



Management's Discussion and Analysis of Financial Condition and Operating Results

For the three and nine months ended September 30, 2019 and 2018

Contents

About WestJet	2	Fleet	21
Financial and operational highlights	3	Off-balance sheet arrangements and related-party transactions	22
Overview	4	Share capital	23
Outlook	5	Accounting	23
Discussion of operations	6	Controls and procedures	26
Summary of quarterly results	16	Forward-looking information	26
Guest experience	16	Definition of key operating indicators	27
Liquidity and capital resources	17	Non-GAAP and additional GAAP measures	27

Advisories

The following Management's Discussion and Analysis of Financial Condition and Operating Results (MD&A), dated October 28, 2019, should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as WestJet's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended September 30, 2019 and 2018, and our audited consolidated financial statements and notes thereto, for the years ended December 31, 2018 and 2017. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. References to "WestJet," "the Corporation," "we," "us" or "our" mean WestJet Airlines Ltd. and its consolidated subsidiaries and structured entities, unless the context otherwise requires. Additional information relating to WestJet, including periodic quarterly and annual reports and Annual Information Forms filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at westjet.com.

Cautionary statement regarding forward-looking information

This MD&A contains "forward-looking information" as defined under applicable Canadian securities legislation. This forward-looking information typically contains the words "anticipate," "believe," "estimate," "intend," "expect," "forecast," "may," "will," "should," "potential," "plan," "project" or other similar terms. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information. We can give no assurance that any of the events anticipated will transpire or occur or, if any of them do, what benefits or costs we will derive from them. By its nature, forward-looking information is subject to numerous risks and uncertainties including, but not limited to, the impact of general economic conditions, changing domestic and international airline industry conditions, volatility of fuel prices, terrorism, pandemics, currency fluctuations, interest rates, competition from other airline industry participants (including new entrants, capacity fluctuations and changes to the pricing environment), labour matters, government regulations, stock market volatility, the ability to access sufficient capital from internal and external sources, the decisions of Transport Canada, the Federal Aviation Administration and/or the Boeing Company (Boeing) regarding the recertification of the Boeing MAX aircraft, and additional risk factors discussed in other documents we file from time to time with securities regulatory authorities, which are available on SEDAR at sedar.com or, upon request, without charge from us. There are also risks inherent with the nature of the proposed acquisition by Onex, including failure to satisfy the conditions to the completion of the transaction or failure to obtain any outstanding regulatory or other approval (or to do so in a timely manner).

The forward-looking information, including any financial outlook, contained in this MD&A, is provided to assist investors in understanding our assessment of WestJet's future plans, operations and expected results. The forward-looking information, including, without limitation, the disclosure found in the *Outlook* section in this MD&A may not be appropriate for other purposes and is expressly qualified by this cautionary statement. Please refer to page 26 of this MD&A for further information on our forward-looking information including assumptions and estimates used in its development. Our assumptions and estimates relating to the forward-looking information referred to above are updated as required in conjunction with filing our quarterly and annual MD&A and, except as required by law, we do not undertake to update any other forward-looking information.

Non-GAAP and additional GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by Generally Accepted Accounting Principles (GAAP) and, therefore, are considered non-GAAP measures. These measures are provided to enhance the reader's overall understanding of our financial performance or current financial condition. These measures also provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and provide a more consistent basis for comparison between periods. These measures are not in accordance with, or an alternative to, GAAP and do not have standardized meanings. Therefore, they may not be comparable to similar measures presented by other entities.

Please refer to page 28 of this MD&A for a reconciliation of non-GAAP measures, including cost per available seat mile (CASM), excluding fuel and employee profit share; return on invested capital (ROIC); free cash flow; diluted free cash flow per share; and diluted operating cash flow per share, and for a reconciliation of additional GAAP measures, including adjusted debt-to-equity; net debt to earnings before interest, taxes, depreciation, amortization and other items (EBITDA); adjusted EBITDA; and the cash to trailing 12 months (TTM) revenue ratio.

Definitions

Various terms used throughout this MD&A are defined at page 27 under the title *Definition of key operating indicators*.

About WestJet

WestJet is a Canadian airline, based in Calgary, Alberta, with expanding global operations. Through scheduled flights across a growing network, WestJet also operates WestJet Vacations, which provides air, hotel, car and excursion packages, WestJet Encore, a regional airline which operates a fleet of turboprop aircraft among a network of destinations in Canada and the United States, and Swoop, an ultra-low-cost carrier (ULCC), launched to provide affordable air transportation to the most price-sensitive travellers.

As of September 30, 2019, our airline offered scheduled service to 110 destinations in North America, Central America, the Caribbean and Europe with our fleet of narrow-body and wide-body Boeing aircraft, Bombardier Q400 (Q400) aircraft and Saab 340B aircraft, operated under our capacity purchase agreement (CPA) with Pacific Coastal Airlines Ltd. (Pacific Coastal). When including connectivity provided through our airline partners, including our expanded codeshare agreements, we serve over 250 destinations. We will continue to build diversity and frequency in our network through portfolio management of our fleet.

WestJet's mission is to enrich the lives of everyone in WestJet's world. We believe that focusing on metrics such as safety, on-time performance, profitability, guest satisfaction and employee engagement will lead us to this goal.

Our 2022 vision for all WestJet employees focuses on three bold claims:

- We are team WestJet. WestJet is people powered.
- We are caring at our core. Air travel is better with WestJet.
- We are a global airline. Authentically Canadian. Uniquely WestJet.

This vision was co-created with WestJetters across the country and reflects our shared beliefs and values across the organization. Guiding us every day toward accomplishing our mission and vision are our core values of acting like an owner, caring from the heart, rising to the challenge and working together as one team.

Our focus on our people has always been fundamental to the success of our Corporation. In an industry that has become largely commoditized, we recognize that WestJetters are an essential part of our business and that their commitment to caring for our guests supports our profitable results. We remain committed to our goal to attract, train, motivate, develop and retain the right people.

Financial and operational highlights

The financial and operational highlights for WestJet for the three and nine months ended September 30, 2019 are as follows:

	Three months ended September 30			Nine months ended September 30			
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change	
(\$ in thousands, except per share amounts and unless otherwise noted)							
Financial highlights	Revenue	1,392,939	1,260,902	10.5%	3,863,515	3,540,199	9.1%
	Operating expenses	1,205,202	1,159,989	3.9%	3,573,915	3,386,509	5.5%
	Earnings from operations	187,737	100,913	86.0%	289,600	153,690	88.4%
	Operating margin (per cent)	13.5%	8.0%	5.5 pts.	7.5%	4.3%	3.2 pts.
	Earnings before income taxes (EBT)	166,895	103,961	60.5%	259,206	131,608	97.0%
	EBT margin (per cent)	12.0%	8.2%	3.8 pts.	6.7%	3.7%	3.0 pts.
	Net earnings	119,388	70,059	70.4%	209,282	88,433	136.7%
	Earnings per share:						
	Basic	1.03	0.61	68.9%	1.82	0.78	133.3%
	Diluted	1.02	0.61	67.2%	1.80	0.77	133.8%
ROIC (per cent) ⁽ⁱⁱ⁾	8.0%	4.4% ⁽ⁱⁱⁱ⁾	3.6 pts.	8.0%	4.4% ⁽ⁱⁱⁱ⁾	3.6 pts.	

	Three months ended September 30			Nine months ended September 30			
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change	
Operational highlights	ASMs	8,838,226,376	8,880,077,461	(0.5%)	25,439,381,217	24,830,673,928	2.5%
	RPMs	7,670,659,215	7,516,547,753	2.1%	21,937,247,102	20,972,225,428	4.6%
	Load factor (per cent)	86.8%	84.6%	2.2 pts.	86.2%	84.5%	1.7 pts.
	Yield (cents)	18.16	16.78	8.2%	17.61	16.88	4.3%
	RASM (cents)	15.76	14.20	11.0%	15.19	14.26	6.5%
	CASM (cents)	13.64	13.06	4.4%	14.05	13.64	3.0%
	CASM, excluding fuel and employee profit share (cents) ⁽ⁱⁱ⁾	9.96	9.10	9.5%	10.39	9.86	5.4%
	Fuel consumption (litres)	399,124,048	402,048,789	(0.7%)	1,157,230,919	1,157,563,136	(<0.1%)
	Fuel costs per litre (cents)	76	85	(10.6%)	78	80	(2.5%)
	Segment guests	6,812,228	6,940,569	(1.8%)	19,588,811	19,305,749	1.5%
	Average stage length (miles)	867	854	1.5%	869	865	0.5%
	Departures	68,367	72,118	(5.2%)	198,837	201,660	(1.4%)
	Utilization (hours)	10.9	11.1	(1.8%)	10.6	11.1	(4.5%)
	Full-time equivalent employees at period end	11,960	11,953	0.1%	11,960	11,953	0.1%
	Fleet size at period end	180	174	3.4%	180	174	3.4%

(i) We adopted IFRS 16 *Leases* (IFRS 16) effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16. Please refer to page 23 of this MD&A for a description of the restatements performed under IFRS 16.

(ii) Please refer to page 28 of this MD&A for a reconciliation of non-GAAP measures and additional GAAP measures.

(iii) This amount represents our restated ROIC as at December 31, 2018. Please refer to page 28 of this MD&A for a reconciliation of non-GAAP measures and additional GAAP measures.

Overview

Our 2019 third quarter financial results reflect net earnings of \$119.4 million and diluted earnings per share of \$1.02, representing our second most profitable third quarter and our overall third best quarterly performance in our 23-year history. Total revenue increased by 10.5 per cent year over year, primarily due to the increase in guest revenue resulting from record third quarter load factor and improved flight yield. Our operating margin improved to 13.5 per cent this quarter, from 8.0 per cent in the third quarter of 2018, as a result of double-digit revenue growth which exceeded our increase in operating expenses in the period.

We returned approximately \$16.2 million to our shareholders through our dividend program in the third quarter of 2019. Since our dividend and share repurchase programs began in 2010, we have returned approximately \$1.2 billion dollars to our shareholders. Our 12-month ROIC of 8.0 per cent at September 30, 2019 represents an increase of 3.6 percentage points compared to our restated December 31, 2018 ROIC of 4.4 per cent.

We adopted IFRS 16 *Leases* (IFRS 16) effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16.

Acquisition by Onex Corporation (Onex)

On May 13, 2019, we announced that we had entered into a definitive agreement that provides for WestJet's acquisition in an all-cash transaction, after which WestJet will operate as a privately-held company. The proposed transaction is to be completed by way of a statutory plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the Arrangement). On June 24, 2019, we announced that we had received approval from the Minister of Transport (Canada) on the basis that the proposed Arrangement does not raise public interest issues as related to national transportation. A special resolution in respect of the proposed Arrangement was approved by the requisite majorities of shareholders and optionholders in accordance with the interim order of the Court of Queen's Bench of Alberta on July 23, 2019, and approval of the Court of the final order in respect of the Arrangement was obtained on July 26, 2019. Additionally, on August 13, 2019, we obtained unconditional approval from the Canadian Competition Bureau with respect to the Arrangement.

Completion of the Arrangement is subject to satisfaction of conditions to closing, including receipt of the remaining regulatory approval from the Canadian Transportation Agency, which is expected to be received in the latter part of 2019.

WestJetters

Negotiations between WestJet and the Canadian Union of Public Employees (CUPE) on behalf of WestJet cabin crew members are ongoing while negotiations with CUPE on behalf of WestJet Encore and Swoop cabin crew members have yet to commence. Throughout our ongoing negotiations, WestJet remains committed to establishing labour agreements that reflect the hard work and valuable contributions of our various labour groups and that are beneficial for all parties involved.

Guest experience and service enhancements

On May 24, 2019, the Canadian Transportation Agency (CTA) announced the finalization of the Air Passenger Protection Regulations which establish the minimum airline obligations and compensation regime for flight disruptions. Due to their complexity, the regulations come into effect in two stages, with the first phase effective on July 15, 2019, and the remainder effective on December 15, 2019. The first phase, which was effective throughout the third quarter of 2019, pertains to communication requirements, tarmac delays, denied boarding, lost and damaged baggage and the transportation of musical instruments, along with applicable monetary penalties. We continue to work with Transport Canada and the CTA to ensure that we implement the necessary changes to our operations and processes as a result of the new regulations within the required timelines.

