

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

| (in thousands of Canadian dollars) | Notes | As at July 31, 2019 \$ | As at October 31, 2018 Restated [note 3] \$ |
|--|-------|------------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | | 723,843 | 593,654 |
| Cash and cash equivalents in trust or otherwise reserved | 6 | 198,031 | 287,735 |
| Trade and other receivables | | 159,465 | 139,979 |
| Income taxes receivable | | 2,351 | 11,405 |
| Inventories | | 13,203 | 14,464 |
| Prepaid expenses | | 60,159 | 68,890 |
| Derivative financial instruments | | 9,386 | 20,413 |
| Current portion of deposits | | 7,999 | 20,250 |
| Current assets | | 1,174,437 | 1,156,790 |
| Cash and cash equivalents reserved | 6 | 51,224 | 51,184 |
| Deposits | | 45,641 | 41,742 |
| Income taxes receivable | | 15,100 | 15,100 |
| Deferred tax assets | | 32,155 | 14,954 |
| Property, plant and equipment | | 235,721 | 201,478 |
| Intangible assets | | 38,773 | 42,689 |
| Derivative financial instruments | | 6 | 84 |
| Investment | 7 | 17,336 | 16,084 |
| Other assets | | 31,140 | 26,685 |
| Non-current assets | | 467,096 | 410,000 |
| | | 1,641,533 | 1,566,790 |
| LIABILITIES | | | |
| Trade and other payables | | 342,267 | 320,732 |
| Current portion of provision for overhaul of leased aircraft | 8 | 25,478 | 27,313 |
| Income taxes payable | | 3,320 | 1,117 |
| Customer deposits and deferred revenues | | 611,094 | 517,352 |
| Derivative financial instruments | | 8,846 | 2,766 |
| Current liabilities | | 991,005 | 869,280 |
| Provision for overhaul of leased aircraft | 8 | 36,362 | 29,915 |
| Other liabilities | 10 | 94,847 | 92,025 |
| Derivative financial instruments | | 3,147 | 679 |
| Deferred tax liabilities | | 685 | 3,252 |
| Non-current liabilities | | 135,041 | 125,871 |
| EQUITY | | | |
| Share capital | 11 | 221,012 | 219,684 |
| Share-based payment reserve | | 15,948 | 18,017 |
| Retained earnings | | 294,376 | 340,766 |
| Unrealized gain on cash flow hedges | | (5,596) | 1,971 |
| Cumulative exchange differences | | (10,253) | (8,799) |
| | | 515,487 | 571,639 |
| | | 1,641,533 | 1,566,790 |

See accompanying notes to unaudited interim condensed consolidated financial statements

NOTICE

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

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

| | Notes | Quarters ended July 31 | | Nine-month periods ended July 31 | |
|--|-------|------------------------|----------------------------|----------------------------------|----------------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| (in thousands of Canadian dollars, except per share amounts) | | \$ | Restated [note 3] \$ | \$ | Restated [note 3] \$ |
| Revenues | | 698,916 | 664,569 | 2,243,895 | 2,180,112 |
| Operating expenses | | | | | |
| Costs of providing tourism services | | 111,772 | 121,856 | 714,710 | 759,923 |
| Aircraft fuel | | 158,049 | 158,018 | 369,529 | 341,878 |
| Salaries and employee benefits | | 105,826 | 100,060 | 309,569 | 290,488 |
| Aircraft maintenance | | 76,579 | 62,708 | 198,981 | 170,540 |
| Sales and distribution costs | | 44,432 | 45,433 | 169,249 | 172,070 |
| Airport and navigation fees | | 46,070 | 44,864 | 113,575 | 105,708 |
| Aircraft rent | | 30,186 | 32,090 | 109,885 | 95,611 |
| Other airline costs | | 75,603 | 73,803 | 188,942 | 183,865 |
| Other | | 28,216 | 23,600 | 81,714 | 74,871 |
| Share of net loss (income) of a joint venture | | 359 | (343) | 432 | (693) |
| Depreciation and amortization | | 15,710 | 13,215 | 46,852 | 43,294 |
| Special items | 14 | 13,731 | — | 13,731 | — |
| | | 706,533 | 675,304 | 2,317,169 | 2,237,555 |
| Operating income (loss) | | (7,617) | (10,735) | (73,274) | (57,443) |
| Financing costs | | 397 | 424 | 1,181 | 1,504 |
| Financing income | | (5,469) | (4,725) | (16,309) | (13,307) |
| Change in fair value of fuel-related derivatives and other derivatives | | 8,819 | 140 | 9,110 | (8,932) |
| Gain on business disposals | 5 | (8) | — | (8) | (31,064) |
| Foreign exchange loss (gain) on non-current monetary items | | 900 | (451) | 22 | 21 |
| Income (loss) before income tax expense | | (12,256) | (6,123) | (67,270) | (5,665) |
| Income taxes (recovery) | | | | | |
| Current | | (1,141) | (130) | (84) | (2,417) |
| Deferred | | (385) | (1,301) | (16,593) | (6,458) |
| | | (1,526) | (1,431) | (16,677) | (8,875) |
| Net income (loss) for the period | | (10,730) | (4,692) | (50,593) | 3,210 |
| Net income (loss) attributable to: | | | | | |
| Shareholders | | (11,043) | (5,045) | (53,475) | (302) |
| Non-controlling interests | | 313 | 353 | 2,882 | 3,512 |
| | | (10,730) | (4,692) | (50,593) | 3,210 |
| Earnings (loss) per share | 11 | | | | |
| Basic | | (0.29) | (0.13) | (1.42) | (0.01) |
| Diluted | | (0.29) | (0.13) | (1.42) | (0.01) |

