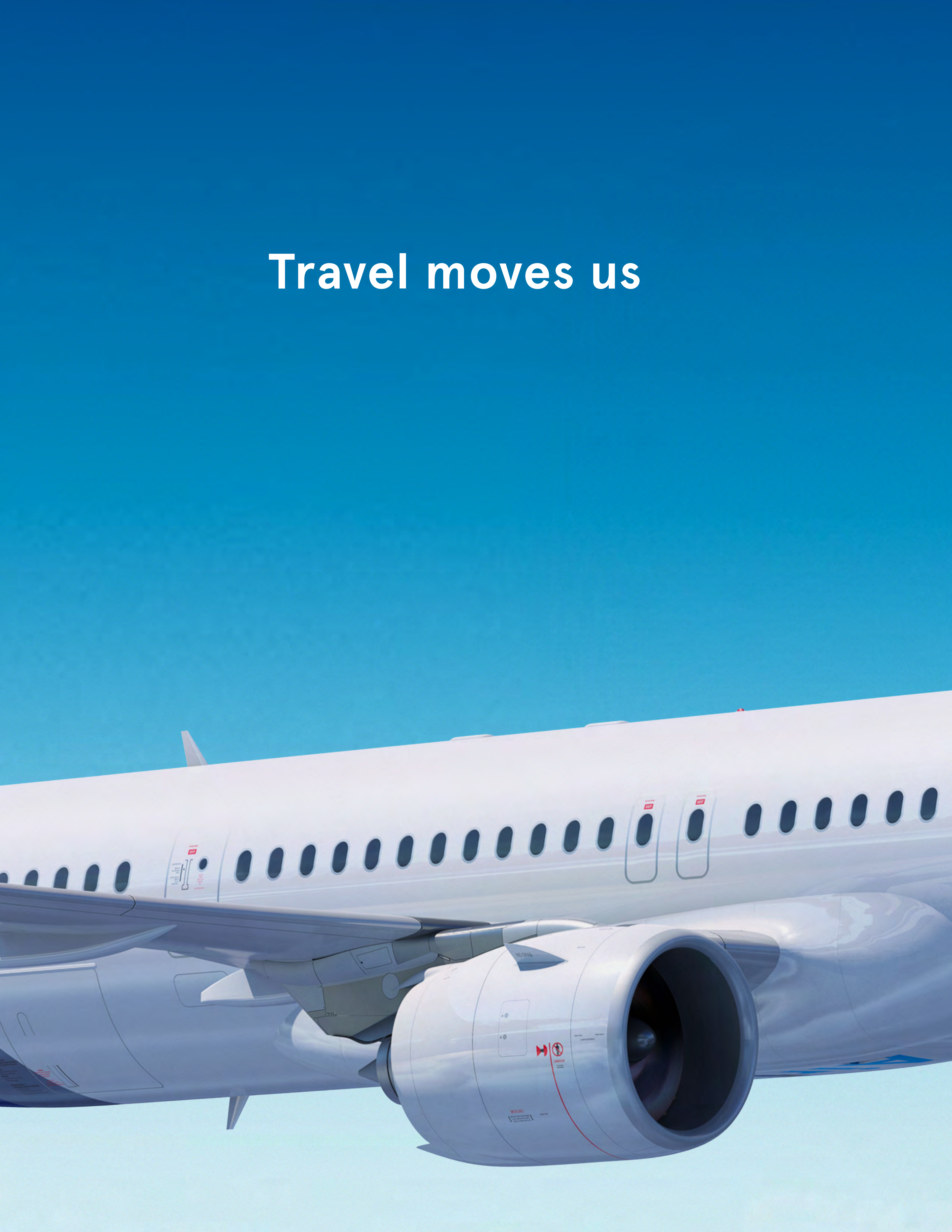
transat

ANNUAL REPORT
2023


Travel moves us

Senior Management

**As at October 31, 2023*

Annick Guérard

President and Chief Executive Officer

Joseph Adamo

President, Transat Distribution Canada

Chief Sales and Marketing Officer

Michèle Barre

Chief Revenue Officer

Patrick Bui

Chief Financial Officer

Bernard Bussières

Chief Legal and Government Relations Officer and Corporate Secretary

Debbie Cabana

Director, Office of the President and Chief Executive Officer

Julie Lamontagne

Chief People, Sustainability and Communications Officer

Marc-Philippe Lumpé

Chief Operations Officer

Bamba Sissoko

Chief Information Officer

Board of Directors

Annick Guérard
President and Chief Executive Officer, Transat
1

Susan Kudzman
President of the Board of Directors
Corporate Director
1 5

Geneviève Brouillette
Chief Financial Officer, Aldo Group
2

Lucie Chabot
Corporate Director
1 2 3

Valérie Chort
Corporate Director
4 5

Robert Coallier
Corporate Director
2 3

Daniel Desjardins
Corporate Director
1 2 4

Stéphane Lefebvre
President and Chief Executive Officer, Cirque du Soleil
2

Bruno Matheu
President and Founder, BLM Consulting
4

Ian Rae
President and Chief Executive Officer, Aptum Inc.
3 4

Julie Tremblay
Corporate Director
1 3 5

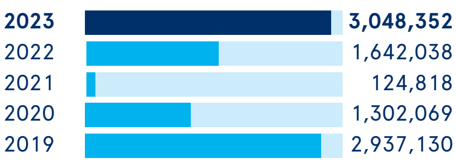
Committees

1. Executive Committee
2. Audit Committee
3. Human Resources and Compensation Committee
4. Risk Management and Corporate Responsibility Committee
5. Governance and Nomination Committee

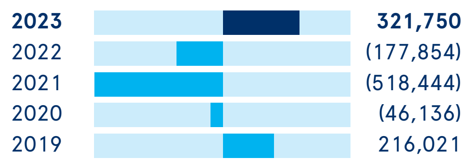
2023 Highlights

(in thousands of dollars, except per share amounts and ratios)

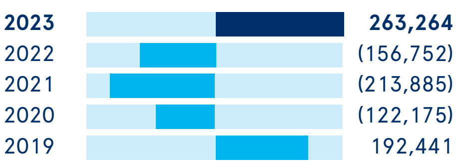
Revenues



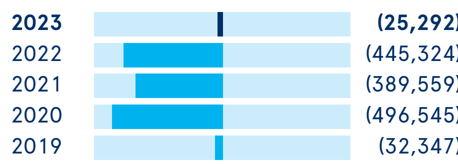
Cash flows related to operating activities



Adjusted operating income (loss)[1]



Net loss for the year



	2023	2022	Difference ($)	Difference (%)
Revenues	3,048,352	1,642,038	1,406,314	85.6
Operating income (loss)	89,733	(303,420)	393,153	129.6
Adjusted operating (loss)[1]	263,264	(156,752)	420,016	267.9
Net loss for the year	(25,292)	(445,324)	420,032	94.3
Diluted loss per share	(0.66)	(11.77)	11.11	94.4
Cash flows related to operating activities	321,750	(177,854)	499,604	280.9
Cash and cash equivalents	435,647	322,535	113,112	35.1
Total assets	2,569,370	2,271,131	298,239	13.1
Long-tem debt (including current portion)	669,145	664,160	4,985	0.8
Debt ratio[2]	1.30	1.33	(0.03)	(2.3)
Stock price as at October 31 (TRZ)	3.01	2.60	0.41	15.8
Oustanding shares, end of year (in thousands)	38,489	38,012	477	1.3

1 See Non-IFRS financial measures section.

2 Debt ratio: total liabilities divided by total assets.

Susan Kudzman

Chair of the Board of Directors

Looking toward the future

As fiscal year 2023 began, we hoped demand would hold up. It did, and Transat was able to leverage this momentum with reliable execution and effective cost control. It was an excellent year. Transat gained altitude every quarter in 2023. In the third quarter, the Company even recorded the highest adjusted operating income in its history and a positive adjusted net income for the first time since 2019.

Transat operates in the niche that is experiencing the steadiest recovery—leisure travel—and in this market, Transat still stands out for its quality of service. A company's quality and reputation are merely a reflection of the people behind it. I would like to start by thanking our customers for their loyalty and congratulating our teams for their commitment and excellence.

With this strong recovery, Transat has shifted back into development mode, adding destinations, forging partnerships, and proceeding with the renewal of its fleet. The Company's financial position has improved. Demand has sustained prices and generated dynamic revenue, while liquidity levels have improved. The impact of the debt accumulated during the crisis has lightened. The economic environment is still uncertain, but Transat has regained velocity to weather the turbulence ahead.

Changes on the Board of Directors

Fiscal 2023 was my first as Chair of this board, on which I have served for 10 years. Throughout the year, much effort was made to onboard and train the Board members, the majority of whom joined us less than two years ago. The aim was to complement the management skills that earned them a seat at the table in the first place with a fine understanding of current airline industry challenges and to create a successful and united team that will support Transat in its recovery and transformation. Throughout 2023, the Board was also involved in important discussions concerning the Company's refinancing and the recent announcement of a commercial joint venture with our partner Porter. I would like to express my heartfelt thanks to my colleagues for their commitment and continued support of Transat.

Transat stays the course

The Board also ensured the 2022-2026 strategic plan remained our guide and was being executed upon. This plan, refocusing Transat around its airline activities, is key to the Company's growth. The plan is being deftly implemented by the President and Chief Executive Officer, Annick Guérard, and the management team, who all have our support. The Board also collaborated on the corporate responsibility report, which provides an update on the progress made by Transat in terms of environmental protection, social engagement and good corporate governance (ESG). Diversity, equity and inclusion (DEI) has been the focus of many projects. Diversity is core to Transat, at every level. Being myself part of an immigrant family, I am pleased to see the Company maintaining close ties with cultural communities. I would also like to point out Transat's distinction of having two women at its helm—on the Board of Directors and running the company.

At the end of fiscal 2023, I would like to thank the Government of Canada, which partnered with Transat and the industry in the wake of the crisis and recovery. There is much to be done to ensure the sustainable future of travel, particularly in terms of regulation, infrastructure and the local development of sustainable aviation fuel, and we wish to maintain this constructive dialogue with the federal government.

Lastly, I would like to thank our shareholders for their trust and patience. They make this unique company possible. Transat inspires pride and commitment at every level, among its workers, its partners, and its customers. Our blue star shines bright and strong.

Confidence, vigilance and recognition

Annick Guérard
President and CEO

In 2023, green cast its hue on all our indicators and the year ended on an enthusiastic note. We rolled out a capacity equivalent to 95% to that of 2019, and demand was neck and neck with the level of that benchmark year. The number of travellers forced prices up. Revenue followed a similar trend, increasing by $111.2 million over the same period, while unit revenue, expressed in passenger-mile (or yield), increased by an average of 24.5% on all of our flights.

With a buoyant market, Transat posted very satisfactory operating results. Adjusted operating income reached a record $114.8 million in the third quarter. Not only that, the third quarter was also the first fully profitable quarter since 2019, with an adjusted net income of $42.3 million. After this solid fiscal year, the first full post-pandemic year, Transat is breathing easier. Compared with 2022, available liquidity has increased by more than 30%. Financial pressure is still high, but we are honouring all our commitments and are hard at work developing Transat's extraordinary potential.

The importance of travel

The strength of the recovery is mainly attributable to the large number of travellers who turned out in force as soon as the authorization was given for regular operations to resume in the spring of 2022. Since then, demand has surpassed forecasts. One of the main lessons we learned from these difficult times is how important it is to travel, to reunite with loved ones and connect with new people. It appears that travel is a priority expense for many, one that appears to prevail and to resist the rising cost of living and the economic slowdown. But for how much longer?

We are not letting our guard down

It is great to see such enthusiasm on the part of travellers, but we must not let our guard down. The context calls for vigilance. We can still expect headwinds and challenging situations. By the end of 2023, the economic slowdown could be felt in many sectors, and despite people's desire to travel, demand could lessen.

Geopolitical tensions can still cause sharp fluctuations in fuel prices. Travel logistics are not as smooth as they used to be, and delays can occur at airports. Aircraft manufacturers are still experiencing supply issues that are delaying aircraft and part deliveries. And Transat still has substantial liabilities.

In this increasingly complex business environment, Transat expedited the implementation of its strategic plan. The achievements in 2023 were both numerous and impactful. Transat is repositioning itself for the next growth cycle in a transformed industry.

- We are strengthening our network with alliances that we can build on, such as the one we just announced with Porter. We have taken our codeshare agreement a step further by creating a commercial alliance through which we will combine and coordinate our networks. This synergy will be fruitful. We also continued to expand our virtual interlining service, which Transat customers can use to combine our flights with those of 12 partners to over 300 destinations annually.

- We are increasing our revenue-generating capacity, in particular through dynamic pricing practices and offers that passengers love (additional baggage, seat selection, etc.), and that generate extra income.

- We are maximizing the use of our fleet. Transat has refocused its operations in Eastern Canada, shoring up high-potential routes such as Lyon and Marseille, which are now offered year-round, and creating opportunities for new destinations. Transat will be landing in Lima, South America, and in North Africa for the first time in June 2024, with a Montreal-Marrakesh route.

- We are optimizing our cost and cash-flow management. We have begun repaying our debt, refinanced various loans, and are in constant talks with our investors and creditors.

- We are pursuing the renewal of our fleet. Thanks to a more energy-efficient line-up, we are reducing our fuel needs and greenhouse gas emissions, cutting maintenance costs and enhancing passenger comfort.

- We are continuing to make customer satisfaction a top priority with a number of initiatives. In 2023, we added new features to our online self-service tools and bolstered the response capacity of our call centre. We also improved direct customer service, with our own staff now greeting customers at Air Transat counters at Montréal-Trudeau. This constant concern for our customers explains why, in 2023, Skytrax named Air Transat the World's Best Leisure Airline for the fifth time. Our customers' satisfaction remains the best long-term strategy for creating value.

Fiscal 2023 saw all aspects of our plan progress significantly, and we will be keeping up the pace in 2024.

- We will be exploring more strategic alliances to strengthen our network and to increase service to certain destinations. This is what we call the frequency effect, by which we consolidate our position on certain high-potential routes.

- We will continue to listen to our customers and cultural communities. We are the carrier for families who visit each other, and Transat evolves with the ever-increasing diversity of Montreal, Quebec and Ontario. This connection to people is invaluable in opening up new markets.

- We will take delivery of next-generation aircraft and continue to implement our corporate responsibility plan, which guides us in our sustainable development and community involvement efforts.

- We will develop new digital capabilities to simplify our customers' experience and provide them with even better service.

- We will continue to pursue some 100 internal projects to improve the operational efficiency and productivity of our flight operations.

- And we will be keeping a close eye on the evolution of the economic environment. We will adapt our offer to the demand and deploy optimal capacity to offer the best possible service while generating more revenue.

We will launch or continue these initiatives in fiscal 2024, with the help of the entire team and a new Chief Financial Officer. At the end of the year, Patrick Bui announced that he was leaving the Company. During his two years with Transat, he played a key role in turning our financial situation around. My profound thanks to him.

Engagement and determination

The entire organization is mobilized. Every week, every month, former employees came back and new ones were recruited. Almost 2,000 people joined the Company in 2023 to take part in our relaunch. There is a feeling of positivity despite the daunting task ahead. Transat is on the rise, simultaneously taking on a number of challenges.

We spent the entire year working on a new corporate responsibility plan. It is our way of positioning ourselves as a forward-looking company, an airline of the future. Our foundation is threefold, with people, the planet and sustainable practices as our philosophical anchors. We want to take care of our employees and customers, foster their fulfillment and enhance their experience. We want to be a leading influence in decarbonizing travel, and we have adopted a climate action plan to this end. We want to actively participate in the communities where we operate and encourage social and philanthropic involvement in causes that we hold dear, such as education and culture.

The last few years were very intense, and the current period remains highly demanding, but our progress is undeniable. Transat is back and renewed. I would like to thank our employees, who are Transat's soul, our customers who are our raison d'être, our shareholders and investors, my colleagues on the management team and the members of the Board of Directors, who have placed their trust in me. The best is yet to come.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ["MD&A"] provides a review of Transat A.T. Inc.'s operations, performance and financial position for the year ended October 31, 2023, compared with the year ended October 31, 2022, and should be read in conjunction with the audited consolidated financial statements and notes thereto. Unless otherwise indicated, the information contained herein is dated as of December 13, 2023. You will find more information about us on Transat's website at www.transat.com and on SEDAR+ at www.sedarplus.ca, including the Attest Reports for the year ended October 31, 2023, and the Annual Information Form.

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

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Corporation, including those regarding its results, its financial position and its outlook for the future. These forward-looking statements are identified by the use of terms and phrases such as "anticipate" "believe" "could" "estimate" "expect" "intend" "may" "plan" "potential" "predict" "project" "will" "would", the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements.

The forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, real or perceived terrorism, outbreaks of epidemics or disease and the lingering effects of the COVID-19 pandemic, consumer preferences and consumer habits, consumers' perceptions of the safety of destination services and aviation safety, demographic trends, disruptions to the air traffic control system, the cost of protective, safety and environmental measures, competition, the Corporation's ability to adequately mitigate the Pratt & Whitney engine issues, maintain and grow its reputation and brand, the availability of funding in the future, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, cybersecurity risks, changes in legislation, unfavourable regulatory developments or procedures, pending litigation and third-party lawsuits, the ability to reduce operating costs, the Corporation's ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of this MD&A.

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

The forward-looking statements in this MD&A are based on a number of assumptions relating to economic and market conditions as well as the Corporation's operations, financial position and transactions. Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.
- The outlook whereby, the current demand and pricing conditions should allow the Corporation to cope with a cost environment that remains volatile and subject to inflationary pressures.
- The outlook whereby, the Corporation is setting a fiscal 2024 adjusted EBITDA margin target range of 7.5% to 9%.
- The outlook whereby, for fiscal 2024, the Corporation intends to increase available capacity by 19% through recent and planned aircraft additions, as well as further improvements in fleet utilization.

In making these statements, the Corporation assumes, among other things, that the standards and measures for the health and safety of personnel and travellers imposed by government and airport authorities will be consistent with those currently in effect, that workers will continue to be available to the Corporation, its suppliers and the companies providing passenger services at the airports, that credit facilities and other terms of credit extended by its business partners will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year and that fuel prices, exchange rates, selling prices, and hotel and other costs remain stable. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this MD&A.

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

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

2. NON-IFRS FINANCIAL MEASURES

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

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

By excluding from our results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect our operating performance for the period, such as the change in fair value of derivatives, gain (loss) on asset disposals, restructuring costs, asset impairment, depreciation and amortization, foreign exchange gains (losses), gain (loss) on long-term debt modification and other significant unusual items, and by including premiums related to derivatives that matured during the period, we believe this MD&A helps users to better analyze our results, as well as our ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

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

Adjusted operating income (loss) or adjusted EBITDA	Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring and transaction costs and other significant unusual items, and including premiums related to derivatives that matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the aforementioned items to ensure better comparability of financial results.
Adjusted pre-tax income (loss) or adjusted EBT	Income (loss) before income tax expense before change in fair value of derivatives, revaluation of liability related to warrants, gain (loss) on long-term debt modification, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring and transaction costs, write-off of assets, foreign exchange gain (loss) and other significant unusual items, and including premiums related to derivatives that matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results.
Adjusted net income (loss)	Net income (loss) before net income (loss) from discontinued operations, change in fair value of derivatives, revaluation of liability related to warrants, gain (loss) on long-term debt modification, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring and transaction costs, write-off of assets, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums related to derivatives that matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted net income (loss) is also used in calculating the variable compensation of employees and senior executives.
Adjusted net earnings (loss) per share	Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.
Total debt	Long-term debt plus lease liabilities, deferred government grant and liability related to warrants, net of deferred financing cost related to the unsecured debt - LEEFF. Management uses total debt to assess the Corporation’s debt level, future cash needs and financial leverage ratio. Management believes this measure is useful in assessing the Corporation’s capacity to meet its current and future financial obligations.
Total net debt	Total debt (described above) less cash and cash equivalents. Total net debt is used to assess the cash position relative to the Corporation’s debt level. Management believes this measure is useful in assessing the Corporation’s capacity to meet its current and future financial obligations.

The following tables reconcile the non-IFRS financial measures to the most comparable IFRS financial measures:

(in thousands of Canadian dollars, except per share amounts)	2023 $	2022 $	2021 $
Operating income (loss)	**89,733**	(303,420)	(401,222)
Restructuring and transaction costs	**3,626**	847	(5,878)
Depreciation and amortization	**186,355**	154,212	193,215
Premiums related to derivatives that matured during the period	**(16,450)**	(8,391)	—
Adjusted operating income (loss)	**263,264**	(156,752)	(213,885)
Loss before income tax expense	**(24,679)**	(449,473)	(389,415)
Asset impairment	**4,592**	783	33,450
Restructuring and transaction costs	**3,626**	847	(5,878)
Change in fair value of derivatives	**4,434**	9,685	(8,849)
Revaluation of liability related to warrants	**(3,544)**	(21,989)	(4,934)
Foreign exchange loss (gain)	**23,378**	92,150	(53,260)
Write-off of deferred financing costs	**12,743**	—	—
Loss on business disposal	**341**	—	—
Foreign exchange gain on business disposal	**(7,275)**	—	—
Gain on asset disposals	**(2,511)**	(3,934)	(17,347)
Gain on long-term debt modification	**(5,585)**	(22,191)	—
Premiums related to derivatives that matured during the period	**(16,450)**	(8,391)	—
Adjusted pre-tax loss	**(10,930)**	(402,513)	(446,233)
Net loss for the year	**(25,292)**	(445,324)	(389,559)
Asset impairment	**4,592**	783	33,450
Restructuring and transaction costs	**3,626**	847	(5,878)
Change in fair value of derivatives	**4,434**	9,685	(8,849)
Revaluation of liability related to warrants	**(3,544)**	(21,989)	(4,934)
Foreign exchange loss (gain)	**23,378**	92,150	(53,260)
Write-off of deferred financing costs	**12,743**	—	—
Loss on business disposal	**341**	—	—
Foreign exchange gain on business disposal	**(7,275)**	—	—
Gain on asset disposals	**(2,511)**	(3,934)	(17,347)
Gain on long-term debt modification	**(5,585)**	(22,191)	—
Premiums related to derivatives that matured during the period	**(16,450)**	(8,391)	—
Tax recovery on ABCP losses	**—**	(5,347)	—
Adjusted net loss	**(11,543)**	(403,711)	(446,377)
Adjusted net loss	**(11,543)**	(403,711)	(446,377)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	**38,278**	37,838	37,747
Adjusted net loss per share	**(0.30)**	(10.67)	(11.83)

(in thousands of dollars)	October 31, 2023 $	October 31, 2022 $	October 31, 2021 $
Long-term debt	**669,145**	664,160	463,180
Deferred government grant	**146,634**	169,025	167,394
Liability related to warrants	**20,816**	24,360	36,557
Deferred financing costs	**—**	(12,552)	(19,368)
Lease liabilities	**1,221,451**	1,087,908	956,358
Total debt	**2,058,046**	1,932,901	1,604,121
Total debt	**2,058,046**	1,932,901	1,604,121
Cash and cash equivalents	**(435,647)**	(322,535)	(433,195)
Total net debt	**1,622,399**	1,610,366	1,170,926

3. FINANCIAL HIGHLIGHTS

				Difference	
	2023	2022	2021	2023	2022
(in thousands of Canadian dollars, except per share amounts)	$	$	$	%	%
Consolidated Statements of Loss					
Revenues	**3,048,352**	1,642,038	124,818	85.6	1,215.5
Operating income (loss)	**89,733**	(303,420)	(401,222)	129.6	24.4
Net loss for the year	**(25,292)**	(445,324)	(389,559)	94.3	(14.3)
Basic loss per share	**(0.66)**	(11.77)	(10.32)	94.4	(14.1)
Diluted loss per share	**(0.66)**	(11.77)	(10.32)	94.4	(14.1)
Adjusted operating income (loss)[1]	**263,264**	(156,752)	(213,885)	267.9	26.7
Adjusted net loss[1]	**(11,543)**	(403,711)	(446,377)	97.1	9.6
Adjusted net loss per share[1]	**(0.30)**	(10.67)	(11.83)	97.2	9.8
Consolidated Statements of Cash Flows					
Operating activities	**321,750**	(177,854)	(518,444)	280.9	65.7
Investing activities	**(7,935)**	(33,783)	4,542	76.5	(843.8)
Financing activities	**(203,021)**	99,689	522,071	(303.7)	(80.9)
Effect of exchange rate changes on cash and cash equivalents	**2,318**	1,288	(1,407)	80.0	191.5
Net change in cash and cash equivalents	**113,112**	(110,660)	6,762	202.2	(1,736.5)

	October 31, 2023	October 31, 2022	October 31, 2021	Difference 2023	Difference 2022
	$	$	$	%	%
Consolidated Statements of Financial Position					
Cash and cash equivalents	**435,647**	322,535	433,195	35.1	(25.5)
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**450,752**	375,557	170,311	20.0	120.5
	886,399	698,092	603,506	27.0	15.7
Total assets	**2,569,370**	2,271,131	1,897,658	13.1	19.7
Debt (current and non-current)	**669,145**	664,160	463,180	0.8	43.4
Total debt[1]	**2,058,046**	1,932,901	1,604,121	6.5	20.5
Total net debt[1]	**1,622,399**	1,610,366	1,170,926	0.7	37.5

[1] See the Non-IFRS financial measures section

4. HIGHLIGHTS OF THE FISCAL YEAR

BUSINESS DISPOSAL

On August 31, 2023, the Corporation closed the agreement for the sale and purchase of its wholly owned subsidiary Laminama, S.A. de C.V. ["Laminama"], whose main asset is land located in Puerto Morelos, Mexico, at the fixed sale price of US$38.0 million ($51.4 million) paid in cash on that date. The Corporation drew down the proceeds from this transaction to make repayments of $53.0 million on its secured credit facilities.

EXPANSION OF VIRTUAL INTERLINING SERVICE

In 2023, the Corporation expanded its virtual interlining service with the addition of partners ASL Airlines France, Norwegian and Azul Airlines to its connectair by Air Transat platform, which now allows travellers to connect certain Air Transat flights with those of its partners to Algeria, Norway and Brazil, respectively. These new agreements bring the total number of partners available on the platform to 12 and the total number of additional destinations accessible annually via connectair to over 300.

In addition, on November 28, 2023, the Corporation and Porter Airlines announced a strengthening of their collaboration through the formation of a joint venture that integrates the complementary networks of Porter and Air Transat at the Toronto Pearson (YYZ) and Montréal-Trudeau (YUL) airports. This strategic alliance will allow greater connectivity between North, Central and South America, Europe, and North Africa.

NEW AIRCRAFT

In November 2022, the Corporation entered into an agreement for the delivery of two additional Airbus A321LRs, delivery being expected in 2024, bringing the total projected number of A321LRs to 19.

COLLECTIVE AGREEMENTS

In November 2022, the Corporation ratified a new five-year collective agreement with the International Association of Machinists and Aerospace Workers (AIMTA), representing maintenance workers and central baggage agents, up to April 30, 2027.

In July 2023, the Corporation renewed its collective agreement with employees in Crew Management and Planning, which is now valid until July 2027.

5. OVERVIEW

THE HOLIDAY TRAVEL INDUSTRY

The holiday travel industry consists primarily of air carriers serving holiday travellers, mainly for tourism, vacation or to visit family and friends, as well as tour operators, travel agencies (both in-person and online), destination service companies, hoteliers and airlines. Each of these subsectors includes companies with different operating models.

