TRANSAT A.T. INC.
THIRD QUARTERLY REPORT
Period ended July 31, 2015

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Trading symbols
TSX: TRZ.B, TRZ.A

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, 2015, compared with the quarter ended July 31, 2014, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2014 and the accompanying notes and the 2014 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 2014 Annual Report. The risks and uncertainties set out in the MD&A of the 2014 Annual Report are herein incorporated by reference and remain unchanged. The information contained herein is dated as of September 9, 2015. 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, 2015 and the Annual Information Form for the year ended October 31, 2014.

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 its fourth quarter results to be satisfying, but slightly inferior to those of last year.
- The outlook whereby the Corporation expects a decrease in operating expenses of 4.4% on the transatlantic market and an increase of 5.0% on sun destinations for the second semester, compared with the same period last year.

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 derivative financial instruments used for aircraft fuel purchases, 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 and other significant unusual items.
Adjusted pre-tax income (loss)	Income (loss) before income tax expense before change in fair value of derivative financial instruments used for aircraft fuel purchases, gain on disposal of a subsidiary, restructuring charge, impairment of goodwill and other significant unusual items.
Adjusted net income (loss)	Net income (loss) attributable to shareholders before change in fair value of derivative financial instruments used for aircraft fuel purchases, gain on disposal of a subsidiary, restructuring charge, impairment of goodwill and other significant unusual items, 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 table reconciles 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	
	2015 $	2014 $	2015 $	2014 $
Operating income (loss)	34,913	36,091	(22,322)	(10,552)
Restructuring charge	—	—	—	2,226
Amortization	11,559	11,698	36,436	32,227
Adjusted operating income	46,472	47,789	14,114	23,901
Income (loss) before income tax expense	18,132	36,191	(35,652)	(8,134)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	19,374	1,237	20,039	2,717
Restructuring charge	—	—	—	2,226
Adjusted pre-tax income (loss)	37,506	37,428	(15,613)	(3,191)
Net income (loss) attributable to shareholders	13,067	25,820	(26,543)	(7,732)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	19,374	1,237	20,039	2,717
Restructuring charge	—	—	—	2,226
Tax impact	(5,225)	(327)	(5,350)	(1,322)
Adjusted net income (loss)	27,216	26,730	(11,854)	(4,111)
Adjusted net income (loss)	27,216	26,730	(11,854)	(4,111)
Adjusted weighted average number of outstanding shares used in computing earnings per share	38,496	38,969	38,630	38,691
Adjusted net income (loss) per share	0.71	0.69	(0.31)	(0.11)

	As at July 31, 2015 $	As at October 31, 2014 $
Aircraft rent for the past four quarters	97,409	87,229
Multiple	5	5
Adjusted operating leases	487,045	436,145
Long-term debt	—	—
Adjusted operating leases	487,045	436,145
Total debt	487,045	436,145
Total debt	487,045	436,145
Cash and cash equivalents	(515,552)	(308,887)
Total net debt	(28,507)	127,258

FINANCIAL HIGHLIGHTS

	Quarters ended July 31				Nine-month periods ended July 31			
(in thousands of Canadian dollars, except per share amounts)	2015 $	2014 $	Difference $	Difference %	2015 $	2014 $	Difference $	Difference %
Consolidated Statements of Income								
Revenues	920,123	941,702	(21,579)	(2.3)	2,727,202	2,907,544	(180,342)	(6.2)
Adjusted operating income[1]	46,472	47,789	(1,317)	(2.8)	14,114	23,901	(9,787)	(40.9)
Net income (loss) attributable to shareholders	13,067	25,820	(12,753)	(49.4)	(26,543)	(7,732)	(18,811)	(243.3)
Basic earnings (loss) per share	0.34	0.67	(0.33)	(49.3)	(0.69)	(0.20)	(0.49)	(245.0)
Diluted earnings (loss) per share	0.34	0.66	(0.32)	(48.5)	(0.69)	(0.20)	(0.49)	(245.0)
Adjusted net income (loss)[1]	27,216	26,730	486	1.8	(11,854)	(4,111)	(7,743)	(188.3)
Adjusted net income (loss) per share[1]	0.71	0.69	0.02	2.9	(0.31)	(0.11)	(0.20)	(181.8)
Consolidated Statements of Cash Flows								
Operating activities	83,468	111,641	(28,173)	(25.2)	257,762	275,594	(17,832)	(6.5)
Investing activities	(5,126)	(14,198)	9,072	63.9	(43,130)	(44,056)	926	2.1
Financing activities	(4,751)	(637)	(4,114)	(645.8)	(7,489)	(81)	(7,408)	(9,145.7)
Effect of exchange rate changes on cash and cash equivalents	425	(4,288)	4,713	109.9	(478)	(203)	(275)	(135.5)
Net change in cash and cash equivalents	74,016	92,518	(18,502)	(20.0)	206,665	231,254	(24,589)	(10.6)

	As at July 31, 2015 $	As at October 31, 2014 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	515,552	308,887	206,665	66.9
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	311,600	380,184	(68,584)	(18.0)
	827,152	689,071	138,081	20.0
Total assets	1,652,470	1,375,030	277,440	20.2
Long-term debt	—	—	—	—
Total debt[1]	487,045	436,145	50,900	11.7
Total net debt[1]	(28,507)	127,258	(155,765)	(122.4)

[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 Caribbean Investments B.V. (operating under the Ocean Hotels banner), a hotel business which owns, operates or manages properties in Mexico, the Dominican Republic and Cuba.

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: deriving synergies from its vertical integration model and particularly from its position as both a major producer and distributor in Canada, which distinguishes it from several of its rivals; growing its market share in France, where it ranks among the largest tour operators; and tapping into new markets or expanding operations in markets not yet fully served. To increase its buying power for its traditional destinations, Transat is targeting new markets with potential demand for these routes.

Alongside these initiatives, Transat intends to leverage targeted technology investments and efficiency gains from changes to its internal management structure to improve its operating income and maintain or grow market share in all its markets. Cost management remains a core strategic issue in light of the tourism industry's slim margins.

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 2015, Transat has set the following objectives:

1. Transat remains committed under a cost reduction and unit margin improvement program, which it expects to generate $45 million in savings in fiscal 2015, compared with fiscal 2014. The Corporation aimed to improve its winter results and maintain its summer profitability in 2015, in particular through improved efficiency.

2. Transat intends to develop new markets by launching new routes, entering new source markets, building out its existing source market offering and expanding its overall offering, including where applicable, by marketing third-party products.

3. Building on the successful launch of the Transat Travel banner as a Canadian distributor, Transat intends to improve its multi-channel distribution strategy, and particularly its online presence, to extend its consumer reach and enhance customer loyalty.

4. In fiscal 2015, Transat will begin structuring its sustainable development project to secure a certification for its tour operator and travel agency businesses.

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.

CONSOLIDATED OPERATIONS

REVENUES

	Quarters ended July 31				Nine-month periods ended July 31			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Americas	675,247	660,191	15,056	2.3	2,223,891	2,322,843	(98,952)	(4.3)
Europe	244,876	281,511	(36,635)	(13.0)	503,311	584,701	(81,390)	(13.9)
	920,123	941,702	(21,579)	(2.3)	2,727,202	2,907,544	(180,342)	(6.2)

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

Year over year, revenues for the quarter ended July 31, 2015 were down $21.6 million and $180.3 million for the nine-month period. For the quarter, the decline resulted primarily from the strengthening of the dollar against the euro and lower average selling prices, partially offset by a 2.6% overall increase in total travellers. In the transatlantic market, we reduced our product offering by 1.8%, whereas we increased capacity by 13.8% for our sun destinations. For the nine-month period, the decrease in revenues is mainly due to our winter season during which total travellers were down 7.4% while our product offering for sun destinations, our main market for the period, was reduced by 6.3% compared with 2014. For the nine-month period, total travellers were down 4.7%, whereas average selling prices were up for sun destinations and down for the transatlantic market owing to lower fuel prices compared with the corresponding period of fiscal 2014.