See accompanying notes to unaudited interim condensed consolidated financial statements

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

| | Quarters ended July 31 | | Nine-month periods ended July 31 | |
|---|------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| | 2019 | 2018 Restated <i>[note 3]</i> | 2019 | 2018 Restated <i>[note 3]</i> |
| (in thousands of Canadian dollars) | \$ | \$ | \$ | \$ |
| Net income (loss) for the period | (10,730) | (4,692) | (50,593) | 3,210 |
| Other comprehensive income (loss) | | | | |
| Items that will be reclassified to net income (loss) | | | | |
| Change in fair value of derivatives designated as cash flow hedges | (8,792) | (5,251) | (21,736) | 3,842 |
| Reclassification to net income (loss) | 2,667 | 1,066 | 11,416 | (7,648) |
| Deferred taxes | 1,645 | 1,130 | 2,753 | 1,019 |
| | (4,480) | (3,055) | (7,567) | (2,787) |
| Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries | (5,233) | (1,886) | (1,454) | 2,099 |
| Total other comprehensive income (loss) | (9,713) | (4,941) | (9,021) | (688) |
| Comprehensive income (loss) for the period | (20,443) | (9,633) | (59,614) | 2,522 |
| Comprehensive income (loss) for the period attributable to: | | | | |
| Shareholders | (19,845) | (10,571) | (62,496) | (1,331) |
| Non-controlling interests | (598) | 938 | 2,882 | 3,853 |
| | (20,443) | (9,633) | (59,614) | 2,522 |

See accompanying notes to unaudited interim condensed consolidated financial statements