CORE BUSINESS VISION AND STRATEGY

Core business

Founded in Montréal 36 years ago, Transat has achieved worldwide recognition as a provider of leisure travel. Known for operating as an air carrier under the Air Transat brand, Transat also consists of specialist tour operators and other entities in the retail distribution of holiday travel packages. Its full offerings include products and services for exploring a multitude of international destinations, mainly in Europe and the Caribbean, with growth ambitions in South America and North Africa.

Transat is headquartered in Montréal, with places of business in France and the United Kingdom, as well as the Caribbean. Its airline, Air Transat, is an important part of the Montréal-Trudeau (YUL) and Toronto Pearson (YYZ) airport platforms. Transat employs over 5,000 individuals who share the same purpose: reducing the distances that separate us.

Voted World's Best Leisure Airline by passengers at the 2023 Skytrax World Airline Awards, Air Transat is known for its exceptional customer service.

Strategy

In its 2022-2026 strategic plan, Transat set itself the objective of first making the Corporation profitable again and then completing its transformation to achieve a level of profitability that exceeds pre-pandemic levels, as well as grow in new markets. This phase must enable the Corporation to leverage those achievements after 2026 to propel Transat toward a new growth phase.

STRATEGIC PLAN

To that end, Transat is implementing or continuing certain changes:

- Refocus airline operations and redefine the network by ensuring a greater presence at Montréal-Trudeau, Toronto Pearson and in Eastern Canada;
- Develop and implement interline or codeshare partnership agreements to expand and strengthen the network and optimize aircraft usage, given the high volume of passenger traffic;
- Reduce costs and increase agility, particularly by renegotiating some commitments (fleet, real estate, etc.), by refocusing on airline businesses and a significant streamlining of the organization;
- Optimize financing structure over the long term;
- Increase efficiency by streamlining the fleet and bringing its average age down, around two types of Airbus aircraft (A330 and A321), optimizing aircraft usage, reducing seasonal fluctuations and enhancing revenue management practices.

The Corporation is continuing to rely on and leverage its strengths:

- A leisure travel brand popular with travellers, at a time when vacations and visiting family and friends are the driving factors for the rebound in air travel;
- A strong commitment to corporate responsibility for the environment and society for many years;
- Engaged teams with a strong sense of belonging to the Corporation;
- Long-term roots in Québec.

For fiscal 2024, in line with its 2022-2026 strategic plan, Transat has set the following objectives and performance drivers:

1. Continue to optimize cash and capital structure;
2. Finalize the fleet renewal strategy to support medium- and long-term growth;
3. Develop and implement a digital transformation plan to improve customer experience and increase the productivity of internal resources;
4. Continue to develop the air network by strengthening the best historical routes, opening new connections (Lima, Peru and Marrakesh, Morocco) and launching an expanded long-term business agreement with Porter;
5. Optimize the Corporation's pricing and revenue management practices;
6. Complete and deploy a global corporate responsibility strategy, with major projects including delivering the plan to decarbonize its operations and formalizing its commitments to diversity, equity and inclusion;
7. Continue to nurture corporate culture to foster a valued and enjoyable employee experience.

REVIEW OF OBJECTIVES AND ACHIEVEMENTS FOR 2023

The main objectives and achievements for fiscal 2023 were as follows:

Continue to strengthen the network, particularly by entering into partnerships to improve aircraft usage and expand into new markets, and by implementing a dynamic pricing solution

In 2023, the Corporation continued to develop its virtual interlining service with three new partners, as part of the development of its connectair by Air Transat platform. With the addition of ASL Airlines France, Norwegian and Azul Airlines in 2023, it will be easier for travellers to connect Air Transat flights with those of its new partners to Algeria, Norway and Brazil, respectively. These additions brought the number of partners available via the connectair by Transat platform to 12 and the total number of additional destinations accessible annually in Europe, North Africa, the Middle East, Central and South America and Canada to over 300.

These agreements are part of Air Transat's network development strategy through partnerships, in order to offer customers more options, diversify our route network and expand into new markets more quickly by combining complementary strengths with these partners.

In addition, the Corporation continued to deploy digital dynamic pricing solutions. Progress was made on improving and optimizing the Club Class contribution, with a strategy that maximizes revenue per seat-mile offered. Using the revenue optimization tool also allowed for better monitoring of daily changes and the performance of flights and cancellations.

Preserve liquidity and optimize cash to support the resumption and development of operations

Improved operational performance allowed the Corporation to considerably increase its liquidity. Accordingly, during fiscal 2023, the Corporation generated cash flows related to operating activities (before net changes in non-cash working capital balances related to operations, the provision for return conditions and other assets and liabilities related to operations) of $228.0 million, a sharp increase compared with cash outflows of $189.5 million for the previous year.

The Corporation's operations allowed it to end fiscal 2023 with cash and cash equivalents of $435.6 million, an improvement compared with $322.5 million at the end of the previous year. Cash and cash equivalents in trust or otherwise reserved amounted to $450.8 million as at the end of fiscal 2023, compared with $375.6 million as at the end of fiscal 2022.

Continue to streamline the fleet, in particular with the addition of new A321LR aircraft and implementation of the Mixed Fleet Flying accreditation program

During the fiscal year, the Corporation took delivery of one Airbus A330, three Airbus A321LRs and one Airbus A321ceo. Furthermore, in November 2022, the Corporation also entered into an agreement for the delivery of two additional Airbus A321LRs, delivery being expected in 2024.

Aircraft in the Airbus A320 family will provide substantial operational flexibility and meet Air Transat's needs, both for the winter and summer seasons.

As at October 31, 2023, Air Transat’s fleet consisted of thirteen Airbus A330s (332 or 345 seats), fifteen Airbus A321LRs (199 seats) and eight Airbus A321ceos (199 seats). Under the current agreements, the Corporation expects to take possession of four Airbus A321LRs in fiscal 2024.

After receiving accreditation in August 2022 from Transport Canada for its Mixed Fleet Flying program for Airbus 321s and A330s, the Corporation is adapting and implementing systems to deploy the program and realize its full potential. This program allows accredited pilots to fly both Airbus A321 and A330 aircraft, as well as for the pooling of the training and verification activities required for these aircraft.

Optimize capital structure

During fiscal 2023, the Corporation continued efforts to optimize its capital structure. As described in the Financing section, the Corporation renegotiated three of its financing agreements totalling $198.0 million during the fiscal year, mainly by extending the maturity date of this debt by one year to April 29, 2025 (previously April 29, 2024). These financing agreements are:

- The $78.0 million secured debt - LEEFF with the Government of Canada for through the Large Employer Emergency Financing Facility ["LEEFF"];
- The $50.0 million revolving credit facility agreement for operating purposes;
- The $70.0 million subordinated credit facility for its operations.

On August 31, 2023, the Corporation finalized the agreement for the sale and purchase of its wholly owned subsidiary Laminama, whose main asset is land located in Puerto Morelos, Mexico, at a fixed sale price of US$38.0 million [$51.4 million] paid in cash on that date. The Corporation drew down the proceeds from this transaction to make repayments amounting to $53.0 million on its secured credit facilities.

Accelerate growth in ancillary revenues

The Corporation continued to implement initiatives to accelerate the growth of its ancillary revenues. These initiatives included marketing campaigns to optimize the sale of additional checked baggage and Option Plus and Option Flex seat selections. Other initiatives focused on launching an upgrade program via online registration, including an auction for obtaining an upgrade to Club Class and the implementation of refined seat selection pricing.

Improve call centre performance

The Corporation progressively improved its call centre performance in 2023, as the average wait time decreased during the year. To this end, the Corporation added hundreds of new call centre staff and provided additional training and support to help these resources offer service that would meet efficiency target objectives.

Always with a view to improving customer experience, the Corporation diligently continued to deploy a higher number of self-service solutions, which should result in fewer calls processed and less time to process each request.

ABILITY TO DELIVER ON OUR OBJECTIVES

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives.

Our financial resources are as follows:

Cash	Our balances of cash and cash equivalents (not held in trust or otherwise reserved) totalled $435.6 million as at October 31, 2023.
Credit facilities	For operational purposes, we can also rely on, among other resources, a $50.0 million revolving term credit facility and a $46.0 million subordinated short-term credit facility maturing on April 29, 2025. In addition, as described in the Financing section, the Corporation had an agreement with the Government of Canada that allowed it to borrow $717.7 million in additional liquidity through the LEEFF. Section 7. Financial Position, Liquidity and Capital Resources of this MD&A contains more detail on this issue.

Our non-financial resources include:

Brand	The Corporation continues to strengthen its distinctive brand image and raise its profile.
Structure	The integrated structure enables us to ensure better quality control over our products and services, and facilitates implementing programs to achieve gains in efficiency.
Employees	The employees work together as a team and are committed to ensuring overall customer satisfaction and contributing to improving the Corporation's effectiveness. In addition, we believe that the Corporation has strong a management team.
Supplier relationships	The Corporation has maintained over 36 years of privileged relationships with many local and destination suppliers, including hotel operators.

Transat has the resources it needs to meet its 2024 objectives and continue building on its long-term strategies.

6. CONSOLIDATED OPERATIONS

				Difference	
	2023	**2022**	**2021**	**2023**	**2022**
(in thousands of dollars)	**$**	**$**	**$**	**%**	**%**
Revenues	**3,048,352**	1,642,038	124,818	85.6	1,215.5
Operating expenses					
Costs of providing tourism services	**707,023**	355,250	31,958	99.0	1,011.6
Aircraft fuel	**647,795**	526,152	22,373	23.1	2,251.7
Salaries and employee benefits	**442,623**	288,889	122,770	53.2	135.3
Sales and distribution costs	**214,076**	116,105	13,020	84.4	791.7
Airport and navigation fees	**191,283**	128,318	13,032	49.1	884.6
Depreciation and amortization	**186,355**	154,212	193,215	20.8	(20.2)
Aircraft maintenance	**172,812**	114,159	48,832	51.4	133.8
Aircraft rent	**12,254**	6,018	—	103.6	—
Other airline costs	**272,761**	162,082	24,643	68.3	557.7
Other	**110,769**	90,949	57,371	21.8	58.5
Share of net (income) loss of a joint venture	**(2,758)**	2,477	4,704	(211.3)	(47.3)
Restructuring and transaction costs	**3,626**	847	(5,878)	328.1	114.4
	2,958,619	1,945,458	526,040	52.1	269.8
Operating income (loss)	**89,733**	(303,420)	(401,222)	129.6	24.4
Financing costs	**135,397**	105,314	77,024	28.6	36.7
Financing income	**(42,966)**	(12,982)	(4,441)	231.0	192.3
Change in fair value of derivatives	**4,434**	9,685	(8,849)	54.2	(209.4)
Revaluation of liability related to warrants	**(3,544)**	(21,989)	(4,934)	(83.9)	345.7
Foreign exchange (gain) loss	**23,378**	92,150	(53,260)	74.6	(273.0)
Write-off of deferred financing costs	**12,743**	—	—	100.0	—
Loss on business disposal	**341**	—	—	100.0	—
Foreign exchange gain on business disposal	**(7,275)**	—	—	100.0	—
Gain on asset disposals	**(2,511)**	(3,934)	(17,347)	(36.2)	(77.3)
Gain on long-term debt modification	**(5,585)**	(22,191)	—	(74.8)	100.0
Pre-tax loss	**(24,679)**	(449,473)	(389,415)	94.5	(15.4)
Income taxes (recovery)					
Current	**528**	(3,174)	(52)	116.6	(6,003.8)
Deferred	**85**	(975)	75	108.7	(1,400.0)
	613	(4,149)	23	114.8	(18,139.1)
Net loss for the year	**(25,292)**	(445,324)	(389,438)	94.3	(14.4)
Loss per share:					
Basic	**(0.66)**	(11.77)	(10.32)	94.4	(14.1)
Diluted	**(0.66)**	(11.77)	(10.32)	94.4	(14.1)

REVENUES

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

For the year ended October 31, 2023, revenues were up $1,406.3 million (85.6%). This significant increase was attributable to the resumption of operations and to strong demand. In 2022, the Corporation's revenues were dampened, mainly during the first six-month period, by the sharp decline in demand and massive booking cancellations following the emergence of the Omicron variant. As a result, the Corporation reduced total winter season capacity by approximately 22% of the initially deployed capacity. Since then, the Corporation has deployed a winter season capacity at 95% of pre-pandemic levels and 90% for the summer season. Compared with the corresponding period of fiscal 2019, revenues for the year ended October 31, 2023 were up 3.8%.

For the 2023 winter season, the number of travellers was 8% lower than the number of travellers for the corresponding period of 2019, whereas the airline unit revenues, expressed in revenue per passenger-mile (or yield), were 21.0% higher. For our South market, the selling prices showed an average increase of 21.8%. Across all our markets, the Corporation reported a load factor of 85.0% compared to 88.3% in 2019.

For the 2023 summer season, the number of travellers was 7% lower than the number of travellers for the corresponding period of 2019, whereas the airline unit revenues were 27.0% higher compared to 2019. For transatlantic routes, airline unit revenues showed an increase of 30.6%. Across all our markets, the Corporation reported a load factor of 88.4% compared to 88.6% in 2019.

OPERATING EXPENSES

Total operating expenses were up $1,013.2 million (52.1%) for the year, compared with 2022. This increase is attributable to the greater capacity deployed compared with the corresponding period of 2022.

Costs of providing tourism services

Costs of providing tourism services are incurred by our tour operators. They include primarily hotel room costs and the cost of booking blocks of seats or full flights with carriers other than Air Transat as well as transfer and excursion costs. The $351.8 million (99.0%) increase resulted primarily from the rise in the number of packages sold compared with 2022.

Aircraft fuel

Aircraft fuel expense was up $121.6 million (23.1%) for the fiscal year. The increase was mainly attributable to the higher volume of litres consumed due to increased capacity and the weakening of the Canadian dollar relative to the U.S. dollar, partially offset by a 19% drop in fuel prices compared with the corresponding period of 2022.

Salaries and employee benefits

Salaries and employee benefits were up $153.7 million (53.2%) to $442.6 million for the year ended October 31, 2023. The increase was mainly attributable to the higher number of employees to support the resumption of airline operations. In addition, during year ended October 31, 2022, the Corporation benefited from the Tourism and Hospitality Recovery Program ("THRP") and the Hardest-Hit Business Recovery Program ("HHBRP"), recording an amount of $24.4 million under these programs. The THRP and HHBRP ended on May 7, 2022.

Sales and distribution costs

Sales and distribution costs include commissions, which are expenses paid by tour operators to travel agencies for their services as intermediaries between the tour operator and the consumer, credit card fees, distribution expenses and marketing expenses. Sales and distribution costs amounted to $214.1 million, up $98.0 million (84.4%) from fiscal 2022. These increases were mainly driven by higher revenues and advertising expenses following the resumption of operations.

Airport and navigation fees

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees were up $63.0 million (49.1%) for the fiscal year, compared with 2022. The increase mainly resulted from the greater capacity deployed compared with 2022 and higher prices.

Aircraft maintenance

Aircraft maintenance costs consist mainly of non-capitalizable engine and airframe maintenance expenses incurred by Air Transat for aircraft as well as in connection with the provision for return conditions. These costs were up $58.7 million (51.4%) for the year, compared with 2022. These increases were mainly attributable to the greater capacity deployed compared with 2022.

Aircraft rent

Aircraft rent refers to variable aircraft rent and rent under short-term leases. These costs were up $6.2 million (103.6%) for the year, compared with 2022. This increase resulted from the rental of two aircrafts for the winter season and two aircrafts for the summer season, due to the delay in delivery of the Airbus A321LRs.

Other airline costs

Other airline costs consist mainly of handling, crew, catering costs and other costs related to the airline. Other airline costs were up $110.7 million (68.3%) for the fiscal year, compared with 2022. These increases mainly resulted from the greater capacity deployed compared with 2022.

Other

Other costs were up $19.8 million (21.8%) for the fiscal 2023, compared with 2022. The increase resulted from higher business volume compared with 2022.

Share of net income (loss) of a joint venture

Share of net income (loss) of a joint venture represents our share of the net income (loss) of Desarrollo Transimar, our hotel joint venture. Our share of net income for the year amounted to $2.8 million, compared with a share of net loss of $2.5 million for 2022, showing more sustained signs of recovery compared with 2022.

Depreciation and amortization

Depreciation and amortization expense includes depreciation and amortization as well as impairment losses relating to property, plant and equipment and intangible assets. Depreciation and amortization expense was up $32.1 million (20.8%) in fiscal 2023. This increase was primarily due to the commissioning of two Airbus A321LRs in 2022 and one Airbus A330, three Airbus A321LRs and one A321ceo in 2023.

Furthermore, before signing the agreement for the sale and purchase of its Laminama subsidiary entered into during the quarter ended July 31, 2023, the Corporation measured the recoverable amount of Laminama's non-current assets and compared it with their carrying amount. As the recoverable amount of the land in Mexico was less than its carrying amount, the Corporation recorded an impairment loss of $4.6 million.

Restructuring costs

Restructuring costs are mainly employee termination benefits related to the closure of the Vancouver base effective June 30, 2023 as well as employee relocation costs. During the year ended October 31, 2023, the Corporation recorded restructuring costs of $3.6 million, compared with $0.8 million in 2022.

OPERATING RESULTS

Given the above, we reported operating income of $89.7 million for the year, compared with an operating loss of $303.4 million in 2022. Operating results by season are summarized as follows:

				Difference	
	2023	2022	2021	2023	2022
(in thousands of dollars)	$	$	$	%	%
Winter season					
Revenues	**1,537,568**	560,595	49,489	174.3	1,032.8
Operating expenses	**1,556,931**	721,949	234,017	115.7	208.5
Operating loss	**(19,363)**	(161,354)	(184,528)	88.0	12.6
Operating loss (%)	**(1.3)**	(28.8)	(372.9)	95.6	92.3
Summer season					
Revenues	**1,510,784**	1,081,443	75,329	39.7	1,335.6
Operating expenses	**1,401,688**	1,223,509	292,023	14.6	319.0
Operating income (loss)	**109,096**	(142,066)	(216,694)	176.8	34.4
Operating income (loss) (%)	**7.2**	(13.1)	(287.7)	155.0	95.4

For the winter season, the Corporation reported an operating loss amounting to $19.4 million (1.3%), compared with $161.4 million (28.8%) in 2022. Demand during the winter season was significantly higher compared with 2022. In 2022, the gradual and partial resumption of airline operations was hampered by the cancellation of flights for the winter season due to the drop in demand and booking cancellations following the emergence of the Omicron variant and restrictive measures put in place by the federal government on December 15, 2021.

During the summer season, the Corporation reported operating income of $109.1 million (7.2%) compared with an operating loss of $142.1 million (13.1%) for the previous year. The improvement in operating results was attributable to the resumption of operations, the recovery in demand and the increase in selling prices. The drop in fuel prices also contributed to the improvement in operating results. In 2022, the significant rise in fuel prices and the weakening of the dollar against the U.S. currency greatly dampened the improvement in our summer season results.

During the winter season, the Corporation recorded an adjusted operating income of $59.5 million (3.9%), compared with an adjusted operating loss of $87.4 million (15.6%) in 2022. For the summer season, we recorded an adjusted operating income of $203.8 million (13.5%) compared with an adjusted operating loss of $69.4 million (6.4%) in 2022. Overall, for the fiscal year, the Corporation recorded an adjusted operating income of $263.3 million (8.6%), compared with an adjusted operating loss of $156.8 million (9.5%) in 2022.

OTHER EXPENSES AND REVENUES

Financing costs

Financing costs include interest on lease liabilities, long-term debt and other interest, standby fees, arrangement fees as well as financial expenses, net of proceeds from deferred government grant. Financing costs increased by $30.1 million (28.6%) in fiscal 2023 compared with 2022. The increase resulted from the rise in lease liabilities, mainly due to the addition of seven new aircraft leases and higher interest rates.

Financing income

Financing income was up $30.0 million (231.0%) during the year, compared with 2022, mainly due to higher interest rates compared with 2022 and the increase in average cash and cash equivalents balances.

Change in fair value of derivatives

The change in fair value of derivatives corresponds to the change in fair value, for the period, of the portfolio of derivative financial instruments held and used by the Corporation to manage its exposure to fluctuations in fuel prices and exchange rates as well as the change in fair value of the pre-payment option on the unsecured debt - LEEFF.

During the year ended October 31, 2023, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by $4.3 million. The decrease was mainly attributable to the decrease in the fair value of derivative financial instruments related to aircraft fuel and foreign currencies. During the year ended October 31, 2023, the fair value of the pre-payment option related to the unsecured debt – LEEFF decreased by $0.1 million.

In 2022, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by $7.9 million. This decrease was mainly attributable to lower fair value of fuel-related derivatives combined with a $1.8 million decrease in the fair value of the pre-payment option related to the unsecured debt - LEEFF.

Revaluation of liability related to warrants

The revaluation of the liability related to warrants represents the change in fair value of warrants during the fiscal year. For the year ended October 31, 2023, the fair value of warrants decreased by $3.5 million, due to the forfeiture of 4,687,500 warrants, given that the Corporation made no drawdowns on the additional $80.0 million that was available until October 29, 2023 on its unsecured, non-revolving credit facility (unsecured debt - LEEFF), partially offset by an increase in the closing share price from $2.60 to $3.01 between October 31, 2022 and October 31, 2023.

Foreign exchange (gain) loss

For fiscal 2023, the Corporation recorded a foreign exchange loss of $23.4 million compared with a loss of $92.2 million in 2022. For fiscal 2023, the foreign exchange loss resulted mainly from the unfavourable exchange effect on lease liabilities related to aircraft, following the weakening of the Canadian dollar against the U.S. dollar.

Write-off of deferred financing costs

The Corporation's financing agreements allowed it to borrow additional liquidity totalling $100 million until October 29, 2023. The corporation recorded deferred financing costs consisting of the initial fair value of the 4,687,500 additional warrants issued on July 29, 2022 as part of the amendments to the financing package related to the unsecured debt - LEEFF and related costs. Since the Corporation made no drawdowns on this additional liquidity, the $12.7 million balance of its financing costs was written off.

Loss on business disposal

On August 31, 2023, the Corporation closed the agreement for the sale and purchase of its wholly owned subsidiary Laminama, whose main asset is land located in Puerto Morelos, Mexico. Following this transaction, the Corporation recorded a loss on business disposal of $0.3 million.

Foreign exchange gain on business disposal

A foreign exchange gain on business disposal of $7.3 million was recognized following the reclassification to the statement of loss of the Cumulative exchange differences related to the sale of the Corporation's wholly owned subsidiary Laminama.

Gain on asset disposals

For the year ended October 31, 2023, the $2.5 million gain on asset disposals was due to the return of one Boeing 737-800 to the lessor. The gain resulted mainly from the reversal of related lease liabilities. The carrying amount of the right-of-use assets for this aircraft lease was fully impaired during the year ended October 31, 2020.

During the year ended October 31, 2022, the $3.9 million gain was mainly attributable to the early return of one Airbus A330 to the lessor. This lease termination led to the recognition of a $4.1 million gain, which resulted from the reversal of lease liabilities of $4.0 million and other assets and liabilities totalling $0.1 million. The carrying amount of the right-of-use assets for this aircraft lease was fully impaired during the year ended October 31, 2021.

Gain on long-term debt modification

On October 31, 2023, the Corporation reviewed its initial estimates of the future repayments related to the unsecured debt - LEEFF, given the terms of its agreement relative to current market conditions. The Corporation now expects to repay the credit facility at maturity on April 26, 2026. Accordingly, the carrying amount of the unsecured debt - LEEFF was adjusted downward to the revised amount of future cash flows discounted using the initial effective rate. The $5.6 million adjustment was recorded as a gain on long-term debt modification.

During the year ended October 31, 2022, the Corporation renegotiated certain terms of its agreement with the Government of Canada for the unsecured debt - LEEFF. The Corporation concluded that the modifications related to the unsecured debt - LEEFF were non-substantial as defined in IFRS 9, *Financial Instruments*. Accordingly, the carrying amount of the unsecured debt - LEEFF was adjusted downward to the revised amount of future cash flows discounted using the initial effective rate. The $22.2 million adjustment was recorded as a gain on long-term debt modification.

INCOME TAXES

For fiscal 2023, the income tax expense amounted to $0.6 million, compared with an income tax recovery of $4.1 million in 2022. The effective tax rates were 2.5% and 0.9%, respectively, for the years ended October 31, 2023 and 2022.

During the quarter ended April 30, 2020, the Corporation stopped recognizing deferred tax assets and wrote down deferred tax asset balances related to Canadian operations whose recognition could no longer be justified under IFRS. Accordingly, during the year ended October 31, 2023, no deferred tax assets of Canadian subsidiaries were recognized.

NET INCOME (LOSS) AND ADJUSTED NET INCOME (LOSS)

Considering the items discussed in the Consolidated Operations section, for fiscal 2023, net loss was $25.3 million, or $0.66 per share (basic and diluted), compared with $445.3 million, or $11.77 per share (basic or diluted) during the corresponding period of the previous year. For the year ended October 31, 2023, the weighted average number of outstanding shares used to compute per share amounts was 38,278,000 (basic and diluted) compared with 37,838,000 (basic and diluted) for 2022.

For the year ended October 31, 2023, adjusted net loss amounted to $11.5 million ($0.30 per share) compared with $403.7 million ($10.67 per share) in 2022.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. For all the quarters reported, revenue growth was attributable to resumption of operations and an increase in selling prices. In 2022, the Corporation's revenues were dampened, mainly during the winter, by the sharp decline in demand and massive booking cancellations following the emergence of the Omicron variant. As a result, the Corporation reduced the total winter season capacity in 2022.

The improvement in operating results was attributable to the resumption of operations, the recovery in demand and the increase in selling prices; operating results for all quarters reported in 2023 showed an improvement compared with 2022. For the 2023 winter season (Q1 and Q2), the increase in fuel prices dampened the improvement in our results. For the 2023 summer season (Q3 and Q4), the improvement in operating results was also attributable to the drop in fuel prices, partially offset by the weakening of the dollar against the U.S. currency. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

Selected unaudited quarterly financial information								
(in thousands of dollars, except per share data)	**Q1-2022** $	**Q2-2022** $	**Q3-2022** $	**Q4-2022** $	**Q1-2023** $	**Q2-2023** $	**Q3-2023** $	**Q4-2023** $
Revenues	202,438	358,157	508,304	573,139	**667,457**	**870,111**	**746,317**	**764,467**
Operating income (loss)	(73,841)	(87,513)	(93,218)	(48,848)	**(38,103)**	**18,740**	**64,375**	**44,721**
Net income (loss)	(114,345)	(98,276)	(106,472)	(126,231)	**(56,610)**	**(29,180)**	**57,303**	**3,195**
Basic earnings (loss) per share	(3.03)	(2.60)	(2.82)	(3.32)	**(1.49)**	**(0.76)**	**1.49**	**0.08**
Diluted earnings (loss) per share	(3.03)	(2.60)	(2.82)	(3.32)	**(1.49)**	**(0.76)**	**1.49**	**0.08**
Adjusted operating income (loss)(1)	(36,369)	(51,014)	(57,824)	(11,545)	**3,331**	**56,144**	**114,782**	**89,007**
Adjusted net income (loss)(1)	(95,317)	(111,563)	(120,901)	(75,930)	**(61,564)**	**(7,957)**	**42,302**	**15,676**
Adjusted net earnings (loss) per share(1)	(2.53)	(2.95)	(3.20)	(2.00)	**(1.62)**	**(0.21)**	**1.10**	**0.41**

1 See the Non-IFRS financial measures section

FOURTH-QUARTER HIGHLIGHTS

For the fourth quarter, the Corporation generated $764.5 million in revenues, up $191.3 million from $573.1 million for the corresponding period of 2022. This increase was attributable to the resumption of flight operations, sustained demand and an increase in selling prices. Operations generated an operating income of $44.7 million compared with an operating loss of $48.8 million in 2022. Operating results improved compared with 2022 but were strongly reined in by the rise in fuel prices and the weakening of the dollar against the U.S. currency.

