

On April 30, 2016, a 1% decrease in the long-term growth rate used for the impairment testing, assuming that all other variables had remained the same, would not have required any impairment charge.

On April 30, 2016, a 10% decrease in the cash flows used for the impairment testing, assuming that all other variables had remained the same, would not have required any impairment charge.

As at July 31, 2016, there was no indication that could lead us to believe that the conclusions of the test might have changed since April 30, 2016.

Note 8 INVESTMENT IN AN ASSOCIATE

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

	$
Balance as at October 31, 2015	97,897
Share of net income	10,643
Dividend received	(9,149)
Translation adjustment	(175)
Balance as at July 31, 2016	99,216

The investment in CIBV was translated at the CAD/USD rate of 1.3041 as at July 31, 2016 [1.3083 as at October 31, 2015].

Note 9 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 quarters ended July 31 is detailed as follows:

	$
Balance as at October 31, 2015	42,962
Additional provisions	6,892
Utilization of provisions	(9,238)
Unused amounts released	(3,029)
Balance as at April 30, 2016	37,587
Additional provisions	7,472
Utilization of provisions	(1,988)
Balance as at July 31, 2016	43,071
Current provisions	18,063
Non-current provisions	25,008
Balance as at July 31, 2016	43,071

	$
Balance as at October 31, 2014	36,312
Additional provisions	9,314
Utilization of provisions	(3,866)
Balance as at April 30, 2015	41,760
Additional provisions	9,415
Utilization of provisions	(599)
Balance as at July 31, 2015	50,576
Current provisions	21,949
Non-current provisions	28,627
Balance as at July 31, 2015	50,576

Note 10 LONG-TERM DEBT

On February 19, 2016, the Corporation renewed its $50,000 revolving credit facility agreement for operating purposes. Under the new agreement, which expires in 2020, the Corporation may increase the credit limit to $100,000, with the approval of lenders. The agreement may be extended for a year at each anniversary date subject to lender approval and the balance becomes immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on the universality of assets, present and future, of the Corporation's Canadian subsidiaries subject to certain exceptions and is further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial criteria and ratios. As at July 31, 2016, 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 July 31, 2016, $65,727 had been drawn down under the facility [$66,943 as at October 31, 2015], of which $46,450 is to guarantee the benefits to participants under senior executives defined benefit pension agreements; such irrevocable letters of credit are held by a third-party trustee. In the event of a change of control, the irrevocable letters of credit issued to guarantee the benefit to the participants under the senior executives defined benefit pension agreements will be drawn down.

Operating lines of credit totalling €10,000 ($14,566) [€10,000 ($14,446) as at October 31, 2015] have been granted to the Corporation's French operations. These operating lines of credit are renewable annually and were undrawn as at July 31, 2016 and October 31, 2015.

Note 11 OTHER LIABILITIES

	As at July 31, 2016 $	As at October 31, 2015 $
Employee benefits	36,730	39,265
Deferred lease inducements	23,160	12,761
Non-controlling interests	30,641	32,800
	90,531	84,826
Less: Non-controlling interests included in Trade and other payables	(30,641)	(32,800)
	59,890	52,026

Note 12 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 by Canadians as defined by the CTA only and shall confer the right to one vote per Class B Share at all meetings of shareholders of the Corporation. Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further action on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

PREFERRED SHARES

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

ISSUED AND OUTSTANDING SHARE CAPITAL

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

	Number of shares	$
Balance as at October 31, 2014	38,741,527	224,679
Issued from treasury	108,010	736
Repurchase and cancellation of shares	(709,728)	(4,118)
Balance as at July 31, 2015	38,139,809	221,297
Issued from treasury	37,300	237
Repurchase and cancellation of shares	(586,362)	(3,400)
Balance as at October 31, 2015	37,590,747	218,134
Issued from treasury	131,194	893
Exercise of options	59,890	577
Repurchase and cancellation of shares	(978,831)	(5,680)
Balance as at July 31, 2016	36,803,000	213,924

On April 10, 2015, the Corporation announced that it had received the required regulatory approvals to go forward with a normal course issuer bid for a 12-month period.