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

| | | | Accumulated other comprehensive income (loss) | | | | | | |
|--|----------------|-----------------------------------|---|---|---|-------------------------------|----------------------------------|--------------------------------------|--|
| | Share capital | Share-based payment reserve | Retained earnings Restated [note 3] | Unrealized gain (loss) on cash flow hedges Restated [note 3] | Cumulative exchange differences Restated [note 3] | Total Restated [note 3] | Non- controlling interests | Total equity Restated [note 3] | |
| (in thousands of Canadian dollars) | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Balance as at October 31, 2017 | 215,444 | 17,817 | 330,856 | 3,849 | (10,385) | 557,581 | — | 557,581 | |
| Net income for the period | — | — | 3,210 | — | — | 3,210 | 3,512 | 6,722 | |
| Other comprehensive income (loss) | — | — | — | (2,787) | 1,758 | (1,029) | 341 | (688) | |
| Comprehensive income (loss) for the period | — | — | 3,210 | (2,787) | 1,758 | 2,181 | 3,853 | 6,034 | |
| Issued from treasury | 1,205 | — | — | — | — | 1,205 | — | 1,205 | |
| Exercise of options | 2,627 | (794) | — | — | — | 1,833 | — | 1,833 | |
| Vesting of PSUs | — | (1,198) | — | — | — | (1,198) | — | (1,198) | |
| Share-based payment expense | — | 1,724 | — | — | — | 1,724 | — | 1,724 | |
| Dividends | — | — | — | — | — | — | (3,302) | (3,302) | |
| Reclassification of non-controlling interest liabilities | — | — | — | — | — | — | (210) | (210) | |
| Reclassification of non-controlling interest exchange difference | — | — | — | — | 341 | 341 | (341) | — | |
| | 3,832 | (268) | — | — | 341 | 3,905 | (3,853) | 52 | |
| Balance as at July 31, 2018 | 219,276 | 17,549 | 334,066 | 1,062 | (8,286) | 563,667 | — | 563,667 | |
| Net income for the period | — | — | 3,241 | — | — | 3,241 | 30 | 3,271 | |
| Other comprehensive income (loss) | — | — | 1,624 | 909 | (1,167) | 1,366 | 654 | 2,020 | |
| Comprehensive income (loss) for the period | — | — | 4,865 | 909 | (1,167) | 4,607 | 684 | 5,291 | |
| Issued from treasury | 350 | — | — | — | — | 350 | — | 350 | |
| Exercise of options | 58 | (18) | — | — | — | 40 | — | 40 | |
| Share-based payment expense | — | 486 | — | — | — | 486 | — | 486 | |
| Fair value changes of non-controlling interest | — | — | 1,835 | — | — | 1,835 | (1,835) | — | |
| Reclassification of non-controlling interest liabilities | — | — | — | — | — | — | 1,805 | 1,805 | |
| Reclassification of non-controlling interest exchange difference | — | — | — | — | 654 | 654 | (654) | — | |
| | 408 | 468 | 1,835 | — | 654 | 3,365 | (684) | 2,681 | |
| Balance as at October 31, 2018 | 219,684 | 18,017 | 340,766 | 1,971 | (8,799) | 571,639 | — | 571,639 | |
| Net income (loss) for the period | — | — | (53,475) | — | — | (53,475) | 2,882 | (50,593) | |
| Other comprehensive income (loss) | — | — | — | (7,567) | (1,454) | (9,021) | — | (9,021) | |
| Comprehensive income (loss) for the period | — | — | (53,475) | (7,567) | (1,454) | (62,496) | 2,882 | (59,614) | |
| Issued from treasury | 940 | — | — | — | — | 940 | — | 940 | |
| Exercise of options | 388 | (120) | — | — | — | 268 | — | 268 | |
| Vesting of PSUs | — | (19) | — | — | — | (19) | — | (19) | |
| Share-based payment expense | — | 1,612 | — | — | — | 1,612 | — | 1,612 | |
| Reclassification to liabilities | — | (3,542) | — | — | — | (3,542) | — | (3,542) | |
| Dividends | — | — | — | — | — | — | (2,196) | (2,196) | |
| Fair value changes of non-controlling interest | — | — | 7,085 | — | — | 7,085 | (7,085) | — | |
| Reclassification of non-controlling interest liabilities | — | — | — | — | — | — | 6,399 | 6,399 | |
| | 1,328 | (2,069) | 7,085 | — | — | 6,344 | (2,882) | 3,462 | |
| Balance as at July 31, 2019 | 221,012 | 15,948 | 294,376 | (5,596) | (10,253) | 515,487 | — | 515,487 | |

See accompanying notes to unaudited interim condensed consolidated financial statements

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

| | Quarters ended July 31 | | Nine-month periods ended July 31 | |
|--|------------------------|------------------------------|----------------------------------|------------------------------|
| | 2019 | 2018 Restated [note 3] | 2019 | 2018 Restated [note 3] |
| (in thousands of Canadian dollars) | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Net income (loss) for the period | (10,730) | (4,692) | (50,593) | 3,210 |
| Operating items not involving an outlay (receipt) of cash: | | | | |
| Depreciation and amortization | 15,710 | 13,215 | 46,852 | 43,294 |
| Change in fair value of fuel-related derivatives and other derivatives | 8,819 | 140 | 9,110 | (8,932) |
| Gain on business disposals | (8) | — | (8) | (31,064) |
| Foreign exchange loss (gain) on non-current monetary items | 900 | (451) | 22 | 21 |
| Share of net loss (income) of a joint venture | 359 | (343) | 432 | (693) |
| Deferred taxes | (385) | (1,301) | (16,593) | (6,458) |
| Employee benefits | 736 | 700 | 2,218 | 2,100 |
| Share-based payment expense | 555 | 610 | 1,612 | 1,724 |
| | 15,956 | 7,878 | (6,948) | 3,202 |
| Net change in non-cash working capital balances related to operations | (52,142) | (27,524) | 219,687 | 241,377 |
| Net change in provision for overhaul of leased aircraft | 5,595 | 5,713 | 4,612 | 11,973 |
| Net change in other assets and liabilities related to operations | (5,623) | (2,468) | (7,715) | 8,754 |
| Cash flows related to operating activities | (36,214) | (16,401) | 209,636 | 265,306 |
| INVESTING ACTIVITIES | | | | |
| Additions to property, plant and equipment and other intangible assets | (27,979) | (17,243) | (77,369) | (42,503) |
| Increase in cash and cash equivalents reserved | — | — | (40) | (1,084) |
| Consideration paid for a business acquisition | (1,690) | — | (1,690) | — |
| Consideration received on business disposals, net of cash disposed of | 784 | — | 1,884 | 26,493 |
| Cash flows related to investing activities | (28,885) | (17,243) | (77,215) | (17,094) |
| FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of shares | 467 | 439 | 1,208 | 3,038 |
| Repurchase of shares related to stock-based compensation | — | (17) | — | (556) |
| Dividends paid by a subsidiary to a non-controlling shareholder | (1,395) | (1,183) | (2,196) | (3,302) |
| Cash flows related to financing activities | (928) | (761) | (988) | (820) |
| Effect of exchange rate changes on cash and cash equivalents | (6,452) | (1,648) | (1,244) | (51) |
| Net change in cash and cash equivalents | (72,479) | (36,053) | 130,189 | 247,341 |
| Cash and cash equivalents held for sale, beginning of period | — | — | — | 26,324 |
| Cash and cash equivalents, beginning of period | 796,322 | 903,300 | 593,654 | 593,582 |
| Cash and cash equivalents, end of period | 723,843 | 867,247 | 723,843 | 867,247 |
| Supplementary information (as reported in operating activities) | | | | |
| Net income taxes paid (recovered) | (14,980) | 155 | (12,674) | 10,136 |
| Interest paid | 246 | 76 | 681 | 246 |