We recorded net income of $3.2 million in the fourth quarter ($0.08 per share, basic and diluted), compared with a net loss of $126.2 million ($3.32 per share, basic and diluted) in 2022.

For the fourth quarter, adjusted net income amounted to $15.7 million ($0.41 per share) compared with an adjusted net loss of $75.9 million ($2.00 per share) in 2022.

7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

As at October 31, 2023, cash and cash equivalents totalled $435.6 million compared with $322.5 million as at October 31, 2022. Cash and cash equivalents in trust or otherwise reserved amounted to $450.8 million at the end of fiscal 2023, compared with $375.6 million as at October 31, 2022. The Corporation's statement of financial position reflected $57.7 million in negative working capital, for a ratio of 0.95, compared with $21.7 million in negative working capital and a ratio of 0.98 as at October 31, 2022.

Total assets increased by $298.2 million (13.1%), from $2,271.1 million as at October 31, 2022 to $2,569.4 million as at October 31, 2023. This increase is explained in the financial position table provided below. Equity decreased by $28.9 million, from negative equity of $750.2 million as at October 31, 2022, to negative equity of $779.0 million as at October 31, 2023. The decrease resulted primarily from the $25.3 million net loss.

(in thousands of dollars)	October 31, 2023 $	October 31, 2022 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**435,647**	322,535	113,112	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**450,752**	375,557	75,195	Higher business volume
Trade and other receivables	**138,675**	265,050	(126,375)	Decrease in receivables from credit card processors
Income taxes receivable	**598**	5,537	(4,939)	Collection of income taxes recoverable related to ABCP
Inventories	**33,735**	26,725	7,010	Increase in inventory of aircraft parts
Prepaid expenses	**38,113**	26,428	11,685	Higher business volume
Deposits	**322,805**	201,623	121,182	New deposits with credit card processors and increase in deposits for aircraft maintenance
Deferred tax assets	**1,047**	953	94	Recognition of deferred tax assets by certain foreign subsidiaries
Property, plant and equipment	**1,083,109**	1,000,151	82,958	Mainly due to the delivery of three Airbus A321LRs, one Airbus A321ceo and one Airbus A330, and the capitalization of eligible aircraft maintenance, partially offset by depreciation for the period and by the sale of land in Mexico
Intangible assets	**14,771**	13,261	1,510	Software acquisitions partially offset by amortization for the period
Derivative financial instruments	**38,321**	11,939	26,382	Favourable change in fuel-related and foreign currency derivatives contracted
Investment	**11,797**	8,820	2,977	Share of net income of a joint venture
Deferred financing costs	**—**	12,552	(12,552)	Write-off of deferred financing costs

(in thousands of dollars)	October 31, 2023 $	October 31, 2022 $	Difference $	Main reasons for significant differences
Liabilities				
Trade and other payables	**319,764**	289,897	29,867	Higher business volume
Income taxes payable	**416**	1,054	(638)	No significant difference
Customer deposits and deferred revenues	**754,176**	602,509	151,667	Higher business volume
Derivative financial instruments	**17,158**	6,209	10,949	Unfavourable change in fuel-related derivatives and foreign currency derivatives contracted
Long-term debt and lease liabilities	**1,890,596**	1,752,068	138,528	Mainly due to the addition of aircraft leases for three Airbus A321LRs, one Airbus A321ceo and one Airbus A330, and the weakening of the dollar against the U.S. currency, partially offset by principal repayments and the return of an aircraft
Provision for return conditions	**177,832**	154,772	23,060	Increase mainly related to the passage of time
Liability related to warrants	**20,816**	24,360	(3,544)	Forfeiture of warrants, partially offset by the increase in fair value during the period due to the change in the Corporation's share price
Deferred government grant	**146,634**	169,025	(22,391)	Revenue from government grants for the period as per the effective interest method
Employee benefits liability	**20,961**	20,773	188	No significant difference
Deferred tax liabilities	**56**	644	(588)	No significant difference
Equity				
Share capital	**223,450**	221,924	1,526	Shares issued from treasury
Share-based payment reserve	**16,329**	16,092	237	Share-based payment expense
Deficit	**(1,008,452)**	(984,602)	(23,850)	Net loss
Cumulative exchange differences	**(10,366)**	(3,594)	(6,772)	Reclassification of the foreign exchange gain on business disposal, partially offset by the foreign exchange gain on the translation of the financial statements of foreign subsidiaries

CASH FLOWS

				Difference	
(in thousands of dollars)	2023 $	2022 $	2021 $	2023 %	2022 %
Cash flows related to operating activities	**321,750**	(177,854)	(518,444)	280.9	65.7
Cash flows related to investing activities	**(7,935)**	(33,783)	4,542	76.5	(843.8)
Cash flows related to financing activities	**(203,021)**	99,689	522,071	(303.7)	(80.9)
Effect of exchange rate changes on cash	**2,318**	1,288	(1,407)	80.0	191.5
Net change in cash and cash equivalents	**113,112**	(110,660)	6,762	202.2	(1,736.5)

Operating activities

Operating activities generated cash flows of $321.8 million, compared with cash flows used of $177.9 million in 2022. The $499.6 million increase in cash flows generated by operating activities resulted from the $417.5 million increase in net income (loss) before operating items not involving an outlay (receipt) of cash, the $76.1 million increase in cash flows generated by the net change in non-cash working capital balances related to operations, the $5.7 million increase in the net change in the provision for return conditions and the $0.4 million increase in the net change in other assets and liabilities related to operations.

Investing activities

Cash flows used in investing activities amounted to $7.9 million for fiscal 2023, compared with cash flows of $33.8 million used in 2022. For the year ended October 31, 2023, additions to property, plant and equipment and intangible assets amounted to $57.6 million and consisted primarily in aircraft maintenance and spare parts, compared with $32.5 million in 2022. Furthermore, in 2023, a net consideration of $48.1 million was received for the disposal of Laminama, whose main asset consisted of land.

Financing activities

Cash flows used in financing activities amounted to $203.0 million for fiscal 2023, compared with cash flows generated of $99.7 million in 2022. The Corporation made repayments on its lease liabilities amounting to $151.4 million compared with $108.3 million in 2022. The Corporation also made repayments on its credit facilities for a total of $53.0 million, compared with $3.3 million in 2022. No drawdowns were made during the year ended October 31, 2023, whereas the Corporation drew down a total of $213.2 million from its credit facilities in 2022.

FINANCING

Funding from the Government of Canada

The Corporation has entered into an agreement with the Government of Canada that allowed it to borrow $743.3 million in additional liquidity through the Large Employer Emergency Financing Facility (LEEFF). On July 29, 2022, the Corporation renegotiated its agreement with the Government of Canada to borrow additional funds of $100.0 million. These additional funds were available until October 29, 2023 and were undrawn by the Corporation. The amended agreement also granted Transat access to an additional credit facility of $50.0 million until July 29, 2023, subject to certain conditions, including obtaining additional third-party financing. The Corporation made no drawdowns on this additional credit facility. The fully repayable credit facilities made available by the Canada Enterprise Emergency Funding Corporation ["CEEFC"] under the LEEFF are as follows:

Secured debt – LEEFF

On April 28, 2023, the Corporation renegotiated its LEEFF secured debt agreement at the original principal amount of $78.0 million mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024). The Corporation also renegotiated its agreement on July 29, 2022 in order to be able to borrow additional liquidity of $20.0 million, which was available until October 29, 2023 and undrawn, and to extend the maturity date to April 29, 2024 (previously April 29, 2023). The credit facility is secured by a first ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bears interest at bankers' acceptance rate plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2023, the financial ratios and covenants were met. During the year ended October 31, 2023, the Corporation made a repayment amounting to $25.6 million, bringing the principal payable balance to $52.4 million. As at October 31, 2023, the credit facility was fully drawn down and the carrying amount stood at $51.9 million [$77.2 million as at October 31, 2022].

Unsecured debt – LEEFF

An amount of $312.0 million in the form of an unsecured, non-revolving credit facility that matures on April 29, 2026. The credit facility was renegotiated on March 9, 2022 and July 29, 2022 to gain access to additional liquidity of $80.0 million, which was available until October 29, 2023 and undrawn, and to modify the interest rate. The credit facility bears interest at a rate of 5.0% until December 31, 2023 (previously until April 29, 2022), increasing to 8.0% until December 31, 2024 (previously until April 29, 2023), and increasing by 2.0% per annum thereafter, with the option to capitalize interest until December 31, 2024 (previously until April 29, 2023). In the event of a change of control, this credit facility becomes immediately due and payable. As at October 31, 2023, the credit facility was fully drawn and the carrying amount stood at $317.2 million [$284.8 million as at October 31, 2022].

In the context of the initial financing arrangement related to the unsecured debt - LEEFF, the Corporation issued a total of 13,000,000 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $4.50 per share (representing the volume-weighted average trading price for the five trading days preceding the issuance of the warrants) over a 10-year period, representing 18.75% of the total commitment available under the unsecured debt - LEEFF.

On July 29, 2022, as part of the amendments to the financing arrangement related to the unsecured debt - LEEFF, the Corporation issued an additional 4,687,500 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $3.20 per share over a 10-year period, representing 18.75% of the additional commitment available under the unsecured debt - LEEFF. On October 29, 2023, these 4,687,500 warrants were forfeited, since the Corporation did not draw down on the additional $80.0 million of its unsecured, non-renewable credit facility (unsecured debt – LEEFF), which was available until that date.

Under the terms of the LEEFF unsecured financing agreement, if the loan were to be repaid prior to December 31, 2023, 50% of the vested warrants would be forfeited.

The number of shares issuable upon exercise of the warrants may not exceed 25% of the current number of issued and outstanding shares, nor may it result in the holder owning 19.9% or more of the outstanding shares upon exercise of the warrants. In the event of exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price. Finally, in the event that the unsecured debt – LEEFF is repaid in full by its maturity, Transat will have the right to redeem all of the warrants for a consideration equal to their fair market value. The warrants will not be transferable prior to the expiry of the period giving rise to the exercise of such redemption right. In addition, the holder of the warrants will benefit from registration rights to facilitate the sale of the underlying shares and the warrants themselves (once the transfer restriction has been lifted).

As at October 31, 2023 and 2022, a total of 13,000,000 warrants had vested under the drawdowns on the unsecured debt - LEEFF and no warrants had been exercised.

Under the limitations set out above, if the 13,000,000 warrants issued are exercised:

- A maximum of 9,622,339 warrants could be exercised through the issuance of shares;
- 3,377,661 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Unsecured credit facility related to travel credits

On March 9, 2022, the Corporation renegotiated its agreement with the Government of Canada under the unsecured credit facility related to travel credits in order to borrow additional funds up to a maximum of $43.3 million, bringing the total amount to $353.3 million. The unsecured credit facility was granted to issue refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom a travel credit was issued as a result of COVID–19. This credit facility matures on April 29, 2028 and bears interest at 1.22%. In the event the secured debt – LEEFF and the unsecured debt – LEEFF have not been repaid, this credit facility could become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders.

As at October 31, 2023 and October 31, 2022, the credit facility was fully drawn. As at October 31, 2023, the carrying amount of the credit facility was $205.2 million ($182.5 million as at October 31, 2022), and an amount of $146.6 million ($169.0 million as at October 31, 2022) was also recognized as deferred government grant related to these drawdowns.

In connection with the arrangement of these credit facilities, the Corporation has made certain commitments, including:

- To refund travellers who were scheduled to depart on or after February 1, 2020 and to whom travel credits have been issued due to COVID-19. The Corporation started processing refunds in early May 2021. As per the agreement, to be eligible, customers had to indicate their desire for a refund before August 26, 2021;
- Complying with restrictions on dividends, stock repurchases and executive compensation;
- Maintaining active employment at its level of April 28, 2021.

Other credit facilities

Revolving credit facility

On April 28, 2023 and July 29, 2022, the Corporation renegotiated its $50.0 million revolving credit facility for operating purposes, mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024) and April 29, 2024 (previously April 29, 2023), respectively. This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at bankers' acceptance rate or at SOFR (Secured Overnight Financing Rate) in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2023, the financial ratios and covenants were met. As at October 31, 2023 and October 31, 2022, the credit facility was fully drawn.

Subordinated credit facility

On April 28, 2023 and July 29, 2022, the Corporation renegotiated its subordinated credit facility for operating purposes at the original principal amount of $70.0 million, mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024) and April 29, 2024 (previously April 29, 2023), respectively. The facility becomes immediately due and payable in the event of a change in control. The agreement is secured by a second ranking movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The credit facility bears interest at bankers' acceptance rate plus a premium of 6.0% or at the financial institution's prime rate, plus a premium of 5.0%. Until October 29, 2023, an additional capitalizable premium of 3.75% was added to the interest. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2023, the financial ratios and covenants were met. During the year ended October 31, 2023, the Corporation made a repayment of $27.4 million, $3.4 million of which was capitalized interest, bringing the principal payable balance to $46.0 million. As at October 31, 2023 and October 31, 2022, the credit facility was fully drawn.

Off-balance sheet arrangements

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and cash flows, some of which are reported as liabilities in the consolidated financial statements and others are disclosed in the notes to the consolidated financial statements.

Obligations that are not presented as liabilities are considered off-balance sheet arrangements. These contractual arrangements are entered into with non-consolidated entities and consist of the following:

- Guarantees
- Leases related to undelivered aircraft for which commitments have been made with a term of less than 12 months and/or for low value assets
- Purchase obligations

Off-balance sheet arrangements that can be estimated, excluding agreements with suppliers and other obligations, amounted to approximately $851.5 million as at October 31, 2023 ($978.0 million as at October 31, 2022) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	**2023** **$**	**2022** **$**
Guarantees		
Irrevocable letters of credit	**1,350**	978
Collateral security contracts	**797**	469
Leases		
Lease obligations	**849,320**	976,510
	851,467	977,957
Agreements with suppliers	**54,407**	17,352
	905,874	995,309

In the normal course of business, guarantees are required in the travel industry to provide indemnifications and guarantees to counterparties in transactions such as leases, irrevocable letters of credit and collateral security contracts. Historically, Transat has not made any significant payments under such guarantees. Leases are entered into to enable the Corporation to lease rather than acquire certain items.

The Corporation has a $74.0 million annually renewable revolving credit facility for issuing letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at October 31, 2023, $69.9 million of the facility was drawn ($55.9 million as at October 31, 2022), including $29.8 million ($31.3 million as at October 31, 2022) 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.

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits from which £1.1 million ($1.9 million) has been drawn down.

As at October 31, 2023, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had decreased by $126.5 million compared with October 31, 2022. This decrease was primarily due to the delivery of three Airbus A321LRs and one Airbus321ceo, partially offset by the weakening of the Canadian dollar against the U.S. dollar, the signing of an agreement for the lease of one Airbus A321XLR and the impact of higher interest rates on future rents.

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

CONTRACTUAL OBLIGATIONS BY YEAR Years ending October 31	**2024** **$**	**2025** **$**	**2026** **$**	**2027** **$**	**2028** **$**	**2029 and up** **$**	**Total** **$**
Contractual obligations							
Long-term debt	21,449	189,507	406,061	4,309	355,377	—	976,703
Lease liabilities	217,974	213,284	188,744	177,034	161,524	618,829	1,577,389
Leases (off-balance sheet)	17,857	36,440	55,839	67,629	70,581	600,974	849,320
Agreements with suppliers and other obligations	30,112	13,544	7,403	7,283	3,152	31,814	93,308
	287,392	452,775	658,047	256,255	590,634	1,251,617	3,496,720

Debt

The Corporation reported $669.1 million in long-term debt and $1,221.5 million in lease liabilities in the consolidated statement of financial position.

The Corporation's total debt stood at $2,058.0 million as at October 31, 2023, up $125.1 million from October 31, 2022. This increase was primarily due to the addition of three Airbus A321LRs, one Airbus321ceo and one Airbus A330 to our permanent fleet and the strengthening of the U.S. dollar against the Canadian currency, partially offset by the repayment of lease liabilities and the repayment of long-term debt.

Total net debt increased by $12.0 million from $1,610.4 million as at October 31, 2022 to $1,622.4 million as at October 31, 2023. The increase in total net debt resulted from the increase in total debt, partially offset by the increase in cash and cash equivalent balances.

Outstanding shares

As at October 31, 2023, the Corporation had three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at December 8, 2023, there were a total of 38,595,923 voting shares outstanding.

Stock options

As at December 8, 2023, a total of 425,904 stock options was outstanding, 75,904 of which were exercisable.

Warrants

As at October 31, 2023 and as at December 8, 2023, a total of 13,000,000 warrants was issued. As at October 31, 2023 and as at December 8, 2023, a total of 13,000,000 warrants had vested following drawdowns on the credit facility and no warrants had been exercised. Under the terms of the unsecured debt – LEEFF financing agreement, if the loan were to be repaid prior to December 31, 2023, 50% of the vested warrants would be forfeited.

8. OTHER

FLEET

As at October 31, 2023, Air Transat's permanent fleet consisted of thirteen Airbus A330s (332 or 345 seats), fifteen Airbus A321LRs (199 seats), and eight Airbus A321ceos (199 seats). During the year ended October 31, 2023, one Airbus A330, three Airbus A321LRs and one Airbus A321ceo were commissioned, and one Boeing 737-800 was returned to the lessor.

LITIGATION

In the normal course of business, the Corporation is exposed to various claims and legal proceedings. There are often many uncertainties surrounding these disputes and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial position, subject to the paragraph hereunder. The Corporation has directors' and officers' liability insurance and professional liability insurance, with coverage under said insurance policies that is usually sufficient to pay amounts that the Corporation may be required to disburse in connection with these lawsuits that are specific to the directors and officers, and not the Corporation. In addition, the Corporation holds professional liability and general liability insurance for lawsuits relating to non-bodily or bodily injuries sustained. In all these lawsuits, the Corporation has always defended itself vigorously and intends to continue to do so.

As a result of the COVID-19 pandemic, the Corporation has been the subject of a number of applications for authorization to institute class actions in connection with the reimbursement of customer deposits for airline tickets and packages that had to be cancelled. While some of these applications have not yet been definitively settled, the Corporation has refunded almost all customers, particularly since April 2021, using the unsecured credit facility related to travel credits. Consequently, applications for authorization to institute class actions that have not yet been settled may become moot. In any event, the Corporation will continue to defend itself vigorously in this respect. If the Corporation had to pay an amount related to class actions, the unfavourable effect of the settlement would be recognized in the consolidated statement of income (loss) and could have an unfavourable effect on cash.

9. ACCOUNTING

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and judgments about the future. We periodically review these estimates, which are based on historical experience, changes in the business environment and other factors, including expectations of future events, that management considers reasonable under the circumstances. Our estimates involve judgments we make based on the information available to us. However, accounting estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market events or to circumstances beyond the Corporation's control. Such changes are reflected in the assumptions when they occur.

This discussion addresses only those estimates that we consider important based on the degree of uncertainty and the likelihood of a material impact if we had used different estimates. There are many other areas in which we use estimates about uncertain matters.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit ["CGU"], exceeds its recoverable amount, which is the higher of fair value less costs to sell the asset or CGU and value in use. To identify CGUs, management has to take into account the contributions made by each subsidiary and the inter-relationships among them in light of the Corporation's vertical integration and the goal of providing a comprehensive offering of tourism services in the markets served by the Corporation.

The Corporation assesses at each reporting date whether there is any indication that an asset or a CGU may be impaired. If any indication exists, or when annual impairment testing for an asset or a CGU is required, the Corporation estimates the recoverable amount of the asset or CGU. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets; in which case, the impairment test is performed at the CGU level. Value in use is calculated using estimated net cash flows, typically based on detailed projections over a five-year period with subsequent years extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model may be used. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized through profit or loss.

As at October 31, 2023, the Corporation determined that that there were no indicators that an asset could have become impaired.

As at October 31, 2022, the Corporation determined that the declines in revenues and demand owing to the COVID-19 pandemic constituted indications of impairment of its CGUs. Accordingly, the Corporation performed an impairment test on its CGUs. The recoverable amount of CGUs was determined based on their value in use, using a discounted cash flow model. This model is based on Level 3 inputs within the fair value hierarchy. Cash flows were derived from the financial forecasts for 2023-2026, based on the Corporation's 2022-2026 strategic plan and 2023 budget, which corresponded with management's best estimates and were approved by the Board of Directors, and took into account at-that-time and expected market conditions, including the impact of the COVID-19 pandemic. The Corporation used various assumptions in the preparation of these projections, which are by their nature uncertain and may have changed unpredictably; accordingly, it is possible that these projections will not be achieved, particularly if demand remains at lower-than-expected levels and travel restrictions persist over time.

The significant assumptions used in the impairment test are as follows:

- An average discount rate of 15.70%, which is the Corporation’s weighted average capital cost. This rate was determined taking into account a number of factors such as the risk-free interest rate, the required return on equity investments, risk factors specific to the air transportation industry and risk factors specific to the Corporation’s CGUs;
- A long-term growth rate of 2.0% beyond the 5-year period, based on the Bank of Canada’s target inflation rate;
- A per gallon fuel price between US$2.24 and US$3.79, based on management's best estimates.

As at October 31, 2022, no impairment in the carrying amount of the Corporation’s two CGUs was recognized, as their recoverable amount remained higher than their carrying amount. Sensitivity analyses were performed on the significant assumptions used in the discounted cash flow model and no impairment would have resulted from a change in those assumptions.

Provision for return conditions

Aircraft- and equipment-related leases contain obligations arising from the conditions under which the assets must be returned to the lessor on expiry of the lease (the “return conditions”). The Corporation records a provision arising from the return conditions of leased aircraft and engines upon commencement of the lease based on the degree of use until maintenance is performed to meet the return condition or until expiry of the lease. The provision is adjusted to reflect any change in the related maintenance expenses anticipated and the significant accounting estimates and judgments used; these changes are accounted for under “Aircraft maintenance” in the consolidated statement of income (loss) in the period during which they are incurred. The provision is discounted using the risk-free pre-tax Canadian government bond rate as at the reporting date for a term equal to the average remaining term to maturity before the related cash outflow.

The Corporation makes deposits to lessors based on the use of the leased aircraft in connection with certain future maintenance work, namely maintenance deposits with lessors. Deposits made between the last maintenance performed by the Corporation and expiry of the lease, as well as certain deposits made in excess of the actual cost of maintenance work, will not be refunded to the Corporation when the maintenance is performed. These deposits are included in the provision for return conditions of leased aircraft and engines.

The estimates used to determine the provision for return conditions are based on historical experience, actual costs of work and the inflation rate of those costs, information from external suppliers, forecasted aircraft utilization, expected timing of repairs, the U.S. dollar exchange rate and other facts and reasonable assumptions in the circumstances. Given that various assumptions are used in determining the provision for return conditions, the calculation involves some inherent measurement uncertainty. Actual results will differ from estimated results based on assumptions.

Liability related to warrants

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation’s liabilities. As at the issuance date, the liability related to warrants, totalling $51.3 million, was valued using the Black-Scholes model. The initial fair value of the warrants was also recorded under other assets as a deferred financing cost related to the unsecured debt - LEEFF.

The liability related to warrants is remeasured at the end of each period at fair value through profit or loss. It is classified in Level 3 of the fair value hierarchy. At each reporting date, the fair value of the liability related to warrants is determined using the Black-Scholes model, which uses significant inputs that are not based on observable market data, hence the classification in Level 3.

Taxes

Due to the adverse impact of the COVID-19 pandemic on its results, the Corporation ceased to recognize deferred tax assets of its Canadian subsidiaries and reduced the carrying amount of deferred tax asset balances for which it was no longer able to justify recognition under IFRS. The Corporation measured the available positive and adverse indicators to determine whether sufficient taxable income could be realized to recognize the existing deferred tax assets. There are adverse indications related to losses generated during the year ended October 31, 2023, and the previous fiscal years. These adverse indications outweighed the historical favourable indications and the Corporation did not record any deferred tax assets for its Canadian subsidiaries during the year ended October 31, 2023. The tax deductions underlying these deferred tax assets remain available for future use against taxable income.

From time to time, the Corporation is subject to audits by tax authorities that give rise to questions regarding the tax treatment of certain transactions. Certain of these matters could entail significant costs that will remain uncertain until one or more events occur or fail to occur. Although the outcome of such matters is difficult to predict with certainty, the tax claims and risks for which there is a probable unfavourable outcome are recognized by the Corporation using the best possible estimates of the amount of the loss.

FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation is exposed to credit and counterparty risk, liquidity risk and market risk arising from changes in certain foreign exchange rates, changes in fuel prices and changes in interest rates. The Corporation manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates, fuel prices and interest rates on its revenues, expenses and cash flows, the Corporation can avail itself of various derivative financial instruments. The Corporation's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience.

Foreign exchange risk management

The Corporation is exposed to foreign exchange risk, primarily as a result of its many arrangements with foreign-based suppliers, lease liabilities, fuel purchases, long-term debt and revenues in foreign currencies, and fluctuations in exchange rates mainly with respect to the U.S. dollar, the euro and the pound sterling against the Canadian dollar and the euro, as the case may be. Approximately 78% of the Corporation's costs were incurred in a currency other than the measurement currency of the reporting unit incurring the costs, whereas approximately 17% of revenues were earned in a currency other than the measurement currency of the reporting unit making the sale. To safeguard the value of commitments and anticipated transactions, the Corporation has a foreign currency risk management policy that authorizes the use of certain types of foreign currency derivatives based on anticipated foreign exchange rate trends, expiring in generally less than 18 months.

The Corporation can document certain foreign exchange derivatives as hedging instruments and, if applicable, regularly demonstrates that these instruments are sufficiently effective to continue using hedge accounting. These foreign exchange derivatives are designated as cash flow hedges.

All derivative financial instruments are recorded at fair value in the consolidated statement of financial position. The Corporation has defined a hedging ratio of 1:1 for its hedging relationships. For the derivative financial instruments designated as cash flow hedges, changes in the fair value of the effective portion are recognized in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss). Any ineffective portion within a cash flow hedge is recognized in net income (loss), as incurred, under Change in fair value of derivatives. Should the cash flow hedge cease to be effective, previously unrealized gains and losses remain within Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the hedged item is settled, and future changes in value of the derivative instrument are recognized in income (loss) prospectively. The change in value of the effective portion of a cash flow hedge remains in Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the related hedged item is settled, at which time amounts recognized in Unrealized gain (loss) on cash flow hedges are reclassified to the same consolidated statement of income (loss) account in which the hedged item is recognized.

Management of fuel price risk

The Corporation is particularly exposed to fluctuations in fuel prices. Due to competitive pressures in the industry, there can be no assurance that the Corporation would be able to pass along any increase in fuel prices to its customers by increasing prices, or that any eventual price increase would fully offset higher fuel costs, which could in turn adversely impact its business, financial position or operating results. To mitigate fuel price fluctuations, the Corporation has implemented a fuel price risk management policy that authorizes certain types of fuel-related derivative financial instruments, expiring in generally less than 12 months.

The derivative financial instruments used for fuel purchases are measured at fair value at the end of each period, and the unrealized gains or losses arising from remeasurement are recorded and reported under Change in fair value of derivatives in the consolidated statement of income (loss). When realized, at maturity of fuel-related derivative financial instruments, any gains or losses are reclassified to Aircraft fuel.

Credit and counterparty risk

Credit risk is primarily attributable to the potential inability of customers, service providers, aircraft and engine lessors and financial institutions, including the other counterparties to cash equivalents and derivative financial instruments, to discharge their obligations.