We continue to explore opportunities to improve our revenue performance while offering new products to our guests. During the third quarter of 2019, we launched a bidding process whereby guests can submit an offer to upgrade their seats to Premium or Business seats on select WestJet operated flights. The value of the upgrade offer is the additional amount the guest is willing to pay for the upgrade, inclusive of all taxes and fees. Guests will be notified of the acceptance of their offer five days prior to the scheduled departure of the related flight, and, following the acceptance of their offer, guests will be able to enjoy the added benefits of our Premium or Business cabin, including priority check-in and boarding, more spacious seating and exclusive food and beverage offerings. Originally purchased fare rules, including those related to itinerary changes or

cancellations, do not change with an upgraded flight and upgrade fees do not count towards qualifying spend to achieve WestJet Rewards tier status. Additionally, guests who purchase a basic fare are not eligible to purchase an upgrade.

During the third quarter, Swoop partnered with Sunwing to offer vacation packages that include Swoop operated flights this winter to destinations in Mexico within Swoop's network. This partnership supports the continued profitability of Swoop's international routes and further helps mitigate the impact of seasonality on operations by stimulating demand during the winter months when domestic travel is reduced.

Effective October 1, 2019, we transitioned our cargo operations, including sales, customer service, operations support and accounting, from an external partner to a team of internal WestJetters, allowing for greater control and visibility over our sales and an opportunity to develop and strengthen relationships with our cargo customers.

In October 2019, we announced the commencement of construction on our flagship lounge at the Calgary International Airport. The lounge, scheduled to open in late summer 2020, will feature a custom Canadian-inspired interior design, showcasing elevated food and beverage products as well as business amenities to keep our guests, top-tier WestJet Rewards members and select partner travellers, connected.

As a result of our continued focus on providing our guests with an exceptional experience through our hospitality and new product and service offerings, WestJet received a 4-star rating in the Low Cost Carriers category at the 2020 Airline Passenger Experience Association (APEX) and International Flight Services Association (IFSA) APEX/IFSA Awards in September 2019. These awards celebrate innovations across the airline passenger experience industry, with ratings based on passenger reviews from more than one million flights across nearly 600 airlines tracked by third-party travel app, TripIt® from Concur®.

Network expansion and fleet

As part of our 2019/2020 winter schedule, we announced new seasonal non-stop service from Toronto to Roatán, Honduras, adding to our growing list of tropical sun destinations. We also further expanded our regional WestJet Link service with the addition of a new non-stop route between Vancouver and Cranbrook. Swoop has also expanded its transborder network offerings with a new non-stop route between London (Ontario) and Las Vegas.

We continue to adjust our flight schedule through the end of 2019 as a result of the ongoing closure of Canadian airspace for the Boeing MAX series aircraft impacting our fleet. Our contingency planning and proactive schedule adjustments enable us to reduce last minute flight cancellations and unexpected travel disruptions, however, certain routes have been temporarily suspended as a result of aircraft inventory shortages.

In the second quarter of 2019, we announced the proposed transborder joint venture arrangement between WestJet and Delta Air Lines (Delta) received clearance from the Canadian Competition Bureau under Canada's *Competition Act*. The process of receiving regulatory approval from the Department of Transportation in the United States is ongoing.

During the third quarter, we completed the scheduled return of one leased Boeing 737-700 aircraft. On October 16, 2019, WestJet transferred an eighth Boeing 737-800 aircraft to Swoop. The ninth aircraft transfer from WestJet to Swoop is scheduled to occur in the fourth quarter of 2019, with the 10th and final planned transfer postponed until 2020 when we expect Canadian airspace to reopen to the Boeing MAX aircraft, enabling WestJet to operate all planned routes using our entire fleet.

Business development plans

We continue to identify opportunities for cost reduction and margin expansion through our ongoing initiatives, through which we have exceeded our margin expansion target of \$120 million for 2019 and continue to progress toward our annualized savings target of \$200 million by the end of 2020.

Outlook

All 2019 financial guidance provided in our MD&A for the year ended December 31, 2018, as well as at our Investor Day in December 2018, was suspended following Transport Canada's safety notice closing Canadian airspace to Boeing MAX aircraft until further notice, the Federal Aviation Administration's temporary grounding order and Boeing's decision to suspend all Boeing MAX aircraft deliveries to customers. The financial guidance provided with respect to EPS, ROIC and cumulative free-cash flow from 2020 to 2022 remains in place until further information is known.

Discussion of operations

Capacity

For the three months ended September 30, 2019, our system capacity decreased slightly from the same period in 2018, while capacity for the nine months then ended increased 2.5 per cent, year over year. The reduction in capacity resulting from the continued closure of Canadian airspace to our 13 Boeing MAX aircraft throughout the third quarter of 2019 was partially offset by the addition of three Boeing 787 aircraft to our fleet in the first quarter of the year (please refer to the *Fleet* section on page 21 of this MD&A), as well as the annualized impacts of the June 2018 launches of Swoop and our WestJet Link service.

The following tables depict our capacity allocation between our domestic and transborder and international markets for the three and nine months ended September 30, 2019:

	Three months ended September 30				
	2019		2018		Change
	ASMs	% of total	ASMs	% of total	ASMs
Domestic	5,378,060,715	60.8%	5,692,305,376	64.1%	(5.5%)
Transborder and international	3,460,165,661	39.2%	3,187,772,085	35.9%	8.5%
Total	8,838,226,376	100.0%	8,880,077,461	100.0%	(0.5%)

	Nine months ended September 30				
	2019		2018		Change
	ASMs	% of total	ASMs	% of total	ASMs
Domestic	12,862,083,313	50.6%	13,430,189,139	54.1%	(4.2%)
Transborder and international	12,577,297,904	49.4%	11,400,484,789	45.9%	10.3%
Total	25,439,381,217	100.0%	24,830,673,928	100.0%	2.5%

For the three and nine months ended September 30, 2019, the year-over-year decreases in domestic capacity were driven by the closure of Canadian airspace to our 13 Boeing MAX aircraft, which comprise less than 10 per cent of our overall fleet, combined with previously planned capacity reductions allowing for the deployment of aircraft to higher yield markets. The impacts of the Boeing MAX groundings and planned capacity reductions were partially offset by capacity growth provided by Swoop and our WestJet Link service, both of which have been fully operational throughout 2019, following their respective launches in June 2018.

For the three and nine months ended September 30, 2019, capacity growth within our transborder and international network was primarily driven by increased seasonal service to our transatlantic destinations in Europe, operated on our Boeing 787 aircraft added to our fleet in the first quarter of 2019, as well as the new route between Toronto and Barcelona which commenced in the second quarter of 2019 on our Boeing 767 widebody aircraft.

Traffic

The following tables depict our traffic allocation between our domestic and transborder and international markets for the three and nine months ended September 30, 2019:

	Three months ended September 30				
	2019		2018		Change
	RPMs	% of total	RPMs	% of total	RPMs
Domestic	4,500,818,188	58.7%	4,653,322,974	61.9%	(3.3%)
Transborder and international	3,169,841,027	41.3%	2,863,224,779	38.1%	10.7%
Total	7,670,659,215	100.0%	7,516,547,753	100.0%	2.1%

	Nine months ended September 30				
	2019		2018		Change
	RPMs	% of total	RPMs	% of total	RPMs
Domestic	10,685,054,519	48.7%	10,724,555,486	51.1%	(0.4%)
Transborder and international	11,252,192,583	51.3%	10,247,669,942	48.9%	9.8%
Total	21,937,247,102	100.0%	20,972,225,428	100.0%	4.6%

For the three and nine months ended September 30, 2019, our total traffic, measured in RPMs, increased by 2.1 per cent and 4.6 per cent, respectively, year over year, as compared to a decrease in capacity of 0.5 per cent and an increase of 2.5 per cent, respectively.

Domestic traffic growth outpaced capacity growth for both the three and nine months ended September 30, 2019, resulting in regional load factor improvements in both periods. The proactive management of our flight schedules and implementation of comprehensive contingency plans throughout the period impacted by the closure of Canadian airspace to the Boeing MAX aircraft has provided us the ability to re-accommodate the majority of our guests on alternate flights and, when combined with the incremental domestic traffic generated by our Swoop and WestJet Link service, has resulted in a record third quarter load factor.

For the three and nine months ended September 30, 2019, traffic growth within our transborder and international markets increased by 10.7 and 9.8 per cent, respectively, compared to capacity increases of 8.5 per cent and 10.3 per cent for the comparative periods of 2018. The increase in transborder and international traffic, relative to capacity in the third quarter of 2019, was driven by strong demand across our network, including the successful introduction of our transatlantic service operated on our three Boeing 787 aircraft, resulting in load factor improvements in all markets.

Revenue

(\$ in thousands, unless otherwise noted)	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Guest revenue	1,347,872	1,215,223	10.9%	3,689,407	3,363,847	9.7%
Other revenue	45,067	45,679	(1.3%)	174,108	176,352	(1.3%)
Total revenue	1,392,939	1,260,902	10.5%	3,863,515	3,540,199	9.1%
RASM (cents)	15.76	14.20	11.0%	15.19	14.26	6.5%
Load factor (per cent)	86.8%	84.6%	2.2 pts.	86.2%	84.5%	1.7 pts.
Yield (cents)	18.16	16.78	8.2%	17.61	16.88	4.3%

During the third quarter of 2019, total revenue increased by 10.5 per cent to \$1,392.9 million compared to \$1,260.9 million in the same quarter of 2018. For the nine months ended September 30, 2019, total revenue increased by 9.1 per cent to \$3,863.5 million compared to \$3,540.2 million in the same period of 2018. The increases in total revenue for the three and nine months ended September 30, 2019, compared to 2018, were primarily driven by an increase in guest revenue due to increased load factor and improved yield on flights, combined with higher ancillary revenues generated in the period.

On a per ASM basis for the three months ended September 30, 2019, revenue increased by 11.0 per cent to 15.76 cents, from 14.20 cents in the same quarter of 2018, while for the nine months ended September 30, 2019, revenue on a per ASM basis increased by 6.5 per cent, to 15.19 cents from 14.26 cents in 2018. Revenue on an ASM basis increased during both periods of 2019 as a result of higher fares following industry-wide reductions in capacity.

Guest revenue

Guest revenue is comprised of ticket sales for scheduled domestic and transborder and international flights, the air component of vacation packages, as well as ancillary revenues, such as fees associated with guest itinerary changes or cancellations, Premium and Business cabin upgrades, baggage fees, buy-on-board sales, pre-reserved seating fees and certain revenues related to our co-branded credit card program.

(\$ in thousands, unless otherwise noted)	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Guest revenue – domestic	815,882	743,222	9.8%	1,899,937	1,761,106	7.9%
Guest revenue – transborder and international	401,052	346,510	15.7%	1,408,002	1,258,500	11.9%
Ancillary revenue	130,938	125,491	4.3%	381,468	344,241	10.8%
Total guest revenue	1,347,872	1,215,223	10.9%	3,689,407	3,363,847	9.7%

Guest revenue for the three and nine months ended September 30, 2019 increased to \$1,347.9 million and \$3,689.4 million, respectively, from \$1,215.2 million and \$3,363.8 million, respectively, in the same periods of 2018, as a result of the year-over-year improvements in load factor and yield across our network, combined with increased ancillary revenues.

Ancillary revenue provides an opportunity to sell higher-margin goods and services while enhancing our overall guest experience by providing guests with additional products and services to meet their needs. The following table presents ancillary revenue and ancillary revenue per guest for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Ancillary revenue (\$ in thousands)	130,938	125,491	4.3%	381,468	344,241	10.8%
Ancillary revenue per guest (\$)	19.56	18.45	6.0%	19.83	18.31	8.3%

For the three and nine months ended September 30, 2019, ancillary revenue was \$130.9 million and \$381.5 million, respectively, an increase of 4.3 per cent and 10.8 per cent, from \$125.5 million and \$344.2 million, respectively, in the same periods of the prior year. These increases were driven primarily by increased ancillary revenues generated by Swoop related to the collection of baggage and pre-reserved seating fees.

On a per guest basis, ancillary fees for the three and nine months ended September 30, 2019 increased by 6.0 per cent and 8.3 per cent to \$19.56 and \$19.83, respectively, per guest, from \$18.45 and \$18.31, respectively, per guest in the same periods of 2018. These increases were primarily due to increased per guest spending on ancillary products and services on flights operated by Swoop.