See accompanying notes to unaudited interim condensed consolidated financial statements

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

Note 1 CORPORATE INFORMATION

Transat A.T. Inc. [the "Corporation"], headquartered at 300 Léo-Pariseau Street, Montréal, Québec, Canada, is incorporated under the Canada Business Corporations Act. Its Class A Variable Voting Shares and Class B Voting Shares are listed on the Toronto Stock Exchange and traded under a single ticker, namely "TRZ."

Transat A.T. Inc. is an integrated company specializing in the organization, marketing and distribution of holiday travel in the tourism industry. The core of its business consists of a tour operator based in Canada which is vertically integrated with its other services of air transportation, distribution through a dynamic travel agency network, value-added services at travel destinations and accommodations.

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended July 31, 2019 were approved by the Corporation's Board of Directors on September 11, 2019.

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

Note 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

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

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

REVENUE RECOGNITION

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

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

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

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

BREAKDOWN OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

| | Quarters ended | | Nine-month periods ended | |
|-----------------------|----------------|----------------|--------------------------|------------------|
| | July 31 | | July 31 | |
| | 2019 | 2018 | 2019 | 2018 |
| | | Restated | | Restated |
| | | [note 3] | | [note 3] |
| | \$ | \$ | \$ | \$ |
| Customers | | | | |
| Transatlantic | 495,258 | 470,859 | 653,256 | 620,840 |
| Americas | 194,582 | 185,425 | 1,542,659 | 1,512,735 |
| Other | 9,076 | 8,285 | 47,980 | 46,537 |
| Total revenues | 698,916 | 664,569 | 2,243,895 | 2,180,112 |

CONTRACT BALANCES

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

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

Contract balances with customers are detailed as follows:

| | As at | As at | As at |
|--|---------------|------------------|------------------|
| | July 31, 2019 | October 31, 2018 | October 31, 2017 |
| | | Restated | Restated |
| | | [note 3] | [note 3] |
| | \$ | \$ | \$ |
| Trade accounts receivable, included in Trade and other receivables | 36,977 | 30,831 | 33,486 |
| Contract costs, included in Prepaid expenses | 30,900 | 38,414 | 43,537 |
| Customer deposits and deferred revenues | 611,094 | 517,352 | 440,411 |

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

RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

On June 27, 2019, the Corporation announced that it needed to restate its consolidated financial statements and MD&A for the year ended October 31, 2018 as well as for the first quarter ended January 31, 2019 and the second quarter ended April 30, 2019. Management has concluded that a restatement of its consolidated financial statements was necessary regarding the carrying amount of the non-controlling interest in the Trafictours Canada Inc. subsidiary.

The carrying amount of the non-controlling interest is related to the Trafictours Canada Inc. subsidiary and the right of the minority shareholder to require the Corporation to purchase the Trafictours Canada Inc. shares it holds at a price calculated in accordance with a pre-determined formula, subject to adjustment based on the circumstances, payable in cash. The estimated repurchase value of this option is taken into account in the carrying amount of the non-controlling interest. The difference results from the application of a different formula than as per the contract for the calculation of the purchase price of the minority interest. As a result, the liability for the non-controlling interest reported under Trade and other payables in the consolidated statements of financial position is undervalued by \$25,900, \$23,290 and \$20,521 as at October 31, 2018, January 31, 2019 and April 30, 2019, respectively. These undervaluations had no impact on the Corporation's consolidated statements of income for the aforementioned periods as these adjustments are recorded as equity transactions in Retained earnings.