Trade accounts receivable included under Trade and other receivables in the consolidated statement of financial position totalled $11.3 million as at October 31, 2023 ($9.5 million as at October 31, 2022). Trade accounts receivable consist of balances receivable from a large number of customers, including travel agencies. Trade accounts receivable generally result from the sale of vacation packages to individuals through travel agencies and the sale of seats to tour operators dispersed over a wide geographic area. No customer represented more than 10% of total accounts receivable as at October 31, 2023 and 2022. As at October 31, 2023, approximately 11% (approximately 14% as at October 31, 2022) of accounts receivable were over 90 days past due, whereas approximately 77% (approximately 78% as at October 31, 2022) were current, that is, under 30 days. Historically, the Corporation has not incurred any significant losses in respect of its trade receivables. Therefore, the allowance for doubtful accounts at the end of each period and the change recorded for each period is insignificant.

As at October 31, 2023, the balance receivable and deposits from credit card processors totalled $46.9 million and $92.1 million, respectively ($196.9 million and $20.8 million, respectively, as at October 31, 2022). The credit risk for these receivables is negligible.

Under the terms of its aircraft and engine leases, the Corporation makes deposits when aircraft and engines are commissioned, particularly as collateral for remaining lease payments. These deposits totalled $43.7 million as at October 31, 2023 ($37.9 million as at October 31, 2022), and are returned as leases expire. The Corporation is also required to pay cash security deposits to lessors over the lease term to guarantee the serviceable condition of aircraft. Cash security deposits with lessors are generally returned to the Corporation upon receipt of documented proof that the related maintenance has been performed by the Corporation. As at October 31, 2023, the cash security deposits with lessors that have been claimed totalled $18.9 million ($10.0 million as at October 31, 2022) and are included in Trade and other receivables. Historically, the Corporation has not written off any significant amount of deposits and claims for cash security deposits with aircraft and engine lessors. The credit risk for these receivables is negligible.

Pursuant to certain agreements entered into with its service providers, the Corporation makes deposits. These deposits totalled $7.0 million as at October 31, 2023 ($7.4 million as at October 31, 2022). These deposits are offset by purchases from suppliers. Risk arises from the fact that these suppliers might not be able to honour their obligations by providing the required services. The Corporation strives to minimize its exposure by limiting deposits to recognized and reputable suppliers in its active markets. These deposits are spread across a large number of suppliers and, historically, the Corporation has not been required to write off a considerable amount for its deposits with suppliers.

For financial institutions including the various counterparties, the maximum credit risk as at October 31, 2023, related to cash and cash equivalents, including cash and cash equivalents in trust or otherwise reserved, and derivative financial instruments accounted for in assets. These assets are held or traded with a limited number of financial institutions and other counterparties. The Corporation is exposed to the risk that the financial institutions and other counterparties with which it holds securities or enters into agreements could be unable to honour their obligations. The Corporation minimizes risk by entering into agreements only with large financial institutions and other large counterparties with appropriate credit ratings. The Corporation's policy is to invest solely in products that are rated R1-Mid or better (by Dominion Bond Rating Service ["DBRS"]), A2 (by Standard & Poor's) or P2 (by Moody's) and rated by at least two rating firms. Exposure to these risks is closely monitored and maintained within the limits set out in the Corporation's various policies. The Corporation revises these policies on a regular basis.

The Corporation does not believe it was exposed to a significant concentration of credit risk as at October 31, 2023.

Liquidity risk

The Corporation is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, financing and compliance with deadlines within the Corporation's scope of consolidation. With senior management's oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The Corporation has implemented an investment policy designed to safeguard its capital and instrument liquidity and generate a reasonable return. The policy sets out the types of allowed investment instruments, their concentration, acceptable credit rating and maximum maturity.

Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable-rate credit facility. The Corporation manages its interest rate exposure and could potentially enter into swap agreements consisting in exchanging variable rates for fixed rates.

Furthermore, interest rate fluctuations could have an effect on the Corporation's interest income derived from its cash and cash equivalents.

CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 12 – Income Taxes

On May 23, 2023, the IASB issued amendments to IAS 12, *Income Taxes*. These amendments introduce a mandatory temporary exception to the requirements to recognize and disclose information about deferred taxes related to the implementation of the Pillar 2 model rules. The Corporation has applied the mandatory temporary exception, which is effective immediately and is to be applied retrospectively, in jurisdictions in which the rules have been substantively enacted. The Corporation has determined that the retrospective application of these amendments has no impact on its consolidated net loss for the year ended October 31, 2023. For fiscal years beginning on or after November 1, 2023, additional information on income tax expense (recovery) and other information on the tax exposures related to Pillar 2 will have to be disclosed.

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1),* which amends IAS 1, *Presentation of Financial Statements*. The amendments aim to clarify how an entity classifies its debt instruments and other financial liabilities with uncertain settlement dates as current or non-current in particular circumstances. On October 31, 2022, the IASB published amendments to *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments aim to improve the information an entity provides when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. It is too early to determine whether the application of these amendments could have an impact on the Corporation's consolidated financial statements at the date of adoption.

10. RISKS AND UNCERTAINTIES

This section provides an overview of the general risks as well as specific risks to which Transat and its subsidiaries are exposed, and which are likely to have a significant impact on the Corporation's financial position, operating results and activities.

This section does not purport to cover all contingencies or to describe all factors that are likely to affect the Corporation or its activities. Moreover, the risks and uncertainties described may or may not materialize, and may develop differently or have consequences other than those contemplated in this MD&A. Additional risks and uncertainties not currently known to the Corporation or that are currently considered immaterial could also materialize in the future and adversely affect the Corporation.

RISK GOVERNANCE

To improve its risk management capacities, the Corporation has set up a framework for identifying, assessing and managing the different risks applicable to its industry and to companies in general. This framework is based on the following principles:

- Promote a culture of risk awareness at the head office and in subsidiaries; and
- Integrate risk management into strategic, financial and operating objectives.

For each risk, an owner has been designated as accountable for designing and implementing measures to mitigate the consequences of risks for which they are responsible, and/or limit the likelihood of these risks materializing. This owner is the first line of defence from a risk management standpoint. The Corporation's support services, namely the Finance, Legal Affairs, IT Security and Human Resources functions, constitute a second line of defence through their involvement in the design and operation of the complementary risk mitigating actions. Lastly, the Internal Audit department of the Corporation is the third line of defence to provide independent assurance on the effectiveness and efficiency of controls over these mitigating actions.

In addition, the Corporation has adopted an ongoing risk management process that includes a quarterly assessment of risk exposures for the Corporation and its subsidiaries, under the oversight of the Audit Committee (financial risks), the Human Resources and Compensation Committee (human resource risks) and the Risk Management and Corporate Responsibility Committee (strategic and operational risks).

Managing these risks is also shared between members of the Corporation's management and the members of the Board of Directors using consistent mapping and language in order to eliminate a silo approach to risk management. As a result of the constantly evolving economic and socio-political context, all risks to which the Corporation is exposed have been re-assessed in detail by the Corporation's officers. As part of this essential process, risks were reprioritized based on their level of probability of occurrence and their quantitative and qualitative impact on the Corporation's business. These risk are then classified according to the impact they may have on the strategic plan, the Corporation and operations. The outcome of this annual exercise comprised a total of 30 risks, rated in order of importance: red for the 6 high-priority risks, orange for the 7 priority risks, yellow for the 11 moderate risks and green for the 6 low risks. These risks were then grouped according to the subject matter and the owner for ease of reference and to ensure that mitigation measures are properly applied as set out in the following paragraphs.

KEY RISKS

An overview of each of the key risk categories is provided below, along with a description of the main measures to reduce the occurrence and mitigate, where possible, the potential impact of these risks on the Corporation's business objectives. Although insurance coverage is purchased for some of these risks, and operational mitigating actions are in place, there can be no assurance that these actions would effectively reduce risks that could have an adverse impact on the Corporation's financial position, reputation and/or ability to achieve its strategic and operational objectives.

FINANCIAL RISKS

Due to the risks described below under economic and general risks, our operating results in future periods could fall short of the expectations of securities analysts and investors, thus affecting the market price of our shares.

Since current market conditions and the Corporation's financial health are not optimal, the Corporation could face difficulties in refinancing its debt and therefore meeting its future financing needs. The Corporation continues to review various options to refinance a portion of the existing debt, including that owed to the Government of Canada, on more advantageous terms than those currently in place. The Corporation cannot guarantee it will have access to such sources of financing or to acceptable financing terms. Although the Corporation has regularly succeeded in extending the maturity date of its debt and has secured lines of credit, there can be no assurance that it will have the necessary liquidity to meet its obligations.

The Corporation's current credit facilities are subject to compliance with certain financial ratios and covenants. There can be no assurance that the Corporation will meet these financial ratios and covenants and that it will be able to use its current credit facilities or secure additional financing. Moreover, financial market volatility could limit access to credit and raise borrowing costs, hampering access to additional financing under satisfactory terms and conditions. Our business, financial position and operating results could thus be adversely affected.

In addition, in the normal course of business, the Corporation is facing a number of short-term maturities related to service contracts with credit card processors. These agreements will have to be renewed or replaced under market conditions prevailing at the time of their expiry, which could result in more onerous borrowing and operating terms and conditions for the Corporation or an inability to renew or replace such contracts.

Transat is particularly exposed to fluctuations in fuel costs. Although the Corporation has implemented a fuel price hedging program, there can be no assurance that we would be able to pass along any increase in fuel prices to our customers by increasing fares, or that any such fare increase would offset higher fuel costs, which could in turn adversely impact our business, financial position or operating results.

Transat has significant non-cancellable lease liabilities relating to its aircraft fleet. If the Corporation’s operations do not return to sufficient levels, the payments to be made under our existing lease agreements could have a substantial impact on our business.

Transat is exposed, due to its many arrangements with foreign-based suppliers, to fluctuations in exchange rates mainly concerning the U.S. dollar, the euro and the pound sterling against the Canadian dollar. These exchange rate fluctuations could increase our operating costs or decrease our revenues.

Recent interest rate hikes could also impact interest expense on our fixed- and variable-rate debt instruments, which in turn could affect our interest expense.

In the normal course of business, we receive customer deposits and advance payments. If funds from advance payments were to diminish or be unavailable to pay our suppliers, we would be required to secure alternative capital funding. There could be no assurance that additional funding would be available under terms and conditions suitable to the Corporation, which could adversely affect our business. In accordance with our investment policy, we are required to invest these deposits and advance payments exclusively in investment-grade securities. Any failure of these investment securities to perform at historical levels could reduce our interest income. In addition, the Corporation is exposed to the risk that the financial institutions with which it holds securities or enters into agreements would be unable to honour their obligations.

As a Corporation that processes information with respect to credit cards used by our customers, we must comply with the regulatory requirements of our credit card processors. Failure to comply with certain financial ratios or certain rules regarding deposits or bank card data security may result in penalties or in the suspension of service by credit card processors. In addition, credit card processors have already taken mitigation measures such as withholding funds until the service is re-established. The inability to use credit cards could have a significant negative impact on our reservations and consequently on our operating results and profitability.

It is also sometimes difficult to foresee how certain Canadian or international tax laws will be interpreted by the appropriate tax authorities. Subsequent to interpretation of these laws by the different authorities, the Corporation may have to review its own interpretations of tax laws, which in turn could have an adverse impact on our profit margin.

The Corporation is making every effort and remains confident of returning to profitability under its strategic plan, based on current market conditions and the resumption of its operations. However, there can be no assurance that the Corporation will be able to settle its debts and meet its obligations in the normal course of business. In addition, to finance the Corporation’s operations until the maturity of the credit facilities, the Corporation may have to again borrow sufficient amounts to meet its needs, but there can be no assurance that it will be able to do so on acceptable terms, or that suppliers, lessors, credit card processors and other creditors will continue to support the Corporation.

Other socio-economic and geo-political factors are also present and create additional uncertainty related to travel demand in the coming months. These factors are further discussed below in the Economic and General Risks section.

Lastly, the travel industry in general and our operations in particular are seasonal. As a result, our quarterly operating results are subject to fluctuations. In our view, comparisons of our operating results between quarters or between six-month periods are not necessarily meaningful and should not be relied on as indicators of future performance.

CYBER ATTACK RISK

In connection with its operations, the Corporation gathers, uses and retains over a fixed period of time large amounts of customer data for commercial, marketing and other purposes in our various computer systems. This data is stored and processed in our facilities and in third-party facilities, including, for example, in a cloud-based environment hosted by a third party. The integrity and protection of the data of our customers, employees and business, as well as the continued operation of our systems and other third-party service providers, are essential to our operations. Security and privacy regulations and contractual obligations are increasingly demanding and have onerous penalties for non-compliance.

Despite our efforts to protect against unauthorized access to our systems and sensitive information, due to the scope and complexity of their information technology structure, our reliance on third parties to support and protect our structure and data, and a constantly evolving cyber threat environment, our systems and those of third parties we rely on are subject to disruptions, failures, unauthorized access, cyber terrorism, employee errors, negligence, fraud or other misuse. In addition, given the sophistication of hackers to gain unauthorized access to our sensitive information, we may be unable to detect the violation for long periods of time, or even not at all.

Such events, whether accidental or intentional, could result in the theft, unauthorized access or disclosure, loss, misuse or unlawful use of customer data that could damage our reputation, disrupt our services or result in business loss, as well as repair and other costs, fines, investigations, legal actions or proceedings. As a result, future incidents could have a material adverse effect on the Corporation, including our business, financial condition, liquidity and operating results.

HUMAN RESOURCE RISKS

The Corporation's ability to achieve its plan to resume operations is dependent on the experience of its key executives and employees and their knowledge of the tourism, travel and airline industries. In the current economic environment and that of the tourism industry, it is difficult to retain the resources necessary for recovery due to the limited ability to pay employees their fair value. As a result, the loss of key employees could adversely affect our business and operating results.

In addition, our recruitment program, salary structure, performance management programs, succession plan, retention plan and training plan involve risks that could negatively impact our ability to attract and retain the skilled resources needed to regain the pre-pandemic level of operations and support the Corporation's future growth and success. The resumption of the Corporation's activities requires new hires and represents a serious challenge given the labour shortage in the overall economy in Québec and Canada. This shortage has given rise to salary expectations that are challenging for the Corporation because of its limited capacity to compensate employees in this new labour market context.

Labour costs are a significant component of the Corporation's operating expenses. There can be no assurance that Transat will be able to maintain these costs at levels that will not adversely affect its operations, results of operations or financial condition.

The Corporation's Air Transat subsidiary is the only subsidiary with unionized employees, who are governed by five collective agreements. The agreement governing flight attendants, namely the "Canadian Union of Public Employees", Airline Division, which covers a significant pool of employees, expired on October 31, 2022. Furthermore, it is possible that negotiations to renew this collective agreement, could give rise to work stoppages or slowdowns or substantially higher labour costs in the coming years that could unfavourably impact our operations and operating income.

In addition, the aviation industry is currently facing pressure from airline pilot unions who are demanding compensation adjustments given the anticipated shortage for this type of labour. Recent agreements reached in both the United States and Canada could contribute to pilot departures. The Corporation may be forced to open its collective agreements with pilots, which would have the effect of considerably increasing labour costs for this pool of specialized labour. If pilot demands are not met, the Corporation runs the risk of seeing a massive departure of its pilots, and consequently may have to suspend airline operations.

KEY SUPPLIES AND SUPPLIER RISKS

Despite being well positioned due to our vertical integration, we depend on third parties who supply us with certain components of our packages. Any significant interruption in the flow of goods and services from these suppliers, which may be outside our control, could have a significant adverse impact on our business, financial position and operating results.

Our dependence, among others, on Airbus, Rolls-Royce, Pratt & Whitney, CFM, STS Aviation, Kelowna Flightcraft Aerospace, Lufthansa Technik, Sabena Technic and A.J. Walter means that we could be adversely affected by problems connected with Airbus aircraft, and the Rolls-Royce and Pratt & Whitney engines we use, including defective material or parts, mechanical problems or negative perceptions among travellers.

The recent problem with the manufacture of Pratt & Whitney engines on the Airbus 320 raises concerns for the Corporation, which owns this type of aircraft. This problem affects all airlines that also operate this type of aircraft with the same engine, which will lead to numerous and lengthy inspection and maintenance operations over the next three years, enough to ground some aircraft. In particular, these problems will result in the grounding of three of the fifteen A321LRs currently in operation. This situation could have an impact on the Corporation's ability to operate, which may jeopardize its flight operations.

The Corporation also relies on certain suppliers for its information system security and maintenance. See the Technological Risks section.

We are also dependent on a large number of hotels. In general, these suppliers can terminate or modify existing agreements with us on relatively short notice. The potential inability to replace these agreements, to find similar suppliers, or to renegotiate agreements at reduced rates could have an adverse effect on our business, financial position and operating results.

Furthermore, any decline in the quality of travel products or services provided by these suppliers, or any perception by travellers of such a decline, could adversely affect our reputation. Any loss of contracts, changes to our pricing agreements including widespread increases in these prices resulting from current economic factors, access restrictions to travel suppliers' products and services or negative shifts in public opinion regarding certain travel suppliers resulting in lower demand for their products and services could have a significant effect on our results.

ESG RISKS

The market and travellers are increasingly requiring that a listed corporation, such as Transat, be recognized as a socially responsible organization and that it adheres to environmental, social and governance ("ESG") criteria, i.e., factors that have an impact on the environment, that are related to the social involvement of the Corporation and that are related to the way the Corporation runs its business and governs itself.

In this respect, over the years, the Corporation has adopted multiple measures related to these factors, especially its agreement with the SAF+ Consortium to build fuel-efficient aircraft, its new fleet of more efficient, energy-saving Airbus A321LR aircraft, its involvement with communities in Canada and at destination, its approach to managing human resources, in particular, DEI (Diversity, Equity, Inclusion), corporate governance, its Travelife certification program and many others. Despite these initiatives, it is possible that, in the eyes of current and future clients, certain organizations, institutions or shareholders, the Corporation may not fully meet the definition of a socially responsible organization, which could also tarnish the Corporation's reputation.

COMPETITION RISKS

Transat operates in an industry in which competition has always been intense. Some of them are larger, with strong brand name recognition and an established presence in specific geographic areas, substantial financial resources, and preferred relationships with travel suppliers. We also face competition from travel suppliers selling directly to travellers at very competitive prices. The Corporation could thus be unable to compete successfully against existing or potential competitors, and increased competition could have a material adverse effect on its operations, prospects, revenues and profit margin.

In addition, traveller needs dictate how our industry evolves. In recent years, travellers have demanded higher value, better product selection and personalized service, all at competitive prices. Widespread adoption of the Internet makes it easier for travellers to access information on travel products and services directly from suppliers, thus bypassing not only tour operators such as Transat, but also retail travel agents through whom we generate a portion of our revenues. Since our available seat capacity and person-nights are also influenced by market forces, our business model is called into question in some respects. The Corporation's inability to rapidly meet those expectations in a proactive manner could adversely impact its competitive positioning while reducing profitability of its products.

Further, given that we rely to some extent on retail travel agencies for access to travellers and revenues, any consumer shift away from travel agencies and toward direct purchases from travel suppliers could impact the Corporation.

These competitive pressures could adversely impact our revenues and margins since we would likely have to match competitors' prices. The Corporation's performance in all of the countries in which it operates will depend on its continued ability to offer quality products at competitive prices.

ECONOMIC AND GENERAL RISKS

The holiday travel industry is sensitive to global, national, regional and local economic conditions. Economic factors such as a significant downturn in the economy, a recession or a decline in consumer purchasing power or the employment rate in North America, Europe or key international markets could have a negative impact on our business and operating results by affecting demand for our products and services.

We must not forget the whiff of the Covid pandemic. While the Corporation resumed its airline operations in 2022, there is still a risk that cross-border travel restrictions will be imposed again by domestic government authorities and/or the countries that the Corporation serves. This would once again lead to a significant decrease in cash flows from operations despite the mitigation actions taken by the Corporation.

All these factors are creating feelings of anxiety among the Corporation's customers, affecting demand for leisure travel. As a result, revenues might not be sufficient to cover the fixed expenses related to the resumption of operations and bring about profitability in the medium term.

Seasonal planning of flight and person-night capacity is another risk in the tourism industry. For the Corporation, it entails forecasting traveller demand in advance and anticipating trends in future preferred destinations. This is all the more difficult during times of economic troubles. Poor planning for those needs could unfavourably impact our business, financial situation and operating results.

In addition to the foregoing factors, our operating results could also be adversely affected by factors beyond Transat's control, including the following: socio-political instability in Eastern Europe, namely the war in Ukraine, the Israel-Palestine conflict, extreme weather conditions, climate-related or geological disasters, terrorism whether actual or apprehended, new epidemics or disease outbreaks, consumer preferences and spending patterns, consumer perceptions of destination-based service and airline safety, demographic trends, disruptions to air traffic control systems, and costs of safety, security and environmental measures. Furthermore, our revenues are sensitive to events affecting domestic and international air travel as well as the level of car rentals and hotel reservations.

REPUTATION RISKS

All the risks discussed in this section have an impact on the Corporation's reputation. If mitigation measures are not sufficient, the arising of a risk can harm the Corporation's reputation. In addition, the ability to maintain favourable relationships with its existing customers and attract new customers greatly depends on Transat's service offering and its reputation. While the Corporation has already implemented sound governance practices, including a code of ethics and a supplier code of conduct, and developed certain mechanisms over the years to prevent its reputation from being adversely affected, there can be no assurance that Transat will continue to enjoy a good reputation or that events beyond its control, such as a cyberattack or a class action suit, will not tarnish its reputation. The loss or tarnishing of its reputation could have a material unfavourable effect on the Corporation's operations, prospects, financial position and operating results.

AVIATION RISKS

To carry on business or extend its outreach, the Corporation requires access to aircraft that are largely operated by its subsidiary Air Transat. This fleet consists primarily of aircraft leased for several years, sometimes under renewable leases, with varying renewal dates and conditions. If the Corporation were unable to renew its leases for long-term or seasonal leasing, secure timely access to appropriate aircraft under adequate conditions or retire certain aircraft as anticipated, such an outcome could adversely affect the Corporation.

Our focus on two types of Airbus aircraft (A321 and A330) could result in significant downtime for part of our fleet if mechanical problems arise or if the regulator releases any mandatory inspection or maintenance directives applicable to our types of aircraft. The Pratt & Whitney engine issue, discussed above in the key supplies risk section, is currently affecting the Corporation.

If our operations are disrupted due to aircraft unavailability, the loss of associated revenues could have an adverse impact on our business, financial position and operating results.

An incident involving one of our aircraft during our operations could give rise to repair costs or major replacement costs for the damaged aircraft, service interruption, and claims. Consequently, such an event could have an unfavourable impact on the Corporation's reputation.

The Corporation also requires access to airport facilities in its source markets and multiple destinations. In particular, the Corporation must have access to takeoff and landing slots and gates under conditions that allow it to be competitive. Accordingly, any difficulty in securing such access or disruptions in airport operations caused, for instance, by labour conflicts or other factors could adversely affect our business.

With the privatization of airports and air navigation authorities in Canada, airports and air navigation authorities have imposed significant increases in airport user fees and air navigation fees, particularly since some of these airports are located in U.S. border towns and are not subject to such fees. If these user and navigation fees were to increase again substantially, our business, financial position and operating results could be adversely affected, which would result in certain routes being conceded to our U.S. competitors.

TECHNOLOGICAL RISKS

Transat relies heavily on various information and telecommunication technologies to operate its business, increase its revenues and reduce its operating expenses. Our business depends on our ability to manage reservation systems, including handling high telephone call volumes on a daily basis, monitor product profitability and inventory, adjust prices quickly, access and protect information, distribute our products to retail travel agents and other travel intermediaries, and stave off information system intrusions. Rapid changes in these technologies and growing demand for web-based or mobile reservations could require higher-than-anticipated capital expenditures to improve customer service, which could impact our operating results.

In addition to the cyber attacks discussed previously, these technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of third-party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunication systems failures, power failures, computer viruses, computer hacking, unauthorized or fraudulent users, and other operational and security issues. Furthermore, the exploitation of system vulnerabilities is increasingly sophisticated and frequent and requires constant management of and developments in the measures taken. While Transat continues to invest in initiatives, including security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly or in a timely manner. Any systems failures or outages could materially and adversely affect the Corporation's operations and its customer relationships and could have an adverse effect on the Corporation's reputation, its operating results and financial position.

Furthermore, several of those information technology systems depend on third-party providers, such as Softvoyage, Datalex and Radixx. Those suppliers sell more external solutions (through partnerships or cloud services) requiring additional control measures. If these providers were to become incapable of maintaining or improving efficient technology solutions in a profitable and timely manner, the Corporation would be unable to react effectively to information security attacks, obtain new systems to meet growth in its customer base or support new products offered by the Corporation. Consequently, such situations could generate additional expenses, which would unfavourably impact the Corporation's financial position.

REGULATORY RISKS

The industry in which Transat operates is subject to extensive Canadian and foreign government regulations. These relate to, among other things, security, safety, consumer rights, permits, licensing, intellectual property rights, privacy, competition, pricing and the environment. Consequently, Transat's future results may vary depending on the actions of government authorities with jurisdiction over our operations. These actions include the granting and timing of certain government approvals or licences; the adoption of regulations impacting customer service standards (such as new passenger security standards); the adoption of more stringent noise restrictions or curfews; and the adoption of provincial regulations impacting the operations of retail and wholesale travel agencies. In addition, the adoption of new or different regulatory frameworks or amendments to existing legislation or regulations and tax policy changes could affect our operations, particularly as regards hotel room taxes, car rental taxes, airline taxes and airport fees.

With a view to combatting climate change, the Corporation is subject to various regulations, including the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). Under CORSIA, any increase in emissions above the applicable base year level must be offset by the Corporation through the purchase of offset credits or the use of sustainable aviation fuels. While the Corporation does not anticipate having to purchase offsets before 2024 due to the lower number of flights attributable to the pandemic, the costing of this obligation will depend on the participating countries, growth in eligible routes and the type of eligible carbon offsets.

The Corporation is also subject to Canada's *Clean Fuel Regulations*, which are an important part of Canada's climate plan to reduce emissions, accelerate the use of clean technologies and fuels, and support long-term, sustainable jobs in a diversified economy. In addition, to meet its commitments under the Paris Agreement, the Government of Canada has set a minimum price for carbon under the *Greenhouse Gas Pollution Pricing Act*. The federal minimum price initially set at $20 per ton of CO_2 equivalent in 2019, increased to $40 in 2021, and to $50 in 2022, increasing by $15 per year thereafter, to reach $170 in 2030. It should be noted that only domestic aviation is subject to this act.

The Corporation is also subject to the EU Emissions Trading Scheme ("EU-ETS") and to the UK Emissions Trading Scheme ("UK-ETS"). This regulation for aviation system only includes intra-EEA (European Economic Association) flights under the EU-ETS and intra-UK flights under the UK-ETS.

The costs associated with these regulations are not currently considered material to the Corporation but as various climate-related regulations are continually being adjusted, obligations could change significantly in the future. As a result, these changes could have a material impact on our costs and the Corporation's margin would be adversely impacted.

Finally, in the course of our business in the air carrier and travel industry, the Corporation is exposed to claims and legal proceedings, including class action suits. Litigation and claims could adversely affect our business and operating results.

INSURANCE COVERAGE RISKS

We hold and maintain full force insurance policies for amounts conforming to industry standards. Our liability insurance for our tour operator and travel agency activities covers the liability for bodily harm or property damage suffered by travellers or third parties. In the context of our activities as a tour operator, we use reasonable efforts to ensure that our service providers also have insurance covering bodily harm or property damage suffered by travellers. Furthermore, in collaboration with an insurer, we established a voluntary professional liability insurance (errors and omissions) plan for our franchisees.

