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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, 2024, compared with the year ended October 31, 2023, and should be read in conjunction with the audited consolidated financial statements and the accompanying notes. Unless otherwise indicated, the information contained herein is dated as of December 11, 2024. 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, 2024, 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, 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, maintain and grow its reputation and brand, the availability of funding in the future, the Corporation's ability to repay its debt, the Corporation's ability to adequately mitigate the Pratt & Whitney GTF engine issues, 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, 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 the 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 Corporation is targeting to increase its annual adjusted operating income by $100 million by mid-2026, which will be generated following the launch of identified key initiatives as part of the Elevation program.
- The outlook whereby for fiscal year 2025, the Corporation expects to increase available capacity by 2%, measured in available seat-miles, compared to 2024.

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, the Corporation will be able to adequately mitigate the Pratt & Whitney GTF engine issues and that the initiatives identified to improve adjusted operating income (adjusted EBITDA) can be implemented as planned, and will result in cost reductions and revenue increases of the order anticipated by mid-2026. 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, the revaluation of the liability related to warrants, gains (losses) on business and/or asset disposals, restructuring costs, asset write-offs and impairment, reversal of impairment of the investment in a joint venture, 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, reversal of impairment of the investment in a joint venture, 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 on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, restructuring and transaction costs, write-off of assets, reversal of impairment of the investment in a joint venture, 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 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 on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, restructuring and transaction costs, write-off of assets, reversal of impairment of the investment in a joint venture, 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 costs 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)	**2024** **$**	2023 $	2022 $
Operating income (loss)	**(12,727)**	89,733	(303,420)
Depreciation and amortization	**221,870**	186,355	154,212
Reversal of impairment of the investment in a joint venture	**(3,112)**	—	—
Restructuring costs	**3,166**	3,626	847
Premiums related to derivatives that matured during the period	**(15,574)**	(16,450)	(8,391)
Adjusted operating income (loss)	**193,623**	263,264	(156,752)
Loss before income tax expense	**(108,984)**	(24,679)	(449,473)
Asset impairment	**—**	4,592	783
Reversal of impairment of the investment in a joint venture	**(3,112)**	—	—
Restructuring costs	**3,166**	3,626	847
Gain on asset disposals	**(24,887)**	(2,170)	(3,934)
Change in fair value of derivatives	**23,691**	4,434	9,685
Revaluation of liability related to warrants	**(12,297)**	(3,544)	(21,989)
Foreign exchange loss	**5,778**	23,378	92,150
Foreign exchange gain on business disposal	**—**	(7,275)	—
Write-off of deferred financing costs	**—**	12,743	—
Gain on long-term debt modification	**—**	(5,585)	(22,191)
Premiums related to derivatives that matured during the period	**(15,574)**	(16,450)	(8,391)
Adjusted pre-tax loss	**(132,219)**	(10,930)	(402,513)
Net loss for the year	**(114,030)**	(25,292)	(445,324)
Asset impairment	**—**	4,592	783
Reversal of impairment of the investment in a joint venture	**(3,112)**	—	—
Restructuring costs	**3,166**	3,626	847
Gain on asset disposals	**(24,887)**	(2,170)	(3,934)
Change in fair value of derivatives	**23,691**	4,434	9,685
Revaluation of liability related to warrants	**(12,297)**	(3,544)	(21,989)
Foreign exchange loss	**5,778**	23,378	92,150
Foreign exchange gain on business disposal	**—**	(7,275)	—
Write-off of deferred financing costs	**—**	12,743	—
Gain on long-term debt modification	**—**	(5,585)	(22,191)
Tax recovery on ABCP losses	**—**	—	(5,347)
Premiums related to derivatives that matured during the period	**(15,574)**	(16,450)	(8,391)
Adjusted net loss	**(137,265)**	(11,543)	(403,711)
Adjusted net loss	**(137,265)**	(11,543)	(403,711)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	**38,839**	38,278	37,838
Adjusted net loss per share	**(3.53)**	(0.30)	(10.67)