As part of the restatement of its consolidated financial statements as at October 31, 2018, the Corporation reviewed subsequent events up to September 11, 2019, the new date of authorization to publish the financial statements for the year ended October 31, 2018. On June 5, 2019, the Corporation settled, without admission of liability, for an amount of US\$5.0 million [\$6.7 million], a litigation whereby plaintiffs alleged misappropriation of confidential information and solicitation of employees; this amount was recorded under Special items in the restated consolidated statement of income for the year ended October 31, 2018 and derecognized in the restated consolidated statements of income for the period ended April 30, 2019. This adjustment is included under Trade and other payables and Retained earnings in the restated consolidated statements of financial position as at October 31, 2018. No provision was recorded in the financial statements as at October 31, 2018 as initially published as it was not possible to determine with any degree of certainty the extent of any financial liability that would have arisen had the Corporation been unsuccessful in its defence of this lawsuit.

IFRS 9, FINANCIAL INSTRUMENTS

IFRS 9, *Financial Instruments*, addresses the classification and measurement of financial assets and financial liabilities and introduces a forward-looking expected loss impairment model as well as a substantially reformed approach to hedge accounting. IFRS 9 supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The Corporation adopted IFRS 9 on November 1, 2018 with retrospective application and restatement of comparative figures. The main changes are explained below.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. Financial assets previously classified as "loans and receivables" are now included in the "amortized cost" category. With respect to financial liabilities, trade and other payables that were formerly classified as "other financial liabilities" are now included in the "amortized cost" category. The Corporation has determined that this change has no other impact on its consolidated financial statements, particularly with respect to the measurement of financial assets and financial liabilities.

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

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

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

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

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15, *Revenue from Contracts with Customers*, supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 specifies the steps and timing of revenue recognition for issuers, and requires the provision of more informative and relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the expected consideration receivable in exchange for those goods or services. IFRS 15 was applied retrospectively on November 1, 2018 with an adjustment to the opening consolidated statement of financial position as at November 1, 2017 and the consolidated statement of income (loss) for the quarter and nine-month period ended on July 31, 2018. The main changes are explained below.

The practical expedient of paragraph C5(d) of IFRS 15 was applied. For the periods before the date of initial application, the Corporation does not need to disclose the amount of the transaction price allocated to the remaining performance obligations nor an explanation of when it expects to recognize that amount as revenue.

REVENUE FROM PASSENGER AIR TRANSPORTATION

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

REVENUE FROM THE LAND PORTION OF HOLIDAY PACKAGES

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

REVENUE FROM TRAVEL AGENCY COMMISSIONS

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

REPORTING REVENUE GROSS OR NET

All airport taxes are reported net as a result of new criteria set out in IFRS 15. Prior to the adoption of IFRS 15, revenue from certain airport taxes was reported gross. The impact on the consolidated statement of income (loss) for the quarter and nine-month period ended July 31, 2018 consisted of decreases of \$26,363 and \$134,472, respectively, in revenue and the corresponding costs. For the year ended October 31, 2018, the impact on the consolidated statement of income consisted of a \$156,430 decrease in revenue and the corresponding costs.

Prior to the adoption of IFRS 15, some revenues were reported net of commission costs. These revenues are now reported on a gross basis, with the corresponding commission costs reported under Selling and distribution costs. The impact on the consolidated statement of

income (loss) for the quarter and nine-month period ended July 31, 2018 consisted of increases of \$4,101 and \$9,927, respectively, in revenue and the corresponding costs. For the year ended October 31, 2018, the impact on the consolidated statement of income consisted of a \$12,955 increase in revenue and the corresponding costs. This reclassification had no impact on operating results.