We also hold and maintain in full force insurance policies for amounts in accordance with airline industry standards and in compliance with applicable statutory requirements and the covenants of our aircraft lease agreements. Our liability insurance for airline operations covers liability related to damages resulting from injury or death of passengers, as well as to damage suffered by third parties. The limit for any single event is US$1.25 billion with the exception of war risk bodily injury/property damage to third parties excluding passengers where the limit is US$250 million for any single event in the aggregate. In this latter regard, additional insurance is carried and maintained for war risk bodily injury/property damage to third parties excluding passengers covering the excess of US$250 million up to the limit of US$1.0 billion for any single event in the aggregate.

In addition, the Corporation has directors' and officers' liability insurance and professional liability insurance to pay the amounts the Corporation may be required to disburse in connection with lawsuits specifically involving directors and officers, not the Corporation.

However, there can be no assurance of all risks being covered in this manner or our ability to secure coverage providing favourable levels and conditions at an acceptable cost.

Although we have never faced a liability claim for which we did not have adequate insurance coverage, there can be no assurance that our coverage will be sufficient to cover larger claims or that the insurer concerned will be solvent at the time of any covered loss. In addition, there can be no assurance that we will be able to obtain coverage at acceptable levels and cost in the future. These uncertainties could adversely affect our business and operating results.

11. CONTROLS AND PROCEDURES

The implementation of the Canadian Securities Administrators National Instrument 52-109 represents a continuous improvement process, which has prompted the Corporation to formalize existing processes and control measures and introduce new ones. Transat has chosen to make this a corporate-wide project, which will result in operational improvements and better management.

In accordance with this instrument, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures ["DC&P"] and the design and effectiveness of internal control over financial reporting ["ICFR"].

The President and Chief Executive Officer and the Chief Financial Officer have designed DC&P or caused them to be designed under their supervision to provide reasonable assurance that material information relating to the Corporation has been made known to them and that information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the prescribed time periods under securities legislation.

Also, the President and Chief Executive Officer and the Chief Financial Officer have designed ICFR or have caused it to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for financial reporting purposes in accordance with IFRS.

EVALUATION OF DC&P AND ICFR

An evaluation of the design and operating effectiveness of DC&P and ICFR was carried out under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. This evaluation consisted of a review of documentation, audits and other procedures that management considered appropriate in the circumstances. Among other things, the evaluation took into consideration the Corporate Disclosure Policy, the code of professional ethics, the sub-certification process and the operation of the Corporation's Disclosure Committee.

Based on this evaluation and using the criteria set by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (COSO-Framework 2013) and in connection with the preparation of its year-end financial statements, the two certifying officers concluded that the design of DC&P and ICFR were effective as at October 31, 2023.

Lastly, no significant changes in ICFR occurred during the quarter ended October 31, 2023 that materially affected the Corporation's ICFR.

12. OUTLOOK

To date, load factors for the winter season are 1.3 percentage points lower than in fiscal 2023, while airline unit revenues, expressed in yield, remain 2.4% higher. Current demand and pricing conditions should allow the Corporation to cope with a cost environment that remains volatile and subject to inflationary pressures.

Considering the current operating environment, the Corporation is setting a fiscal 2024 adjusted EBITDA margin target range of 7.5% to 9%, which would exceed Transat's historical levels. For fiscal 2024, the Corporation intends to increase available capacity by 19% through recent and planned aircraft additions, as well as further improvements in fleet utilization. This capacity will mainly be deployed to expand frequency and annualize best performing routes and to service recently announced new destinations.

In making these forward-looking statements, the Corporation is making the following assumptions for the fiscal year: weak GDP growth in Canada, an exchange rate of C$1.33 to US$1 and an average price per gallon of jet fuel of C$4.00. It also assumes that we reach a satisfactory resolution to renew the collective bargaining agreement with flight attendants and that the Pratt & Whitney engine issue follows the planned schedule, which currently involves three grounded aircraft, and should increase to five or six aircraft by the end of the fiscal year.

MANAGEMENT'S REPORT

The consolidated financial statements and MD&A of Transat A.T. Inc., and all other information in the financial report, are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS issued by the International Accounting Standards Board. The MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. Management's responsibility in these respects includes the selection of appropriate accounting principles as well as the exercise of sound judgment in establishing reasonable and fair estimates in accordance with IFRS and the requirements of the Canadian Securities Administrators, and which are adequate in the circumstances. The financial information presented throughout the MD&A and elsewhere in this Annual Report is consistent with that appearing in the consolidated financial statements.

The Corporation and its affiliated companies have set up accounting and internal control systems designed to provide reasonable assurance that the Corporation's assets are safeguarded against loss or unauthorized use and that its books of account may be relied upon for the preparation of consolidated financial statements and the MD&A.

The Board of Directors is responsible for the financial information presented in the consolidated financial statements and the MD&A, primarily through its Audit Committee. The Audit Committee, which is appointed by the Board of Directors and comprised entirely of independent and financially literate directors, reviews the annual consolidated financial statements and the MD&A and recommends their approval to the Board of Directors. The Audit Committee is also responsible for analyzing, on an ongoing basis, the results of the audits by the external auditors, the accounting methods and policies used as well as the internal control systems set up by the Corporation. These consolidated financial statements have been audited by Ernst & Young LLP. Their report on the consolidated financial statements appears on the next page.

Annick Guérard
President and Chief Executive Officer

Patrick Bui
Chief Financial Officer

December 13, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Transat A.T. Inc.,

Opinion

We have audited the consolidated financial statements of Transat A.T. Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at October 31, 2023 and 2022 and the consolidated statements of loss, the consolidated statements of comprehensive loss, the consolidated statements of changes in negative equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2023 and 2022 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
As indicated in Notes 2 and 19, the Group 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. The amounts received from customers for services not yet provided are included in current liabilities as Customer deposits and deferred revenues. The Group's revenues for the year ended October 31, 2023 amounted to $3,048.4 million. As at October 31, 2023, customer deposits and deferred revenues totalled $754.2 million. Group revenues are recorded using a number of IT systems and controls for processing, recording and recognizing a large volume of low-value transactions. We considered this issue to be a key audit matter due to the significance of revenues and the large volume of transactions that required significant audit effort to test recorded revenues.	Our approach to addressing the matter included the following procedures, among others: – We tested certain controls related to IT systems used by the Group to record revenues; – We obtained and assessed the report certifying the effectiveness of internal controls implemented by a service organization used by the Group to record revenues, particularly for bookings; – We tested a sample of revenue-generating transactions for fiscal 2023 by tracing selected items to source documents; – We tested a sample of airline transportation services, hotel services and manual adjustments recorded close to fiscal year-end by examining the source documents and supporting documents at the time the services were rendered.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sylvain Boucher.

Ernst & Young LLP [1]

Montréal, Canada

December 13, 2023

[1] CPA auditor, CA, public accountancy permit No. A113209

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

(in thousands of Canadian dollars)	Notes	As at October 31, 2023 $	As at October 31, 2022 $
ASSETS	14		
Cash and cash equivalents		**435,647**	322,535
Cash and cash equivalents in trust or otherwise reserved	4	**421,002**	344,284
Trade and other receivables	5	**138,675**	265,050
Income taxes receivable	22	**598**	5,537
Inventories		**33,735**	26,725
Prepaid expenses		**38,113**	26,428
Derivative financial instruments	6	**38,321**	11,939
Current portion of deposits	7	**100,609**	29,392
Current assets		**1,206,700**	1,031,890
Cash and cash equivalents reserved	4	**29,750**	31,273
Deposits	7	**222,196**	172,231
Deferred tax assets	22	**1,047**	953
Property, plant and equipment	9	**1,083,109**	1,000,151
Intangible assets	10	**14,771**	13,261
Investment	11	**11,797**	8,820
Deferred financing costs	12	**—**	12,552
Non-current assets		**1,362,670**	1,239,241
		2,569,370	2,271,131
LIABILITIES			
Trade and other payables	13	**319,764**	289,897
Income taxes payable		**416**	1,054
Customer deposits and deferred revenues		**754,176**	602,509
Derivative financial instruments	6	**17,158**	6,209
Current portion of lease liabilities	14	**150,246**	137,165
Current portion of liability related to warrants	15	**20,816**	16,799
Current portion of provision for return conditions	16	**1,856**	—
Current liabilities		**1,264,432**	1,053,633
Long-term debt and lease liabilities	14	**1,740,350**	1,614,903
Liability related to warrants	15	**—**	7,561
Deferred government grant	14	**146,634**	169,025
Provision for return conditions	16	**175,976**	154,772
Employee benefits liability	17	**20,961**	20,773
Deferred tax liabilities	22	**56**	644
Non-current liabilities		**2,083,977**	1,967,678
NEGATIVE EQUITY			
Share capital	18	**223,450**	221,924
Share-based payment reserve		**16,329**	16,092
Deficit		**(1,008,452)**	(984,602)
Cumulative exchange differences		**(10,366)**	(3,594)
		(779,039)	(750,180)
		2,569,370	2,271,131

See accompanying notes to the consolidated financial statements

On behalf of the Board,

Director

Director

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

Years ended October 31 (in thousands of Canadian dollars, except per share amounts)	Notes	2023 $	2022 $
Revenues	19	**3,048,352**	1,642,038
Operating expenses			
Costs of providing tourism services		**707,023**	355,250
Aircraft fuel		**647,795**	526,152
Salaries and employee benefits	19, 23	**442,623**	288,889
Sales and distribution costs		**214,076**	116,105
Airport and navigation fees		**191,283**	128,318
Aircraft maintenance		**172,812**	114,159
Aircraft rent	14	**12,254**	6,018
Other airline costs		**272,761**	162,082
Other		**110,769**	90,949
Share of net (income) loss of a joint venture	11	**(2,758)**	2,477
Depreciation and amortization	19	**186,355**	154,212
Restructuring costs	20	**3,626**	847
		2,958,619	1,945,458
Operating income (loss)		**89,733**	(303,420)
Financing costs	14	**135,397**	105,314
Financing income		**(42,966)**	(12,982)
Change in fair value of derivatives		**4,434**	9,685
Revaluation of liability related to warrants	15	**(3,544)**	(21,989)
Foreign exchange loss		**23,378**	92,150
Write-off of deferred financing costs	12	**12,743**	—
Loss on business disposal	8	**341**	—
Foreign exchange gain on business disposal	8	**(7,275)**	—
Gain on asset disposals	21	**(2,511)**	(3,934)
Gain on long-term debt modification	14	**(5,585)**	(22,191)
Loss before income tax expense		**(24,679)**	(449,473)
Income taxes (recovery)	22		
Current		**528**	(3,174)
Deferred		**85**	(975)
		613	(4,149)
Net loss for the year		**(25,292)**	(445,324)
Loss per share	18		
Basic		**(0.66)**	(11.77)
Diluted		**(0.66)**	(11.77)

See accompanying notes to the consolidated financial statements

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

Years ended October 31 (in thousands of Canadian dollars)		2023 $	2022 $
Net loss for the year		**(25,292)**	(445,324)
Other comprehensive income (loss)			
Items that will be reclassified to net loss			
Foreign exchange gain on translation of financial statements of foreign subsidiaries		**503**	3,955
Reclassification to net loss		**(7,275)**	(360)
		(6,772)	3,595
Items that will never be reclassified to net loss			
Retirement benefits – Net actuarial gains	*17*	**1,442**	5,603
		1,442	5,603
Total other comprehensive income (loss)		**(5,330)**	9,198
Comprehensive loss for the year		**(30,622)**	(436,126)

See accompanying notes to the consolidated financial statements

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

(in thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Deficit $	Cumulative exchange differences $	Total negative equity $
Balance as at October 31, 2021	221,012	15,948	(544,881)	(7,189)	(315,110)
Net loss for the year	—	—	(445,324)	—	(445,324)
Other comprehensive income	—	—	5,603	3,595	9,198
Comprehensive income (loss) for the year	—	—	(439,721)	3,595	(436,126)
Issued from treasury	912	—	—	—	912
Share-based payment expense	—	144	—	—	144
	912	144	—	—	1,056
Balance as at October 31, 2022	**221,924**	**16,092**	**(984,602)**	**(3,594)**	**(750,180)**
Net loss for the year	—	—	(25,292)	—	(25,292)
Other comprehensive income (loss)	—	—	1,442	(6,772)	(5,330)
Comprehensive loss for the year	—	—	(23,850)	(6,772)	(30,622)
Issued from treasury	1,526	—	—	—	1,526
Share-based payment expense	—	237	—	—	237
	1,526	237	—	—	1,763
Balance as at October 31, 2023	**223,450**	**16,329**	**(1,008,452)**	**(10,366)**	**(779,039)**

See accompanying notes to the consolidated financial statements

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

Years ended October 31 (in thousands of Canadian dollars)	Notes	2023 $	2022 $
OPERATING ACTIVITIES			
Net loss for the year		**(25,292)**	(445,324)
Operating items not involving an outlay (receipt) of cash:			
Depreciation and amortization	9	**186,355**	154,212
Change in fair value of derivatives		**4,434**	9,685
Revaluation of liability related to warrants		**(3,544)**	(21,989)
Foreign exchange loss		**23,378**	92,150
Write-off of deferred financing costs	12	**12,743**	—
Loss on business disposal	8	**341**	—
Foreign exchange gain on business disposal	8	**(7,275)**	—
Gain on asset disposals	21	**(2,511)**	(3,934)
Gain on long-term debt modification	14	**(5,585)**	(22,191)
Share of net (income) loss of a joint venture	11	**(2,758)**	2,477
Capitalized interest on long-term debt and lease liabilities		**44,563**	45,902
Deferred taxes		**85**	(975)
Employee benefits	17	**2,872**	377
Share-based payment expense		**237**	144
		228,043	(189,466)
Net change in non-cash working capital balances related to operations		**122,638**	46,548
Net change in provision for return conditions		**18,954**	13,299
Net change in other assets and liabilities related to operations		**(47,885)**	(48,235)
Cash flows related to operating activities		**321,750**	(177,854)
INVESTING ACTIVITIES			
Additions to property, plant and equipment and other intangible assets		**(57,568)**	(32,531)
Consideration received for a business disposal	8	**48,110**	—
Decrease (increase) in cash and cash equivalents reserved		**1,523**	(545)
Capital contribution to a joint venture	11	**—**	(707)
Cash flows related to investing activities		**(7,935)**	(33,783)
FINANCING ACTIVITIES			
Repayment of lease liabilities	14	**(151,389)**	(108,336)
Repayment of debt	14	**(52,967)**	(3,344)
Transaction costs		**(191)**	(2,760)
Proceeds from issuance of shares	18	**1,526**	912
Proceeds from borrowings	14	**—**	213,217
Cash flows related to financing activities		**(203,021)**	99,689
Effect of exchange rate changes on cash and cash equivalents		**2,318**	1,288
Net change in cash and cash equivalents		**113,112**	(110,660)
Cash and cash equivalents, beginning of year		**322,535**	433,195
Cash and cash equivalents, end of year		**435,647**	322,535
Supplementary information (as reported in operating activities)			
Net income taxes recovered		**(3,984)**	(12,171)
Net interest paid		**42,681**	42,112

See accompanying notes to the consolidated financial statements

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

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. The core of its business consists of a Canadian leisure airline, offering international and Canadian destinations, and is vertically integrated with its other services of holiday packages, distribution through a dynamic travel agency network and value-added services at travel destinations.

The consolidated financial statements of Transat A.T. Inc. for the year ended October 31, 2023, were approved by the Corporation's Board of Directors on December 13, 2023.

Note 2 Significant accounting policies

Basis of preparation

These 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 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.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries.

Subsidiaries

Subsidiaries are entities over which the Corporation has control. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date when such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- Cost is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, excluding transaction costs which are expensed as incurred;
- Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the statement of income;
- Contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the statement of income when the contingent consideration is a financial liability;
- Upon gaining control in a step acquisition, the existing ownership interest is re-measured at fair value through the statement of income; and
- For each business combination including the non-controlling interest, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

The non-controlling interest, which represents the portion of net income and net assets in subsidiaries that are not 100% owned by the Corporation, is reported separately within equity in the consolidated statement of financial position. The non-controlling interest in respect of which shareholders hold an option entitling them to require the Corporation to buy back their shares is reclassified from equity to liabilities, deeming exercise of the option. The carrying amount of the reclassified interest is also adjusted to match its estimated redemption value. Any changes in the estimated redemption value are recognized as equity transactions in retained earnings.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and using consistent accounting policies. All balances, transactions and unrealized gains and losses resulting from intragroup transactions and all intragroup dividends are fully eliminated on consolidation.

Investment in a joint venture

A joint venture is an entity in which the parties that have joint control over the entity have rights to the net assets of the entity.

The Corporation's investment in a joint venture is accounted for using the equity method as follows:

- Investment is initially recognized at cost;
- Investment in an associate includes goodwill identified on acquisition, net of any accumulated impairment loss;
- The Corporation's share of post-acquisition net income (loss) is recognized in the statement of income and is also added to (netted against) the carrying amount of the investment; and
- Gains on transactions between the Corporation and the joint venture are eliminated to the extent of the Corporation's interest in this entity and losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency spot rate of exchange at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiary are recognized in the statement of income, except for qualifying cash flow hedges, which are deferred and presented as Unrealized gain (loss) on cash flow hedges in Accumulated other comprehensive income (loss) in the statement of changes in equity.

Group companies

Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated at the period-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The exchange differences arising from translation are recognized in Cumulative exchange differences in Accumulated other comprehensive income (loss) in the statement of changes in equity. On disposal of an interest, the exchange difference component relating to that particular interest is recognized in net income.

Cash equivalents

Cash equivalents consist primarily of term deposits and bankers' acceptances that are highly liquid and readily convertible into known amounts of cash with initial maturities of less than three months.

Inventories

Inventories, consisting primarily of spare parts, supplies and fuel, are valued at the lower of cost, determined using the first-in, first-out method, and net realizable value. Net realizable value is the estimated selling price in the normal course of business less estimated costs to sell. Replacement cost may be indicative of net realizable value. Inventories are presented net of the provision for impairment of inventories, if applicable. The Corporation did not record a provision for impairment of inventories in 2023 and 2022.

Leases

The Corporation is party to leases, primarily for aircraft, aircraft engines, real estate and automotive equipment. At the commencement date of the lease, the Corporation recognizes a right-of-use asset and a lease liability at the present value of future lease payments, using the Corporation's incremental borrowing rate. The Corporation has elected to separate lease and non-lease components of lease agreements.

Initial measurement of lease liabilities includes fixed lease payments and variable lease payments that depend on an index or a rate, during the non-cancellable period of the lease and for extension options reasonably certain to be exercised by the Corporation. The initial value of lease liabilities is reduced by lease incentives receivable.

The initial value of right-of-use assets is obtained through the calculation of lease liabilities. Right-of-use assets are recognized in accordance with IAS 16, *Property, Plant and Equipmen*t, and broken down into their major components and depreciated over the shorter of the lease term or the expected useful life.

The Corporation presents right-of-use assets under Property, plant and equipment and lease liabilities under Lease liabilities in the consolidated statement of financial position. The current portion of lease liabilities is reported under Current liabilities.

Variable lease payments that do not depend on an index or a rate are recognized as a lease expense in the consolidated statement of income (loss) in the period during which the event or condition that triggers the payment occurs. Expenses associated with lease payments under leases with terms of less than 12 months and low-value leases are recognized as lease expenses in the consolidated statement of income (loss) on a straight-line basis over the term of the lease.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Right-of-use assets under leases are recognized at the lower of the current value of future lease payments, using the Corporation's incremental borrowing rate and fair value.

Depreciation on property, plant and equipment with finite useful lives is calculated on a straight-line basis, unless otherwise specified, and serves to write down the cost of the assets to their estimated residual value over their expected useful lives as follows:

Leasehold improvements to leased aircraft	Lease term or useful life
Aircraft equipment, including spare engines and rotable spare parts	5–10 years or use
Office furniture and equipment	3–10 years
Administrative building	10–20 years
Right-of-use assets and leasehold improvements	Lease term or useful life

Land and property, plant and equipment under construction or development are not depreciated.

Estimated residual values and useful lives are reviewed annually and adjusted as appropriate.

Right-of-use assets

For leased aircrafts, on initial recognition, right-of-use assets are broken down between the airframe and major maintenance components. Eligible maintenance costs related to major maintenance components are capitalized and depreciated over the shorter of the lease term or expected useful life. The total of these items is recorded under Right-of-use assets related to the fleet. Subsequently, eligible maintenance costs over the lease term are capitalized and depreciated over the shorter of the lease term and expected useful life.

The Corporation is party to real estate leases, in particular for offices, spaces in airports and travel agencies. Moreover, the Corporation is party to equipment and aircraft engine leases, including automotive equipment. Right-of-use assets are recognized in respect of such leases, except for leases with terms of less than 12 months and leases with substantial substitution rights.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units ["CGUs"] that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible assets

Intangible assets are recorded at cost. The cost of intangible assets acquired in a business combination is recorded at fair value as at the acquisition date. Internally generated intangible assets include developed or modified application software. These costs are capitalized when the following criteria are met:

- It is technically feasible to complete the software product and make it available for use;
- Management intends to complete the software product and use it;
- The Corporation has ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and use the software product are available;
- The expenditures attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific project.

Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized on a straight-line basis over their respective useful economic lives, as follows:

Software	3–10 years
Customer lists	7–10 years

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually and adjusted as appropriate.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, cash and cash equivalents in trust or otherwise reserved, trade and other receivables other than amounts receivable from the government, deposits on leased aircraft and engines, deposits with credit card processors and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables other than amounts due to the government, long-term debt, lease liabilities, liabilities related to warrants, and derivative financial instruments with a negative fair value.

Financial assets and financial liabilities, including derivative financial instruments, are initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification: financial assets/liabilities at fair value through profit or loss, at fair value through other comprehensive income (loss), or at amortized cost. The classification of financial assets is determined based on the business model under which risks are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified by default at amortized cost except for derivative financial instruments. Derivative financial instruments, including embedded derivative financial instruments that are not closely related to the host contract, are classified as financial assets or liabilities at fair value through profit or loss unless they are designated within an effective hedging relationship; in that event, they are classified as financial assets or liabilities at fair value through other comprehensive income (loss).

Classification of financial instruments

Financial assets and financial liabilities at fair value through profit or loss

Financial assets, financial liabilities and derivative financial instruments classified as financial assets or liabilities at fair value through profit or loss are measured at fair value at the period-end date. Gains and losses realized on disposal and unrealized gains and losses from changes in fair value are reflected in the consolidated statement of income (loss) as incurred.

Financial assets and financial liabilities at fair value through other comprehensive income (loss)

Derivative financial instruments designated within an effective hedging relationship classified as financial assets or financial liabilities at fair value through other comprehensive income (loss) are measured at fair value as at the reporting date.

Amortized cost

Financial assets and financial liabilities classified at amortized cost are measured at amortized cost using the effective interest method.

Derivative financial instruments and hedge accounting

The Corporation uses derivative financial instruments to hedge against future foreign currency fluctuations in relation to its lease payments, receipts of revenues from certain tour operators and disbursements pertaining to certain operating expenses in foreign currencies. For hedge accounting purposes, the Corporation designates some of its foreign currency derivatives as hedging instruments.

The Corporation formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. This process includes linking all derivative financial instruments to forecasted cash flows or to a specific asset or liability. The Corporation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are highly effective in offsetting the changes in the fair value or cash flows of the hedged items.

These derivative financial instruments are designated as cash flow hedges.

All derivative financial instruments are recorded at fair value in the consolidated statement of financial position. The Corporation has defined a hedging ratio of 1:1 for its hedging relationships. For the derivative financial instruments designated as cash flow hedges, changes in the fair value of the effective portion are recognized in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss). Any ineffective portion within a cash flow hedge is recognized in net income (loss), as incurred, under Change in fair value of derivatives. Should the cash flow hedge cease to be effective, previously unrealized gains and losses remain within Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the hedged item is settled, and future changes in value of the derivative instrument are recognized in income prospectively. The change in value of the effective portion of a cash flow hedge remains in Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the related hedged item is settled, at which time amounts recognized in Unrealized gain (loss) on cash flow hedges are reclassified to the same consolidated statement of income (loss) account in which the hedged item is recognized.

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. The time value of these options, including premiums paid, is recognized in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss) for effective hedging relationships. The time value of these options, including premiums paid, remains in Accumulated 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.

For derivative financial instruments designated as fair value hedges, periodic changes in fair value are recognized in the same account in the consolidated statement of income (loss) as the hedged item.

Derivative financial instruments that do not qualify for hedge accounting

In the normal course of business, the Corporation also uses fuel-related derivatives to manage its exposure to unstable fuel prices as well as foreign currency derivatives to offset the future risks of fluctuations in foreign currencies that have not been designated for hedge accounting. These derivative financial instruments used for fuel purchases are measured at fair value at the end of each period, and the unrealized gains or losses arising from remeasurement are recorded and reported under Change in fair value of derivatives in the consolidated statement of income (loss). When realized, at maturity of fuel-related derivative financial instruments, any gains or losses are reclassified to Aircraft fuel. When realized, at maturity of foreign currency derivatives that do not qualify for hedge accounting, any gains or losses are reclassified to the same consolidated statement of income (loss) account in which the hedged item is recognized.

It is the Corporation’s policy not to speculate on derivative financial instruments; accordingly, these instruments are normally purchased for risk management purposes and held to maturity.

Transaction costs

Transaction costs related to financial assets and financial liabilities classified as financial assets or liabilities at fair value through profit or loss are expensed as incurred. Transaction costs related to financial assets or to financial liabilities classified at amortized cost are reflected in the carrying amount of the financial asset or financial liability and are then amortized over the estimated useful life of the instrument using the effective interest method.

Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted prices in an active market at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets accessible to the Corporation at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Impairment of financial assets classified at amortized cost

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets classified at amortized cost is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset [an "incurred loss event"] and that incurred loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In addition, the Corporation assesses expected credit losses related to its financial assets classified at amortized cost. Accordingly, the Corporation must determine whether credit risk has increased significantly by comparing the risk of a default occurring on the asset as at each reporting date with the risk of a default occurring on the asset as at the initial recognition date, taking into account the information it has been able to obtain, including relevant forward-looking information. Impairment losses are recognized through profit or loss. For Trade and other receivables, the Corporation applies the simplified approach permitted by IFRS 9 which requires that full lifetime expected credit losses be recognized starting from initial recognition.

Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is any indication that an asset or a CGU may be impaired. If any indication exists, or when annual impairment testing for an asset or a CGU is required, the Corporation estimates the recoverable amount of the asset or CGU. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets; in which case, the impairment test is performed at the CGU level. Value in use is calculated using estimated net cash flows, typically based on detailed projections over a five-year period with subsequent years extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model may be used. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized through profit or loss. These criteria are also applied in assessing impairment of specific assets.

Intangible assets

Intangible assets with indefinite useful lives, such as trademarks, are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Reversal of impairment losses

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Corporation estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the statement of income (loss). Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions

Provisions are recognized when the Corporation has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. Provisions are measured at their present value.

Provision for return conditions

Aircraft- and equipment-related leases contain obligations arising from the conditions under which the assets must be returned to the lessor on expiry of the lease [the "return conditions"]. The Corporation records a provision arising from the return conditions of leased aircraft and engines upon commencement of the lease based on the degree of use until maintenance is performed to meet the return condition or until expiry of the lease. The provision is adjusted to reflect any change in the related maintenance expenses anticipated and the significant accounting estimates and judgments used; these changes are accounted for under Aircraft maintenance in the consolidated statement of income (loss) in the period during which they are incurred. The provision is discounted using the risk-free pre-tax Canadian government bond rate as at the reporting date for a term equal to the average remaining term to maturity before the related cash outflow.