Other revenue

Included in other revenue are amounts related to WestJet Vacations' non-air revenue, cargo revenue, our charter operations and the brand value licensing component of the co-brand credit card program. For both the three and nine months ended September 30, 2019, other revenue decreased by 1.3 per cent to \$45.1 million and \$174.1 million, respectively, due to a decrease in the number of flights operated under our charter program relative to the prior year, which exceeded our year to date revenue increases in WestJet Vacations and cargo services.

WestJet Vacations continues to generate revenue which supports WestJet's overall network. The land component, which includes hotels, attractions and car rentals, is reported on the condensed consolidated interim statement of earnings at the net amount received. WestJet Vacations' non-air revenue component of vacation packages reflected year-over-year increases primarily due to an increased number of travelling guests within the period relative to the prior year as well as improvement in the sales prices of vacation package.

Expenses

	Expense (\$ in thousands)			CASM (cents)		
	Three months ended September 30			Three months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Aircraft fuel	304,616	343,276	(11.3%)	3.45	3.87	(10.9%)
Salaries and benefits	263,101	249,733	5.4%	2.98	2.81	6.0%
Rates and fees	182,866	185,999	(1.7%)	2.07	2.09	(1.0%)
Depreciation and amortization	157,209	141,931	10.8%	1.78	1.59	11.9%
Sales and marketing	118,253	107,059	10.5%	1.34	1.21	10.7%
Maintenance	58,431	30,708	90.3%	0.66	0.35	88.6%
Other	100,034	93,007	7.6%	1.13	1.05	7.6%
Employee profit share	20,692	8,276	150.0%	0.23	0.09	155.6%
Total operating expenses	1,205,202	1,159,989	3.9%	13.64	13.06	4.4%
Total, excluding fuel and employee profit share	879,894	808,437	8.8%	9.96	9.10	9.5%

(i) We adopted IFRS 16 effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16. Please refer to page 23 of this MD&A for a description of the restatements performed under IFRS 16.

During the three months ended September 30, 2019, total operating expenses increased by 3.9 per cent to \$1,205.2 million as compared to \$1,160.0 million in the same period in 2018. On an ASM basis, operating expenses increased by 4.4 per cent to 13.64 cents, from 13.06 cents in the same period in 2018. Operating expenses increased across numerous financial statement line items in the third quarter of 2019, as compared to 2018, led by maintenance and depreciation and amortization expenses. These increases were partially offset by a significant decrease in aircraft fuel expenses in the quarter.

	Expense (\$ in thousands)			CASM (cents)		
	Nine months ended September 30			Nine months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Aircraft fuel	902,828	926,688	(2.6%)	3.55	3.73	(4.8%)
Salaries and benefits	799,796	752,517	6.3%	3.14	3.03	3.6%
Rates and fees	533,921	530,553	0.6%	2.10	2.14	(1.9%)
Depreciation and amortization	473,932	434,614	9.0%	1.86	1.75	6.3%
Sales and marketing	351,271	325,509	7.9%	1.38	1.31	5.3%
Maintenance	159,359	116,339	37.0%	0.63	0.47	34.0%
Other	325,326	288,886	12.6%	1.28	1.16	10.3%
Employee profit share	27,482	11,403	141.0%	0.11	0.05	120.0%
Total operating expenses	3,573,915	3,386,509	5.5%	14.05	13.64	3.0%
Total, excluding fuel and employee profit share	2,643,605	2,448,418	8.0%	10.39	9.86	5.4%

(i) We adopted IFRS 16 effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16. Please refer to page 23 of this MD&A for a description of the restatements performed under IFRS 16.

During the nine months ended September 30, 2019, total operating expenses increased by 5.5 per cent to \$3,573.9 million, compared to \$3,386.5 million in the same period in 2018. On an ASM basis, operating expenses for the nine months ended September 30, 2019 increased by 3.0 per cent to 14.05 cents from 13.64 cents in the same period in 2018. The current year operating expense increase was the result of increased capacity combined with higher per ASM costs across several expense items with the largest increases noted in salaries and benefits expense, maintenance expenses and other operating expenses, partially offset by a decrease in aircraft fuel expense.

Aircraft fuel

	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Aircraft fuel expense (\$ in thousands)	304,616	343,276	(11.3%)	902,828	926,688	(2.6%)
Aircraft fuel expense as a percent of operating expenses	25.3%	29.6%	(4.3 pts.)	25.3%	27.4%	(2.1 pts.)
Fuel consumption (litres)	399,124,048	402,048,789	(0.7%)	1,157,230,919	1,157,563,136	(<0.1%)
Fuel cost per litre (cents)	76	85	(10.6%)	78	80	(2.5%)

Fuel is a significant cost, representing 25.3 per cent of total operating expenses for both the three and nine months ended September 30, 2019, compared to 29.6 per cent and 27.4 per cent, respectively, for the comparable periods in 2018. For the three and nine months ended September 30, 2019, aircraft fuel expense decreased by 11.3 per cent and 2.6 per cent, respectively, to \$304.6 million and \$902.8 million from \$343.3 million and \$926.7 million in the same periods of 2018. The decreases in aircraft fuel expense for both periods are primarily due to nearly equivalent decreases in the average market price of jet fuel for the periods, offset slightly by a decrease in fuel efficiency as a result of our inability to fly our Boeing MAX aircraft which are our most fuel-efficient aircraft.

For 2019, we estimate our sensitivity of fuel costs to changes in crude oil to be approximately US \$9.6 million annually for every one US dollar change in the price per barrel of West Texas Intermediate crude oil. Additionally, we estimate our sensitivity of fuel costs to changes in fuel pricing for 2019 to be approximately \$15.3 million for every one-cent change in the price per litre of fuel. We estimate that every one-cent change in the value of the Canadian dollar versus the US dollar will have an approximate impact of \$7.9 million on fuel costs for 2019.

As at September 30, 2019, we have no fuel derivative contracts outstanding. We will continue to monitor and adjust to movements in fuel prices and may re-visit our hedging strategy as changing markets and competitive conditions warrant.

Salaries and benefits

Our compensation philosophy is designed to align corporate and personal success. We have created a compensation program whereby a portion of our compensation expenses are variable and are tied to our financial results. Our compensation strategy encourages employees to become owners in WestJet, which creates a personal vested interest in our financial results and operational accomplishments.

(\$ in thousands, except FTE count)	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Salaries and benefits plans	230,760	220,662	4.6%	707,807	664,496	6.5%
Employee stock purchase plan	27,949	25,792	8.4%	81,797	76,351	7.1%
Share-based payment plans	4,392	3,279	33.9%	10,192	11,670	(12.7%)
Total salaries and benefits	263,101	249,733	5.4%	799,796	752,517	6.3%
Full-time equivalent employees (FTE)	11,960	11,953	0.1%	11,960	11,953	0.1%

Salaries and benefits expense for the three and nine months ended September 30, 2019 was \$263.1 million and \$799.8 million, a \$13.4 million and \$47.3 million or 5.4 per cent and 6.3 per cent increase, respectively, from \$249.7 million and \$752.5 million, respectively, in the same periods of 2018.

Salaries and benefits plans

Compensation, including salary levels and participation in benefits plans are determined via a framework of job levels based on internal experience and external market data. During the three and nine months ended September 30, 2019, salaries and benefits plans expense increased by 4.6 per cent and 6.5 per cent, respectively, to \$230.8 million and \$707.8 million, from \$220.7 million and \$664.5 million, respectively, in the same periods of 2018. These increases were primarily due to the incremental costs associated with the collective bargaining agreements related to our unionized pilot groups, as well as the launch and continued growth of Swoop operations from its commencement of operations in June 2018. Prior to the commencement of operations, salaries and benefits costs incurred in relation to Swoop employees were recognized as start-up

costs included in Other operating expenses, resulting in a year-over-year increase in salaries and benefits plans expense for 2019 when compared to the prior year.

Employee stock purchase plan (ESPP)

The ESPP encourages employees to become owners of WestJet and provides employees with the opportunity to significantly enhance their earnings. Under the terms of the ESPP, WestJetters may, dependent on their employment agreement, contribute up to a maximum of 10 per cent, 15 per cent, or 20 per cent of their gross salary to acquire voting shares of WestJet at the current fair market value. The contributions are matched by WestJet and are required to be held within the ESPP for a period of one year. At September 30, 2019, approximately 80.3 per cent (September 30, 2018 – 79.5 per cent) of our eligible active employees participated in the ESPP, contributing an average of 12.9 per cent (September 30, 2018 – 12.3 per cent) of their gross salaries. Under the terms of the ESPP, we acquire voting shares on behalf of employees through open market purchases. For the three and nine months ended September 30, 2019, our matching expense was \$27.9 million and \$81.8 million, an 8.4 per cent and 7.1 per cent increase, respectively, from \$25.8 million and \$76.4 million in the same periods of 2018, largely driven by an increase in employee participation in the year.

Share-based payment plans

We have three equity-settled share-based payment plans whereby either stock options, restricted share units (RSUs) or performance share units (PSUs) may be awarded to pilots, senior executives and certain non-executive employees. Our equity-settled share-based payments are measured at the fair value of the instrument granted and recognized as compensation expense with a corresponding increase in equity reserves on a straight-line basis over the related service period based on the number of awards expected to vest. For the three months ended September 30, 2019, share-based payment plans expense increased 33.9 per cent to \$4.4 million, from \$3.3 million in 2018, due to a downward adjustment to the number of outstanding PSUs expected to vest over the remaining vesting period recognized in the 2018 comparative period.

For the nine months ended September 30, 2019, share-based payment plans expense totaled \$10.2 million, a 12.7 per cent decrease from \$11.7 million recognized in the same period of 2018. The decrease in share-based payment plans expense for the period is primarily due to a decrease in the number of options vesting during the period compared to the prior year.

Depreciation and amortization

(\$ in thousands, unless otherwise noted)	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Depreciation and amortization	157,209	141,931	10.8%	473,932	434,614	9.0%
CASM (cents)	1.78	1.59	11.9%	1.86	1.75	6.3%

For the three and nine months ended September 30, 2019, our depreciation and amortization expense was \$157.2 million and \$473.9 million, an increase of \$15.3 million and \$39.3 million or 10.8 per cent and 9.0 per cent, respectively, from \$141.9 million and \$434.6 million in 2018. Depreciation and amortization expense on a per ASM basis for the three and nine months ended September 30, 2019 was 1.78 cents and 1.86 cents, an increase of 11.9 per cent and 6.3 per cent, respectively, from the same periods of 2018. These increases are primarily due to the addition of three Boeing 787 aircraft to our fleet in the first quarter of 2019 as well as five additional Boeing MAX aircraft compared to the prior year.

Sales and marketing

(\$ in thousands, unless otherwise noted)	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Sales and marketing	118,253	107,059	10.5%	351,271	325,509	7.9%
CASM (cents)	1.34	1.21	10.7%	1.38	1.31	5.3%

For the three and nine months ended September 30, 2019, our sales and marketing expense was \$118.3 million and \$351.3 million, an increase of \$11.2 million and \$25.8 million or 10.5 per cent and 7.9 per cent, respectively, from \$107.1 million and \$325.5 million in 2018. Sales and marketing expense on a per ASM basis for the three and nine months ended September 30, 2019 was 1.34 cents and 1.38 cents, an increase of 10.7 per cent and 5.3 per cent, respectively, from the same periods of 2018. These increases were due to increased advertising spend, increased booking fees due to higher rates and an increased volume of guest bookings in 2019 compared to the same periods of 2018 as well as increased costs related to enhanced lounge benefits, available under our WestJet Rewards program, launched in early 2019.

Maintenance expense

Maintenance expense is comprised of technical maintenance, which represents costs incurred for maintenance on our aircraft fleet and a maintenance provision, which represents our estimate of future obligations to meet the lease return conditions specified in our lease agreements.

	Expense (\$ in thousands)			CASM (cents)		
	Three months ended September 30					
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Technical maintenance	48,718	42,809	13.8%	0.55	0.48	14.6%
Maintenance provision	9,713	(12,101)	180.3%	0.11	(0.13)	184.6%
Total maintenance	58,431	30,708	90.3%	0.66	0.35	88.6%

	Expense (\$ in thousands)			CASM (cents)		
	Nine months ended September 30					
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Technical maintenance	137,832	122,061	12.9%	0.54	0.49	10.2%
Maintenance provision	21,527	(5,722)	476.2%	0.09	(0.02)	550.0%
Total maintenance	159,359	116,339	37.0%	0.63	0.47	34.0%

(i) We adopted IFRS 16 effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16. Please refer to page 23 of this MD&A for a description of the restatements performed under IFRS 16.