OPERATING EXPENSES

	Quarters ended July 31				Nine-month periods ended July 31			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Costs of providing tourism services	431,342	429,361	1,981	0.5	1,475,042	1,689,645	(214,603)	(12.7)
Aircraft fuel	130,511	151,049	(20,538)	(13.6)	326,079	315,693	10,386	3.3
Salaries and employee benefits	97,720	100,185	(2,465)	(2.5)	279,243	272,113	7,130	2.6
Commissions	26,470	31,718	(5,248)	(16.5)	113,237	143,302	(30,065)	(21.0)
Aircraft maintenance	37,897	32,553	5,344	16.4	109,695	87,308	22,387	25.6
Airport and navigation fees	33,734	33,993	(259)	(0.8)	83,730	69,541	14,189	20.4
Aircraft rent	24,702	23,350	1,352	5.8	72,553	62,373	10,180	16.3
Other	92,840	92,695	145	0.2	259,375	248,597	10,778	4.3
Share of net income of an associate	(1,565)	(991)	(574)	57.9	(5,866)	(4,929)	(937)	19.0
Amortization	11,559	11,698	(139)	(1.2)	36,436	32,227	4,209	13.1
Restructuring charge	—	—	—	—	—	2,226	(2,226)	(100.0)
Total	885,210	905,611	(20,401)	(2.3)	2,749,524	2,918,096	(168,572)	(5.8)

Total operating expenses for the quarter and nine-month period decreased $20.4 million (2.3%) and $168.6 million (5.8%), respectively, compared with fiscal 2014.

For the quarter, the decrease resulted mainly from the drop in fuel prices compared with the same period of fiscal 2014. For the nine-month period, the decrease is mainly due to our winter season during which we reduced our sun destination product offering by 6.2%. In addition, the full effect of insourcing narrow-body aircraft to sun destinations in addition to the shift toward a flexible fleet at Air Transat, maximizing the use of narrow-body aircraft with more aircraft in winter while minimizing fixed costs of wide-body aircraft, was felt in the nine-month period ended July 31, 2015. Apart from the anticipated cost savings, this initiative resulted in lower costs of providing tourism services (those flights were previously operated by an external air carrier), and higher other operating expenses, excluding commissions. These cost savings were partially offset by the dollar's depreciation 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 cost of providing tourism services was up $2.0 million (0.5%) for the quarter and down $214.6 million (12.7%) for the nine-month period. The decline for the nine-month period was triggered primarily by a reduction in our flight purchases from air carriers other than Air Transat, owing to the addition of our narrow-body Boeing 737s and our reduction in our sun destination product offering during the winter season, partially offset by the dollar's weakening against the U.S. currency and, to a lesser extent, to higher hotel room costs.

AIRCRAFT FUEL

Aircraft fuel expense was down $20.5 million (13.6%) for the quarter and up $10.4 million (3.3%) for the nine-month period compared with fiscal 2014. For the quarter and nine-month period, the Corporation was unable to fully benefit from the declines in fuel price indicators in financial markets, due to the fuel price hedging program it has in place. A weaker dollar relative to the U.S. currency (fuel is primarily paid in U.S. dollars) also tempered the decline in aircraft fuel costs. For the nine-month period, the increase resulted primarily from commissioning our narrow-body Boeing 737s.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits were down $2.5 million (2.5%) for the quarter and up $7.1 million (2.6%) for the nine-month period compared with fiscal 2014. For the quarter, the decline resulted from the recognition of a lower short-term incentive program expense than in the same period of fiscal 2014. For the nine-month period, the increase was driven mainly by the pilot and cabin crew hires following the insourcing of narrow-body aircraft operations, and annual salary reviews.

COMMISSIONS

Commissions include the fees paid by tour operators to travel agencies for serving as intermediaries between tour operators and consumers. Commission expense for the third quarter and nine-month period was down $5.2 million (16.5%) and $30.1 million (21.0%), respectively, compared with 2014. As a percentage, commissions decreased to 2.9% of revenues for the quarter, compared with 3.4% in 2014, and 4.2% for the nine-month period compared with 4.9%. These decreases are attributable to the lower revenue base used in calculating commissions.

AIRCRAFT MAINTENANCE

Aircraft maintenance costs consist mainly of engine and airframe maintenance expenses incurred by Air Transat. Aircraft maintenance costs for the third quarter and nine-month period increased $5.3 million (16.4%) and $22.4 million (25.6%), respectively, from the same periods last year. The increases were driven by the beginning of narrow-body operations and a weaker dollar relative to the U.S. currency.

AIRPORT AND NAVIGATION FEES

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. Year over year, fees were unchanged for the quarter ended July 31, 2015 and up $14.2 million (20.4%) for the nine-month period. The increase for the nine-month period resulted from the addition of narrow-body aircraft to our fleet and a weaker dollar relative to the U.S. currency.

AIRCRAFT RENT

Aircraft rent was for the quarter and nine-month period was up $1.4 million (5.8%) and $10.2 million (16.3%), respectively, compared with the same periods a year earlier. These increases resulted from the addition to our permanent fleet of four Boeing 737s and, eight 737s which were integrated gradually into the fleet for the winter season only, and a weaker dollar relative to the U.S. currency.

OTHER

Other expenses remained unchanged for the quarter and rose $10.8 million (4.3%) for the nine-month period compared with 2014. The increase is mainly owing to other air costs following the commissioning of our Boeings 737s.

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 for the third quarter totalled $1.6 million compared with a $1.0 million for the same quarter of 2014. For the nine-month period, the share of net income stood at $5.9 million, compared with $4.9 million in 2014. This growth was driven by higher operating profitability than in the same periods of fiscal 2014.

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. Year over year, depreciation and amortization, remained unchanged for the third quarter and rose $4.2 million for the nine-month period. The increase for the nine-month period resulted from additions and improvements to our aircraft fleet, consisting mainly of Airbus A330 reconfigurations.

OPERATING INCOME (LOSS)

In light of the foregoing, operating income for the third quarter totalled $34.9 million (3.8%), down $1.2 million from $36.1 million (3.8%) for the same period of fiscal 2014. This decline resulted from a decrease in operating income in Europe, where the decline in sales to destinations in Northern Africa continued during the summer, partially offset by a $5.5 million improvement in operating income in the Americas, where the transatlantic market constitutes our main operations for the period.

For the nine-month period, the Corporation recognized an operating loss of $22.3 million (0.8%), up $11.8 million from an operating loss of $10.6 million (0.4%) for the first three quarters of fiscal 2014. The deterioration in our operating loss resulted from a $22.0 million increase in operating loss in Europe, where lower sales to certain destinations such as in North Africa have been noted, partially offset by a $10.3 million improvement in operating income in the Americas. Moreover, operating results for the nine-month period were affected by the depreciation of Canada's currency against the U.S. dollar, which could not be fully offset by our cost reduction initiatives.

The weakening in the Canadian dollar raised our operating expenses for the quarter and nine-month period by $21.0 million and $76.0 million, respectively, compared with the same periods of fiscal 2014.