The Corporation makes deposits to lessors based on the use of the leased aircraft in connection with certain future maintenance work, namely maintenance deposits with lessors. Deposits made between the last maintenance performed by the Corporation and expiry of the lease, as well as certain deposits made in excess of the actual cost of maintenance work, will not be refunded to the Corporation when the maintenance is performed. These deposits are included in the provision for return conditions of leased aircraft and engines.

Employee future benefits

The Corporation offers defined benefit pension arrangements to certain senior executives. Pension expense is based on actuarial calculations performed annually by independent actuaries using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations, expected mortality and expected rate of future compensation. Actual results will differ from estimated results based on assumptions. The vested portion of past service cost arising from plan amendments is recognized immediately in the statement of income (loss). The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits vest.

The liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the term of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in Retained earnings and included in the statement of comprehensive income (loss).

Contributions to defined contribution pension plans are expensed as incurred, which is as the related employee service is rendered.

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, including amounts received from customers for trips that had to be cancelled and for which the Corporation has issued travel credits, 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 programs that also represent its two main product lines: the transatlantic program and the Americas program, which includes the sun destinations program.

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. Amounts receivable from credit card processors are included in Trade and other receivables. 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, *Revenue from Contracts with Customers*, 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.

Government grants

When there is reasonable assurance that grant-related conditions will be met and grants will be received, the Corporation recognizes income-related government grants as deduction from the related expenses.

The difference between the fair value of drawdowns under the unsecured credit facility related to travel credits and their nominal value was recognized as Deferred government grant at the time of the drawdown. The proceeds from the deferred government grant are recognized on the consolidated statement of income (loss) as a reduction of the corresponding financing costs using the effective interest method.

Income Taxes

The Corporation provides for income taxes using the liability method. Under this method, deferred tax assets and liabilities are calculated based on differences between the carrying value and tax basis of assets and liabilities and measured using substantively enacted tax rates and laws expected to be in effect when the differences reverse.

Deferred tax assets and liabilities are recognized directly through profit or loss, other comprehensive income (loss), or equity based on the classification of the item to which they relate.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforwards of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Share-based payment plans

The Corporation offers to certain employees' various equity-settled and cash-settled share-based compensation plans under which it receives services from employees.

Equity-settled transactions

For equity-settled share-based compensation [stock option plan and performance share unit plan], including share-based payment transactions with a net settlement feature to satisfy withholding tax obligations, the compensation expense is based on the grant date fair value of the share-based awards expected to vest over the period in which the performance and/or service conditions are fulfilled, with a corresponding increase in the share-based payment reserve. Compensation expense related to the stock option plan is calculated using the Black-Scholes model, whereas the performance share unit expense is measured based on the closing price of the shares of the Corporation on the Toronto Stock Exchange at the grant date adjusted to take into account the terms and conditions upon which the units were granted. For awards with graded vesting, the fair value of each tranche is recognized through profit or loss over its respective vesting period. Any consideration paid by employees on exercising these awards and the corresponding portion previously credited to the share-based payment reserve are credited to share capital.

Cash-settled transactions

For cash-settled share-based compensation [deferred share unit plan and restricted share unit plan], the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The value of the compensation is measured based on the closing price of the shares of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the units were granted, and is based on the units that are expected to vest. The expense is recognized over the period in which the performance or service conditions are satisfied. At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions through profit or loss.

Employee share purchase plans

The Corporation's contributions to the employee share purchase plans [stock ownership incentive and capital accumulation plan and permanent stock ownership incentive plan] consist of shares acquired in the marketplace by the Corporation. These contributions are measured at cost and are recognized over the period from the acquisition date to the date that the award vests to the participant. Any consideration paid by the participant to purchase shares under the share purchase plan is credited to share capital.

Earnings per share

Basic earnings per share is computed based on net income (loss) of the Corporation, divided by the weighted-average number of Class A Variable Voting Shares and Class B Voting Shares outstanding during the year.

Diluted earnings per share is calculated by adjusting net income (loss) of the Corporation for any changes in income or expense that would result from the exercise of dilutive elements. The weighted-average number Class A Variable Voting Shares and Class B Voting Shares outstanding is increased by the weighted-average number of additional Class A Variable Voting Shares and Class B Voting Shares that would have been outstanding assuming the exercise of all dilutive elements.

Current and future changes in accounting policies

Amendments to IAS 12 – Income Taxes

On May 23, 2023, the IASB issued amendments to IAS 12, *Income Taxes*. These amendments introduce a mandatory temporary exception to the requirements to recognize and disclose information about deferred taxes related to the implementation of the Pillar 2 model rules. The Corporation has applied the mandatory temporary exception, which is effective immediately and is to be applied retrospectively, in jurisdictions in which the rules have been substantively enacted. The Corporation has determined that the retrospective application of these amendments has no impact on its consolidated net loss for the year ended October 31, 2023. For fiscal years beginning on or after November 1, 2023, additional information on income tax expense (recovery) and other information on the tax exposures related to Pillar 2 will have to be disclosed.

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1),* which amends IAS 1, *Presentation of Financial Statements*. The amendments aim to clarify how an entity classifies its debt instruments and other financial liabilities with uncertain settlement dates as current or non-current in particular circumstances. On October 31, 2022, the IASB published amendments to *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments aim to improve the information an entity provides when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. It is too early to determine whether the application of these amendments could have an impact on the Corporation's consolidated financial statements at the date of adoption.

Note 3 Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, accounting estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market events or to circumstances beyond the Corporation’s control. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or CGU, in the case of goodwill, exceeds its recoverable amount, which is the higher of fair value less costs to sell the asset or CGU and value in use. To identify CGUs, management has to take into account the contributions made by each subsidiary and the inter-relationships among them in light of the Corporation’s vertical integration and the goal of providing a comprehensive offering of tourism services in the markets served by the Corporation.

The fair value less costs to sell calculation is based on available data from arm’s length transactions for similar assets or observable market prices less incremental costs to sell. The value in use calculation is based on a discounted cash flow model. Cash flows are derived from the budget or financial forecasts for the next five fiscal years, that were approved by the Corporation’s Board of Directors, and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the performance of the asset of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As at October 31, 2023, the Corporation determined that there were no indications that any assets may be impaired.

As at October 31, 2022, the Corporation determined that the significant declines in revenues and demand due to the COVID-19 pandemic were indications of impairment of its CGUs. Accordingly, the Corporation performed a new impairment test on its CGUs. The recoverable amount of CGUs was determined based on their value in use, applying a discounted cash flow model. This model is based on Level 3 inputs within the fair value hierarchy. Cash flows were derived from the financial forecasts for 2023 to 2026, based on the Corporation's 2022–2026 strategic plan and 2023 budget, which was consistent with management's best estimates and had been approved by the Board of Directors, and took into account current and expected market conditions, including the impact of the COVID-19 pandemic. The Corporation used various assumptions in the preparation of these projections, which are by their nature uncertain and could change unpredictably; accordingly, it is possible that these projections will not be achieved, particularly if demand remains at lower-than-expected levels and travel restrictions persist over time.

The significant assumptions used in the impairment test are as follows:

- An average discount rate of 15.70%, which is the Corporation's weighted average capital cost. This rate was determined taking into account a number of factors such as the risk-free interest rate, the required return on equity investments, risk factors specific to the air transportation industry and risk factors specific to the Corporation's CGUs;
- A long-term growth rate of 2.0% beyond the 5-year period, based on the Bank of Canada's target inflation rate;
- A per gallon fuel price between US$2.24 and US$3.79, based on management's best estimates.

As at October 31, 2022, no impairment was recognized on the carrying amount of the Corporation's two CGUs, as their recoverable amount remained higher than their carrying amount. Sensitivity analyses were performed on the significant assumptions used in the discounted cash flow model and no impairment would have resulted from a change in those assumptions.

As at October 31, 2022, impairment tests of the land held in Mexico and the investment in a joint venture were performed separately from the test performed on the Corporation's CGUs.

Provision for return conditions

The estimates used to determine the provision for return conditions are based on historical experience, actual costs of work and the inflation rate of those costs, information from external suppliers, forecasted aircraft utilization, expected timing of repairs, the U.S. dollar exchange rate and other facts and reasonable assumptions in the circumstances. Given that various assumptions are used in determining the provision for return conditions, the calculation involves some inherent measurement uncertainty. Actual results will differ from estimated results based on assumptions.

Liability related to warrants

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation's liabilities. As at the issuance date, the liability related to warrants, totalling $51,283, was valued using the Black-Scholes model. The initial fair value of the warrants was also recorded under other assets as a deferred financing cost related to the unsecured debt – LEEFF.

The liability related to warrants is remeasured at the end of each period at fair value through profit or loss. It is classified in Level 3 of the fair value hierarchy. At each reporting date, the fair value of the liability related to warrants is determined using the Black-Scholes model, which uses significant inputs that are not based on observable market data, hence the classification in Level 3.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax legislation and the amount and timing of future taxable income. Given the Corporation's wide range of international business relationships, differences arising between actual results and the assumptions made, or future changes in such assumptions, could give rise to future adjustments in the amounts of income taxes previously reported. Such interpretive differences may arise in a variety of areas depending on the conditions specific to the respective tax jurisdiction of the Corporation's subsidiaries. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required by management to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Due to the adverse impact of the COVID-19 pandemic on its results, the Corporation ceased to recognize deferred tax assets of its Canadian subsidiaries and reduced the carrying amount of deferred tax asset balances for which it was no longer able to justify recognition under IFRS. The Corporation measured the available favourable and adverse indicators to determine whether sufficient taxable income could be realized to recognize the existing deferred tax assets. There are adverse indicators related to the losses generated during the year ended October 31, 2023 and previous fiscal years. These adverse indications outweighed the historical favourable indications, and the Corporation did not record any deferred tax assets for its Canadian subsidiaries during the year ended October 31, 2023. The tax deductions underlying these deferred tax assets remain available for future use against taxable income.

Note 4 Cash and cash equivalents in trust or otherwise reserved

As at October 31, 2023, cash and cash equivalents in trust or otherwise reserved included $379,006 [$319,162 as at October 31, 2022] 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 an amount of $71,746, $29,750 of which was recorded as non-current assets [$56,395 as at October 31, 2022, $31,273 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 5 Trade and other receivables

	2023 $	2022 $
Credit card processor receivables	**46,851**	196,894
Government receivables	**30,381**	31,179
Cash receivable from lessors	**18,862**	9,959
Trade receivables	**11,308**	9,497
Other receivables	**31,273**	17,521
	138,675	265,050

Note 6 Financial instruments

Classification of financial instruments

The classification of financial instruments and their carrying amounts and fair values are detailed as follows:

	Carrying amount				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Fair value
	$	$	$	$	$
As at October 31, 2023					
Financial assets					
Cash and cash equivalents	435,647	—	—	435,647	435,647
Cash and cash equivalents in trust or otherwise reserved	450,752	—	—	450,752	450,752
Trade and other receivables	—	—	108,294	108,294	108,294
Deposits with credit card processors	—	—	92,064	92,064	92,064
Deposits on leased aircraft and engines	—	—	43,711	43,711	43,711
Derivative financial instruments					
- Fuel-related derivatives	12,472	—	—	12,472	12,472
- Foreign currency derivatives	25,849	—	—	25,849	25,849
	924,720	—	244,069	1,168,789	1,168,789
Financial liabilities					
Trade and other payables	—	—	309,067	309,067	309,067
Derivative financial instruments					
- Fuel-related derivatives	3,585	—	—	3,585	3,585
- Foreign currency derivatives	13,573	—	—	13,573	13,573
Long-term debt	—	—	669,145	669,145	646,998
Liability related to warrants	20,816	—	—	20,816	20,816
	37,974	—	978,212	1,016,186	994,039

	Carrying amount				
	Fair value through profit or loss $	Fair value through other comprehensive income $	Amortized cost $	Total $	Fair value $
As at October 31, 2022					
Financial assets					
Cash and cash equivalents	322,535	—	—	322,535	322,535
Cash and cash equivalents in trust or otherwise reserved	375,557	—	—	375,557	375,557
Trade and other receivables	—	—	233,871	233,871	233,871
Deposits with credit card processors	—	—	20,757	20,757	20,757
Deposits on leased aircraft and engines	—	—	37,920	37,920	37,920
Derivative financial instruments					
- Fuel-related derivatives	4,339	—	—	4,339	4,339
- Foreign currency derivatives	7,600	—	—	7,600	7,600
- Prepayment option	128	—	—	128	128
	710,159	—	292,548	1,002,707	1,002,707
Financial liabilities					
Trade and other payables	—	—	277,319	277,319	277,319
Derivative financial instruments					
- Fuel-related derivatives	6,209	—	—	6,209	6,209
Long-term debt	—	—	664,288	664,288	654,954
Liability related to warrants	24,360	—	—	24,360	24,360
	30,569	—	941,607	972,176	962,842

Determination of fair value of financial instruments

The fair value of financial instruments is the amount for which the instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions were used to measure fair value:

The fair value of cash and cash equivalents, in trust or otherwise reserved or not, trade and other receivables and trade and other payables approximates their carrying amount due to the short-term maturity of these financial instruments.

The fair value of deposits on leased aircraft and engines and deposits with credit card processors approximates their carrying amount given that they are subject to terms and conditions similar to those available to the Corporation for instruments with similar terms.

The fair value of derivative financial instruments related to fuel or currencies is measured using a generally accepted valuation method, i.e., by discounting the difference between the value of the contract at expiration determined according to contract price or rate and the value of the contract at expiration determined according to contract price or rate that the financial institution would have used had it renegotiated the same contract under the same conditions at the current date. The Corporation also factors in the financial institution's credit risk when determining the value of financial assets and its own credit risk when determining the value of financial liabilities.

The fair value of the pre-payment option related to the unsecured debt – LEEFF was determined using a trinomial tree approach based on the Hull-White model *[Note 14]*.

The fair value of long-term debt is measured using a generally accepted valuation method, i. e., by discounting long-term debt-related cash outflows based on the prevailing market interest rate for similar debt, taking into account guarantees, current credit market conditions and the Corporation's credit risk.

The fair value of the liability related to warrants was measured using the Black-Scholes model *[Note 15]*.

The following table details the fair value hierarchy of financial instruments by level:

	Quoted prices in active markets (Level 1) $	Other observable inputs (Level 2) $	Unobservable inputs (Level 3) $	Total $
As at October 31, 2023				
Financial assets				
Derivative financial instruments				
- Fuel-related derivatives	**—**	**12,472**	**—**	**12,472**
- Foreign currency derivatives	**—**	**25,849**	**—**	**25,849**
	—	**38,321**	**—**	**38,321**
Financial liabilities				
Derivative financial instruments				
- Fuel-related derivatives	**—**	**3,585**	**—**	**3,585**
- Foreign currency derivatives	**—**	**13,573**	**—**	**13,573**
Liability related to warrants	**—**	**—**	**20,816**	**20,816**
	—	**17,158**	**20,816**	**37,974**

	Quoted prices in active markets (Level 1) $	Other observable inputs (Level 2) $	Unobservable inputs (Level 3) $	Total $
As at October 31, 2022				
Financial assets				
Derivative financial instruments				
- Fuel-related derivatives	—	4,339	—	4,339
- Foreign currency derivatives	—	7,600	—	7,600
- Prepayment option	—	—	128	128
	—	11,939	128	12,067
Financial liabilities				
Derivative financial instruments				
- Fuel-related derivatives	—	6,209	—	6,209
Liability related to warrants	—	—	24,360	24,360
	—	6,209	24,360	30,569

Management of risks arising from financial instruments

In the normal course of business, the Corporation is exposed to credit and counterparty risk, liquidity risk and market risk arising from changes in certain foreign exchange rates, changes in fuel prices and changes in interest rates. The Corporation manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates, fuel prices and interest rates on its revenues, expenses and cash flows, the Corporation may use various derivative financial instruments. The Corporation's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience.

Credit and counterparty risk

Credit risk is primarily attributable to the potential inability of customers, service providers, aircraft and engine lessors and financial institutions, including the other counterparties to cash equivalents and derivative financial instruments, to discharge their obligations.

Trade accounts receivable included under Trade and other receivables in the consolidated statement of financial position totalled $11,308 as at October 31, 2023 [$9,497 as at October 31, 2022]. Trade accounts receivable consist of balances receivable from a large number of customers, including travel agencies. Trade accounts receivable generally result from the sale of vacation packages to individuals through travel agencies and the sale of seats to tour operators dispersed over a wide geographic area. No customer represented more than 10% of total accounts receivable as at October 31, 2023 and 2022. As at October 31, 2023, approximately 11% [approximately 14% as at October 31, 2022] of accounts receivable were over 90 days past due, whereas approximately 77% [approximately 78% as at October 31, 2022] were current, that is, under 30 days. Historically, the Corporation has not incurred any significant losses in respect of its trade receivables. Therefore, the allowance for doubtful accounts at the end of each period and the change recorded for each period is insignificant.

As at October 31, 2023, receivables from and deposits with two credit card processors totalled $46,851 and $92,064, respectively [$196,894 and $20,757, respectively, as at October 31, 2022]. The credit risk for these amounts is negligible.

Under the terms of its aircraft and engine leases, the Corporation makes deposits when aircraft and engines are commissioned, particularly as collateral for remaining lease payments. These deposits totalled $43,711 as at October 31, 2023 [$37,920 as at October 31, 2022] and are returned as leases expire. The Corporation is also required to pay cash security deposits to lessors over the lease term to guarantee the serviceable condition of aircraft. Cash security deposits with lessors are generally returned to the Corporation upon receipt of documented proof that the related maintenance has been performed by the Corporation. As at October 31, 2023, the cash security deposits with lessors that have been claimed totalled $18,862 [$9,959 as at October 31, 2022] and are included in Trade and other receivables. Historically, the Corporation has not written off any significant amount of deposits and claims for cash security deposits with aircraft and engine lessors. The credit risk for these receivables is negligible.

Pursuant to certain agreements entered into with its service providers, the Corporation makes deposits. These deposits totalled $7,033 as at October 31, 2023 [$7,383 as at October 31, 2022]. These deposits are offset by purchases from suppliers. Risk arises from the fact that suppliers might not be able to honour their obligations to provide the required goods or services. The Corporation strives to minimize its exposure by limiting deposits to recognized and reputable suppliers in its active markets. These deposits are spread across a large number of suppliers and, historically, the Corporation has not been required to write off a considerable amount for its deposits with suppliers.

For financial institutions, including the various counterparties, the maximum credit risk as at October 31, 2023 relates to cash and cash equivalents, including cash and cash equivalents in trust or otherwise reserved, and derivative financial instruments accounted for in assets. These assets are held or traded with a limited number of financial institutions and other counterparties. The Corporation is exposed to the risk that the financial institutions and other counterparties with which it holds securities or enters into agreements could be unable to honour their obligations. The Corporation minimizes risk by entering into agreements with only large financial institutions and other large counterparties with appropriate credit ratings. The Corporation's policy is to invest solely in products that are rated R1-Mid or better (by Dominion Bond Rating Service ["DBRS"]), A2 (by Standard & Poor's) or P2 (by Moody's) and rated by at least two rating firms. Exposure to these risks is closely monitored and maintained within the limits set out in the Corporation's various policies. The Corporation revises these policies on a regular basis.

The Corporation does not believe it was exposed to a significant concentration of credit risk as at October 31, 2023.

Liquidity risk

The Corporation is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, financing and compliance with deadlines within the Corporation's scope of consolidation. With senior management's oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The Corporation has implemented an investment policy designed to safeguard its capital and instrument liquidity and generate a reasonable return. The policy sets out the types of allowed investment instruments, their concentration, acceptable credit rating and maximum maturity.

The maturities of the Corporation's financial liabilities as at October 31, 2023 are summarized in the following table, excluding lease liabilities, which are disclosed in Note 14:

	Maturing in under 1 year $	Maturing in 1 to 2 years $	Maturing in 2 to 5 years $	Maturing in 5 years and up $	Total contractual cash flows $	Total carrying amount $
Accounts payable and accrued liabilities	**309,067**	**—**	**—**	**—**	**309,067**	**309,067**
Long-term debt	**21,449**	**189,507**	**765,747**	**—**	**976,703**	**669,145**
Derivative financial instruments	**19,152**	**—**	**—**	**—**	**19,152**	**17,158**
Liability related to warrants	**20,816**	**—**	**—**	**—**	**20,816**	**20,816**
Total	**370,484**	**189,507**	**765,747**	**—**	**1,325,738**	**1,016,186**

Market risk

Foreign exchange risk

The Corporation is exposed to foreign exchange risk, primarily as a result of its many arrangements with foreign-based suppliers, lease liabilities, fuel purchases, long-term debt and revenues in foreign currencies, and fluctuations in exchange rates mainly with respect to the U.S. dollar, the euro and the pound sterling against the Canadian dollar and the euro, as applicable. Approximately 78% of the Corporation's costs were incurred in a currency other than the measurement currency of the reporting unit incurring the costs, whereas approximately 17% of revenues were earned in a currency other than the measurement currency of the reporting unit making the sale. To safeguard the value of commitments and anticipated transactions, the Corporation has a foreign currency risk management policy that authorizes the use of certain types of derivative financial instruments related to foreign currencies based on anticipated foreign exchange rate trends, expiring in generally less than 18 months.

Expressed in Canadian dollars, the net financial assets and net financial liabilities of the Corporation and its subsidiaries denominated in currencies other than their financial statement measurement currency as at October 31, 2023, based on their financial statement measurement currency, are summarized in the following table:

Net assets (liabilities)	U.S. dollar $	Euro $	Pound sterling $	Canadian dollar $	Other currencies $	Total $
2023						
Financial statement measurement currency of the group's companies						
U.S. dollar	**—**	**—**	**—**	**8**	**(646)**	**(638)**
Pound sterling	**160**	**13**	**—**	**1,912**	**—**	**2,085**
Canadian dollar	**(1,186,052)**	**(13,886)**	**9,717**	**—**	**1,252**	**(1,188,969)**
Other currencies	**296**	**11**	**—**	**—**	**733**	**1,040**
Total	**(1,185,596)**	**(13,862)**	**9,717**	**1,920**	**1,339**	**(1,186,482)**

For the year ended October 31, 2023, a 1% appreciation in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a $9,214 decrease in the Corporation's net loss for the year, whereas other comprehensive loss would have increased by $1,432. Conversely, a 1% depreciation in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a $10,308 increase in the Corporation's net loss for the year, whereas other comprehensive loss would have decreased by $1,432. Taking the U.S. dollar individually for the sensitivity analysis, the impact on the Corporation's net loss for the year would have resulted in a decrease of $9,362 had the Canadian dollar strengthened or a increase of $10,456 had it weakened. Also, for sensitivity analysis purposes, the impact of any other single currency on the Corporation's net loss would not be material.

As at October 31, 2023, 38% of estimated requirements for fiscal 2024 were covered by foreign exchange derivatives [31% of the estimated requirements for fiscal 2023 were covered by foreign exchange derivatives as at October 31, 2022].

Risk of fluctuations in fuel prices

The Corporation is particularly exposed to fluctuations in fuel prices. Due to competitive pressures in the industry, there can be no assurance that the Corporation would be able to pass along any increase in fuel prices to its customers by increasing prices, or that any eventual price increase would fully offset higher fuel costs, which could, in turn, adversely impact its business, financial position or operating results. To mitigate fuel price fluctuations, the Corporation has implemented a fuel price risk management policy that authorizes certain types of fuel-related derivative financial instruments, expiring in generally less than 12 months.

For the year ended October 31, 2023, a 10% increase in fuel prices, assuming that all other variables had remained the same, would have resulted in a $11,695 decrease in the Corporation's net loss. A 10% decrease in fuel prices, assuming that all other variables had remained the same, would have resulted in a $4,947 decrease in the Corporation's net loss.

As at October 31, 2023, 35% of estimated requirements for fiscal 2024 were covered by fuel-related derivatives [24% of the estimated requirements for fiscal 2023 were covered by fuel-related derivatives as at October 31, 2022].

Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable-rate credit facility. The Corporation manages its interest rate exposure and could potentially enter into swap agreements consisting in exchanging variable rates for fixed rates.

Furthermore, interest rate fluctuations could have an effect on the Corporation's interest income derived from its cash and cash equivalents.

For the year ended October 31, 2023, a 25-basis point increase or decrease in interest rates, assuming that all other variables had remained the same, would have resulted in a $ 1,641 increase or decrease in the Corporation's net loss.

Capital risk management

The Corporation's capital management objectives are first to ensure the longevity of the Corporation so as to support its continued operations, provide its shareholders with a return, generate benefits for its other stakeholders and maintain the most optimal capitalization possible with a view to keeping capital costs to a minimum.

The Corporation manages its capitalization in accordance with changes in economic conditions. In order to maintain or adjust its capitalization, the Corporation may elect to declare dividends to shareholders, return capital to its shareholders and repurchase its shares in the marketplace or issue new shares. The Corporation uses non-IFRS financial ratios to evaluate its capitalization. These ratios are described in the following paragraphs.

Since October 31, 2021, the Corporation monitors its capitalization using the total net debt/total capitalization ratio, with a long-term target of less than 50%. This ratio is calculated by dividing total net debt by total capitalization, which is the sum of total net debt and market capitalization. Total net debt is equal to the aggregate of long-term debt, lease obligations, liability related to warrants and deferred government grant less deferred financing costs and cash and cash equivalents (not held in trust or otherwise reserved). Although commonly used, this measure does not reflect the fair value of leases, as it does not take into account current rates for similar obligations with similar terms and risks. The calculation of the total net debt/total capitalization is summarized as follows:

	2023 $	2022 $
Total net debt		
Long-term debt	**669,145**	664,160
Deferred government grant	**146,634**	169,025
Liability related to warrants	**20,816**	24,360
Deferred financing costs	**—**	(12,552)
Lease liabilities	**1,221,451**	1,087,908
Cash and cash equivalents	**(435,647)**	(322,535)
	1,622,399	1,610,366
Number of outstanding shares (in thousands)	**38,489**	38,012
Closing share price	**3.01**	2.60
Market capitalization	**115,852**	98,831
Total net debt	**1,622,399**	1,610,366
Total capitalization	**1,738,251**	1,709,197
Total net debt/Total capitalization ratio	**93.3%**	94.2%

The Corporation's credit facilities are subject to certain covenants including a ratio related to adjusted operating results and a minimum level of cash and cash equivalents. These ratios are monitored by management and submitted to the Corporation's Board of Directors on a quarterly basis. Except for the credit facility covenants, the Corporation is not subject to any third-party capital requirements.

Note 7 Deposits

	2023 $	2022 $
Maintenance deposits with lessors	**179,997**	135,563
Deposits with credit card processors	**92,064**	20,757
Deposits on leased aircraft and engines	**43,711**	37,920
Deposits with suppliers	**7,033**	7,383
	322,805	201,623
Less current portion	**100,609**	29,392
	222,196	172,231

Note 8 Business disposal

On August 31, 2023, the Corporation finalized the agreement for the sale and purchase of its wholly owned subsidiary Laminama, S.A. de C.V. ["Laminama"], whose main asset is land located in Puerto Morelos, Mexico, initially announced on July 10, to Finest Holding, B.V., a luxury hotel and resort group. The sale price, paid in cash upon closing of the transaction, was firm and amounted to US$38,000 [$51,357]. The subsidiary had net assets of $48,451 as at August 31, 2023. The Corporation recorded a loss on business disposal of $341, net of $3,247 in transaction costs, and a foreign exchange gain on business disposal of $7,275 following the reclassification to the statement of loss of Cumulative exchange differences related to Laminama's assets and liabilities.