(in thousands of dollars)	October 31, 2024 $	October 31, 2023 $	October 31, 2022 $
Long-term debt	**682,295**	669,145	664,160
Deferred government grant	**120,784**	146,634	169,025
Liability related to warrants	**8,519**	20,816	24,360
Deferred financing costs	**—**	—	(12,552)
Lease liabilities	**1,465,722**	1,221,451	1,087,908
Total debt	**2,277,320**	2,058,046	1,932,901
Total debt	**2,277,320**	2,058,046	1,932,901
Cash and cash equivalents	**(260,336)**	(435,647)	(322,535)
Total net debt	**2,016,984**	1,622,399	1,610,366

3. FINANCIAL HIGHLIGHTS

				Difference	
	2024	2023	2022	2024	2023
(in thousands of Canadian dollars, except per share amounts)	$	$	$	%	%
Consolidated Statements of Loss					
Revenues	**3,283,750**	3,048,352	1,642,038	7.7	85.6
Operating income (loss)	**(12,727)**	89,733	(303,420)	(114.2)	129.6
Net loss for the year	**(114,030)**	(25,292)	(445,324)	(350.9)	94.3
Basic loss per share	**(2.94)**	(0.66)	(11.77)	(345.5)	94.4
Diluted loss per share	**(2.94)**	(0.66)	(11.77)	(345.5)	94.4
Adjusted operating income (loss)[1]	**193,623**	263,264	(156,752)	(26.5)	267.9
Adjusted net loss[1]	**(137,265)**	(11,543)	(403,711)	(1,089.1)	97.1
Adjusted net loss per share[1]	**(3.53)**	(0.30)	(10.67)	(1,076.7)	97.2
Consolidated Statements of Cash Flows					
Operating activities	**94,673**	321,750	(177,854)	(70.6)	280.9
Investing activities	**(31,451)**	(7,935)	(33,783)	(296.4)	76.5
Financing activities	**(240,292)**	(203,021)	99,689	(18.4)	(303.7)
Effect of exchange rate changes on cash and cash equivalents	**1,759**	2,318	1,288	(24.1)	80.0
Net change in cash and cash equivalents	**(175,311)**	113,112	(110,660)	(255.0)	202.2

	October 31, 2024	October 31, 2023	October 31, 2022	Difference	
				2024	2023
	$	$	$	%	%
Consolidated Statements of Financial Position					
Cash and cash equivalents	**260,336**	435,647	322,535	(40.2)	35.1
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**484,944**	450,752	375,557	7.6	20.0
	745,280	886,399	698,092	(15.9)	27.0
Total assets	**2,750,910**	2,569,370	2,271,131	7.1	13.1
Debt (current and non-current)	**682,295**	669,145	664,160	2.0	0.8
Total debt[1]	**2,277,320**	2,058,046	1,932,901	10.7	6.5
Total net debt[1]	**2,016,984**	1,622,399	1,610,366	24.3	0.7

[1] See the Non-IFRS financial measures section

4. HIGHLIGHTS OF THE FISCAL YEAR

DISPOSAL OF AN INVESTMENT IN A JOINT VENTURE

On January 9, 2024, the Corporation closed an agreement with its co-shareholder for the sale and purchase of its 50% interest in Desarrollo Transimar, a Mexican company operating a hotel, the Armony Luxury Resort & Spa, Marival Collection, located near Puerto Vallarta, Mexico. An amount of US$15.5 million [$20.7 million] was paid in cash upon closing of the transaction. The Corporation recorded a gain of $5.8 million on the disposal of the investment. The Corporation drew down the proceeds from this transaction to make repayments of $20.7 million on its secured credit facilities.

RENEWAL OF COLLECTIVE AGREEMENTS

Two collective agreements were renewed in 2024. An agreement valid until October 2027 was reached in February with flight attendants. An agreement was also reached with flight dispatchers, valid until October 2026.

INSOURCING OF GROUND SERVICES AT MONTRÉAL-TRUDEAU

The Corporation completed the insourcing of passenger and ramp services at the Montréal-Trudeau Airport (YUL). Transat teams now provide all airport services, allowing for improved on-time departures of flights from YUL and improved customer satisfaction.

FINANCING

On April 26, 2024, the Corporation renegotiated its LEEFF secured debt agreement with a $41.4 million principal amount as well as its $50.0 million revolving credit facility for its operations, including the extension of the maturity date to February 1, 2026 (previously April 29, 2025).