Adjusted operating income for the third quarter amounted to $46.5 million (5.1%) compared with $47.8 million (5.1%) year over year. Adjusted net income for the nine-month period totalled $14.1 million (0.5%) compared with $23.9 million (0.8%) for 2014.

GEOGRAPHIC AREAS

AMERICAS

Americas	Quarters ended July 31				Nine-month periods ended July 31			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	675,247	660,191	15,056	2.3	2,223,891	2,322,843	(98,952)	(4.3)
Operating expenses	648,923	639,401	9,522	1.5	2,229,548	2,338,768	(109,220)	(4.7)
Operating income (loss)	26,324	20,790	5,534	26.6	(5,657)	(15,925)	10,268	64.5
Operating income (loss) (%)	3.9	3.1	0.7	23.8	(0.3)	(0.7)	0.4	62.9

Third-quarter revenues of our North American subsidiaries from sales in Canada and abroad were up $15.1 million (2.3%) compared with fiscal 2014. Revenue growth was driven by the introduction of a new reservation platform, which for European travellers, favours purchasing seats directly from our Air Transat subsidiary instead of through our European subsidiaries. In the transatlantic market, our product offering was reduced 1.8%. In addition, our decision to expand our product offering by 13.8% to sun destinations, combined with an increase in our incoming tour operator's business in Canada, helped grow total travellers by 7.0% for all our markets, while average selling prices were slightly lower. Quarterly operating income stood at $26.3 million (3.9%) in fiscal 2015 compared with $20.8 million (3.1%) in fiscal 2014. Growth in operating income was accentuated by a decline in fuel costs, which, even combined with the dollar's weakening against the U.S. currency, decreased operating expenses of $17.0 million across our markets. In the aggregate, for our transatlantic market, the decrease in costs exceeded the decline in revenues.

For the nine-month period ended July 31, 2015, revenues of our North American subsidiaries were down $99.0 million (4.3%) from 2014. Revenues were down primarily in the winter season, during which our decision to reduce our sun destination product offering by 6.3% and transatlantic routes by 3.2% resulted in a 7.4% decline in total travellers for all our markets in the winter season, whereas average selling prices were slightly higher. For the nine-month period, total travellers were down 3.2%. The Corporation reported an operating loss of $5.7 million (0.3%) for the first nine months of 2015 compared with $15.9 million (0.7%) in fiscal 2014. The decrease in our operating loss is mainly due to our cost reduction efforts which resulted in a decrease in operating expenses. However, the reduction in our operating loss was partially offset by the dollar's weakening against the U.S. currency, which, even combined with the decrease in fuel prices, led to a rise in operating expenses of $4.0 million across our markets.

EUROPE

Europe	Quarters ended July 31				Nine-month periods ended July 31			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	244,876	281,511	(36,635)	(13.0)	503,311	584,701	(81,390)	(13.9)
Operating expenses	236,287	266,210	(29,923)	(11.2)	519,976	579,328	(59,352)	(10.2)
Operating income (loss)	8,589	15,301	(6,712)	(43.9)	(16,665)	5,373	(22,038)	(410.2)
Operating income (loss) (%)	3.5	5.4	(1.9)	(35.5)	(3.3)	0.9	(4.2)	(460.3)

Third-quarter revenues of our European subsidiaries from sales in Europe and Canada were down $36.6 million (13.0%) in fiscal 2015 from a year earlier. On one hand, the decline in revenues resulted in large part from the introduction of a new reservation platform, which for European travellers, favours purchasing seats directly from our Air Transat subsidiary instead of through our European subsidiaries, which resulted in a 14.1% decrease in total travellers. On the other hand, the decline in revenues is also attributable to lower sales to North African destinations and of North American tours. The demand was also affected by the decline of the Euro. Our average selling prices were slightly higher than in the third quarter of 2014, owing in part to a different product mix. In local currency terms, revenues of our European entities declined. Our European operations reported third-quarter operating income of $8.6 million (3.5%) in fiscal 2015 compared with $15.3 million (5.4%) in fiscal 2014. The lower operating income was primarily due to France, where market conditions are very difficult, as well as to slimmer margins in tour revenues and, to a lesser extent, a decrease in total travellers.

For the nine-month period, revenues of our European subsidiaries were down $81.4 million (13.9%), due to a 13.0% decrease in total travellers. In local currency terms, revenues of our European entities also declined. This was due to lower sales to destinations in North Africa and Senegal, as well as of North American tours, whereas average selling prices were slightly higher on long-haul destinations and lower on medium-haul destinations than in the first three quarters of fiscal 2014. Our European operations reported an operating loss of $16.7 million (3.3%) for the nine-month period compared with $5.4 million (0.9%) in 2014. The higher operating loss was primarily attributable to France, where market conditions are very difficult, as well as to the decrease in total travellers and slimmer margins in tour revenues.

OTHER EXPENSES (REVENUES)

	Quarters ended July 31				Nine-month periods ended July 31			
	2015	2014	Difference	Difference	2015	2014	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Financing costs	546	550	(4)	(0.7)	1,561	1,491	70	4.7
Financing income	(1,924)	(2,019)	95	(4.7)	(5,942)	(6,079)	137	(2.3)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	19,374	1,237	18,137	1,466.2	20,039	2,717	17,322	637.5
Foreign exchange gain on non-current monetary items	(1,215)	132	(1,347)	1,020.5	(2,328)	(547)	(1,781)	325.6

FINANCING COSTS

Financing costs comprise interest on long-term debt and other interest, standby fees, and financial expenses. Compared to 2014, financing costs remained stable in the third quarter and nine-month period ended July 31, 2015.

FINANCING INCOME

Compared to 2014, financing income remained stable in the third quarter and nine-month period ended July 31, 2015.

CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS USED FOR AIRCRAFT FUEL PURCHASES

The change in fair value of derivative financial instruments used for aircraft fuel purchases 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. For the third quarter, the fair value of derivative financial instruments used for aircraft fuel purchases decreased $19.4 million in fiscal 2015 compared with a decline of $1.2 million in fiscal 2014. The change in fair value of derivative financial instruments used for aircraft fuel purchases during the nine-month period reflected a $20.0 million decrease in fiscal 2015 compared with a $2.7 million decline a year earlier. These declines are attributable to the maturities of derivative financial instruments used for aircraft fuel purchases whose carrying amounts reflected a negative fair value given the unfavourable change in fuel prices with respect to forward contracts entered into.

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

Foreign exchange gains and losses on non-current monetary items result mainly from the exchange effect on foreign currency deposits. During the third quarter, the Corporation recognized a $1.2 million foreign exchange gain on non-current monetary items compared with a $0.1 million foreign exchange loss in fiscal 2014. For the nine-month period, we recognized a $2.3 million foreign exchange gain on non-current monetary items compared with a $0.5 million foreign exchange gain in 2014.

INCOME TAXES

Income tax expense for the quarter amounted to $4.3 million compared with $9.9 million for the same quarter of the previous fiscal year. For the nine-month period, income tax recovery totalled $12.7 million, compared with $3.0 million year over year. Excluding the share in net income of an associate, the effective tax rate for the third quarter and the nine-month period stood at 26.0% and 30.5%, respectively, compared with 28.1% and 22.7% for the corresponding periods of fiscal 2014. The changes in tax rates for the quarter and nine-month period resulted from differences between countries in the statutory tax rates applied to taxable income or losses.