As Laminama's operations do not represent a separate significant line of business for the Corporation, Laminama's results are included in the Corporation's results from continuing operations in the consolidated statements of loss and comprehensive loss for the year ended October 31, 2023.

Assets and liabilities disposed of in connection with Laminama are detailed as follows:

	2023 $
Current assets	(2,425)
Land and other non-current assets *[Note 9]*	(46,766)
Current liabilities	740
Net assets disposed of	**(48,451)**
Cash consideration received	51,357
Cash-settled transaction costs	(3,247)
Cash flows from the disposal of Laminama	**48,110**

Note 9 Property, plant and equipment

	Leasehold improvements Fleet $	Aircraft equipment $	Office furniture and equipment $	Land, building and leasehold improvements $	Right of use Fleet $	Right of use Real estate and other $	Total $
Cost							
Balance as at October 31, 2022	105,911	142,270	46,843	63,209	1,415,370	111,449	1,885,052
Additions	1,179	19,683	4,143	397	281,821	4,027	311,250
Reclassification	—	—	(4,990)	4,990	—	—	—
Disposals	(1,599)	(34)	(24)	(46,757)	(20,332)	—	(68,746)
Write-offs	—	(45)	(6,456)	(4)	(1,976)	(1,686)	(10,167)
Impairment	—	—	—	(4,592)	—	—	(4,592)
Exchange difference	—	—	(10)	(497)	—	42	(465)
Balance as at October 31, 2023	105,491	161,874	39,506	16,746	1,674,883	113,832	2,112,332
Accumulated depreciation							
Balance as at October 31, 2022	63,648	86,376	32,842	11,534	618,142	72,359	884,901
Depreciation	8,251	8,368	3,505	703	150,472	5,141	176,440
Disposals	(1,599)	(2)	(15)	—	(20,332)	—	(21,948)
Write-offs	—	(45)	(6,456)	(4)	(1,976)	(1,686)	(10,167)
Exchange difference	—	—	(9)	(13)	—	19	(3)
Balance as at October 31, 2023	70,300	94,697	29,867	12,220	746,306	75,833	1,029,223
Net book value as at October 31, 2023	35,191	67,177	9,639	4,526	928,577	37,999	1,083,109

	Leasehold improvements Fleet $	Aircraft equipment $	Office furniture and equipment $	Land, building and leasehold improvements $	Right of use Fleet $	Right of use Real estate and other $	Total $
Cost							
Balance as at October 31, 2021	117,118	135,486	57,193	78,684	1,300,068	122,450	1,810,999
Additions	537	7,605	4,646	19	158,425	1,001	172,233
Disposals	(4,585)	(36)	(815)	(229)	(32,358)	(3,006)	(41,029)
Write-offs	(7,159)	(2)	(14,302)	(20,189)	(10,765)	(9,000)	(61,417)
Impairment	—	(783)	—	—	—	—	(783)
Exchange difference	—	—	121	4,924	—	4	5,049
Balance as at October 31, 2022	105,911	142,270	46,843	63,209	1,415,370	111,449	1,885,052
Accumulated depreciation							
Balance as at October 31, 2021	67,277	78,803	43,180	30,168	539,787	77,555	836,770
Depreciation	8,115	7,611	4,506	1,680	118,148	6,287	146,347
Disposals	(4,585)	(36)	(663)	(229)	(29,028)	(2,486)	(37,027)
Write-offs	(7,159)	(2)	(14,302)	(20,189)	(10,765)	(9,000)	(61,417)
Exchange difference	—	—	121	104	—	3	228
Balance as at October 31, 2022	63,648	86,376	32,842	11,534	618,142	72,359	884,901
Net book value as at October 31, 2022	42,263	55,894	14,001	51,675	797,228	39,090	1,000,151

Property, plant and equipment related to the fleet

During the year ended October 31, 2023, the Corporation returned to the lessor a leased Boeing 737-800. This return resulted in disposals of property, plant and equipment and accumulated depreciation balances of $20,289. The carrying amount of assets related to this aircraft was fully impaired as at October 31, 2020. In addition, the Corporation took delivery of one Airbus A330, three Airbus A321LRs and one Airbus A321ceo.

As at October 31, 2022, the Corporation early returned to the lessor a leased Airbus A330. This return resulted in disposals of property, plant and equipment and accumulated depreciation balances of $21,457. In addition, the Corporation took delivery of two Airbus A321LRs. The Corporation recognized an asset impairment charge of $783 for the impairment of rotable Boeing 737 spare parts.

Land, building and leasehold improvements

Given the agreement for the sale and purchase of its Laminama subsidiary entered into during the quarter ended July 31, 2023 *[Note 8]* and prior to classifying Laminama's assets as held for sale during that quarter, the Corporation measured the recoverable amount of its non-current assets and compared it with their carrying amount. The recoverable amount of non-current assets held for sale was measured by allocating a selling price based on the fair value of assets and liabilities held for sale, less costs to sell. As the recoverable amount of the land in Mexico was less than its carrying amount, the Corporation recorded an impairment loss of $4,592. The closing of the sale and purchase agreement resulted in disposals of property, plant and equipment and accumulated depreciation balances of $46,781 and $15 respectively.

On May 20, 2021, due to the change in strategic objectives and the decline in liquidity as a result of the COVID-19 pandemic, the Corporation's Board of Directors approved the discontinuation of the hotel division's operations. As at October 31, 2022, the land in Mexico did not meet the required criteria to be presented as an asset held for sale. Given the above-mentioned factors and the uncertainty surrounding future use of the land in Mexico, assessments of its recoverable amount compared with its carrying amount were made as at October 31, 2022. The recoverable amount of the land was determined based on fair value less costs to sell. Fair value less costs to sell was estimated using level 3 input data, according to valuations prepared by an independent, external valuator as at October 13, 2022. As at October 31, 2022, the recoverable amount of the land in Mexico was equal to its carrying amount and accordingly, no impairment charge was required.

Note 10 Intangible assets

	Software $	Trademarks $	Customer lists $	Total $
Cost				
Balance as at October 31, 2022	**158,720**	**20,265**	**12,594**	**191,579**
Additions	**6,699**	**—**	**—**	**6,699**
Disposals	**(26)**	**—**	**—**	**(26)**
Write-offs	**(2,919)**	**—**	**—**	**(2,919)**
Exchange difference	**227**	**113**	**—**	**340**
Balance as at October 31, 2023	**162,701**	**20,378**	**12,594**	**195,673**
Accumulated amortization and impairment				
Balance as at October 31, 2022	**147,531**	**18,193**	**12,594**	**178,318**
Amortization	**5,323**	**—**	**—**	**5,323**
Disposals	**(26)**	**—**	**—**	**(26)**
Write-offs	**(2,919)**	**—**	**—**	**(2,919)**
Exchange difference	**206**	**—**	**—**	**206**
Balance as at October 31, 2023	**150,115**	**18,193**	**12,594**	**180,902**
Net book value as at October 31, 2023	**12,586**	**2,185**	**—**	**14,771**

	Software $	Trademarks $	Customer lists $	Total $
Cost				
Balance as at October 31, 2021	156,279	20,391	12,594	189,264
Additions	3,697	—	—	3,697
Disposals	(110)	—	—	(110)
Write-offs and impairment	(979)	—	—	(979)
Exchange difference	(167)	(126)	—	(293)
Balance as at October 31, 2022	158,720	20,265	12,594	191,579
Accumulated amortization and impairment				
Balance as at October 31, 2021	141,713	18,193	12,509	172,415
Amortization	6,997	—	85	7,082
Disposals	(65)	—	—	(65)
Write-offs and impairment	(979)	—	—	(979)
Exchange difference	(135)	—	—	(135)
Balance as at October 31, 2022	147,531	18,193	12,594	178,318
Net book value as at October 31, 2022	11,189	2,072	—	13,261

Note 11 Investment

The Corporation holds a 50% interest in Desarrollo Transimar, a Mexican company operating a hotel, the Marival Armony. This interest in a joint venture is accounted for using the equity method.

The change in the investment in Desarrollo Transimar is detailed as follows:

	2023 $	2022 $
Opening balance	**8,820**	9,476
Capital contribution	**—**	707
Share of net income (loss)	**2,758**	(2,477)
Translation adjustment	**219**	1,114
Closing balance	**11,797**	8,820

The investment was translated at the USD/CAD closing rate of 1.3882 as at October 31, 2023 [1.3641 as at October 31, 2022].

The following table shows the condensed financial information regarding Desarrollo Transimar as at October 31, 2023 and 2022:

	2023 $	2022 $
Statement of financial position:		
Current assets	**10,356**	8,127
Non-current assets	**87,960**	87,330
Current liabilities	**6,736**	4,768
Non-current liabilities	**67,986**	73,049
Net assets	**23,594**	17,640
Carrying amount of investment	**11,797**	8,820
Statement of comprehensive income (loss):		
Revenues	**20,251**	14,296
Net income (loss) and comprehensive income (loss)	**5,515**	(4,954)
Share of net income (loss)	**2,758**	(2,477)

Note 12 Deferred financing costs

	2023 $	2022 $
Deferred financing costs	—	12,552
	—	12,552

Deferred financing costs consist of the initial fair value of the 4,687,500 additional warrants issued on July 29, 2022 as part of the amendments to the financing package related to the LEEFF unsecured financing facility *[Note 14]* as well as related costs. These amendments allowed the Corporation to, among other things, borrow additional liquidity of $100,000, available until October 29, 2023. Since the Corporation did not borrow any additional liquidity, the $12,743 balance of deferred financing costs was recorded as deferred financing cost write-off.

Note 13 Trade and other payables

	2023	2022
	$	$
Trade payables	**185,188**	195,088
Salaries and employee benefits payable	**89,867**	59,351
Accrued expenses	**34,012**	22,880
Government remittances	**10,697**	12,578
	319,764	289,897

Note 14 Long-term debt and lease liabilities

The following table details the maturities and weighted average interest rates related to long-term debt and lease liabilities as at October 31, 2023 and October 31, 2022. The current portion of lease liabilities included deferred rent payments related to aircraft leases of $34,011 [$32,148 as at October 31, 2022]:

	Final maturity	Weighted average effective interest rate	2023	2022
		%	$	$
Long-term debt				
Secured debt - LEEFF	**2025**	**9.94**	**51,858**	77,215
Unsecured debt - LEEFF	**2026**	**13.27**	**317,222**	284,757
Unsecured credit facility - Travel credits	**2028**	**14.00**	**205,178**	182,520
Revolving credit facility	**2025**	**9.89**	**49,593**	49,644
Subordinated credit facility	**2025**	**15.17**	**45,294**	70,024
Long-term debt		**13.11**	**669,145**	664,160
Lease liabilities				
Fleet	**2024-2035**	**6.31**	**1,178,764**	1,044,951
Real estate and other	**2024-2037**	**5.58**	**42,687**	42,957
Lease liabilities		**6.28**	**1,221,451**	1,087,908
Total long-term debt and lease liabilities		**8.70**	**1,890,596**	1,752,068
Current portion of lease liabilities			**(150,246)**	(137,165)
Long-term debt and lease liabilities			**1,740,350**	1,614,903

Funding from the Government of Canada

The Corporation has an agreement with the Government of Canada that allowed it to borrow $743,300 through the Large Employer Emergency Financing Facility (LEEFF). On July 29, 2022, the Corporation renegotiated its agreement with the Government of Canada in order to borrow additional funds of $100,000. These additional funds were available until October 29, 2023 and were undrawn by the Corporation. The amended agreement also granted the Corporation access to an additional credit facility of $50,000, subject to certain conditions, until July 29, 2023, including obtaining additional third-party financing. The Corporation made no drawdowns from this additional credit facility.

The fully repayable credit facilities made available by the Canada Enterprise Emergency Funding Corporation ["CEEFC"] under the LEEFF, are as follows:

Secured debt – LEEFF

On April 28, 2023, the Corporation renegotiated its LEEFF secured debt agreement at the original principal amount of $78,000 mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024). The Corporation also renegotiated its agreement on July 29, 2022 in order to be able to borrow additional liquidity of $20,000, which was available until October 29, 2023 and undrawn, and to extend the maturity date to April 29, 2024 (previously April 29, 2023). The credit facility is secured by a first ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bears interest at bankers' acceptance rate plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2023, the financial ratios and covenants were met. During the year ended October 31, 2023, the Corporation made a repayment of $25,600, bringing the principal payable to $52,400. As at October 31, 2023, the credit facility was fully drawn, and the carrying amount stood at $51,858 [$77,215 as at October 31, 2022].

The Corporation concluded that the modifications related to extending the maturity dates renegotiated on April 28, 2023 and July 29, 2022 were non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to this amendment. In addition, the additional liquidity granted under the agreement amended on July 29, 2022 has been treated as a new tranche of existing long-term debt.

Unsecured debt – LEEFF

An amount of $312,000, in the form of an unsecured, non-revolving credit facility that matures on April 29, 2026. The credit facility was renegotiated on March 9, 2022 and July 29, 2022 in order to be able to borrow additional liquidity of $80,000, which was available until October 29, 2023 and undrawn, and to modify the interest rates. The credit facility bears interest at a rate of 5.0% until December 31, 2023 (previously until April 29, 2022), increasing to 8.0% until December 31, 2024 (previously until April 29, 2023), and increasing by 2.0% per annum thereafter, with the option to capitalize interest until December 31, 2024 (previously until April 29, 2023). In the event of a change of control, this credit facility becomes immediately due and payable.

The Corporation concluded that the interest rate modifications under the agreement amended on March 9, 2022 were non-substantial as defined in IFRS 9, *Financial Instruments*. Accordingly, as at March 9, 2022, the carrying amount of the LEEEF unsecured financing facility was adjusted downward to the revised amount of future cash flows discounted using the original effective interest rate. The $22,191 adjustment was recorded as a gain on long-term debt modification and was calculated as follows:

	$
Financial liability carrying amount before the modification as at March 9, 2022	265,906
Financial liability carrying amount under the new terms as at March 9, 2022	243,715
Gain on long-term debt modification	**(22,191)**

The additional liquidity granted under the agreement related to the LEEFF unsecured financing amended on July 29, 2022 was treated as a new tranche of existing long-term debt.

In addition, on October 31, 2023, given the terms of its agreement compared with current market conditions, the Corporation revised its initial estimates of future repayments related to the unsecured debt - LEEFF. The Corporation now expects to repay its credit facility at expiry on April 26, 2026. As a result, the carrying amount of the unsecured debt - LEEFF has been adjusted downward to reflect the revised amount of future cash flows discounted using the original effective rate. The adjustment of $5,585 was recorded as a gain on long-term debt modification and was calculated as follows:

	$
Financial liability carrying amount before the adjustment as at October 31, 2023	322,807
Financial liability carrying amount after the adjustment as at October 31, 2023	317,222
Gain on long-term debt modification	**(5,585)**

As at October 31, 2023, the credit facility was fully drawn and its carrying amount stood at $317,222 [$284,757 as at October 31, 2022]. The credit facility includes a prepayment option, which is an embedded derivative, the fair value of which is recorded as a deduction from the carrying amount of the credit facility. This embedded derivative is separated from the host contract and designated at fair value through profit or loss, with changes in its fair value recorded in the consolidated statement of loss under Change in fair value of derivatives. As at October 31, 2023, the fair value of the prepayment option was nil [$128 as at October 31, 2022] and was determined using a trinomial tree approach based on the Hull-White model.

As part of the financing package, the Corporation issued a total of 17,687,500 warrants *[Note 15]* in connection with the unsecured financing - LEEFF, of which 4,687,500 were forfeited on October 29, 2023, since the Corporation did not draw down the available additional liquidity of $80,000, bringing the total number of warrants to 13,000,000.

Unsecured credit facility related to travel credits

On March 9, 2022, the Corporation renegotiated its agreement with the Government of Canada under the unsecured credit facility related to travel credits in order to borrow additional funds up to a maximum of $43,300, bringing its total to $353,300. The unsecured credit facility was granted to issue refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom a travel credit was issued as a result of COVID–19. This credit facility matures on April 29, 2028 and bears interest at the rate of 1.22%. In the event the secured debt – LEEFF and the unsecured debt – LEEFF have not been repaid, this credit facility could become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders.

Additional liquidity obtained under the unsecured credit facility related to travel credits was treated as a new tranche of existing long-term debt and was accounted for in the same way as previous tranches.

As at October 31, 2023 and October 31, 2022, the credit facility was fully drawn. As at October 31, 2023, the carrying amount of the credit facility was $205,178 [$182,520 as at October 31, 2022], and an amount of $146,634 [$169,025 as at October 31, 2022] was also recognized as deferred government grant related to these drawdowns. During the year ended October 31, 2023, an amount of $16,646 [$18,864 during the year ended October 31, 2022] was recognized as proceeds from government grants as a reduction of financing costs.

In connection with the arrangement of these credit facilities, the Corporation has made certain commitments, including:

- To refund travellers who were scheduled to depart on or after February 1, 2020 and to whom travel credits have been issued due to COVID-19. The Corporation started processing refunds in early May 2021. As per the agreement, to be eligible, customers had to indicate their desire for a refund before August 26, 2021;
- Complying with restrictions on dividends, stock repurchases and executive compensation;
- Maintaining active employment at its level of April 28, 2021.

Other credit facilities

Revolving credit facility

On April 28, 2023 and July 29, 2022, the Corporation renegotiated its $50,000 revolving term credit agreement for its operations, mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024) and April 29, 2024 (previously April 29, 2023), respectively. This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at bankers' acceptance rate or at SOFR (Secured Overnight Financing Rate) in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2023, the financial ratios and covenants were met. As at October 31, 2023 and October 31, 2022, the credit facility was fully drawn.

The Corporation concluded that the modifications related to extending the maturity dates renegotiated on April 28, 2023 and July 29, 2022 were non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to these amendments.

Subordinated credit facility

On April 28, 2023 and July 29, 2022, the Corporation renegotiated its subordinated credit facility for its operations, at the original principal amount of $70,000, mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024) and April 29, 2024 (previously April 29, 2023), respectively. This facility becomes immediately due and payable in the event of a change of control. The facility is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The credit facility bears interest at bankers' acceptance rate plus a premium of 6.0% or at the financial institution's prime rate, plus a premium of 5.0%. Until October 29, 2023, an additional capitalizable premium of 3.75% was added to the interest. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2023, the financial ratios and covenants were met. During the year ended October 31, 2023, the Corporation made a repayment of $27,367, $3,367 of which was capitalized interest, bringing the principal balance payable to $46,000. As at October 31, 2023 and October 31, 2022, the credit facility was fully drawn.

The Corporation concluded that the modifications related to extending the maturity dates renegotiated on April 28, 2023 and July 29, 2022 were non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to this amendment.

Revolving credit facility agreement – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at October 31, 2023, $69,855 had been drawn down under the facility [$55,935 as at October 31, 2022], $29,750 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 the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the years ended October 31, 2023 and 2022, is detailed as follows:

	2023 $	2022 $
Interest expense on long-term debt	**65,914**	50,377
Interest expense on lease liabilities	**62,437**	47,660
Accretion on provision for return conditions	**5,341**	2,973
Other interest	**1,705**	4,304
Financing costs	**135,397**	105,314

Rent expense

Rent expense for the years ended October 31, 2023 and 2022, is detailed as follows:

	2023 $	2022 $
Variable lease payments	**6,288**	6,018
Short-term leases	**5,966**	—
Aircraft rent	**12,254**	6,018
Variable lease payments	**894**	1,059
Short-term leases	**6,077**	3,483
Low value leases	**357**	351
	19,582	10,911

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities:

	2023			2022		
	Cash flows $	Non-cash changes $	Total $	Cash flows $	Non-cash changes $	Total $
Opening balance			**1,087,908**			956,358
Repayments	**(151,389)**	**—**	**(151,389)**	(108,336)	—	(108,336)
New lease liabilities (new contracts and amendments)	**—**	**259,945**	**259,945**	—	145,656	145,656
Interest portion of deferred rent payments	**—**	**3,634**	**3,634**	—	12,162	12,162
Offset of rent payments and lease terminations	**—**	**(2,474)**	**(2,474)**	—	(9,842)	(9,842)
Exchange difference	**—**	**23,827**	**23,827**	—	91,910	91,910
Closing balance	**(151,389)**	**284,932**	**1,221,451**	(108,336)	239,886	1,087,908

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at October 31, 2023 is detailed as follows. Interest on long-term debt only includes interest payable as at October 31, 2023. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.3882 as at October 31, 2023:

Year ending October 31	2024 $	2025 $	2026 $	2027 $	2028 $	2029 and up $	Total $
Long-term debt obligations	**—**	**146,745**	**317,222**	**—**	**205,178**	**—**	**669,145**
Fleet	212,139	207,302	184,644	171,382	156,478	588,614	**1,520,559**
Real estate and other	5,835	5,982	4,100	5,652	5,046	30,215	**56,830**
Lease liabilities	**217,974**	**213,284**	**188,744**	**177,034**	**161,524**	**618,829**	**1,577,389**
Total	**217,974**	**360,029**	**505,966**	**177,034**	**366,702**	**618,829**	**2,246,534**

Note 9 provides the information required for right-of-use assets and depreciation. Note 24 details the information required with respect to leases of aircraft that will be delivered in the coming years.

Note 15 Liability related to warrants

In the context of the initial financing arrangement related to the unsecured facility – LEEFF *[Note 14]*, on April 29, 2021, the Corporation issued a total of 13,000,000 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $4.50 per share, exercisable over a 10-year period, representing 18.75% of the total commitment available under the unsecured debt – LEEFF.

On July 29, 2022, as part of the amendments to the financing package related to the LEEFF unsecured financing, the Corporation issued an additional 4,687,500 warrants to purchase an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $3.20 per share over a 10-year period, representing 18.75% of the additional commitment available under the LEEFF unsecured financing. On October 29, 2023, these 4,687,500 warrants were forfeited, since the Corporation did not draw down the additional $80,000 of the unsecured, non-revolving credit facility (Unsecured debt - LEEFF), which was available until that date.

Under the terms of the LEEFF unsecured financing agreement, if the loan was to be repaid prior to December 31, 2023, 50% of the vested warrants would be forfeited.

The number of shares issuable upon exercise of the warrants may not exceed 25% of the current number of issued and outstanding shares, nor may it result in the holder owning 19.9% or more of the outstanding shares upon exercise of the warrants. In the event of exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price. Finally, in the event that the unsecured debt – LEEFF is repaid in full by its maturity, Transat will have the right to redeem all of the warrants for a consideration equal to their fair market value. The warrants will not be transferable prior to the expiry of the period giving rise to the exercise of such redemption right. In addition, the holder of the warrants will benefit from registration rights to facilitate the sale of the underlying shares and the warrants themselves (once the transfer restriction has been lifted).

As at October 31, 2023 and 2022, a total of 13,000,000 warrants had vested under the drawdowns on the unsecured debt - LEEFF and no warrants had been exercised.

Under the limitations set out above, if the 13,000,000 warrants issued are exercised:

- a maximum of 9,622,339 warrants could be exercised through the issuance of shares;
- 3,377,661 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Moreover, the parties may, by mutual agreement, exercise the 9,622,339 warrants for a settlement in cash. To the extent that Transat shares are listed on a public market, the Corporation could also choose to settle the exercise of these 9,622,339 warrants on a net share basis, that is, by issuing shares based on the difference between Transat's share market price and the exercise price of warrants.

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation's liabilities. As at the issuance date, using the Black-Scholes model, the fair value of the 13,000,000 warrants issued on April 29, 2021 was estimated at $41,491 and recorded as a liability. In its model, the Corporation used a risk-free interest rate of 1.66%, expected volatility of 55.8% and a contractual term of 10 years. The fair value of the 4,687,500 warrants issued on July 29, 2022, was estimated at $9,792 and recorded as a liability. In its model, the Corporation used a risk-free interest rate of 2.69%, expected volatility of 53.3% and a contractual term of 10 years.

The initial fair value of the warrants was also recorded under other assets as deferred financing costs related to the unsecured debt – LEEFF. When the unsecured debt – LEEFF is drawn, the deferred financing costs recorded as an asset are applied against the initial carrying amount of the liabilities recorded, pro rata to the amounts drawn. The resulting discount will form part of the determination of the effective rate of each drawdown in conjunction with the expected cash flows to repay the drawdowns.

The liability related to warrants is remeasured at the end of each period at fair value through profit or loss. It is classified in Level 3 of the fair value hierarchy.

At each reporting date, the fair value of the liability related to warrants is determined using the Black-Scholes model, which uses significant inputs that are not based on observable market data, hence the classification in Level 3.

The change in the liability related to warrants for the years ended October 31 is detailed as follows:

	2023 $	2022 $
Opening balance	**24,360**	36,557
Issuance	**—**	9,792
Revaluation of liability related to cancelled warrants	**(8,881)**	—
Revaluation of liability related to warrants	**5,337**	(21,989)
Closing balance	**20,816**	24,360
Current liability	**20,816**	16,799
Non-current liability	**—**	7,561
Closing balance	**20,816**	24,360

To remeasure the liability related to warrants, classified as Level 3, the Corporation used a Black-Scholes valuation model. As at October 31, 2023, the primary unobservable input used in the model was expected volatility, which was estimated at 55.6%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of $919 in the liability related to warrants as at October 31, 2023.

Note 16 Provision for return conditions

The provision for return conditions relates to contractual obligations to return leased aircraft and engines at the end of the leases under predetermined maintenance conditions. The change in the provision for return conditions for the years ended October 31 is detailed as follows:

	2023 $	2022 $
Opening balance	**154,772**	126,244
Additional provisions	**35,090**	49,858
Changes in estimates	**(17,371)**	(15,276)
Utilization of provision	**—**	(6,163)
Unused amounts reversed	**—**	(2,864)
Accretion	**5,341**	2,973
Closing balance	**177,832**	154,772
Current provisions	**1,856**	—
Non-current provisions	**175,976**	154,772
Closing balance	**177,832**	154,772

Changes in estimates mainly include adjustments to the inflation rate to be applied to estimated current costs and to the discount rate for the provision for return conditions.

As at October 31, 2022, the unused amounts reversed correspond to the reversals of the provision for return conditions for three aircraft, including one aircraft whose lease was terminated and two aircraft that were returned early in 2021.

Note 17 Employee future benefits

The Corporation offers defined benefit pension arrangements to certain senior executives and defined contribution plans to certain employees.

Defined benefit arrangements and post-employment benefits

The defined benefit pension arrangements offered to certain senior executives provide for payment of benefits based on the number of years of eligible service provided and the average eligible earnings for the five years in which the participant's eligible earnings were the highest. These arrangements are not funded; however, to secure its obligations related to defined benefit pension arrangements, the Corporation has issued a $29,750 letter of credit to the trustee *[Note 4]*. The Corporation uses an actuarial estimate to measure its obligations as at October 31 each year.

The following table provides a reconciliation of changes in the defined benefit obligation as at October 31, 2023 and 2022:

	2023 $	2022 $
Present value of obligations, beginning of year	**20,773**	27,120
Current service cost	**682**	1,108
Cost of plan amendments	**1,041**	(1,579)
Interest cost	**1,149**	848
Benefits paid	**(1,242)**	(1,120)
Experience losses (gains)	**(215)**	286
Actuarial gain	**(1,227)**	(5,890)
Present value of obligations, end of year	**20,961**	20,773

The following table provides the components of retirement benefit expense for the years ended October 31:

	2023 $	2022 $
Current service cost	**682**	1,108
Cost of plan amendments	**1,041**	(1,579)
Interest cost	**1,149**	848
Total retirement benefit expense	**2,872**	377

The following table indicates projected payments under defined benefit pension plan arrangements as at October 31, 2023:

	$
1 year or less	**1,247**
1 to 5 years	**5,840**
5 to 10 years	**7,261**
10 to 15 years	**7,928**
15 to 20 years	**7,140**
	29,416

The weighted average duration of the defined benefit obligation related to pension arrangements was 12.1 years as at October 31, 2023.