Pursuant to its normal course issuer bid, the Corporation is authorized to purchase for cancellation up to a maximum of 2,274,921 Class A Variable Voting Shares and Class B Voting Shares, representing approximately 10% of the public float of Class A Variable Voting Shares and Class B Voting Shares.

On March 4, 2016, the Corporation completed its normal course issuer bid for a 12-month period launched on April 10, 2015; as of that date, the Corporation had repurchased a total of 2,274,921 Class B Voting Shares for a total cash consideration of $16,531. During the nine-month period ended July 31, 2016, the Corporation repurchased 978,831 Class B Voting Shares for a cash consideration of $7,107.

As at July 31, 2016, the number of Class A Shares and Class B Shares stood at 2,523,735 and 34,279,265, respectively [1,410,985 and 36,179,762 as at October 31, 2015].

Since November 16, 2015 Class A Variable Voting Shares and Class B Voting Shares of the Corporation are traded on the Toronto Stock Exchange under a single ticker, namely "TRZ." The change does not involve any amendment to the Corporation's articles of incorporation, by-laws or share capital structure, nor to the terms and conditions or the voting and ownership restrictions attaching to the Class A Variable Voting Shares and the Class B Voting Shares.

STOCK OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2015	2,741,856	11.81
Exercised	(59,890)	6.68
Cancelled	(29,589)	12.32
Balance as at July 31, 2016	2,652,377	11.92
Options exercisable as at July 31, 2016	2,402,323	12.09

EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were computed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2016	2015	2016	2015
(in thousands of dollars, except per share data)	$	$	$	$
NUMERATOR				
Net income (loss) attributable to shareholders	9,439	13,067	(76,668)	(26,543)
Net income (loss) from discontinued operations [note 6]	1,735	9	(5,645)	(12,428)
Net income (loss) from continuing operations attributable to shareholders	7,704	13,058	(71,023)	(14,115)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	36,571	38,384	36,925	38,630
Effect of dilutive securities				
Stock options	107	112	—	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	36,678	38,496	36,925	38,630
Earnings (loss) per share				
Basic	0.26	0.34	(2.08)	(0.69)
Diluted	0.26	0.34	(2.08)	(0.69)
Earnings (loss) per share from continuing operations				
Basic	0.21	0.34	(1.92)	(0.37)
Diluted	0.21	0.34	(1.92)	(0.37)

For the purpose of calculating diluted earnings per share for the quarter ended July 31, 2016, 2,112,538 outstanding stock options were excluded from the calculation [2,202,967 stock options for the quarter ended July 31, 2015], as their exercise price exceeded the Corporation's average market share price.

In light of the net income (loss) recognized for the nine-month periods ended July 31, 2016 and 2015, respectively, 2,652,377 and 2,785,839 outstanding stock options were excluded from the calculation of diluted earnings (loss) per share due to their anti-dilutive effect.

Note 13 SPECIAL ITEMS

Special items include the restructuring charge, lump-sum payments related to collective agreements and other significant unusual items. During the quarter ended July 31, 2016, lump-sum payments in the amount of $4,200 were recognized in connection with the renewal of the collective agreement with the cabin crews, in addition to the restructuring charge of $3,700, comprising termination benefits, mainly related to the closure of call centres, of which an amount of $1,605 was unpaid as at July 31, 2016 and included under accounts payable and accrued liabilities.

Note 14 GUARANTEES

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

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

Notes 6, 15, 16, 22 and 23 to the financial statements for the fiscal year ended October 31, 2015 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 licenses granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at July 31, 2016, guarantees unsecured by deposits totalled $709. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2016, no amounts have 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. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at July 31, 2016, $17,284 had been drawn down under the facility.

For its European operations, the Corporation has guarantee facilities renewable annually amounting to €17,620 [$25,665]. As at July 31, 2016, letters of guarantee had been issued totalling €9,545 [$13,904].

Note 15 SEGMENTED DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation's continuing operations are exercised 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.

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