NET INCOME (LOSS) AND NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

In light of the items discussed in the *Consolidated operations* section, net income for the quarter ended July 31, 2015 totalled $13.8 million compared with $26.3 million in 2014. Net income attributable to shareholders for the quarter amounted to $13.1 million or $0.34 per share (basic and diluted), compared with $25.8 million or $0.67 per share, basic ($0.66 per share, diluted) in 2014. For the third quarter of 2015, the weighted average number of outstanding shares used to compute basic earnings per share was 38,384,000 (38,496,000 for diluted earnings per share), compared with 38,674,000 (38,969,000 for diluted earnings per share), for the corresponding quarter of fiscal 2014.

For the nine-month period ended July 31, 2015, the Corporation recognized a net loss of $23.0 million compared with $5.2 million in 2014. Net loss attributable to shareholders stood at $26.5 million or $0.69 per share (basic and diluted) compared with $7.7 million or $0.20 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 per share amounts for the nine-month period ended July 31, 2015 was 38,630,000 compared with 38,691,000 for corresponding period of fiscal 2014.

Adjusted net income for the third quarter totalled $27.2 million ($0.71 per share), compared with $26.7 million ($0.69 per share) in 2014. Adjusted net loss for the nine-month period amounted to $11.9 million ($0.31 per share) compared with $4.1 million ($0.11 per share) for the first three quarters of fiscal 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

Given the seasonal nature of the Corporation's operations, interim operating results do not proportionately reflect the operating results for a full year. Revenues for the first three quarters were down compared with the corresponding quarters, while they were higher for the fourth quarter. Average selling prices were up while total travellers were down for the winter season (Q1 and Q2). For the summer season (Q3 and Q4), average selling prices were lower in 2015 while total travellers were higher. In terms of operating results, increases in average selling prices in winter combined with cost reduction and margin improvement initiatives were insufficient to offset the foreign exchange effect arising from the strength of the U.S. dollar. 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)	Q4-2013 $	Q1-2014 $	Q2-2014 $	Q3-2014 $	Q4-2014 $	Q1-2015 $	Q2-2015 $	Q3-2015 $
Revenues	808,616	847,222	1,118,620	941,702	844,654	788,581	1,018,498	920,123
Aircraft rent	19,765	19,170	19,853	23,350	24,856	23,167	24,684	24,702
Operating income (loss)	70,238	(33,614)	(13,029)	36,091	57,392	(47,491)	(9,744)	34,913
Adjusted operating income (loss)	80,704	(23,892)	4	47,789	76,028	(35,753)	3,395	46,472
Net income (loss)	55,229	(24,860)	(6,606)	26,296	31,236	(63,088)	26,267	13,820
Net income (loss) attributable to shareholders	54,723	(25,649)	(7,903)	25,820	30,607	(64,314)	24,704	13,067
Basic earnings (loss) per share	1.42	(0.67)	(0.20)	0.67	0.79	(1.66)	0.64	0.34
Diluted earnings (loss) per share	1.40	(0.67)	(0.20)	0.66	0.79	(1.66)	0.64	0.34
Adjusted net income (loss)	54,804	(23,288)	(7,553)	26,730	49,353	(32,447)	(6,623)	27,216
Adjusted net income (loss) per share	1.40	(0.60)	(0.19)	0.69	1.27	(0.84)	(0.17)	0.71

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2015, cash and cash equivalents totalled $515.6 million compared with $308.9 million as at October 31, 2014. As at the end of the third quarter of fiscal 2015, cash and cash equivalents in trust or otherwise reserved amounted to $311.6 million compared with $380.2 million as at October 31, 2014. The Corporation's statement of financial position reflects working capital of $42.4 million and a ratio of 1.04, compared with working capital of $96.0 million and a ratio of 1.12 as at October 31, 2014.

Total assets increased by $277.4 million to $1,652.5 million as at July 31, 2015 from $1,375.0 million as at October 31, 2014. This growth was driven primarily by a $206.7 million increase in cash and cash equivalents. This change and changes in other main assets reflect the seasonal nature of our operations. Equity increased $4.8 million, from $482.9 million as at October 31, 2014 to $487.7 million as at July 31, 2015.

CASH FLOWS

	Quarters ended July 31			Nine-month periods ended July 31		
	2015	2014	Difference	2015	2014	Difference
(in thousands of dollars)	$	$	$	$	$	$
Cash flows related to operating activities	85,348	111,641	(26,293)	257,762	275,594	(17,832)
Cash flows related to investing activities	(7,006)	(14,198)	7,192	(43,130)	(44,056)	926
Cash flows related to financing activities	(4,751)	(637)	(4,114)	(7,489)	(81)	(7,408)
Effect of exchange rate changes on cash	425	(4,288)	4,713	(478)	(203)	(275)
Net change in cash	74,016	92,518	(18,502)	206,665	231,254	(24,589)

OPERATING ACTIVITIES

Cash flows generated by operating activities in the third quarter amounted to $85.3 million, compared with $111.6 million for the corresponding quarter of fiscal 2014. The $26.3 million decline resulted primarily from a $27.2 million decrease in the net change in non-cash working capital balances related to operations. The decline was partially offset by a $4.5 million increase in the net change in provision for overhaul of leased aircraft.

Cash flows from operating activities for the nine-month period were down $17.8 million to $257.8 million in fiscal 2015 from $275.6 million in 2014. The decrease resulted from a $23.8 million decline in the net change in other assets and liabilities related to operations, combined with an $8.1 million decrease in our profitability, partially offset by a $9.0 million increase in the net change in non-cash working capital balances related to operations and a $5.1 million increase in the net change in provision for overhaul of leased aircraft.

INVESTING ACTIVITIES

Cash flows used in investing activities in the third quarter amounted to $7.0 million compared with $14.2 million in 2014. Additions to property, plant and equipment and other intangible assets totalled $13.7 million compared with $15.1 million a year earlier. Also in the third quarter of 2015, we received a dividend of $6.7 million from our associate.

Cash flows used in investing activities for the nine-month period totalled $43.1 million, down $0.9 million from $44.1 million in 2014. Additions to property, plant and equipment and other intangible assets decreased $3.5 million to $44.4 million. In addition, in the third quarter of fiscal 2015, we received a dividend of $6.7 million from our associate. The decline was partially offset by the $6.3 million increase in the balance of non-current cash and cash equivalents reserved which was higher in fiscal 2015 than in 2014, and by the receipt during the first quarter of fiscal 2014 of a $3.0 million balance of sale receivable related to the disposal of a subsidiary in 2012.

FINANCING ACTIVITIES

Cash flows used in financing activities rose $4.1 million to $4.8 million for the third quarter of fiscal 2015 from $0.6 million in 2014. This increase is primarily due to the $3.8 million repurchase of shares during the quarter.

Cash flows used in financing activities during the nine-month period totalled $7.5 million, compared with $0.1 million in 2014. The higher utilization of cash flows than in 2014 resulted from the $5.1 million repurchase of shares during the period, as well as from lower proceeds from share issuances and higher dividends paid to a non-controlling interest than a year earlier.