Maintenance expense for the three and nine months ended September 30, 2019 was \$58.4 million and \$159.4 million, an increase of \$27.7 million and \$43.0 million, or 90.3 per cent and 37.0 per cent, from \$30.7 million and \$116.3 million in the same periods of 2018. On an ASM basis, for the three and nine months ended September 30, 2019, our maintenance costs increased 88.6 per cent and 34.0 per cent, to 0.66 cents and 0.63 cents, respectively, from 0.35 cents and 0.47 cents during the same periods in 2018.

For the three and nine months ended September 30, 2019, technical maintenance expense was \$48.7 million and \$137.8 million, a \$5.9 million and \$15.8 million or 13.8 per cent and 12.9 per cent increase from \$42.8 million and \$122.1 million in the same periods of 2018. For the three and nine months ended September 30, 2019, technical maintenance cost per ASM was 0.55 cents and 0.54 cents, an increase of 14.6 per cent and 10.2 per cent, from 0.48 cents and 0.49 cents for the comparative periods of 2018. The year-over-year increase is attributed to the aging of our fleet, leading to an increased number of maintenance events compared to the prior year, as well as the impact of increased flying of our remaining aircraft to compensate for the grounding of our Boeing MAX fleet. We have continued to perform routine maintenance checks on our Boeing MAX fleet, which will enable us to return these aircraft to commercial service without delay following Transport Canada's approval to operate these aircraft within Canadian airspace.

For the three and nine months ended September 30, 2019, maintenance provision expense relating to the future return costs of leased aircraft was \$9.7 million and \$21.5 million, a \$21.8 million and \$27.2 million increase, respectively, from a recovery of \$12.1 million and \$5.7 million in the same periods of 2018. Maintenance provision costs per ASM for the three and nine months ended September 30, 2019 were 0.11 cents and 0.09 cents, respectively, compared to a recovery of 0.13 cents and 0.02 cents in the same periods of 2018. The year-over-year increase in maintenance provision expenses was driven by a recovery in the 2018 comparative period created by the remeasurement of the maintenance provision following numerous lease extensions executed during the third quarter of 2018.

Other operating expenses

The following table provides a breakdown of the more significant items included in other operating expenses:

	Expense (\$ in thousands)			CASM (cents)		
	Three months ended September 30					
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Travel and training	33,449	32,401	3.2%	0.38	0.36	5.6%
Technical support	18,668	17,244	8.3%	0.21	0.19	10.5%
General and administrative	31,680	28,629	10.7%	0.36	0.32	12.5%
Remaining other operating expenses	16,237	14,733	10.2%	0.18	0.18	—
Total other operating expenses	100,034	93,007	7.6%	1.13	1.05	7.6%

	Expense (\$ in thousands)			CASM (cents)		
	Nine months ended September 30					
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Travel and training	96,812	93,665	3.4%	0.38	0.38	—
Technical support	58,763	52,960	11.0%	0.23	0.21	9.5%
General and administrative	109,348	81,133	34.8%	0.43	0.33	30.3%
Remaining other operating expenses	60,403	61,128	(1.2%)	0.24	0.24	—
Total other operating expenses	325,326	288,886	12.6%	1.28	1.16	10.3%

(i) We adopted IFRS 16 effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16. Please refer to page 23 for a description of the restatements performed under IFRS 16.

For the third quarter of 2019, other operating expense was \$100.0 million, a \$7.0 million or 7.6 per cent increase from \$93.0 million for the same period in 2018. Other operating expense per ASM was 1.13 cents for the three months ended September 30, 2019, an increase of 7.6 per cent from 1.05 cents in the same period of 2018. For the nine months ended September 30, 2019, our other operating expense was \$325.3 million, a \$36.4 million or 12.6 per cent increase from \$288.9 million in 2018. On a per ASM basis, other operating expenses increased by 10.3 per cent to 1.28 cents from 1.16 cents in the same period of 2018. These increases were primarily driven by increasing general and administrative expenses.

For the three and nine months ended September 30, 2019, general and administrative expenses increased to \$31.7 million and \$109.3 million, an increase of \$3.1 million and \$28.2 million, respectively, from \$28.6 million and \$81.1 million in the same periods of 2018, due primarily to increased professional fees related to significant ongoing projects and the increase in the valuation of the deferred share units based the market price of WestJet shares.

Employee profit share

All employees are eligible to participate in the employee profit sharing plan. As the profit share system is a variable cost plan, employees receive larger awards when we are more profitable. Conversely, the amount distributed to employees is reduced in less profitable periods. Our profit share expense for the three and nine months ended September 30, 2019 was \$20.7 million and \$27.5 million, respectively, a \$12.4 million and \$16.1 million increase from \$8.3 million and \$11.4 million in the same periods of 2018. The year-over-year increases are directly attributable to increased earnings eligible for profit share in 2019.

Foreign exchange

The gain or loss on foreign exchange included in our condensed consolidated interim statement of earnings is attributed to unrealized gains and/or losses on the revaluation of foreign currency denominated monetary balances, as well as the settlement of foreign currency denominated monetary balances during the period based on changes in the valuation of the Canadian dollar relative to other currencies during the period. Monetary assets consist mainly of US dollar cash, cash equivalents and marketable securities, accounts receivable, security deposits on various leased aircraft and maintenance reserves paid to lessors, while monetary liabilities consist of US dollar accounts payable and accrued liabilities, lease obligations recognized under IFRS 16 and maintenance provisions for leased aircraft. At September 30, 2019, our US-dollar-denominated net monetary liabilities totaled approximately US \$719.9 million, compared to restated net monetary liabilities of US \$385.9 million at December 31, 2018. The increase in US-dollar-denominated net monetary liabilities from December 31, 2018 is largely due to an increase in US-dollar-denominated lease obligations related to the sale and leaseback arrangements

of our Boeing 787 aircraft executed in the first quarter of 2019 combined with a decrease in our US-dollar short-term investment assets.

During the three and nine months ended September 30, 2019, we reported a foreign exchange loss of \$6.4 million and a gain of \$17.2 million (September 30, 2018 - gain of \$7.7 million and loss of \$5.1 million). The loss on foreign exchange during the third quarter of 2019 is largely due to the revaluation of our US-dollar-denominated long-term debt and lease obligation liabilities to the Canadian equivalent balance at a foreign exchange rate that is higher than the rate in effect at the end of the second quarter of 2019. The Canadian dollar equivalent of net monetary liabilities as at December 31, 2018 was measured using a foreign exchange rate higher than the rate in effect at the current period end rate, resulting in a year-to-date unrealized gain on foreign exchange related to the revaluation of these balances.

As part of our Foreign Currency Risk Management Policy we hold US-dollar-denominated cash and short-term investments and enter into US dollar foreign exchange forward contracts to mitigate a portion of the foreign currency exposure risk we experience on our balance sheet, operating margins and cash flows. At September 30, 2019, to fix the exchange rate on a portion of our US-dollar-denominated hotel costs and aircraft lease payments, we have foreign exchange forward contracts for an average of approximately US \$18.1 million per month for the period from October 2019 to June 2020, for a total of US \$162.6 million, at a weighted average contract price of 1.33 Canadian dollars to one US dollar.

The fair value of the foreign exchange forward contracts presented on the condensed consolidated interim statement of financial position is measured based on the difference between the contracted rate and the current forward price obtained from the counterparty, which can be observed and corroborated in the marketplace. We have designated certain contracts under our foreign exchange hedging program for cash flow hedge accounting, while other contracts do not qualify for hedge accounting or have not been designated as a hedging instrument. Under cash flow hedge accounting, the effective portion of the change in the fair value of the hedging instrument is recognized in hedge reserves, while any ineffective portion is recorded directly to net earnings as a non-operating gain or loss. Upon maturity of the derivative instrument, or in the same period during which the hedged cash flow impacts earnings, the effective gains and losses previously recognized in hedge reserves are recorded in net earnings as a component of the expenditure to which they relate. Those contracts not designated under cash flow hedge accounting have the change in fair value recorded directly in net earnings as a non-operating gain or loss. As at September 30, 2019, \$0.05 million has been recognized in the condensed consolidated interim statement of earnings as hedge ineffectiveness.

The following table presents the financial impact and statement presentation of our foreign exchange derivatives related to our US-dollar-denominated hotel costs and aircraft lease payments on the condensed consolidated interim statement of financial position at September 30, 2019 and December 31, 2018 and on the condensed consolidated interim statement of earnings for the three and nine months ended September 30, 2019 and 2018.

(\$ in thousands)	Statement presentation	September 30	December 31
		2019	2018
Statement of Financial Position:			
Fair value	Prepaid expenses, deposits and other	537	13,113
Fair value	Accounts payable and accrued liabilities	(1,529)	(30)
Unrealized gain/(loss)	Hedge reserves (before tax)	(495)	11,888

(\$ in thousands)	Statement presentation	Three months ended September 30	
		2019	2018
Statement of Earnings:			
Realized gain	Gain (loss) on foreign exchange ⁽¹⁾	607	1,953
Realized gain	Other revenue	77	769
Realized gain	Gain (loss) on derivatives	124	–
Unrealized gain/(loss)	Gain (loss) on derivatives	1,693	(22)

(\$ in thousands)	Statement presentation	Nine months ended September 30	
		2019	2018
Statement of Earnings:			
Realized gain/(loss)	Gain (loss) on foreign exchange ⁽ⁱ⁾	3,133	(538)
Realized gain	Other revenue	2,007	2,192
Realized gain/(loss)	Gain (loss) on derivatives	(492)	22
Unrealized loss	Gain (loss) on derivatives	(1,174)	(8)

(i) Settlement of cash flow hedges of aircraft leasing payments, accounted for using hedge accounting, were previously recognized within Aircraft leasing line item of the statement of earnings. Please refer to page 23 of this MD&A for a description of the restatements performed under IFRS 16.

Additionally, we entered into fixed US dollar to fixed Canadian dollar uncollateralized cross-currency interest rate swap agreements (the cross-currency swaps) to mitigate our exposure to fluctuations in the Canadian to US dollar exchange rate on interest payments on our US-dollar-denominated notes (US Dollar Notes). The cross-currency swap terms are from September 16, 2016 to September 16, 2021, which matches the 5-year maturity of the US Dollar Notes. We designated the cross-currency swap contracts as effective cash flow hedges for accounting purposes. The fair value of the cross-currency swap contracts was determined by discounting future cash flows over the remaining term of the swaps at market rates of interest and quoted foreign exchange rates.

The following table presents the financial impact and statement presentation of the cross-currency swaps on the condensed consolidated interim statement of financial position at September 30, 2019 and December 31, 2018 and on the condensed consolidated interim statement of earnings for the three and nine months ended September 30, 2019 and 2018.

(\$ in thousands)	Statement presentation	September 30	December 31
		2019	2018
Statement of Financial Position:			
Fair value	Prepaid expenses, deposits and other	318	845
Fair value	Other assets	20,266	28,963
Unrealized gain	Hedge reserves (before tax)	20,584	29,808

(\$ in thousands)	Statement presentation	Three and nine months ended September 30	
		2019	2018
Statement of Earnings:			
Realized gain	Finance costs	281	181

For 2019, we estimate that every one-cent change in the value of the Canadian dollar versus the US dollar will have an approximate impact of \$11.7 million on our annual unhedged operating costs (approximately \$7.9 million for fuel and \$3.8 million related to other US-dollar-denominated operating expenses).

We also have a significant amount of our future purchase obligations, including certain aircraft, exposed to foreign exchange risk. At September 30, 2019, we estimate every one-cent change in the value of the Canadian dollar versus the US dollar would have an approximate impact of \$29.0 million on our future US-dollar-denominated purchase obligations.

Other non-operating expenses

During the three and nine months ended September 30, 2019, we incurred \$2.2 million and \$12.6 million of non-operating costs related to the proposed acquisition of WestJet by Onex. These non-operating acquisition costs are comprised primarily of advisory and legal fees related to the review, evaluation, negotiation and advancement of the proposed transaction.

Income taxes

For the three and nine months ended September 30, 2019, we recognized an income tax expense of \$47.5 million and \$49.9 million, respectively, compared to an expense of \$33.9 million and \$43.2 million for the same periods of 2018. Our effective consolidated income tax rates for the three and nine months ended September 30, 2019 were 28.5 per cent and 19.3 per cent, respectively, as compared to 32.6 per cent and 32.8 per cent for the comparative periods in 2018. The variance in both our three-month and nine-month effective tax rates is primarily due to the corporate income tax rate decrease in Alberta that became substantively enacted on May 28, 2019.