STATEMENT OF INCOME (LOSS) PRESENTATION

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

RECOGNIZING THE COSTS OF OBTAINING A CONTRACT

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

IMPACT ON PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

| | Quarter ended July 31, 2018 | | | | |
|--|-----------------------------|---------|----------|--------------|-------------------|
| | Before adjustments | IFRS 9 | IFRS 15 | Presentation | After adjustments |
| | \$ | \$ | \$ | \$ | \$ |
| Consolidated statement of income (loss) | | | | | |
| Revenues | 696,551 | — | (31,982) | — | 664,569 |
| Costs of providing tourism services | 173,939 | — | (34,136) | (17,947) | 121,856 |
| Sales and distribution costs | — | — | 4,895 | 40,538 | 45,433 |
| Commission | 11,072 | — | — | (11,072) | — |
| Other | 35,119 | — | — | (11,519) | 23,600 |
| Total operating expenses | 704,545 | — | (29,241) | — | 675,304 |
| Operating income (loss) | (7,994) | — | (2,741) | — | (10,735) |
| Change in fair value of fuel-related derivatives and other derivatives | 1,512 | (1,372) | — | — | 140 |
| Deferred income taxes | (939) | 365 | (727) | — | (1,301) |
| Net income (loss) for the period | (3,685) | 1,007 | (2,014) | — | (4,692) |
| Net income (loss) attributable to shareholders | (4,038) | 1,007 | (2,014) | — | (5,045) |
| Earnings (loss) per share | | | | | |
| Basic | (0.11) | 0.03 | (0.05) | — | (0.13) |
| Diluted | (0.11) | 0.03 | (0.05) | — | (0.13) |

| | Nine-month periods ended July 31, 2018 | | | | |
|--|--|--------|-----------|--------------|-------------------|
| | Before adjustments | IFRS 9 | IFRS 15 | Presentation | After adjustments |
| Consolidated statement of income (loss) | \$ | \$ | \$ | \$ | \$ |
| Revenues | 2,324,314 | — | (144,202) | — | 2,180,112 |
| Costs of providing tourism services | 974,883 | — | (151,686) | (63,274) | 759,923 |
| Sales and distribution costs | — | — | 2,391 | 169,679 | 172,070 |
| Commission | 78,079 | — | — | (78,079) | — |
| Other | 103,197 | — | — | (28,326) | 74,871 |
| Total operating expenses | 2,386,850 | — | (149,295) | — | 2,237,555 |
| Operating income (loss) | (62,536) | — | 5,093 | — | (57,443) |
| Change in fair value of fuel-related derivatives and other derivatives | (9,069) | 137 | — | — | (8,932) |
| Deferred income taxes | (7,773) | (36) | 1,351 | — | (6,458) |
| Net income (loss) for the period | (431) | (101) | 3,742 | — | 3,210 |
| Net income (loss) attributable to shareholders | (3,943) | (101) | 3,742 | — | (302) |
| Earnings (loss) per share | | | | | |
| Basic | (0.11) | — | 0.10 | — | (0.01) |
| Diluted | (0.11) | — | 0.10 | — | (0.01) |

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

Note 4 FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 16, LEASES

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

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

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

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

IFRIC 23, UNCERTAINTY OVER INCOME TAX TREATMENTS

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

Note 5 BUSINESS DISPOSALS

JONVIEW CANADA INC.

On November 30, 2017, the Corporation completed the sale of its wholly owned subsidiary Jonview Canada Inc. ["Jonview"], which has an incoming tour operator business in Canada, to Japanese multinational H.I.S. Co. Ltd., which specializes in travel distribution, following approval of the transaction by the Competition Bureau of Canada and compliance with other customary conditions. Under the terms of the agreement, the selling price amounted to \$48,896. During the quarter ended July 31, 2019, the Corporation recorded a \$289 downward adjustment to the gain on business disposal related to the amount claimed by H.I.S. Co. Ltd. for uncollected trade receivables as at May 31, 2019. During the nine-month period ended July 31, 2018, the Corporation recognized a gain on business disposal of \$31,264.

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

OCEAN HOTELS

On October 4, 2017, the Corporation completed the sale of its 35% minority interest in Ocean Hotels to H10 Hotels. Under the terms of the agreement, on March 8, 2018, the selling price was adjusted downward by US\$1,500 [\$1,935] to US\$149,000 [\$185,565]. During the nine-month period ended July 31, 2018, as a result of additional transaction costs incurred in connection with the closing of the transaction, the Corporation recognized a \$200 downward adjustment to the gain on business disposal.

Note 6 CASH AND CASH EQUIVALENTS IN TRUST OR OTHERWISE RESERVED

As at July 31, 2019, cash and cash equivalents in trust or otherwise reserved included \$187,339 [\$276,038 as at October 31, 2018] in funds received from customers, primarily Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included \$61,916, \$51,224 of which was recorded as non-current assets [\$62,881 as at October 31, 2018, \$51,184 of which was recorded as non-current assets], which was pledged as collateral security against letters of credit.