CONSOLIDATED FINANCIAL POSITION

	July 31, 2015 $	October 31, 2014 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	515,552	308,887	206,665	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	311,600	380,184	(68,584)	Seasonal nature of operations
Trade and other receivables	145,899	123,489	22,410	Seasonal nature of operations and foreign exchange differences
Income taxes receivable	31,415	3,329	28,086	Increase in income taxes recoverable given deductible losses, tax installments and payment of notices of assessment received related to ABCP
Inventories	9,350	10,434	(1,084)	No significant difference
Prepaid expenses	75,049	74,932	117	No significant difference
Derivative financial instruments	48,524	16,596	31,928	Favourable change in the dollar compared with the U.S. currency with respect to forward contracts entered into
Deposits	68,650	43,932	24,718	Seasonal nature of operations and higher deposits paid to certain service providers
Deferred tax assets	38,774	30,051	8,723	Increase in deferred taxes related to derivative financial instruments
Property, plant and equipment	133,224	128,560	4,664	Additions during the period, partially offset by depreciation
Goodwill	99,563	95,601	3,962	Foreign exchange differences
Intangible assets	77,259	72,769	4,490	Additions during the period, partially offset by depreciation
Investment in an associate	96,453	83,949	12,504	Share of net income of an associate and foreign exchange difference, partially offset by dividend received
Other assets	1,158	2,317	(1,159)	No significant difference
Liabilities				
Trade and other payables	466,644	338,633	128,011	Seasonal nature of operations and foreign exchange differences
Provision for overhaul of leased aircraft	50,576	36,312	14,264	Additions to aircraft fleet, foreign exchange difference and impact of maintenance schedule
Income taxes payable	6,383	1,721	4,662	Increase in income taxes payable given certain subsidiaries' taxable income
Customer deposits and deferred revenues	527,868	424,468	103,400	Seasonal nature of operations and foreign exchange differences
Derivative financial instruments	49,393	24,679	24,714	Unfavourable change in fuel prices with respect to forward contracts entered into
Other liabilities	51,525	53,926	(2,401)	Decrease in deferred lease inducements
Deferred tax liabilities	12,380	12,345	35	No significant difference
Equity				
Share capital	221,297	224,679	(3,382)	Repurchase of shares, net of shares issued from treasury
Share-based payment reserve	16,779	15,444	1,335	Share-based payment expense
Retained earnings	200,382	227,872	(27,490)	Net income (loss)
Unrealized gain (loss) on cash flow hedges	25,384	11,712	13,672	Net gain on financial instruments designated as cash flow hedges
Cumulative exchange differences	23,859	3,239	20,620	Foreign exchange gain on translation of financial statements of foreign subsidiaries

FINANCING

As at July 31, 2015, 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 November 14, 2014, the Corporation renewed its $50 million revolving credit facility agreement for operating purposes. Under the new agreement, which expires in 2019, 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, 2015, all the financial ratios and criteria were met and the credit facility was undrawn.

With regard to our French operations, we also have access to undrawn lines of credit totalling €10.0 million [$14.4 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 notes to the unaudited interim condensed consolidated financial statements. The Corporation did not report any obligations in the statements of financial position as at July 31, 2015 and October 31, 2014.

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 service providers, amounted to approximately $658.6 million as at July 31, 2015 ($690.3 million as at October 31, 2014) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	As at July 31, 2015 $	As at October 31, 2014 $
Guarantees		
Irrevocable letters of credit	33,082	31,267
Collateral security contracts	1,474	1,361
Operating leases		
Obligations under operating leases	624,047	657,639
	658,603	690,267

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, 2015, $68.7 million had been drawn down of which $44.9 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 insure the benefit to the participants under the senior executives defined benefit pension agreements will be drawn down.

In addition, the Corporation has a $35.0 million guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at July 31, 2015, $22.1 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 [$25.4 million], of which €7.3 million [$10.5 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, 2015, €5.3 million had been drawn down [$7.6 million].

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits of £17.0 million [$34.7 million], which has been fully drawn down.

As at July 31, 2015, off-balance sheet arrangements were down $31.7 million from $690.3 million as at October 31, 2014 to $658.6 million as at July 31, 2015. This decrease resulted from repayments made during the nine-month period, partially offset by the weakening of Canada's currency against the U.S. dollar.

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 while our off-balance sheet arrangements, excluding agreements with suppliers and other obligations, amounted to $658.6 million as at July 31, 2015.

The Corporation's total debt stood at $487.0 million, up $50.9 million from October 31, 2014, due to insourcing the narrow-body Boeing 737s.

The total net debt decreased $155.8 million, from $127.3 million as at October 31, 2014 to a $28.5 million surplus as at July 31, 2015. The decrease in our total net debt resulted primarily from higher balances of cash and cash equivalents than as at October 31, 2014, partially offset by an increase in total debt.

OUTSTANDING SHARES

As at July 31, 2015, 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 4, 2015, there were 1,602,785 Class A Variable Voting Shares outstanding and 36,406,736 Class B Voting Shares outstanding.

STOCK OPTIONS

As at September 4, 2015, there were a total of 2,785,172 stock options outstanding, 1,807,423 of which were exercisable.

OTHER

FLEET

Air Transat's fleet currently consists of twelve Airbus A330s (345 seats), nine Airbus A310s (250 seats) and four Boeing 737-800s (189 seats).

The Corporation also had seasonal winter lease agreements for six Boeing 737-800s (189 seats) and two Boeing 737-700s (149 seats in 2015).

2015–2017 STRATEGIC PLAN

At its annual and special meeting of shareholders on March 12, 2015, the Corporation presented its three-year 2015–2017 Strategic Plan aimed at continuing the Corporation's efforts to improve efficiency and margins as well as develop markets and foster growth. The plan comprises four key components.

A program to reduce costs and improve margins totalling $100 million over three years, specifically $45 million in 2015 (including the impact of narrow-body aircraft), $30 million in 2016 and $25 million in 2017. The main initiatives and projects are:

- Reduce air costs by decreasing the number of wide-body aircraft operated in winter, following the successful implementation of a flexible narrow-body aircraft fleet.
- Implement a connecting flights strategy, starting next summer in Canada, using Air Transat's narrow-body aircraft to expand the destination offering in certain source markets. Implement a similar strategy in 2016 in Europe, with a partner, paving the way for new destinations and source markets.
- Increase density of three wide-body Airbus A330 to be dedicated to the London and Paris routes.
- Increase ancillary revenues from the sale of optional services to travellers and from other sources such as freight.
- Continue technological upgrade projects of reservation systems, primarily to improve efficiency and reduce time-to-market of new products.

A program to improve the offering, focused on growth in existing source markets. The main efforts in this respect will be to:

- Introduce new destinations in Europe, starting with Budapest in summer 2015.
- Fine-tune the sun destinations offering through exclusive partnerships with hotels and the continued improvement of collections, based on customer expectations.
- Continue to develop Lookea clubs in France, as well as the tour market.

A program to significantly transform the Corporation's distribution ecosystem in a fully integrated fashion. Concretely:

- Continue developing the Transat Travel brand, and in particular complete its implementation in the Corporation's own agencies.
- Develop a new distribution website as part of a strategy for transparently integrating the customer relations centres and travel agencies.

A program to develop markets and continue the integration strategy, with the aim of ensuring growth, namely to:

- Penetrate new source markets that can generate synergies with current operations, through acquisitions.
- Enhance presence in destinations as an incoming tour operator, particularly by leveraging Jonview Canada, Tourgreece and Trafic Tours.
- Develop and grow Ocean Hotels, increasing the number of rooms from the current 2,200 to potentially 5,000 over the duration of the plan.

NORMAL COURSE ISSUER BID

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 intends 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 is 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 will be 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 will be the market price at the time of acquisition plus brokerage fees, where applicable. Purchases began as of April 15, 2015 and will terminate no later than April 14, 2016.

During the quarter ended July 31, 2015, the Corporation repurchased 509,200 Class B Variable Voting Shares for a cash consideration of $3.8 million. During the nine-month period, the Corporation repurchased 709,728 Class B Variable Voting Shares for a consideration of $5.1 million.