Summary of quarterly results

(\$ in thousands, except per share data)	Three months ended			
	Sep. 30 2019	Jun. 30 2019	Mar. 31 2019	Dec. 31 2018
Total revenue	1,392,939	1,212,920	1,257,656	1,193,263
Net earnings	119,388	44,279	45,615	5,551
Basic earnings per share	1.03	0.39	0.40	0.05
Diluted earnings per share	1.02	0.38	0.40	0.05

(\$ in thousands, except per share data)	Three months ended			
	Sep. 30 2018	Jun. 30 2018	Mar. 31 2018	Dec. 31 2017 ⁽ⁱ⁾
Total revenue	1,260,902	1,087,573	1,191,724	1,119,079
Net earnings	70,059	(15,826)	34,200	47,806
Basic earnings per share	0.61	(0.14)	0.30	0.42
Diluted earnings per share	0.61	(0.14)	0.30	0.41

(i) The quarterly results for the 2017 comparative period have not been restated under IFRS 16 and are presented in accordance with previous IFRS standards.

Our business is seasonal in nature with varying levels of activity throughout the year. We experience increased domestic travel in the summer months (second and third quarters) and more demand for transborder and international sun destinations over the winter period (fourth and first quarters). With our transborder and international destinations, we have been able to partially alleviate the effects of seasonality on our net earnings. Our operating results could also vary from this trend as a result of changes in general economic conditions and consumer behaviour, among other things.

Our results for the year ended December 31, 2018 reflect revenue and net earnings fluctuations consistent with historical trends, with the first and third quarters of the year representing our most profitable periods. However, despite growing revenue, we faced downward pressure on net earnings throughout the year as a result of increased costs incurred in the first quarter related to weather delays and cancellations, threatened industrial action in the second quarter which impacted revenue and expenses into the third quarter due to reduced bookings, fare reductions to stimulate demand due to increased competition within domestic markets and significant increases in aircraft fuel prices.

In the third quarter of 2019, we have returned to historic levels of profitability as a result of double-digit revenue growth and a continuing focus on cost efficiency. We continue to focus on positioning our airline for successful expansion of our widebody service, enhancing our product and service offerings, including our WestJet Rewards program, to appeal to premium travellers across our network and enhancing our network through more frequent flight offerings at our primary domestic hub airports.

Guest experience

At WestJet, we are focused on meeting the needs of our guests while maintaining the highest safety standards. We are committed to delivering a positive guest experience at every stage of our service, from the time the flight is booked to its completion.

Key performance indicators

On-time performance, indicating the percentage of flights that arrive within 15 minutes of their scheduled time, is a key factor in measuring the quality of our guest experience. The completion rate indicator represents the percentage of flights completed of the flights originally scheduled. Our mishandled bag ratio represents the number of delayed, lost, damaged or pilfered baggage claims made per 1,000 guests.

	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
On-time performance	83.3%	80.6%	2.7 pts.	80.0%	78.2%	1.8 pts.
Completion rate	98.5%	98.4%	0.1 pts.	98.1%	97.8%	0.3 pts.
Mishandled bag ratio	3.96	3.53	12.2%	4.29	4.22	1.7%

During the three and nine months ended September 30, 2019, our on-time performance metric improved by 2.7 and 1.8 percentage points, respectively, over the same periods of 2018 as a result of generally more favourable weather conditions throughout the period, as well as a continued focus on on-time departures of our aircraft. WestJet remained within the top five North American airlines throughout this quarter in terms of on-time performance rankings, ahead of all other Canadian airlines, and was ranked the top performing low-cost carrier in North America in terms of on-time arrivals in the month of July 2019.

Our completion rate for the three and nine months ended September 30, 2019 improved slightly compared to the same periods in 2018 and exceeded North American airline industry averages for the period. Year-over-year improvements noted in July and August of the current year, driven by a decrease in weather related cancellations, were partially offset by hurricane activity impacting flights on the Atlantic coast, as well as heavy snowfalls at the end of September at our Calgary hub airport.

Our mishandled bag ratio reflects an unfavourable 12.2 per cent increase for the three months ended September 30, 2019, compared to 2018, due to an increased volume of connecting baggage across our network and thunderstorm activity at our two largest hub airports in July 2019.

Liquidity and capital resources

Liquidity

The airline industry is highly sensitive to unpredictable circumstances and, as such, maintaining a strong financial position is imperative to an airline's success. We completed the third quarter of 2019 with a cash, cash equivalents and marketable securities balance of \$1,364.6 million, compared to \$1,279.6 million at December 31, 2018. Through our revenue generating and cost saving initiatives, supplemented by available borrowings under our existing or new financing sources, including our \$400 million undrawn revolving credit facility, we expect to be able to generate sufficient cash in both the short and long-term to maintain our current capacity and support our future planned growth.

We use our working capital to settle our operating expenses, the current portion of our long-term debt and lease obligations, payments of dividends and interest. In addition to our restricted cash requirements, detailed below, the *Contractual obligations and commitments* section on page 21 of this MD&A summarizes certain of our liquidity and working capital requirements as at September 30, 2019. Our current ratio, defined as current assets over current liabilities, has decreased slightly to 0.75 as at September 30, 2019, compared to our restated current ratio of 0.76 at December 31, 2018, due primarily to increases in both our accounts payable and accrued liabilities and advance ticket sales liability. During the first quarter of 2019, we finalized the sale and leaseback of our first three Boeing 787 aircraft deliveries, the proceeds from which helped fund our capital commitment requirements for 2019. In the first quarter of 2019, a gain of \$13.8 million on the sale and leaseback transactions was recorded in the condensed consolidated interim statement of earnings in accordance with IFRS 16.

In addition to our cash, cash equivalents and marketable securities balance of \$1,364.6 million at September 30, 2019, we have available our undrawn revolving credit facility of \$400.0 million, totaling \$1,764.6 million in unrestricted liquidity (please refer to the *Capital Resources* section on page 19 of this MD&A). The following table lists our restricted cash balances as at September 30, 2019 and December 31, 2018.

	September 30 2019	December 31 2018	Change
Cash held in trust for WestJet Vacations Inc.	52,556	79,403	(26,847)
Security on facilities for letters of guarantee	33,305	34,684	(1,379)
Passenger facility charges	1,383	1,528	(145)
Total restricted cash	87,244	115,615	(28,371)

Restricted cash associated with WestJet Vacations relates to vacation package sales to guests in Ontario and Quebec, where regulations require us to hold the cost of the vacation package in trust until the guest departs. Due to the seasonality of our vacation package sales, this balance generally decreases in the Canadian summer months and will increase later in the year when demand for travel to sun destinations increases. Additionally, for certain foreign jurisdictions, we are required to hold letters of guarantee for certain guest ticket taxes. The letters of guarantee were issued under our revolving letter of credit facility by assigning restricted cash.

Our cash, cash equivalents and marketable securities balance includes cash collected with respect to advance ticket sales. At September 30, 2019, we had cash, cash equivalents and marketable securities on hand of 1.63 (December 31, 2018 – 1.84) times our advance ticket sales balance. With our cash, cash equivalents and marketable securities on hand we have sufficient liquidity to meet our liabilities, when due, under both normal and stressed conditions. We continue to evaluate our future financing needs based on internal requirements and preparations for upcoming maturities of existing debt in light of the proposed acquisition of WestJet by Onex.

We monitor capital and liquidity using a number of measures, including the following ratios:

	September 30 2019	December 31 2018 ⁽ⁱ⁾	Change
Cash to TTM revenue ⁽ⁱⁱ⁾	27.0%	27.0%	—
Adjusted debt-to-equity ratio	0.97	1.13	(14.2%)
Net debt to EBITDA	1.00	1.59	(37.1%)

(i) We adopted IFRS 16 effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16. Please refer to page 23 of this MD&A for a description of the restatements performed under IFRS 16 and page 28 of this MD&A for a reconciliation of non-GAAP and additional GAAP measures.

(ii) In addition to our cash and cash equivalents, as of September 30, 2019, we have available our entire \$400.0 million revolving credit facility that expires in September 2022 (please refer to the *Capital Resources* section found on page 19 of this MD&A). Available funds from the credit facility have not been included in this ratio.

As of September 30, 2019, our cash to TTM revenue ratio was unchanged from December 31, 2018, at 27.0 per cent, which is consistent with our internal target of approximately 30 per cent. Our September 30, 2019 adjusted debt-to-equity ratio of 0.97 decreased from 1.13 at December 31, 2018, primarily due to the decrease in long-term debt following the maturity of our senior unsecured notes in July 2019. Our net debt to EBITDA ratio of 1.00 decreased from 1.59 at December 31, 2018 due primarily to increased net earnings in the period. These ratios continue to meet our internal threshold of not more than 2.5.

Select cash flow information

(\$ in thousands)	Three months ended September 30			Nine months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Cash provided by operating activities	453,399	304,319	149,080	1,066,953	703,391	363,562
Less:						
Cash used by investing activities	(96,656)	(109,067)	12,411	(150,370)	(430,896)	280,526
Cash used by financing activities	(534,150)	(117,564)	(416,586)	(764,624)	(300,831)	(463,793)
Cash flow from operating, investing and financing activities	(177,407)	77,688	(255,095)	151,959	(28,336)	180,295
Effect of foreign exchange on cash and cash equivalents	5,338	(5,774)	11,112	(7,554)	7,857	(15,411)
Net change in cash and cash equivalents	(172,069)	71,914	(243,983)	144,405	(20,479)	164,884
Cash and cash equivalents, beginning of period	1,502,280	1,054,683	447,597	1,185,806	1,147,076	38,730
Cash and cash equivalents, end of period	1,330,211	1,126,597	203,614	1,330,211	1,126,597	203,614

(i) We adopted IFRS 16 effective January 1, 2019 using the full retrospective transition method, and as such, certain comparative figures have been restated to conform with IFRS 16.

Operating cash flows

For the quarter ended September 30, 2019, our cash flow provided by operating activities increased 49.0 per cent to \$453.4 million compared to \$304.3 million in the same quarter of the prior year. Similarly, on a diluted per share basis, for the quarter ended September 30, 2019, our cash flow provided by operating activities increased 45.1 per cent to \$3.86 per share

compared to \$2.66 per share in the same period of the prior year (please refer to page 28 of this MD&A for a reconciliation of non-GAAP and additional GAAP measures).

For the nine months ended September 30, 2019, cash flow provided by operating activities increased 51.7 per cent to \$1,067.0 million compared to \$703.4 million in the same period of 2018. On a diluted per share basis, for the nine months ended September 30, 2019, our cash flow provided by operating activities increased 49.9 per cent to \$9.19 per share compared to \$6.13 per share in the same period of the prior year. The year-over-year increases for both the three and nine months ended September 30, 2019, compared to the same periods of 2018, were primarily due to the current year increase in earnings from operations and contributions from working capital.

Investing cash flows

For the three and nine months ended September 30, 2019, cash flow used by investing activities totaled \$96.7 million and \$150.4 million, respectively, as compared to \$109.1 million and \$430.9 million in the same periods of the prior year. The year-over-year decrease in cash outflows in both the three and nine-month periods is largely the result of reduced capital spending related to purchased aircraft and deposits on future deliveries. Additionally, included in the total cash used by investing activities for the nine months ended September 30, 2019 are the proceeds received in the first quarter of 2019 related to the sale and leaseback of our first three Boeing 787 aircraft deliveries.

Financing cash flows

For the three months ended September 30, 2019, our cash flow used by financing activities totaled \$534.2 million and \$764.6 million, respectively, compared to \$117.6 million and \$300.8 million in the same periods of 2018, due primarily to the repayment of our \$400.0 million senior unsecured notes in July 2019. Our financing activities in the third quarter of 2019 consisted mainly of cash outflows related to repayments of long-term debt and lease obligations of \$490.8 million, dividends paid of \$16.2 million and cash interest paid of \$22.2 million.

On adoption of IFRS 16, the repayment of lease obligations was reclassified from cash provided by operating activities to financing activities.