The significant actuarial assumptions used to determine the Corporation's retirement benefit obligation and expense were as follows:

	2023 %	2022 %
Retirement benefit obligation		
Discount rate	**5.75**	5.25
Rate of increase in eligible earnings	**2.75**	2.75
Retirement benefit expense		
Discount rate	**5.25**	3.25
Rate of increase in eligible earnings	**2.75**	2.75

A 0.25 percentage point increase in the actuarial assumptions below would have the following impacts, all other actuarial assumptions remaining the same:

Increase (decrease)	Retirement benefit expense for the year ended October 31, 2023 $	Retirement benefit obligation as at October 31, 2023 $
Discount rate	**22**	**(584)**
Rate of increase in eligible earnings	**3**	**41**

The funded status of the benefits and the amounts recorded in the statement of financial position under Employee future benefits were as follows:

	2023 $	2022 $
Plan assets at fair value	**—**	—
Accrued benefit obligation	**20,961**	20,773
Retirement benefit deficit	**20,961**	20,773

Changes in the cumulative amount of net actuarial losses recognized in other comprehensive income (loss) and presented as a separate component of retained earnings were as follows:

Gains (losses)	**$**
October 31, 2021	(15,851)
Actuarial gains	5,603
October 31, 2022	**(10,248)**
Actuarial gains	**1,442**
October 31, 2023	**(8,806)**

Defined contribution pension plans

The Corporation offers defined contribution pension plans to certain employees with contributions based on a percentage of salary.

Contributions to defined contribution pension plans, which correspond to the cost recognized, amounted to $15,916 for the year ended October 31, 2023 [$12,584 for the year ended October 31, 2022].

Note 18 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"), 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 in affiliation with another person, 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 non-Canadian holders of Class A 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 an act 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 an act 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 participating Class B Voting Shares ["Class B Shares"], which may only be owned and controlled by Canadians within the meaning of the CTA, and entitling such Canadians to one vote per Class B Share at any meeting of the 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 the Class A and Class B shares were as follows:

	Number of shares	$
Balance as at October 31, 2021	37,747,090	221,012
Issued from treasury	265,054	912
Balance as at October 31, 2022	38,012,144	221,924
Issued from treasury	477,214	1,526
Balance as at October 31, 2023	**38,489,358**	**223,450**

As at October 31, 2023, the number of Class A Shares and Class B Shares stood at 2,717,825 and 35,771,533, respectively [1,428,479 and 36,583,665 as at October 31, 2022].

Stock option plan

Under the stock option plan, the Corporation may grant up to a maximum of 1,461,451 additional Class A Shares or Class B Shares to eligible persons at a share price equal to the weighted average price of the shares during the five trading days prior to the option grant date. The option exercise period and the vesting conditions, if any, are determined at each grant. The options granted are exercisable over a seven-year period. Under the plan, in the event of a change of control, all outstanding stock options vest.

The following tables summarize all outstanding options:

	2023		2022	
	Number of options	Weighted average price ($)	Number of options	Weighted average price ($)
Beginning of year	**480,847**	**6.13**	1,108,262	7.55
Granted	**50,000**	**3.39**	150,000	4.18
Cancelled	**(55,255)**	**10.02**	(672,898)	7.77
Expired	**(49,688)**	**6.01**	(104,517)	7.86
End of year	**425,904**	**5.32**	480,847	6.13
Options exercisable, end of year	**75,904**	**10.24**	180,847	9.01

		Outstanding options		Options exercisable	
Range of exercise price	Number of options outstanding as at October 31, 2023	Weighted average remaining life	Weighted average price	Number of options exercisable as at October 31, 2023	Weighted average price
$			$		$
3.39 to 4.61	**350,000**	**5.4**	**4.25**	**—**	**—**
8.97 to 10.94	**75,904**	**0.4**	**10.24**	**75,904**	**10.24**
	425,904	**4.5**	**5.32**	**75,904**	**10.24**

Compensation expense related to stock option plan

During the year ended October 31, 2023, the Corporation granted 50,000 stock options [150,000 in 2022] to its key executives and employees. The average fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used and the weighted average fair value of the options on the date of grant were as follows:

	2023	2022
Risk-free interest rate	**3.65%**	3.09%
Expected life	**4 years**	4 years
Expected volatility	**65.2%**	64.7%
Dividend yield	**0.0%**	0.0%
Weighted average fair value at date of grant	**$1.77**	$2.15

During the year ended October 31, 2023, the Corporation recorded a compensation expense of $237 [$144 in 2022] for its stock option plan.

Performance share unit plan

Performance share units ["PSUs"] are usually awarded in connection with the performance share unit plan for senior executives. Under this plan, each eligible senior executive receives a portion of his or her compensation in the form of PSUs. PSUs consist of a number equal to a percentage of the participant's basic salary, divided by the fair market value of Class B Shares as at the award date. Once vested, PSUs entitle participants to receive an equivalent number of shares or a cash payment, at the option of the Corporation; 100% of the PSUs vest in mid-January three years following their award, subject to the achievement of the performance criteria established at the time of the award. Under the plan, in the event of a change of control, all outstanding PSUs vest.

During the years ended October 31, 2023 and 2022, the Corporation did not grant any PSUs to its key executives and employees. As at October 31, 2023 and 2022, no PSUs had been awarded. During the years ended October 31, 2023 and 2022, the Corporation did not recognize any compensation expense for its Performance share unit plan.

Share purchase plan

A share purchase plan is available to eligible employees of the Corporation and its subsidiaries. Under the plan, as at October 31, 2023, the Corporation was authorized to issue up to 1,228,522 shares. The plan allows eligible employees to purchase shares up to an overall limit of 10% of their annual salary in effect at the time of enrolment. The purchase price of the shares under the plan is equal to the weighted average price of the shares during the five trading days prior to the issue of the shares, less 10%.

During fiscal 2023, the Corporation issued 477,214 shares [265,054 shares in 2022] under the share purchase plan.

Stock ownership incentive and capital accumulation plan

Subject to participation in the Corporation's share purchase plan offered to eligible employees, the Corporation awards annually to eligible officers a number of shares, the aggregate purchase price of which is equal to an amount of 30% or 60% of the maximum percentage of salary contributed, which may not exceed 5%. Shares so awarded by the Corporation will vest to eligible employees, subject to the retention during the first six months of the vesting period of all the shares purchased under the Corporation's share purchase plan.

The shares awarded under this plan are bought by the Corporation in the market and deposited in the participants' accounts as shares are purchased by the employee under the share purchase plan.

During the year ended October 31, 2023, the Corporation recognized compensation expense of $179 [$127 in 2022] for its stock ownership incentive and capital accumulation plan.

Permanent stock ownership incentive plan

Subject to participation in the Corporation's share purchase plan offered to eligible employees, the Corporation awards annually to eligible senior executives a number of shares, the aggregate purchase price of which is equal to the maximum percentage of salary contributed, which may not exceed 10%. Shares so awarded by the Corporation will vest gradually to eligible senior executives, subject to senior executives retaining, during the vesting period, all the shares purchased under the Corporation's share purchase plan. The shares awarded under this plan are bought by the Corporation in the market and deposited in the participants' accounts as shares are purchased by participants under the share purchase plan.

During the year ended October 31, 2023, the Corporation recognized compensation expense of $229 [$184 in 2022] for its permanent stock ownership incentive plan.

Deferred share unit plan

Deferred share units ["DSUs"] are awarded in connection with the independent director deferred share unit plan. Under this plan, independent directors receive a portion of their compensation in the form of DSUs. The value of a DSU is determined based on the average closing share price for the five trading days prior to the award of the DSUs. The DSUs are repurchased by the Corporation when a director ceases to be a plan participant. For the purpose of repurchasing DSUs, the value of a DSU is determined based on the average closing share price for the five trading days prior to the repurchase of the DSUs.

As at October 31, 2023, the number of DSUs awarded amounted to 333,176 [360,439 as at October 31, 2022]. During the year ended October 31, 2023, the Corporation recorded a compensation expense of $781 [compensation expense reversal of $94 in 2022] for its deferred share unit plan.

Restricted share unit plan

Restricted share units ["RSUs"] are usually awarded annually to eligible employees under the new restricted share unit plan. Under this plan, eligible employees receive a portion of their compensation in the form of RSUs. The value of an RSU is determined based on the weighted average closing share price for the five trading days prior to the award of the RSUs. The rights related to RSUs are acquired over a period of three years. When acquired, the RSUs are immediately repurchased by the Corporation, subject to certain conditions and certain provisions relating to the Corporation's financial performance. For the purpose of repurchasing RSUs, the value of an RSU is determined based on the weighted average closing share price for the five trading days prior to the repurchase of the RSUs. Under the plan, in the event of a change of control, all outstanding RSUs vest.

As at October 31, 2023 and 2022, no RSUs had been awarded. During the year ended October 31, 2023, the Corporation recorded no compensation expense [no compensation expense in 2022] for its restricted share unit plan.

Warrants

No warrants were exercised during the years ended October 31, 2023 and 2022. Accordingly, the Corporation issued no shares related to the exercise of warrants *[Note 15]*.

Loss per share

Basic and diluted loss per share was calculated as follows:

(in thousands of dollars, except per share data)	2023 $	2022 $
NUMERATOR		
Net loss used in computing basic loss per share	**(25,292)**	(445,324)
Effect of deemed conversion of warrants	**(3,544)**	(21,989)
Less anti-dilutive impact	**3,544**	21,989
Net loss used in computing diluted loss per share	**(25,292)**	(445,324)
DENOMINATOR		
Adjusted weighted average number of outstanding shares	**38,278**	37,838
Effect of potential dilutive securities		
Stock options	**4**	—
Warrants	**—**	—
Less anti-dilutive impact	**(4)**	—
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	**38,278**	37,838
Loss per share		
Basic	**(0.66)**	(11.77)
Diluted	**(0.66)**	(11.77)

For the year ended October 31, 2023, a total of 375,904 outstanding stock options and the 9,622,339 vested warrants that can be exercised through the issuance of shares were excluded from the calculation since their exercise price exceeded the average share price for the period [480,847 stock options and 9,503,036 warrants for the year ended October 31, 2022].

Note 19 Additional disclosure on revenue and expenses

Breakdown of revenue from contracts with customers

Revenue from contracts with customers is broken down as follows:

	2023 $	2022 $
Customers		
Americas	**1,767,714**	870,660
Transatlantic	**1,253,429**	752,419
Other	**27,209**	18,959
Total revenues	**3,048,352**	1,642,038

Contract balances

Contract balances with customers are detailed as follows:

	2023 $	2022 $
Credit card processor receivables *[Note 5]*	**46,851**	196,894
Trade accounts receivable *[Note 5]*	**11,308**	9,497
Contract costs, included in Prepaid expenses	**16,391**	11,973
Customer deposits and deferred revenues	**754,176**	602,509

Salaries and employee benefits

	2023 $	2022 $
Salaries and other employee benefits	**439,514**	288,368
Long-term employee benefits *[Note 17]*	**2,872**	377
Share-based payment expense	**237**	144
	442,623	288,889

From March 15, 2020 to May 7, 2022, the Corporation took advantage of wage subsidies for businesses affected by COVID-19 for its Canadian workforce. The Corporation determined it met the employer eligibility criteria and claimed the Tourism and Hospitality Recovery Program ("THRP") and the Hardest-Hit Business Recovery Program ("HHBRP") subsidies from October 24, 2021 to May 7, 2022. During the year ended October 31, 2022, an amount of $24,403 was recorded under these programs.

Depreciation and amortization

	2023 $	2022 $
Property, plant and equipment	**181,032**	147,130
Intangible assets subject to amortization	**5,323**	7,082
	186,355	154,212

Note 20 Restructuring costs

	2023 $	2022 $
Restructuring costs		
Severance	**2,994**	847
Staff relocation costs	**632**	—
	3,626	847

Restructuring costs mainly consist of employee termination benefits related to the closure of the Vancouver base effective June 30, 2023 and staff relocation costs.

The change in the provision for employee termination benefits for the year ended October 31, which was included in Trade and other payables, is as follows:

	2023 $	2022 $
Opening balance	**2,015**	5,220
Additional provisions	**3,551**	847
Utilization of provision	**(3,858)**	(4,052)
Unused amounts reversed	**(557)**	—
Closing balance	**1,151**	2,015

Note 21 Gain on asset disposals

The gain on disposal of assets relates to asset disposals and lease terminations.

During the year ended October 31, 2023, the gain on asset disposals of $2,511 was due to the return of one Boeing 737-800 to the lessor. The gain resulted mainly from the reversal of related lease liabilities. The carrying amount of the right-of-use assets for this aircraft lease was fully impaired during the year ended October 31, 2020.

During the year ended October 31, 2022, the gain on asset disposals of $3,934 was mainly due to the early return of an Airbus A330 to the lessor. This lease termination led to the recognition of a $4,085 gain, which resulted from the reversal of lease liabilities of $3,976 and other assets and liabilities totalling $109. The carrying amount of the right-of-use assets for this aircraft lease was fully impaired during the year ended October 31, 2021.

Note 22 Income taxes

The major components of the income tax expense for the years ended October 31 were:

Consolidated statements of loss	2023 $	2022 $
Current		
Current income taxes	**616**	1,078
Adjustment to taxes (recoverable) payable for prior years	**(88)**	(4,252)
	528	(3,174)
Deferred		
Relating to temporary differences	**60**	1,195
Adjustment to deferred taxes for prior years	**25**	114
Recognition of previously unrecognized temporary difference	**—**	(2,284)
	85	(975)
Income tax expense (recovery)	**613**	(4,149)

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows for the years ended October 31:

	2023		2022	
	%	$	%	$
Income taxes at the statutory rate	**26.5**	**(6,540)**	26.5	(119,110)
Increase (decrease) resulting from:				
Effect of differences in Canadian and foreign tax rates	**7.3**	**(1,808)**	0.3	(1,258)
Non-deductible (non-taxable) items	**(27.4)**	**6,755**	—	(107)
Unrecognized losses for the current year	**(10.1)**	**2,493**	(27.2)	122,061
Recognition of previously unrecognized temporary difference			0.5	(2,284)
Adjustments for prior years	**0.3**	**(63)**	0.9	(4,138)
Effect of tax rate changes	**0.3**	**(86)**	0.0	—
Other	**0.6**	**(138)**	(0.1)	687
	(2.5)	**613**	0.9	(4,149)

The applicable statutory income tax rate was 26.5% for the year ended October 31, 2023 [26.5% for the year ended October 31, 2022].

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components and changes in temporary differences in deferred tax assets and liabilities for fiscal 2023 and 2022 were as follows:

	2023				
	Balance, beginning of year	Recognized in net loss	Business disposal	Exchange differences	Balance, end of year
	$	$	$	$	$
Non-capital losses carried forward	**5,536**	**(551)**	**—**	**—**	**4,985**
Capital losses	**—**	**5,689**	**—**	**—**	**5,689**
Excess of tax value over net carrying value of:					
Property, plant and equipment and software	**(237,331)**	**(32,638)**	**635**	**117**	**(269,217)**
Intangible assets, excluding software	**82**	**(163)**	**—**	**15**	**(66)**
Lease liabilities	**242,258**	**31,838**	**—**	**—**	**274,096**
Derivative financial instruments	**(177)**	**(2,119)**	**—**	**—**	**(2,296)**
Other financial assets and other assets	**(10,339)**	**(2,160)**	**—**	**—**	**(12,499)**
Provisions	**280**	**19**	**—**	**—**	**299**
Deferred tax	**309**	**(85)**	**635**	**132**	**991**

	2022				
	Balance, beginning of year	Recognized in net loss	Recognized in other comprehensive income (loss)	Exchange differences	Balance, end of year
	$	$	$	$	$
Non-capital losses carried forward	5,009	527	—	—	5,536
Excess of tax value over net carrying value of:					
Property, plant and equipment and software	(229,762)	(7,516)	—	(53)	(237,331)
Intangible assets, excluding software	111	(29)	—	—	82
Lease liabilities	227,832	14,426	—	—	242,258
Derivative financial instruments	—	(177)	—	—	(177)
Other financial assets and other assets	(3,836)	(6,503)	—	—	(10,339)
Provisions	33	247	—	—	280
Deferred tax	(613)	975	—	(53)	309

The net deferred tax assets are detailed below:

	2023 $	2022 $
Deferred tax assets	**1,047**	953
Deferred tax liabilities	**(56)**	(644)
Net deferred tax assets	**991**	309

Non-capital losses recorded in various jurisdictions expire as follows:

Year of expiry	Unrecognized $	Recognized $
2024 - 2028	**2,348**	**—**
2029 - 2033	**—**	**2,259**
2034 - 2038	**790**	**—**
2039 - 2043	**1,065,762**	**15,292**
With no expiry	**982**	**729**
	1,069,882	**18,280**

As at October 31, 2023, non-capital losses carried forward and other unrecognized temporary differences were as follows:

	Canada				
	Federal $	Québec $	Mexico $	Other $	Total $
Non-capital losses carried forward	1,066,552	1,069,783	933	2,397	1,069,882
Excess of tax value over net carrying value of:					
Property, plant and equipment and software	16,174	15,005	—	50	16,224
Intangible assets, excluding software	2,692	2,692	—	—	2,692
Lease liabilities	186,986	186,986	—	1	186,987
Provisions	11,059	11,058	—	—	11,059
Employee benefits	20,961	20,961	—	—	20,961
	1,304,424	**1,306,485**	**933**	**2,448**	**1,307,805**

The Corporation recognized a deferred tax liability of $7,600 on retained earnings of one of its foreign subsidiaries. The Corporation recognized no other deferred tax liability on retained earnings of its foreign subsidiaries and its joint venture as these earnings are considered to be indefinitely reinvested. However, if these earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

In previous fiscal years, the tax authorities had questioned the deductibility of tax losses the Corporation reported on its ABCP (Asset-Backed Commercial Paper) investments. In relation to this situation, in 2015, the Corporation paid a total of $15,100 to the tax authorities and objected to the notices of assessment received. During the year ended October 31, 2022, the Corporation and the tax authorities came to an agreement on the tax treatment of the deductibility of ABCP-related tax losses. As a result, under this settlement agreement, in addition to recovering the $15,100 paid in 2015, the Corporation recorded an additional income tax recovery of $5,347 and interest of $2,129. As at October 31, 2022, the income tax receivable balance included an amount of $4,884 related to this settlement agreement while the accounts receivable balance included an amount of $1,862 related to accrued interest receivable. During the year ended October 31, 2023, the Corporation collected all the receivables related to this settlement agreement.

Note 23 Related party transactions and balances

The consolidated financial statements include those of the Corporation and those of its subsidiaries. The main subsidiaries and joint venture of the Corporation are listed below:

	Country of incorporation	Interest (%) 2023	Interest (%) 2022
Air Transat A.T. inc.	Canada	**100.0**	100.0
Transat Tours Canada inc.	Canada	**100.0**	100.0
Transat Distribution Canada inc.	Canada	**100.0**	100.0
11061987 Florida Inc.	United States	**—**	100.0
Transat Holidays USA Inc.	United States	**100.0**	100.0
The Airline Seat Company Ltd.	United Kingdom	**100.0**	100.0
Air Consultants France S.A.S.	France	**100.0**	100.0
Caribbean Transportation Inc.	Barbados	**100.0**	100.0
CTI Logistics Inc.	Barbados	**100.0**	100.0
Sun Excursions Caribbean Inc.	Barbados	**100.0**	100.0
Propiedades Profesionales Dominicanas Carhel S.R.L.	Dominican Republic	**100.0**	100.0
Servicios y Transportes Punta Cana S.R.L.	Dominican Republic	**100.0**	100.0
TTDR Travel Company S.A.S.	Dominican Republic	**100.0**	100.0
Turissimo Carribe Excusiones Dominican Republic C por A	Dominican Republic	**100.0**	100.0
Turissimo Jamaica Ltd.	Jamaica	**100.0**	100.0
Laminama S.A. de C.V. *[Note 8]*	Mexico	**—**	100.0
Promociones Residencial Morelos S.A. de C.V.	Mexico	**100.0**	100.0
Promotora Turística Regional S.A. de C.V.	Mexico	**100.0**	100.0
Trafictours de Mexico S.A. de C.V.	Mexico	**100.0**	100.0
Desarrollo Transimar S.A. de C.V.	Mexico	**50.0**	50.0

On February 28, 2023, 11061987 Florida Inc. was wound up.

Compensation of key senior executives

The annual compensation and related compensation costs of directors and key senior executives, namely the President and Chief Executive Officer and the Senior Vice Presidents of the Corporation were as follows:

	2023 $	2022 $
Salaries and other employee benefits	**9,020**	5,627
Long-term employee benefits	**1,723**	(471)

Note 24 Commitments and contingencies

Leases and other commitments

As at October 31, 2023, the Corporation was party to agreements to lease four Airbus A321LRs expected for delivery in 2024 and four Airbus A321XLRs to be delivered between 2025 and 2027. The Corporation also has leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations under various contracts with suppliers, particularly in connection with information technology service contracts, undertaken in the normal course of business. The following table sets out the minimum payments due under aircraft leases to be delivered over the next few years and under leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations:

Year ending October 31	**2024** $	**2025** $	**2026** $	**2027** $	**2028** $	**2029 and up** $	**Total** $
Leases (aircraft and other)	17,857	36,440	55,839	67,629	70,581	600,974	**849,320**
Purchase obligations	28,865	12,089	5,931	5,821	1,701	—	**54,407**
	46,722	**48,529**	**61,770**	**73,450**	**72,282**	**600,974**	**903,727**

Litigation

In the normal course of business, the Corporation is exposed to various claims and legal proceedings. There are often many uncertainties surrounding these disputes and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial position, subject to the paragraph hereunder. The Corporation has directors' and officers' liability insurance and professional liability insurance, with coverage under said insurance policies that is usually sufficient to pay amounts that the Corporation may be required to disburse in connection with these lawsuits that are specific to the directors and officers, and not the Corporation. In addition, the Corporation holds professional liability and general liability insurance for lawsuits relating to non-bodily or bodily injuries sustained. In all these lawsuits, the Corporation has always defended itself vigorously and intends to continue to do so.

As a result of the COVID-19 pandemic, the Corporation has been the subject of a number of applications for authorization to institute class actions in connection with the reimbursement of customer deposits for airline tickets and packages that had to be cancelled. While some of these applications have not yet been definitively settled, the Corporation has refunded almost all of the customers, particularly since April 2021, using the unsecured credit facility related to travel credits. Consequently, applications for authorization to institute class actions that have not yet been settled may become moot. In any event, the Corporation will continue to defend itself vigorously in this respect. If the Corporation had to pay an amount related to class actions, the unfavourable effect of the settlement would be recognized in the consolidated statement of income (loss) and could have an unfavourable effect on cash.

Other

From time to time, the Corporation is subject to audits by tax authorities that give rise to questions regarding the tax treatment of certain transactions. Certain of these matters could entail significant costs that will remain uncertain until one or more events occur or fail to occur. Although the outcome of such matters is difficult to predict with certainty, the tax claims and risks for which there is a probable unfavourable outcome are recognized by the Corporation using the best possible estimates of the amount of the loss.

Note 25 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 prior representations or warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 4, 14, 17 and 24 to the consolidated financial statements provide information about some of these agreements. The following constitutes additional disclosure.

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. 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, as required by regulatory agencies, for the performance of the obligations included in mandates of 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 October 31, 2023, the total amount of these guarantees unsecured by deposits totalled $797. Historically, the Corporation has not made any significant payments under such agreements. As at October 31, 2023, no amounts had been accrued with respect to the above-mentioned agreements.

Note 26 Segment disclosures

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 primarily in the Americas. Revenues and non-current assets outside the Americas are not material. Therefore, the consolidated statements of loss and consolidated statements of financial position include all the required information.

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Information

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For additional information, write to the Chief Financial Officer.

Ce rapport annuel est disponible en français.

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Montréal (Québec)

Annual Shareholders Meeting

Thursday, March 14, 2024

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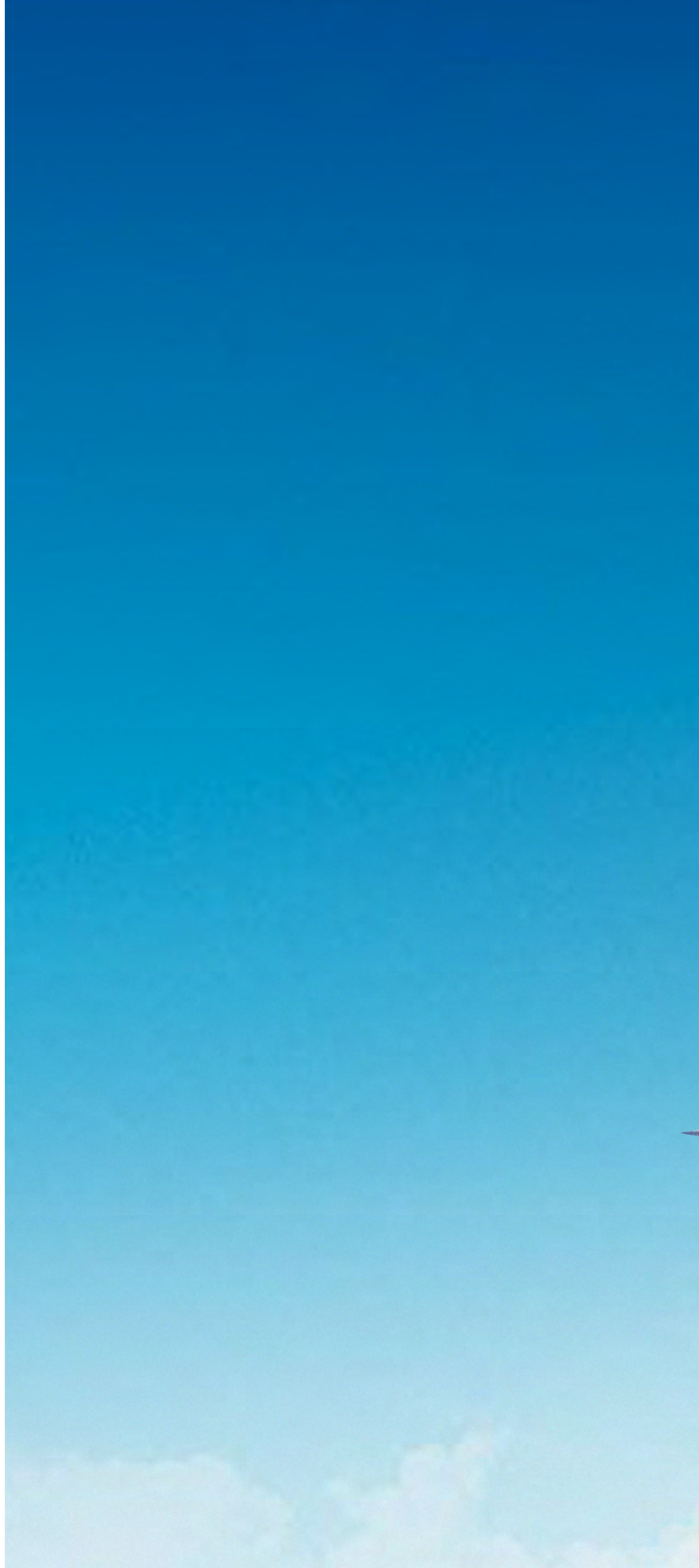

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