CHANGES IN ACCOUNTING POLICIES

PRESENTATION OF THE SHARE OF NET INCOME (LOSS) OF AN ASSOCIATE

During the first quarter of 2015, the Corporation modified the presentation of the share of net income (loss) of an associate to include it under operating results in the consolidated statements of income (loss). In the past, operating results did not consider the share of net income (loss) of an associate, i.e. CIBV, which owns and operates hotels in Mexico, the Dominican Republic and Cuba. However, hotel operations are part of the Corporation's activities. By including the share of net income (loss) of an associate, operating results more accurately reflect the Corporation's ongoing activities. The retrospective application of this policy change had no impact on the Corporation's net income (loss).

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 (loss) rather than in the statement of income (loss).

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 from 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 informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. The application of IFRS 15 is mandatory and will be effective for the Corporation's 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.

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, 2015 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, 2015 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

OUTLOOK

Summer 2015 – 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 2015, Transat's capacity is up 3% compared with the summer of 2014. To date, 83% of the capacity has been sold. Load factors are down 1.2% and selling prices of bookings taken are approximately 3.2% lower, compared with the same date in 2014. If the Canadian dollar remains at its current value against the US dollar, the euro and the pound, and if fuel prices remain stable, operating expenses will be down 4.4%.

On the Sun destinations market outbound from Canada, for which summer is low season, Transat's capacity is higher by 11% than that for the previous year. To date, 77% of that capacity has been sold. Load factors are down 1.1% and selling prices are 3.0% higher. If the Canadian dollar remains at its current value against the US dollar, and if fuel prices remain stable, operating expenses will be up 5.0%.

In France, compared with last year at the same date, medium-haul bookings are ahead by 4.9%, while long-haul bookings are ahead by 2.8%. However, average selling prices are down 4.5%.

If the current trends hold, the Corporation expects its fourth quarter results to be satisfying, but slightly inferior to those of last year, which were the second-best of the company's history.

The Corporation is on track with its cost-reduction and margin-improvement plan announced in the first quarter of 2015, which calls for improvements of $45 million in 2015, $30 million in 2016 and $25 million in 2017, for a total of $100 million over three years.

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

(in thousands of Canadian dollars)	As at July 31, 2015 $	As at October 31, 2014 $
ASSETS		
Cash and cash equivalents	515,552	308,887
Cash and cash equivalents in trust or otherwise reserved *[note 5]*	266,700	340,704
Trade and other receivables	145,899	123,489
Income taxes receivable	15,565	3,329
Inventories	9,350	10,434
Prepaid expenses	75,049	74,932
Derivative financial instruments	47,195	16,596
Current portion of deposits	38,819	17,833
Current assets	1,114,129	896,204
Cash and cash equivalents reserved *[note 5]*	44,900	39,480
Deposits	29,831	26,099
Income taxes receivable	15,850	—
Deferred tax assets	38,774	30,051
Property, plant and equipment	133,224	128,560
Goodwill	99,563	95,601
Intangible assets	77,259	72,769
Derivative financial instruments	1,329	—
Investment in an associate *[note 6]*	96,453	83,949
Other assets	1,158	2,317
Non-current assets	538,341	478,826
	1,652,470	1,375,030
LIABILITIES		
Trade and other payables	466,644	338,633
Current portion of provision for overhaul of leased aircraft	21,949	10,674
Income taxes payable	6,383	1,721
Customer deposits and deferred revenues	527,868	424,468
Derivative financial instruments	48,920	24,679
Current liabilities	1,071,764	800,175
Provision for overhaul of leased aircraft *[note 8]*	28,627	25,638
Other liabilities *[note 10]*	51,525	53,926
Derivative financial instruments	473	—
Deferred tax liabilities	12,380	12,345
Non-current liabilities	93,005	91,909
EQUITY		
Share capital *[note 11]*	221,297	224,679
Share-based payment reserve	16,779	15,444
Retained earnings	200,382	227,872
Unrealized gain on cash flow hedges	25,384	11,712
Cumulative exchange differences	23,859	3,239
	487,701	482,946
	1,652,470	1,375,030

See accompanying notes to interim condensed consolidated financial statements

NOTICE

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

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS INCOME (LOSS)

	Quarters ended July 31		Nine-month periods ended July 31	
	2015	2014	2015	2014
(in thousands of Canadian dollars, except per share amounts)	$	$	$	$
Revenues	920,123	941,702	2,727,202	2,907,544
Operating expenses				
Costs of providing tourism services	431,342	429,361	1,475,042	1,689,645
Aircraft fuel	130,511	151,049	326,079	315,693
Salaries and employee benefits	97,720	100,185	279,243	272,113
Commissions	26,470	31,718	113,237	143,302
Aircraft maintenance	37,897	32,553	109,695	87,308
Aircraft rent	24,702	23,350	72,553	62,373
Airport and navigation fees	33,734	33,993	83,730	69,541
Other	92,840	92,695	259,375	248,597
Share of net income of an associate	(1,565)	(991)	(5,866)	(4,929)
Depreciation and amortization	11,559	11,698	36,436	32,227
Restructuring	—	—	—	2,226
	885,210	905,611	2,749,524	2,918,096
Operating results	34,913	36,091	(22,322)	(10,552)
Financing costs	546	550	1,561	1,491
Financing income	(1,924)	(2,019)	(5,942)	(6,079)
Change in fair value of derivative financial instruments used for aircraft fuel purchases	19,374	1,237	20,039	2,717
Foreign exchange gain on non-current monetary items	(1,215)	132	(2,328)	(547)
Income (loss) before income tax expense	18,132	36,191	(35,652)	(8,134)
Income taxes (recovery)				
Current	11,633	10,128	1,047	1,562
Deferred	(7,321)	(233)	(13,698)	(4,526)
	4,312	9,895	(12,651)	(2,964)
Net income (loss) for the period	13,820	26,296	(23,001)	(5,170)
Net income (loss) attributable to:				
Shareholders	13,067	25,820	(26,543)	(7,732)
Non-controlling interests	753	476	3,542	2,562
	13,820	26,296	(23,001)	(5,170)
Earnings (loss) per share *[note 11]*				
Basic	0.34	0.67	(0.69)	(0.20)
Diluted	0.34	0.66	(0.69)	(0.20)

See accompanying notes to unaudited interim condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Quarters ended July 31		Nine-month periods ended July 31	
	2015	2014	2015	2014
(in thousands of Canadian dollars)	$	$	$	$
Net income (loss) for the period	13,820	26,296	(23,001)	(5,170)
Other comprehensive income (loss)				
Items that will be reclassified to net income (loss)				
Change in fair value of derivatives designated as cash flow hedges	26,881	345	(37,240)	(22,858)
Reclassification to net income (loss)	7,113	(167)	55,816	15,701
Deferred taxes	(9,082)	(120)	(4,904)	1,824
	24,912	58	13,672	(5,333)
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	14,674	(1,646)	20,620	8,561
Total other comprehensive income (loss)	39,586	(1,588)	34,292	3,228
Comprehensive income (loss) for the period	53,406	24,708	11,291	(1,942)
Attributable to:				
Shareholders	53,211	24,269	9,117	(4,173)
Non-controlling interests	195	439	2,174	2,231
	53,406	24,708	11,291	(1,942)