Note 7 INVESTMENT

The change in the Corporation's 50% investment in a joint venture, Desarollo Transimar, is detailed as follows:

| | \$ |
|------------------------------------|---------------|
| Balance as at October 31, 2018 | 16,084 |
| Capital contribution | 1,690 |
| Share of net loss | (432) |
| Translation adjustment | (6) |
| Balance as at July 31, 2019 | 17,336 |

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

Note 8 PROVISION FOR OVERHAUL OF LEASED AIRCRAFT

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

| | \$ |
|---------------------------------------|---------------|
| Balance as at October 31, 2018 | 57,228 |
| Additional provisions | 17,445 |
| Utilization of provisions | (18,428) |
| Balance as at April 30, 2019 | 56,245 |
| Additional provisions | 9,916 |
| Utilization of provisions | (4,321) |
| Balance as at July 31, 2019 | 61,840 |
| Current provisions | 25,478 |
| Non-current provisions | 36,362 |
| Balance as at July 31, 2019 | 61,840 |

Note 9 LONG-TERM DEBT

The Corporation has a \$50,000 revolving credit facility agreement for operating purposes. Under the agreement, which expires in 2022, the Corporation may increase the credit limit to \$100,000, subject to lender approval. The agreement may be extended for a year on each anniversary date subject to lender approval and the balance becomes immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars, U.S. dollars, euros or pounds sterling. The agreement is secured by a first movable hypothec on the universality of assets, present and future, of the Corporation's Canadian subsidiaries, subject to certain exceptions, and is further secured by the pledging of certain marketable securities of its main European subsidiaries. The credit facility bears interest at the bankers' acceptance rate, the financial institution's prime rate or LIBOR, plus a premium. The terms of the agreements require the Corporation to comply with certain financial ratios and conditions. As at July 31, 2019, all financial ratios and conditions were met and the credit facility was undrawn.

The Corporation also has a \$75,000 annually renewable revolving credit facility in respect of which the Corporation must pledge cash totalling 100% of the amount of the issued letters of credit as collateral security. As at July 31, 2019, \$56,058 had been drawn down under the facility [\$56,151 as at October 31, 2018], \$51,224 of which was to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure obligations under senior executive defined benefit pension agreements will be drawn down.

Note 10 OTHER LIABILITIES

| | As at July 31, 2019 | As at October 31, 2018 Restated [note 3] |
|--|------------------------|---|
| | \$ | \$ |
| Employee benefits | 41,870 | 40,388 |
| Deferred lease incentives | 52,977 | 51,637 |
| Non-controlling interests | 42,300 | 48,700 |
| | 137,147 | 140,725 |
| Less: Non-controlling interests included in Trade and other payables | (42,300) | (48,700) |
| | 94,847 | 92,025 |

Note 11 EQUITY

AUTHORIZED SHARE CAPITAL

CLASS A VARIABLE VOTING SHARES

An unlimited number of participating Class A Variable Voting Shares ["Class A Shares"] which may be owned or controlled only by non-Canadians as defined by the Canada Transportation Act ["CTA"].

Following the entry into force, on May 8, 2019, of the plan of arrangement approved by the Corporation's shareholders and the Superior Court of Québec, the Class A Shares carry one vote per share at any meeting of shareholders subject to an automatic reduction of the voting rights attached thereto in the event that [i] any non-Canadian, individually or with persons of the same group, holds more than 25% of the votes cast, [ii] any non-Canadian authorized to provide an air service in any jurisdiction (in aggregate) holds more than 25% of the votes cast, or [iii] the votes that would be cast by holders of Class A Shares would be more than 49%. If any of the above-mentioned applicable limitations are exceeded, the votes that should be attributed to holders of Class A Shares will be attributed as follows:

- first, if applicable, there will be a reduction in the voting rights of any non-Canadian individual (including a non-Canadian authorized to provide an air service) whose votes total more than 25% of the votes cast, so that such non-Canadian holder may never hold more than 25% (or such other percentage as may be prescribed by an act or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast at a meeting;
- next, if applicable, and once the pro rata distribution as described above is made, a further pro rata reduction will be made in the voting rights of all holders of Class A non-Canadian Shares authorized to provide an air service, so that such non-Canadian holders may never hold votes totalling more than 25% (or such other percentage as may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast, all classes combined, at a meeting;
- last, if applicable, and once the two pro rata allocations described above have been made, a proportional reduction will be made in the voting rights of all holders of Class A Shares, so that all non-Canadian holders of Class A Shares may never hold votes totalling more than 49% (or such other percentage as may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast, all classes combined, at a meeting.