Free cash flow

Free cash flow is a non-GAAP measure that represents the cash that our company is able to generate after meeting its requirements to maintain or expand its asset base. It is a calculation of operating cash flow less the amount of cash used in investing activities related to property and equipment. Our free cash flow for the three and nine months ended September 30, 2019, was \$324.1 million and \$862.4 million, respectively, compared to \$162.9 million and \$223.7 million in the same periods of 2018. On a diluted per share basis, this equates to \$2.76 per share and \$7.43 per share for the three and nine months ended September 30, 2019, compared to \$1.42 per share and \$1.95 per share in the same periods of the prior year. The increase for both the three and nine months ended September 30, 2019 compared to the same periods of the prior year, is due to increased earnings combined with reduced capital expenditures for aircraft additions and, for the nine months ended September 30, 2019, the receipt of proceeds on the sale and leaseback transaction in the first quarter of 2019.

Please refer to page 28 of this MD&A for a reconciliation of non-GAAP and additional GAAP measures.

Capital Resources

At September 30, 2019, we had secured loans financing 11 Boeing 737 NG aircraft and 45 Q400 aircraft with a remaining secured debt balance of \$703.2 million, net of transaction costs. This debt is financed in Canadian dollars and has no financial covenants associated with it. As of the date of this MD&A, we have a total of 81 unencumbered aircraft, representing almost half of our total fleet. This provides us with additional liquidity to manage our capital resource requirements through varying arrangements such as direct sales, leaseback agreements and the issuance of secured or collateralized debt.

As at September 30, 2019, we have not drawn on our revolving credit facility and therefore the undisbursed portion of the credit facility was \$400 million, on which we pay a standby fee. Additionally, \$221.2 million of our four-year term credit facility, drawn using Canadian dollar bankers' acceptances, remained outstanding as at September 30, 2019. Interest is calculated by reference to the applicable base rate plus an applicable pricing margin based on our corporate debt credit ratings. Both our revolving and non-revolving credit facilities contain two financial covenants: (i) minimum pooled asset coverage ratio of 1.5 to 1, and (ii) minimum fixed charge coverage ratio of 1.25 to 1. At September 30, 2019, the Corporation was in compliance with both ratios.

Additionally, at September 30, 2019, the present value of future lease payments associated with our aircraft, real estate and equipment lease contracts, was \$888.0 million (December 31, 2018 - \$547.0 million). Our total outstanding long-term debt and lease obligations balance at September 30, 2019 was \$2,340.2 million, net of transaction costs (December 31, 2018 - \$2,526.0 million).

On July 23, 2019, the \$400 million Canadian dollar senior unsecured notes matured and were repaid in full. The notes were subsequently cancelled.

Finance cost

During the three and nine months ended September 30, 2019, we incurred \$22.1 million and \$69.9 million in interest (three and nine months ended September 30, 2018 - \$21.8 million and \$64.3 million) on our long-term debt and lease obligations. During the three and nine months ended September 30, 2019, \$3.9 million and \$10.1 million of this interest was capitalized (three and nine months ended September 30, 2018 - \$5.0 million and \$14.8 million) as it related to deposits paid for Boeing and Bombardier aircraft.

We mitigate the earnings impact of changing interest rates on our variable rate loans through our interest rate swap agreements to fix the interest rates over the term of the loans. At September 30, 2019, the interest rate swap contracts continue to meet the criteria for designation as effective cash flow hedges for accounting purposes. The following table presents the financial impact and statement presentation of the interest rate swap agreements on the condensed consolidated interim statement of financial position at September 30, 2019 and December 31, 2018 and on the condensed consolidated interim statement of earnings for the three and nine months ended September 30, 2019 and 2018:

(\$ in thousands)	Statement presentation	September 30	December 31
		2019	2018
Statement of Financial Position:			
Fair value	Prepaid expenses, deposits and other	489	2,743
Fair value	Accounts payable and accrued liabilities	(805)	(504)
Fair value	Other assets	—	40
Fair value	Other liabilities	(2,171)	(1,150)
Unrealized gain/(loss)	Hedge reserves (before tax)	(1,549)	2,067

(\$ in thousands)	Statement presentation	Three months ended September 30	
		2019	2018
Statement of Earnings:			
Realized gain	Finance costs	318	156

(\$ in thousands)	Statement presentation	Nine months ended September 30	
		2019	2018
Statement of Earnings:			
Realized gain	Finance costs	1,292	65

The fair value of the interest rate swap agreements is measured based on the difference between the fixed swap rate and the forward curve for the applicable floating interest rates obtained from the counterparty, which can be observed and corroborated in the marketplace. In addition to the interest rate swap agreements, in September 2016, we also entered into a cross currency interest rate swap to fix the cash flow exposure to fluctuations in the foreign exchange rate on the notional and interest portions of the US Dollar Notes (please refer to the section called *Foreign exchange* on page 13). Our financial instruments and risk management practices were summarized in our MD&A for the years ended December 31, 2018 and 2017. There have been no material changes in the nature of our financial instruments and risk management practices from that which was disclosed at that time.

Credit ratings

Following the announcement of the proposed acquisition of WestJet by Onex in May 2019, Moody's Investors Service placed our senior unsecured ratings under review for possible downgrades. Similarly, Standard and Poor's Rating Services placed our ratings, including our 'BBB-' long-term corporate credit rating on credit watch with possible negative implications.

Credit ratings are intended to provide investors with an external measure of our overall creditworthiness. Credit ratings are not recommendations to buy, sell or hold our securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that our ratings will remain in effect for any given period of time or that our ratings will not be revised or withdrawn entirely by the credit rating agencies in the future if, in their judgment, circumstances so warrant.

Contractual obligations and commitments

At September 30, 2019, our contractual obligations and commitments are indicated in the following table. In the table, all US dollar amounts have been converted at the foreign exchange rate in effect at September 30, 2019 and presented in Canadian dollars.

(\$ in thousands)	Total	< 1 year	2 - 3 years	4 - 5 years	Over 5 years
Long-term debt and lease repayments ⁽ⁱ⁾	2,635,226	541,650	1,044,302	396,006	653,268
Contractual commitments ⁽ⁱⁱ⁾	158,322	64,771	77,500	12,882	3,169
Purchase obligations ⁽ⁱⁱⁱ⁾	3,838,445	801,706	1,430,960	851,407	754,372
Total contractual obligations^(iv)	6,631,993	1,408,127	2,552,762	1,260,295	1,410,809

(i) Includes contractual principal and interest payments on long-term debt and lease obligations.

(ii) Relates to leases and commitments for computer hardware, software licenses and inflight entertainment.

(iii) Relates to obligations for our confirmed purchased aircraft deliveries for Boeing MAXs, Boeing 787-9s and spare engines.

(iv) Total contractual obligations exclude long-term liabilities, other than long-term debt and lease repayments, due to reasons of uncertainty of timing and amount of cash flows.

Our future US-dollar-denominated purchase commitments, including certain aircraft, are exposed to foreign exchange risk (please refer to the *Foreign exchange* section on page 13 of this MD&A). We plan to meet our contractual obligations and commitments through our current cash, cash equivalents and marketable securities balance which include the proceeds from the sale and leaseback of our first three Boeing 787 aircraft combined with cash flows from operations and future sources of financing. We continuously monitor the capital markets and assess financing alternatives available to us for our future aircraft deliveries. At this time, we are not aware of, nor do we reasonably expect, adverse changes to our future ability to access similar or other generally available sources of liquidity.

Contingencies

We are party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these and any outstanding matters will not have a material effect upon our financial position, results of operations or cash flows.

Fleet

During the third quarter of 2019, we returned one leased Boeing 737-700 aircraft to end the quarter with a fleet of 180 aircraft with an average age of 8.5 years. The combination of our firm commitments and lease renewal options help us to optimize the size and age of our fleet. This provides us with the flexibility within our firm commitments to end 2027 with a fleet size between 193 and 231 aircraft, depending on future decisions to renew leases.

Due to the ongoing closure of Canadian airspace to the Boeing MAX aircraft, we no longer anticipate further deliveries of this series of aircraft within the current year and have deferred our two Boeing MAX aircraft deliveries, previously scheduled for 2019, to 2020.

The following table illustrates our Boeing narrow body, Boeing wide body and Bombardier fleet as at September 30, 2019 and December 31, 2018 as well as our firm commitments through to 2027.

	Total		Future Deliveries							Total
	Dec. 31, 2018	Sep. 30, 2019	Q4 2019	2020	2021	2022	2023-24	2025-27	Total	2027
Boeing narrow-body aircraft										
737-600 NG	13	13	—	—	—	—	—	—	—	13
737-700 NG ⁽ⁱ⁾	54	52	—	—	—	—	—	—	—	52
737-800 NG ⁽ⁱⁱ⁾	48	48	—	—	—	—	—	—	—	48
737 MAX 7 ^{(iii)(iv)}	—	—	—	—	1	1	6	14	22	22
737 MAX 8 ^{(iii)(iv)(v)}	11	13	—	4	4	2	—	—	10	23
737 MAX 10 ^{(iii)(iv)}	—	—	—	—	—	6	5	1	12	12
Boeing wide-body aircraft										
767-300 ERW	4	4	—	—	—	—	—	—	—	4
787-9 Dreamliner ^{(iii)(vi)}	—	3	—	3	4	—	—	—	7	10
Total Boeing aircraft	130	133	—	7	9	9	11	15	51	184
Lease expiries	—	—	—	(4)	(11)	(4)	(13)	(4)	(36)	(36)
Boeing aircraft after lease expiries	130	133	—	3	(2)	5	(2)	11	15	148
Bombardier										
Q400 NextGen ^(vii)	47	47	—	—	—	—	—	—	—	47
Lease expiries	—	—	—	—	—	—	—	(2)	(2)	(2)
Bombardier aircraft after lease expiries	47	47	—	—	—	—	—	(2)	(2)	45
Fleet before lease expiries	177	180	—	7	9	9	11	15	51	231
Fleet after lease expiries	177	180	—	3	(2)	5	(2)	9	13	193

- (i) At September 30, 2019, of the 52 Boeing 737-700NG series aircraft in our fleet, 23 are leased (Dec. 31, 2018 – 25) and 29 are owned (Dec. 31, 2018 – 29).
(ii) At September 30, 2019, of the 48 Boeing 737-800NG series aircraft in our fleet, 14 are leased (Dec. 31, 2018 – 14) and 34 are owned (Dec. 31, 2018 – 34).
(iii) We have options to purchase an additional 17 Boeing 737 MAX aircraft and an additional 10 Boeing 787 aircraft between the years 2021 and 2026.
(iv) WestJet's Boeing 737 MAX 7 and MAX 8 aircraft orders can each be substituted for the other model of aircraft, or, beginning in 2022, for Boeing 737 MAX 10 aircraft.
(v) At September 30, 2019, of the 13 Boeing 737 MAX 8 series aircraft in our fleet, one is leased (Dec. 31, 2018 - nil) and 12 are owned (Dec. 31, 2018 - 11).
(vi) At September 30, 2019, all three of our Boeing 787 Dreamliner aircraft are leased.
(vii) At September 30, 2019, of the 47 Bombardier Q400 aircraft in our fleet, 2 are leased (Dec. 31, 2018 – 2) and 45 are owned (Dec. 31, 2018 – 45).

A total of three Saab 340B aircraft are also operated by Pacific Coastal, on behalf of WestJet, under a capacity purchase agreement.

Off balance sheet arrangements and related-party transactions

Fuel and de-icing facility corporations

We are a contracted party to 20 fuel facility arrangements and three de-icing facility arrangements whereby we participate under contract in Fuel Facility Corporations (FFCs) and De-icing Facility Corporations (DFCs), along with other airlines, to obtain fuel services and de-icing services at major Canadian and US airports. The FFCs and DFCs operate on a cost-recovery basis. The purpose of these corporations is to own and finance the systems that distribute fuel and de-icing fluid, to the contracting airlines, including the leasing of land rights, while providing the contracting airlines with preferential service and pricing over non-participating entities. The operating costs, including the debt service requirements, of the FFCs and DFCs are shared pro rata among the contracting airlines. These FFCs and DFCs are not consolidated within our accounts. In the remote event that all other contracting airlines withdraw from the arrangements and we remained as sole member, we would be responsible for the costs of the FFCs and DFCs, including debt service requirements. As at the date of this MD&A, these

corporations have combined total assets of approximately \$1,076.5 million and liabilities of approximately \$1,101.2 million, based on the FFCs and DFCs' most recently completed financial reports.

Related-party transactions

At September 30, 2019, we had no transactions with related parties as defined in *International Accounting Standard (IAS) 24 – Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship agreements.