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Share capital	Share-based payment reserve	Retained earnings	Accumulated other comprehensive income (loss): Unrealized gain (loss) on cash flow hedges	Accumulated other comprehensive income (loss): Cumulative exchange differences	Total	Non-controlling interests	Total equity
(in thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Balance as at October 31, 2013	221,706	15,391	206,835	2,380	(4,919)	441,393	—	441,393
Net income (loss) for the period	—	—	(7,732)	—	—	(7,732)	2,562	(5,170)
Other comprehensive income (loss)	—	—	—	(5,333)	8,892	3,559	(331)	3,228
Comprehensive income (loss) for the period	—	—	(7,732)	(5,333)	8,892	(4,173)	2,231	(1,942)
Issued from treasury	662	—	—	—	—	662	—	662
Exercise of options	1,909	(613)	—	—	—	1,296	—	1,296
Share-based payment expense	—	1,395	—	—	—	1,395	—	1,395
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	(2,562)	(2,562)
Reclassification of non-controlling interest exchange difference	—	—	—	—	(331)	(331)	331	—
	2,571	782	—	—	(331)	3,022	(2,231)	791
Balance as at July 31, 2014	224,277	16,173	199,103	(2,953)	3,642	440,242	—	440,242
Net income (loss) for the period	—	—	30,607	—	—	30,607	629	31,236
Other comprehensive income (loss)	—	—	(2,519)	14,665	(2,106)	10,040	1,703	11,743
Comprehensive income (loss) for the period	—	—	28,088	14,665	(2,106)	40,647	2,332	42,979
Issued from treasury	195	—	—	—	—	195	—	195
Exercise of options	207	(66)	—	—	—	141	—	141
Share-based payment expense	—	(663)	—	—	—	(663)	—	(663)
Dividends	—	—	—	—	—	—	(2,782)	(2,782)
Other changes in non-controlling interest liabilities	—	—	681	—	—	681	(681)	—
Reclassification of non-controlling interest liabilities	—	—	—	—	—	—	2,834	2,834
Reclassification of non-controlling interest exchange difference	—	—	—	—	1,703	1,703	(1,703)	—
	402	(729)	681	—	1,703	2,057	(2,332)	(275)
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	—	—	—	—	—	—	4,528	4,528
Reclassification of non-controlling interest exchange difference	—	—	—	—	(1,368)	(1,368)	1,368	—
	(3,382)	1,335	(947)	—	(1,368)	(4,362)	2,736	(1,626)
Balance as at July 31, 2015	221,297	16,779	200,382	25,384	23,859	487,701	4,910	492,611

See accompanying notes to unaudited interim condensed consolidated financial statements

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

(in thousands of Canadian dollars)	Quarters ended July 31 2015 $	2014 $	Nine-month periods ended July 31 2015 $	2014 $
OPERATING ACTIVITIES				
Net income (loss) for the period	13,820	26,296	(23,001)	(5,170)
Operating items not involving an outlay (receipt) of cash:				
Depreciation and amortization	11,559	11,698	36,436	32,227
Change in fair value of derivative financial instruments used for aircraft fuel purchases	19,374	1,237	20,039	2,717
Foreign exchange gain on non-current monetary items	(1,215)	132	(2,328)	(547)
Share of net income of an associate	(1,565)	(991)	(5,866)	(4,929)
Deferred taxes	(7,321)	(233)	(13,698)	(4,526)
Employee benefits	600	563	1,800	1,690
Share-based payment expense	465	456	1,335	1,395
	35,717	39,158	14,717	22,857
Net change in non-cash working capital balances related to operations	43,787	70,966	244,610	235,601
Net change in other assets and liabilities related to operations	(2,972)	(2,840)	(15,829)	8,011
Net change in provision for overhaul of leased aircraft	8,816	4,357	14,264	9,125
Cash flows related to operating activities	85,348	111,641	257,762	275,594
INVESTING ACTIVITIES				
Additions to property, plant and equipment and other intangible assets	(13,712)	(15,074)	(44,416)	(47,932)
Increase in cash and cash equivalent reserved	—	876	(5,420)	876
Proceeds from disposal of subsidiary	—	—	—	3,000
Dividend received from an associate	6,706	—	6,706	—
Cash flows related to investing activities	(7,006)	(14,198)	(43,130)	(44,056)
FINANCING ACTIVITIES				
Proceeds from issuance of shares	274	244	736	1,958
Repurchase of shares	(3,832)	—	(5,065)	—
Dividends paid by a subsidiary to a non-controlling shareholder	(1,193)	(881)	(3,160)	(2,039)
Cash flows related to financing activities	(4,751)	(637)	(7,489)	(81)
Effect of exchange rate changes on cash and cash equivalents	425	(4,288)	(478)	(203)
Net change in cash and cash equivalents	74,016	92,518	206,665	231,254
Cash and cash equivalents, beginning of period	441,536	404,554	308,887	265,818
Cash and cash equivalents, end of period	515,552	497,072	515,552	497,072
Supplementary information (as reported in operating activities)				
Income taxes paid (recovered)	(1,608)	2,346	22,959	29,489
Interest paid	116	126	238	385

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"] is incorporated under the *Canada Business Corporations Act*. The Corporation's head office is located at 300 Léo-Pariseau Street, Montréal, Québec, Canada. The Class A Variable Voting Shares and Class B Voting Shares are listed on the Toronto Stock Exchange.

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, 2015 were approved by the Corporation's Board of Directors on September 9, 2015.

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 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, 2014.

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 CHANGES IN ACCOUNTING POLICIES

PRESENTATION OF THE SHARE OF NET INCOME (LOSS) OF AN ASSOCIATE

During the first quarter of 2015, the Corporation modified the presentation of the share of net income (loss) of an associate to include it under operating results in the consolidated statements of income (loss). In the past, operating results did not consider the share of net income (loss) of an associate, i.e. Caribbean Investments B.V. ["CIBV"], which owns and operates hotels in Mexico, the Dominican Republic and Cuba. However, hotel operations are part of the Corporation's activities. By including the share of net income (loss) of an associate, operating results more accurately reflect the Corporation's ongoing activities. The retrospective application of this policy change had no impact on the Corporation's net income (loss).

Note 4 FUTURE CHANGES IN ACCOUNTING POLICIES

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 (loss) rather than in the statement of income (loss).

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 from 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 informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. The application of IFRS 15 is mandatory and will be effective for the Corporation's 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.

Note 5 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at July 31, 2015, cash and cash equivalents in trust or otherwise reserved included $200,003 [$276,964 as at October 31, 2014] in funds received from customers, consisting primarily of Canadians, for services not yet rendered and for some of which the availability period had not ended, in accordance with Canadian regulators and the Corporation's business agreement with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included an amount of $111,597, of which $44,900 was recorded as non-current assets [$103,220 as at October 31, 2014, of which $39,480 was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 6 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, 2014	83,949
Share of net income	5,866
Dividend received	(6,706)
Translation adjustment	13,344
Balance as at July 31, 2015	96,453

Note 7 IMPAIRMENT TEST ON GOODWILL AND TRADEMARKS

For the six-month period ended April 30, 2015, operating results were lower than the forecasted results used for the purpose of the annual impairment test performed on October 31, 2014 due to several factors, including a sudden and rapid depreciation of our currency against the U.S. dollar and the unstable geopolitical environment in certain countries. In addition, the Corporation's market capitalization has been below the carrying amount of its net assets for several consecutive quarters. These factors could suggest that the amounts of goodwill and trademarks may have become impaired since October 31, 2014. Accordingly, interim impairment testing was performed on April 30, 2015 to determine if the carrying amounts of the cash generating units (CGUs) were higher than their recoverable amounts.

Following the impairment test, no impairment of goodwill or trademarks was identified by the Corporation as at April 30, 2015. For practical reasons, the Corporation has determined that the annual impairment test will be performed on April 30 every year.