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

CLASS B VOTING SHARES

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

PREFERRED SHARES

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

ISSUED AND OUTSTANDING SHARE CAPITAL

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

| | Number of shares | \$ |
|---------------------------------------|-------------------|----------------|
| Balance as at October 31, 2017 | 37,063,626 | 215,444 |
| Issued from treasury | 144,124 | 1,205 |
| Exercise of options | 287,485 | 2,627 |
| Balance as at July 31, 2018 | 37,495,235 | 219,276 |
| Issued from treasury | 44,661 | 350 |
| Exercise of options | 5,439 | 58 |
| Balance as at October 31, 2018 | 37,545,335 | 219,684 |
| Issued from treasury | 169,862 | 940 |
| Exercise of options | 31,893 | 388 |
| Balance as at July 31, 2019 | 37,747,090 | 221,012 |

As at July 31, 2019, the number of Class A Shares and Class B Shares stood at 4,552,685 and 33,194,405, respectively [2,931,020 and 34,614,315, respectively, as at October 31, 2018].

STOCK OPTION PLAN

| | Number of options | Weighted average price (\$) |
|--|-------------------|-----------------------------|
| Balance as at October 31, 2018 | 1,786,588 | 10.13 |
| Exercised | (31,893) | 8.41 |
| Cancelled | (4,125) | 15.76 |
| Expired | (2,000) | 10.52 |
| Balance as at July 31, 2019 | 1,748,570 | 10.15 |
| Options exercisable as at July 31, 2019 | 1,428,716 | 10.09 |

EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

| | Quarters ended | | Nine-month periods ended | |
|---|----------------|----------------------|--------------------------|----------------------|
| | July 31 | | July 31 | |
| | 2019 | 2018 | 2019 | 2018 |
| | | Restated [note 3] | | Restated [note 3] |
| (in thousands of dollars, except per share data) | \$ | \$ | \$ | \$ |
| NUMERATOR | | | | |
| Net income (loss) attributable to shareholders of the Corporation used in computing basic and diluted earnings (loss) per share | (11,043) | (5,045) | (53,475) | (302) |
| DENOMINATOR | | | | |
| Adjusted weighted average number of outstanding shares | 37,728 | 37,463 | 37,648 | 37,351 |
| Effect of dilutive securities | | | | |
| Stock options | — | — | — | — |
| Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share | 37,728 | 37,463 | 37,648 | 37,351 |
| Earnings (loss) per share | | | | |
| Basic | (0.29) | (0.13) | (1.42) | (0.01) |
| Diluted | (0.29) | (0.13) | (1.42) | (0.01) |

Given the losses recorded for the quarter and nine-month period ended July 31, 2019, all 1,748,570 outstanding stock options [1,809,699 in 2018] were excluded from the calculation due to their anti-dilutive effect.

Note 12 GUARANTEES

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

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

Notes 6, 8, 16, 23 and 24 to the restated consolidated financial statements for the year ended October 31, 2018 provide information about some of these agreements. The following constitutes additional disclosure.

OPERATING LEASES

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. These leases expire at various dates through 2034. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance coverage in such circumstances.

COLLATERAL SECURITY CONTRACTS

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

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, at the request of regulatory agencies, for the performance of the obligations included in mandates by its customers during the term of the licences granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at July 31, 2019, the total amount of these guarantees unsecured by deposits amounted to \$472. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2019, no amounts had been accrued with respect to the above-mentioned agreements.

IRREVOCABLE CREDIT FACILITY UNSECURED BY DEPOSITS

In addition, the Corporation has a guarantee facility that is renewable in 2020. Under this agreement, the Corporation may issue collateral security contracts with a maximum three-year term and for a total amount of \$50,000. As at July 31, 2019, an amount of \$25,185 had been drawn down under the facility.

Note 13 SEGMENTED DISCLOSURE

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation's operations are mainly in the Americas. Revenues and non-current assets outside the Americas are not material. Therefore, the consolidated statements of income and consolidated statements of financial position include all the required information.

Note 14 SPECIAL ITEMS

Special items generally include the restructuring charges and other significant unusual items. For the quarter ended July 31, 2019, professional fees of \$5,990 and compensation expenses of \$7,741 were recorded in connection with the potential acquisition of the Corporation by Air Canada. The compensation expenses are mainly related to the stock-based compensation plans which include a change of control clause and to adjustments related to stock-based compensation plan provisions subsequent to the significant rise in the share price. Compensation expenses recorded as special items result from Air Canada's offer, which makes it likely that the change of control criteria included in some of the Corporation's stock-based compensation plans will be met, and also reduces the vesting period.

Note 15 SUBSEQUENT EVENTS

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

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