Share capital

Outstanding share data

Our issued and outstanding voting shares, along with voting shares potentially issuable, are as follows:

	September 30, 2019	October 25, 2019
Total voting shares issued and outstanding⁽ⁱ⁾	115,756,219	115,763,546
Stock options	4,765,814	4,743,649
RSUs – Key employee and pilot plan	619,224	619,224
RSUs – Executive share unit plan	269,603	269,603
PSUs – Executive share unit plan	462,625	462,625
Total voting shares potentially issuable	6,117,266	6,095,102
Total outstanding and potentially issuable voting shares	121,873,485	121,858,648

(i) At September 30, 2019, 66,528,316 common voting shares were outstanding and 49,227,903 variable voting shares were outstanding.

Quarterly dividend

Our dividend is reviewed on a quarterly basis in light of our financial position, financing policies, cash flow requirements and other factors deemed relevant. On October 28, 2019, our Board of Directors declared our 2019 fourth quarter dividend of \$0.14 per common voting share and variable voting share payable on December 31, 2019 to shareholders of record on December 18, 2019. This remains consistent with the \$0.14 per share dividend declared and paid during the third quarter of 2019.

Accounting

Critical accounting judgments and estimates

Critical accounting judgments and estimates used in preparing our unaudited condensed consolidated interim financial statements are described in WestJet's 2018 annual MD&A and annual consolidated financial statements for the year ended December 31, 2018. The preparation of consolidated financial statements in conformity with GAAP requires management to make both judgments and estimates that could materially affect the amounts recognized in the financial statements. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment.

Other than judgments and estimates relating to the adoption of IFRS 16 during the period, described in Note 1 of the condensed consolidated interim financial statements, there have been no material changes to our critical accounting estimates and judgments during the three and nine months ended September 30, 2019.

IFRS adopted in period

In January 2016, the IASB issued IFRS 16, effective for annual and interim reporting periods beginning on or after January 1, 2019. This standard eliminates the classification of leases as either operating leases or finance leases for a lessee, and instead, all leases are capitalized by recognizing the present value of lease payments and presenting them as either leased assets or together with property and equipment. The service component of a lease agreement must be separated from the value of the asset and thus not reported on the statement of financial position; however, there is a practical expedient to combine lease and non-lease components. Purchase, renewal and termination options which are reasonably certain of being

exercised are also included in the measurement of the lease obligation. Lease obligations do not include variable lease payments other than those that depend on an index or rate. Entities have the option of using the full retrospective approach or a modified retrospective approach on transition to IFRS 16.

We adopted IFRS 16 at the required effective date of January 1, 2019, using the full retrospective transition method, and have restated 2018 comparative periods presented from that which was previously reported. The changes to our accounting policies and reconciliation of the adjustments to our condensed consolidated interim statement of financial position and condensed consolidated interim statement of earnings as a result of the application of IFRS 16, from those previously presented under prior IFRS standards, can be found in notes 1 and 2 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019.

We have elected to apply the recognition exemptions for all asset categories to short-term leases and leases for which the underlying asset is of low value. In addition, we have elected not to separate non-lease components from lease components for real estate leases. Instead, we have accounted for each lease component and any associated non-lease components as a single lease component. For all leases that have not been covered by these recognition exemptions described above, WestJet has recognized right-of-use assets and lease obligations measured under IFRS 16.

As at January 1, 2018, WestJet had 41 leased aircraft classified as operating leases as well as leased aircraft operated under our capacity purchase agreement with Pacific Coastal. Additionally, we have real estate contracts for leased office space at airports, land leases, storage space, hangar storage space, parking space and leased space for corporate head offices. Many of the real estate contracts have early termination and extension options that we have considered in assessing each respective lease term. Effective January 1, 2018, the present value of the future operating lease payments for aircraft, real estate and other qualifying operating lease arrangements were recognized as right-of-use assets and lease obligations in the statement of financial position. Additionally, certain qualifying mid-life maintenance events performed on leased aircraft that were previously provided for and recognized as maintenance expense have been capitalized as leasehold improvements under IFRS 16. Other assets and liabilities were adjusted on transition to remove the accounting impact of deferred rent and other lease incentives accounted for under previous IFRS guidance to reflect the right-of-use asset and lease obligation measurement requirements of IFRS 16.

As at January 1, 2018, the adoption of IFRS 16 resulted in a decrease in retained earnings of \$55.9 million due to the cumulative impact of unrealized losses on foreign exchange on the revaluation of US-dollar-denominated lease obligations. Additionally, as certain components of right-of-use assets relating to aircraft leases are depreciated over the shorter of the lease term and useful life, the value of these right-of-use assets at the date of adoption was lower than the present value of remaining lease payments.

Upon adoption of IFRS 16, qualifying operating leases are no longer expensed as aircraft leasing expense or other operating expenses. These lease contracts are now being recognized as right-of-use assets which are depreciated and a lease obligation liability which now includes a portion of the lease payments being recognized as finance costs. Certain lease contracts that are short-term or are comprised of variable lease payments and do not meet the criteria for recognition as a lease in the statement of financial position continue to be expensed on a straight-line basis over the lease term and presented in other operating expenses.

The lease obligations recognized under IFRS 16 are monetary liabilities of which the majority are denominated in US dollars, which differs from our Canadian dollar reporting currency. This results in increased volatility in the measurement of the lease obligations on the statement of financial position, as well as the gain (loss) on foreign exchange line item in the statement of earnings due to the remeasurement of these liabilities at the foreign exchange rate in effect at the end of each reporting period.

In the statement of cash flows, repayments of lease obligations have been reclassified from cash flow from operating activities to cash flow from financing activities in accordance with IFRS 16.

The condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 include the additional disclosures required under IFRS 16 as they relate to our portfolio of leases as well as the revision to Note 15 Commitments in such financial statements to exclude future lease payments related to leased aircraft, real estate contracts and leased equipment as these payments have been recognized as lease obligations in the statement of financial position on adoption of IFRS 16.

The following table summarizes the impact of IFRS 16 on certain key financial ratios and operational performance metrics:

(\$ in thousands, except ratio and per share amounts)	Three months ended September 30, 2018		
	Previously reported	Restated IFRS 16	Change
Financial ratios and operational performance metrics			
CASM (cents)	13.32	13.06	(2.0%)
CASM, excluding fuel and employee profit share (cents)	9.36	9.10	(2.8%)
Free cash flow	114,647	162,913	48,226
Diluted free cash flow per share	1.00	1.42	42.0%

(\$ in thousands, except ratio and per share amounts)	Nine months ended September 30, 2018		
	Previously reported	Restated IFRS 16	Change
Financial ratios and operational performance metrics			
CASM (cents)	13.83	13.64	(1.4%)
CASM, excluding fuel and employee profit share (cents)	10.05	9.86	(1.9%)
Free cash flow	100,603	223,677	123,074
Diluted free cash flow per share	0.88	1.95	121.6%
Current ratio	0.78	0.76	(2.6%)

(\$ in thousands, except ratio and per share amounts)	Twelve months ended December 31, 2018		
	Previously reported	Restated IFRS 16	Change
Financial ratios and operational performance metrics			
CASM (cents)	13.90	13.76	(1.0%)
CASM, excluding fuel and employee profit share (cents)	10.11	9.98	(1.3%)
Adjusted debt ⁽ⁱ⁾	3,026,730	2,525,960	(500,770)
Adjusted equity	2,295,711	2,242,291	(53,420)
Adjusted debt-to-equity	1.32	1.13	(14.4%)
Adjusted net debt	1,747,153	1,246,383	(500,770)
EBITDA	728,885	784,172	55,287
Adjusted net debt-to-EBITDA	2.40	1.59	(33.8%)
Free cash flow	128,675	285,403	156,728
Diluted free cash flow per share	1.12	2.49	122.3%
Current ratio	0.78	0.76	(2.6%)
ROIC	5.0%	4.4%	(0.6 pts.)

(i) Prior to the transition to IFRS 16, our adjusted debt measure included an adjustment for off-balance-sheet aircraft operating leases which was calculated by multiplying the TTM of aircraft leasing expense by a multiplier of 7.5, consistent with airline industry practice, to derive a present value debt equivalent. This estimate exceeded actual aircraft lease obligations recognized on application of IFRS 16.

Please refer to page 28 of this MD&A for a reconciliation of the non-GAAP measures and additional GAAP measures.

The financial ratios in the tables above have been restated to reflect the application of IFRS 16 on a full retrospective method of adoption. The previous reported measures, such as adjusted debt, adjusted net debt, and ROIC, included adjustments to the related financial statement line items to reflect the estimated impact of off-balance sheet lease contracts. On application of IFRS 16, the actual impact of accounting for these contracts as lease obligations on the statement of position was determined to be lower than the estimated impact, resulting in a decrease to the adjusted debt measure after restatement.

Future accounting pronouncements

As at the date of this MD&A, there have been no accounting pronouncements issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are applicable to WestJet and have effective dates subsequent to the current reporting period.

Controls and procedures

Disclosure controls and procedures (DC&P)

DC&P are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the chief executive officer (CEO) and the chief financial officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal control over financial reporting (ICFR)

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Management is responsible for establishing and maintaining adequate ICFR.

Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; and are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our condensed consolidated interim financial statements.

Because of its inherent limitations, ICFR can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The CEO and the CFO have concluded that there were no changes in our ICFR during the interim period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Forward-looking information

This MD&A offers our assessment of WestJet's future plans, operations and outlook and contains "forward-looking information" as defined under applicable Canadian securities legislation, including without limitation:

Forward looking statement	Key assumptions	Heading	Page
We intend to continue to build diversity and frequency in our network through portfolio management of our fleet.	Based on our strategic plan and network planning as well as aircraft delivery schedules.	<i>About WestJet</i>	2
Our expectations concerning the receipt of the remaining regulatory approval for the Arrangement and the anticipated closing of the transaction.	Remaining regulatory approval will be received in a timely manner.	<i>Acquisition by Onex Corporation</i>	4
The approval of the joint venture with Delta	Regulatory approval from the Department of Transportation in the United States will be received in a timely manner.	<i>Network expansion and fleet</i>	5
Our expectation that Canadian airspace will be opened to the Boeing MAX series aircraft in 2020.	Certification approval by Transport Canada will occur following the successful completion of certification test flights by Boeing.	<i>Network expansion and fleet</i>	5
Our estimate of our sensitivity of fuel costs to changes in crude oil and sensitivity to changes in fuel pricing to the change in the value of the Canadian dollar versus of the US dollar.	Forecasted jet fuel prices of US \$81 per barrel for the fourth quarter of 2019. Average foreign exchange rate of approximately 1.33 Canadian dollars to one US dollar.	<i>Aircraft fuel</i>	10

We will continue to monitor and adjust to movements in fuel prices and may re-visit our hedging strategy as changing markets and competitive conditions warrant.	Based on our current risk management policies.	<i>Aircraft fuel</i>	10
Our estimate of our sensitivity in our annual unhedged operating costs and our future US-denominated purchase obligations to the change in the value of the Canadian dollar versus the US dollar.	Average foreign exchange rate of approximately 1.33 Canadian dollars to one US dollar.	<i>Foreign exchange</i>	13
Our expectation that we will generate sufficient cash in both the short and long-term to maintain our current capacity and fund our future planned growth, as well as generate positive free cash flow.	Based on our current business strategy and forecasted performance.	<i>Liquidity</i>	17
Our plan to meet contractual obligations and commitments through our current cash, cash equivalents and marketable securities balance.	Based on our current business strategy and forecasted performance.	<i>Contractual obligations and commitments</i>	21
We expect that the future outcome of our current legal proceedings and claims will not have a material effect upon our financial position, results of operations or cash flows.	Based on our current legal counsel assessment.	<i>Contingencies</i>	21

Definition of key operating indicators

Our key operating indicators are airline industry metrics, which are useful in assessing the operating performance of an airline.

Available seat miles (ASM): A measure of total guest capacity, calculated by multiplying the number of seats available for guest use in an aircraft by stage length.

Average stage length: The average distance of a non-stop flight leg between take-off and landing as defined by International Air Transport Association (IATA) guidelines.

Cost per available seat mile (CASM): Operating expenses divided by available seat miles.

Departures: One flight, counted by the aircraft leaving the ground and landing.

Load factor: A measure of total capacity utilization, calculated by dividing revenue passenger miles by total available seat miles.

Revenue passenger miles (RPM): A measure of guest traffic, calculated by multiplying the number of segment guests by stage length.

Revenue per available seat mile (RASM): Total revenue divided by available seat miles.