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

	As at July 31, 2015		As at October 31, 2014	
	Goodwill	Trademarks	Goodwill	Trademarks
	$	$	$	$
Canada - United Kingdom - Netherlands	67,721	22,184	65,235	20,429
France	20,944	—	19,855	—
Other*	10,898	—	10,511	—
Net book value	99,563	22,184	95,601	20,429

* Multiple individual CGUs

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. The cash flow forecasts reflect the risk associated with each asset or 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, 2015, an after-tax discount rate of 10.3% was used for testing the various CGUs for impairment [10.3% as at October 31, 2014]. The perpetual growth rate used for impairment testing was 1% as at April 30, 2015 [1% as at October 31, 2014].

On April 30, 2015, a 1% increase in the after-tax discount rate used for the impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

On April 30, 2015, a 1% decrease in the long-term growth rate used for the impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

On April 30, 2015, a 10% decrease in the cash flows used for the impairment tests, assuming that all other variables had remained the same, would not have required any impairment charge.

As at July 31, 2015, there was no indication that could lead us to believe that the conclusions of the test could be amended as of April 30, 2015.

Note 8 PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

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

	$
Balance as at October 31, 2014	36,312
Additional provisions	6,951
Utilization of provisions	(3,866)
Exchange difference	2,363
Balance as at April 30, 2015	41,760
Additional provisions	4,636
Utilization of provisions	(599)
Exchange difference	4,779
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

	$
Balance as at October 31, 2013	28,057
Additional provisions	7,149
Utilization of provisions	(4,018)
Exchange difference	1,638
Balance as at April 30, 2014	32,826
Additional provisions	4,452
Utilization of provisions	—
Exchange difference	(96)
Balance as at July 31, 2014	37,182
Current provisions	12,904
Non-current provisions	24,278
Balance as at July 31, 2014	37,182

Note 9 LONG-TERM DEBT

On November 14, 2014, the Corporation renewed its $50,000 revolving credit facility agreement for operating purposes. Under the new agreement, which expires in 2019, 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, 2015, 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, 2015, $68,680 had been drawn down [$59,545 as at October 31, 2014], of which $44,900 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 insure the benefit to the participants under the senior executives defined benefit pension agreements will be drawn down.

Operating lines of credit totalling €10,000 [$14,388] [€11,500 ($16,246) in 2014] have been authorized for certain French subsidiaries. These operating lines of credit are renewable annually and were undrawn as at July 31, 2015 and October 31, 2014.

Note 10 OTHER LIABILITIES

	As at July 31, 2015 $	As at October 31, 2014 $
Employee benefits	37,080	35,872
Deferred lease inducements	13,325	16,934
Non-controlling interests	28,664	24,900
	79,069	77,706
Less non-controlling interests included in Trade and other payables	(27,544)	(23,780)
	51,525	53,926

Note 11 EQUITY

AUTHORIZED SHARE CAPITAL

CLASS A VARIABLE VOTING SHARES

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

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

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

CLASS B VOTING SHARES

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

PREFERRED SHARES

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

ISSUED AND OUTSTANDING SHARE CAPITAL

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

	Number of shares	$
Balance as at October 31, 2013	38,468,487	221,706
Issued from treasury	72,473	662
Exercise of options	155,183	1,909
Balance as at July 31, 2014	38,696,143	224,277
Issued from treasury	23,855	195
Exercise of options	21,529	207
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

In accordance with its normal course issuer bid approved on April 10, 2015, the Corporation repurchased 509,200 Class B Variable Voting Shares during the quarter ended July 31, 2015 for a cash consideration of $3,832. During the nine-month period, the Corporation repurchased 709,728 Class B Variable Voting Shares for a consideration of $5,065.

As at July 31, 2015, the number of Class A Shares and Class B Shares stood at 1,619,485 and 36,520,324, respectively [1,663,027 and 37,078,500 as at October 31, 2014].

OPTIONS

	Number of options	Weighted average price ($)
Balance as at October 31, 2014	2,654,817	12.39
Granted	236,447	8.73
Cancelled	(30,201)	16.27
Expired	(75,224)	22.34
Balance as at July 31, 2015	2,785,839	11.77
Options exercisable as at July 31, 2015	1,807,423	12.89

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	
	2015	2014	2015	2014
(in thousands of dollars, except per share data)	$	$	$	$
NUMERATOR				
Net income (loss) attributable to shareholders of the Corporation used in computing basic and diluted earnings per share	13,067	25,820	(26,543)	(7,732)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	38,384	38,674	38,630	38,691
Effect of dilutive securities				
Stock options	112	295	—	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	38,496	38,969	38,630	38,691
Earnings (loss) per share				
Basic	0.34	0.67	(0.69)	(0.20)
Diluted	0.34	0.66	(0.69)	(0.20)

For the purposes of calculating diluted earnings per share for the quarter ended July 31, 2015, 2,202,967 outstanding stock options [1,578,959 stock options for the quarter ended July 31, 2014] were excluded from the calculation, as their exercise price exceeded the Corporation's average market share price.

In light of the net loss recognized the for nine-month period ended July 31, 2015, the 2,785,839 outstanding stock options [2,705,123 stock options for the nine-month period ended July 31, 2014] were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Note 12 SEGMENTED DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. Therefore, the statements of income (loss) include all the required information. With respect to geographic areas, the Corporation operates mainly in the Americas and Europe. Sales between geographic areas are accounted for at prices that take into account market conditions and other considerations.

	Quarters ended July 31			Nine-month periods ended July 31		
	Americas	Europe	Total	Americas	Europe	Total
	$	$	$	$	$	$
2015						
Revenues from third parties	675,247	244,876	920,123	2,223,891	503,311	2,727,202
Operating expenses	648,923	236,287	885,210	2,229,548	519,976	2,749,524
Operating results	26,324	8,589	34,913	(5,657)	(16,665)	(22,322)
2014						
Revenues from third parties	660,191	281,511	941,702	2,322,843	584,701	2,907,544
Operating expenses	639,401	266,210	905,611	2,338,768	579,328	2,918,096
Operating results	20,790	15,301	36,091	(15,925)	5,373	(10,552)

	Revenues (1)		Revenues (1)		Property, plant and equipment, goodwill and other intangible assets	
	Quarters ended July 31		Nine-month periods ended July 31		As at	As at October 31,
	2015	2014	2015	2014	July 31, 2015	2014
	$	$	$	$	$	$
Canada	664,368	649,937	2,174,754	2,279,866	206,800	200,863
France	196,339	231,845	440,886	519,905	49,065	46,965
United Kingdom	32,712	38,387	43,095	51,277	38,620	34,273
Other	26,704	21,533	68,467	56,496	15,561	14,829
	920,123	941,702	2,727,202	2,907,544	310,046	296,930

(1) Revenues are allocated based on the subsidiary's country of domicile.

Note 13 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, 2014 provide information about some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in most 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 the Corporation and its subsidiaries have liability insurance coverage in such circumstances.

COLLATERAL SECURITY CONTRACTS

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

The Corporation has entered into collateral security contracts whereby it has guaranteed 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 contracts typically cover a one-year period and are renewable annually. As at July 31, 2015, these guarantees totalled $1,474. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2015, no amounts had been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

The Corporation has a $35,000 guarantee facility renewable annually. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term. As at July 31, 2015, $22,066 had been drawn down under the facility.

For its European operations, the Corporation has guarantee facilities renewable annually amounting to €17,620 [$25,352]. As at July 31, 2015, letters of guarantee had been issued totalling €7,293 [$10,493].

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