Segment guest: Any person who has been booked to occupy a seat on a flight leg and is not a member of the crew assigned to the flight.

Utilization: Operating hours per day per operating aircraft.

Yield (revenue per revenue passenger mile): A measure of unit revenue, calculated as the gross revenue generated per revenue passenger mile.

Non-GAAP and additional GAAP measures

The following non-GAAP and additional GAAP measures are used to monitor our financial performance:

Adjusted equity: The sum of share capital, equity reserves and retained earnings, excluding hedge reserves. This measure is used in the calculation of adjusted debt-to-equity.

Net debt: Long-term debt and lease obligations less cash and cash equivalents. This measure is used in the calculation of net debt to EBITDA, as defined below.

EBITDA: Earnings before net finance costs, taxes, depreciation and amortization and other items, such as asset impairments, gains and losses on derivatives, and foreign exchange gains or losses. TTM EBITDA is a measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft. The impact of gains and losses on derivatives and foreign exchange gains and losses have also been adjusted in our calculation of this measure, as these impacts are not able to be controlled by management nor are reflective of our core operating performance.

Cash to TTM of revenue: Cash as a percentage of the TTM revenue is a measure commonly used in the airline industry to compare liquidity positions, adjusting for seasonality that may occur within a financial year.

CASM, excluding fuel and employee profit share: CASM is a common measure used in the airline industry to measure an airline's cost structure and efficiency. We exclude the effects of aircraft fuel expense and employee profit share expense to assess the operating performance of our business. Fuel expense is excluded from our operating results because fuel prices are affected by a host of factors outside our control. Additionally, employee profit share expense is excluded as it varies based on the outcome of our net earnings. Excluding these expenses allows us to analyze our operating results relative to those of other airlines.

Return on invested capital: ROIC is a measure commonly used in the airline industry to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on our earnings before tax, excluding special items and finance costs. Invested capital includes average long-term debt, average lease obligations and average shareholders' equity.

Free cash flow: Operating cash flow less capital expenditures. This measure is used to calculate the amount of cash available that can be used to pursue other opportunities after maintaining and expanding the asset base.

Diluted free cash flow per share: Free cash flow divided by the diluted weighted average number of shares outstanding. This metric measures our ability to generate operating cash flows after capital expenditures on a per share basis. This metric can be used as a proxy for earnings per share and reflects WestJet's solvency and ability to repay debt, pay dividends, and buy back stock.

Diluted operating cash flow per share: Cash flow from operations divided by diluted weighted average shares outstanding. Measures our financial strength and our ability to generate cash from our operations on a per share basis.

Reconciliation of non-GAAP and additional GAAP measures

The following provides a reconciliation of non-GAAP and additional GAAP measures to the nearest measure under GAAP for items presented throughout this MD&A.

CASM, excluding fuel and employee profit share

(\$ in thousands)	Three months ended September 30			Nine months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Operating expenses	1,205,202	1,159,989	45,213	3,573,915	3,386,509	187,406
Aircraft fuel expense	(304,616)	(343,276)	38,660	(902,828)	(926,688)	23,860
Employee profit share expense	(20,692)	(8,276)	(12,416)	(27,482)	(11,403)	(16,079)
Operating expenses, excluding fuel and employee profit share	879,894	808,437	71,457	2,643,605	2,448,418	195,187
ASMs	8,838,226,376	8,880,077,461	(0.5%)	25,439,381,217	24,830,673,928	2.5%
CASM, excluding above items (cents)	9.96	9.10	9.5%	10.39	9.86	5.4%

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

CASM, excluding fuel and employee profit share

The table below presents our restated CASM, excluding fuel and employee profit share measure for the 12 months ended December 31, 2018, as a result of the application of IFRS 16, as well as the measure which was previously presented in our 2018 annual MD&A.

(\$ in thousands)	Twelve months ended December 31		
	2018 ⁽ⁱ⁾	2018	Change
Operating expenses	4,533,970	4,578,235	(44,265)
Aircraft fuel expense	(1,231,632)	(1,231,632)	—
Employee profit share expense	(15,937)	(15,937)	—
Operating expenses, adjusted	3,286,401	3,330,666	(44,265)
ASMs	32,939,257,510	32,939,257,510	—
CASM, excluding above items (cents)	9.98	10.11	(1.3%)

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

Adjusted debt-to-equity

(\$ in thousands)	September 30	December 31	Change
	2019	2018 ⁽ⁱ⁾	
Long-term debt and lease obligations⁽ⁱⁱ⁾	2,340,150	2,525,960	(185,810)
Total shareholders' equity	2,410,175	2,249,147	161,028
Add: Hedge reserves	8	(6,856)	6,864
Adjusted equity	2,410,183	2,242,291	167,892
Adjusted debt-to-equity	0.97	1.13	(14.2%)

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

(ii) At September 30, 2019, long-term debt includes the current portion of long-term debt and lease obligations of \$470,116 (December 31, 2018 – \$675,953) and long-term debt and lease obligations of \$1,870,034 (December 31, 2018 – \$1,850,007).

Net debt to EBITDA⁽ⁱ⁾

(\$ in thousands)	September 30	December 31	Change
	2019	2018 ⁽ⁱⁱ⁾	
Long-term debt and lease obligations	2,340,150	2,525,960	(185,810)
Less: Cash and cash equivalents	(1,364,554)	(1,279,577)	(84,977)
Adjusted net debt	975,596	1,246,383	(270,787)
Trailing 12 months net earnings	214,832	93,984	120,848
Add:			
Net finance costs ⁽ⁱⁱⁱ⁾	67,077	38,090	28,987
Taxes	52,088	45,341	6,747
Depreciation and amortization	619,948	580,630	39,318
Other ^(iv)	18,118	26,126	(8,008)
EBITDA	972,063	784,171	187,892
Adjusted net debt to EBITDA^(v)	1.00	1.59	(37.1%)

(i) All net earnings adjustments included in the metric above reflect the earnings impact for the trailing 12-month period.

(ii) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

(iii) At September 30, 2019, net finance costs include the trailing 12 months of finance income of \$36,630 (December 31, 2018 – \$29,421) and the trailing 12 months of finance cost of \$103,707 (December 31, 2018 – \$67,511).

(iv) At September 30, 2019, other includes non-operating acquisition costs of \$12,638 (December 31, 2018 – \$nil), the trailing 12 months foreign exchange loss of \$5,046 (December 31, 2018 – loss of \$27,373) and loss on derivatives of \$434 (December 31, 2018 – gain of \$1,247).

(v) At September 30, 2019 and December 31, 2018, the Corporation met its internal guideline of an adjusted net debt to EBITDA and an adjusted net debt to adjusted EBITDA measure of less than 2.50.

Free cash flow

(\$ in thousands)	Three months ended September 30			Nine months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change	2019	2018 ⁽ⁱ⁾	Change
Cash provided by operating activities	453,399	304,319	149,080	1,066,953	703,391	363,562
Adjusted for:						
Aircraft additions ⁽ⁱⁱ⁾	(119,595)	(121,168)	1,573	(153,817)	(417,169)	263,352
Other property and equipment and intangible additions ⁽ⁱ⁾	(9,709)	(20,239)	10,530	(50,748)	(62,546)	11,798
Free cash flow	324,095	162,912	161,183	862,388	223,676	638,712
Weighted average number of shares outstanding - diluted	117,505,438	114,434,230	3,071,208	116,146,224	114,769,890	1,376,334
Diluted free cash flow per share	2.76	1.42	94.4%	7.43	1.95	281.0%

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

(ii) Aircraft additions and other property and equipment and intangible additions above are net of proceeds from disposals and exclude non-cash amounts included in the consolidated statement of cash flows.

Free cash flow

The table below presents our restated free cash flow measure for the twelve months ended December 31, 2018, as a result of the application of IFRS 16, as well as the measure which was previously presented in our 2018 annual MD&A.

(\$ in thousands, except per share data)	Twelve months ended December 31		
	2018 ⁽ⁱ⁾	2018	Change
Cash flow from operating activities	940,766	758,580	182,186
Adjusted for:			
Aircraft additions ⁽ⁱⁱ⁾	(495,235)	(495,235)	—
Other property and equipment and intangible additions ⁽ⁱⁱⁱ⁾	(160,128) ⁽ⁱⁱⁱ⁾	(134,670)	(25,458)
Free cash flow	285,403	128,675	156,728
Weighted average number of shares outstanding - diluted	114,553,266	114,553,266	—
Diluted free cash flow per share	2.49	1.12	122.3%

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

(ii) Aircraft additions and other property and equipment and intangible additions above are net of proceeds from disposals and exclude non-cash amounts included in the consolidated statement of cash flows.

(iii) December 31, 2018 Other property and equipment and intangible additions has been recast from the amount disclosed in the MD&A for the period ending March 31, 2019, whereby the net cash additions decreased by \$9,420 from the previously disclosed amount.

Diluted operating cash flow per share

(\$ in thousands, except per share data)	Three months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change
Cash provided by operating activities	453,399	304,319	149,080
Weighted average number of shares outstanding - diluted	117,505,438	114,434,230	3,071,208
Diluted operating cash flow per share	3.86	2.66	45.1%

(\$ in thousands, except per share data)	Nine months ended September 30		
	2019	2018 ⁽ⁱ⁾	Change
Cash provided by operating activities	1,066,953	703,391	363,562
Weighted average number of shares outstanding - diluted	116,146,224	114,769,890	1,376,334
Diluted operating cash flow per share	9.19	6.13	49.9%

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

Cash to trailing 12 months revenue

(\$ in thousands)	September 30 2019	December 31 2018	Change
Cash, cash equivalents and marketable securities	1,364,554	1,279,577	84,977
TTM revenue	5,056,777	4,733,462	323,315
Cash to TTM revenue⁽ⁱ⁾	27.0%	27.0%	—

(i) At September 30, 2019 and December 31, 2018, the Corporation was within its internal guideline of cash to TTM revenue of approximately 30 per cent.

Return on invested capital

(\$ in thousands)	September 30 2019	December 31 2018 ⁽ⁱ⁾	Change
Earnings before income taxes (TTM)	266,920	139,325	127,595
Special item ⁽ⁱⁱ⁾	12,638	—	12,638
Adjusted earnings before income taxes (TTM)	279,558	139,325	140,233
Add:			
Finance costs	103,707	67,511	36,196
Return	383,265	206,836	176,429
Invested capital:			
Average long-term debt and lease obligations ⁽ⁱⁱⁱ⁾	2,443,471	2,526,573	(83,102)
Average shareholders' equity	2,330,363	2,226,033	104,330
Invested capital	4,773,834	4,752,606	21,228
Return on invested capital	8.0%	4.4%	3.6 pts.

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

(ii) At September 30, 2019, special item includes non-operating acquisition costs of \$12,638 (December 31, 2018 – \$nil).

(iii) Average long-term debt is comprised of the current portion and long-term portion of long-term debt and lease obligations.

Return on invested capital

The table below presents our restated ROIC measure for the twelve months ended December 31, 2018, as a result of the application of IFRS 16, as well as the measure which was previously presented in our 2018 annual MD&A.

(\$ in thousands)	December 31 2018 ⁽ⁱ⁾	December 31 2018	Change
Earnings before income taxes (TTM)	139,325	135,882	3,443
Add:			
Finance costs	67,511	57,027	10,484
Implicit interest in operating leases ⁽ⁱⁱ⁾	—	73,344	(73,344)
Return	206,836	266,253	(59,417)
Invested capital:			
Average long-term debt and lease obligations ⁽ⁱⁱⁱ⁾	2,526,573	2,014,002	512,571
Average shareholders' equity	2,226,033	2,280,711	(54,678)
Off-balance sheet aircraft leases ^(iv)	—	1,047,773	(1,047,773)
Invested capital	4,752,606	5,342,486	(589,880)
Return on invested capital	4.4%	5.0%	(0.6 pts.)

(i) This measure has been restated from that which was previously disclosed under prior IFRS guidance as a result of the application of IFRS 16.

(ii) Interest implicit in operating leases is equal to 7.0 per cent of 7.5 times the trailing 12 months of aircraft lease expense. 7.0 per cent is a proxy and does not necessarily represent actual interest for any given period.

(iii) Average long-term debt is comprised of the current portion and long-term portion of long-term debt and lease obligations.

(iv) Off-balance-sheet aircraft operating leases are calculated by multiplying the trailing 12 months of aircraft leasing expense by 7.5. At December 31, 2018, the trailing 12 months of aircraft leasing expenses totalled \$139,703.