The Corporation early repaid its subordinated credit facility for its operations that was due to mature on April 29, 2025. The repayment totalled $46.0 million. The Corporation also repaid $11.0 million on its LEEFF secured debt agreement.

SKYTRAX WORLD'S BEST LEISURE AIRLINE AWARD

On June 24, 2024, Air Transat, the Corporation's subsidiary, was named the World’s Best Leisure Airline for the sixth time at the 2024 Skytrax World Airline Awards. This award represents passenger satisfaction of the product and staff service standards that leisure airlines provide to customers onboard flights and at the airport.

COMPENSATION AGREEMENT

On September 10, 2024, the Corporation entered into a financial compensation agreement of US$25.0 million [$33.6 million] with the original manufacturer of the Pratt & Whitney GTF engines, as compensation for costs related to grounded aircraft due to the GTF engine issues. This agreement, subject to certain conditions, covers the period from February 1, 2023 to December 31, 2024.

SALE AND LEASEBACK TRANSACTIONS

On October 29, 2024, the Corporation completed three sale and leaseback transactions for Pratt & Whitney GTF engines. These transactions, valued at $87.5 million, enabled the Corporation in increase its liquidity while continuing to use the spare engines as needed for its fleet of A321LR aircraft. Proceeds from the transactions were used to finance the Corporation's operations.

ELEVATION OPTIMIZATION PROGRAM

The Corporation, supported by a specialized industry firm, conducted an in-depth review of its operations and business processes during the year to improve execution, governance and efficiency in implementing its strategic plan. The Elevation Program aims to accelerate the achievement of results of strategic initiatives and maximize their potential to foster sustainable long-term growth. The program focuses on two areas, namely revenue growth and cost reduction. The Corporation is targeting to increase its annual adjusted operating income by $100 million by mid-2026, which will be generated following the launch of identified key initiatives.

DELIVERY OF AIRCRAFT

During the year ended October 31, 2024, the Corporation took delivery of four new Airbus 321LRs and three Airbus 330s to make up for, among other things, the aircraft grounded due to the Pratt & Whitney GTF engine issue.

LAUNCH OF THE JOINT VENTURE WITH PORTER AIRLINES

The Corporation began the fiscal year by announcing the creation of a joint venture with Porter Airlines, representing an extension of a successful first year of codesharing. This strengthened strategic alliance allows for the addition of passengers connecting from Porter, as well as access to a new customer base. Integrating the complementary networks of both companies at the Toronto Pearson (YYZ) and Montréal-Trudeau (YUL) airports offers greater connectivity between North, Central and South America, Europe and North Africa.

The first phase of the joint venture was operationalized and marketed in 2024. Travellers can now use the distribution channels of each airline to reserve direct and connecting flights with Air Transat or Porter.

EXPANSION OF VIRTUAL INTERLINING SERVICE

In 2024, the Corporation expanded its virtual interlining service with the addition of partners Pegasus Airlines, Volotea, Jet2.com and Air Mauritius to its connectair by Air Transat platform, which now allows travellers to connect certain Air Transat flights with those of its partners to a multitude of destinations, mainly in Europe and North Africa, as well as Mauritius and Turkey. These new agreements bring the total number of partners available on the platform to 16 and the total number of additional destinations accessible annually via connectair to over 280.

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 37 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 2024 Skytrax World Airline Awards, Air Transat is known for its exceptional customer service.

Strategy

In its 2022-2026 strategic plan, Transat aims to restore and consolidate its profitability, and expand into new markets. This phase must enable the Corporation to leverage those achievements after 2026 to propel Transat toward a new growth phase.

STRATEGIC PLAN AND OBJECTIVES

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

- 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 as part of the Elevation program and increase agility, particularly by renegotiating some commitments (ground services, aircraft maintenance, etc.), by refocusing on airline businesses and a significant streamlining of the organization;
- Review all options for improving the capital structure;
- Increase operational efficiency by streamlining the fleet and bringing its average age down, around two types of Airbus aircraft (A330 and A321LR), optimizing aircraft usage, reducing seasonal fluctuations and enhancing revenue management practices.

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

- A recognized and popular leisure travel brand leveraging vacations and family reunions that travellers continue to prioritize;
- A commitment to corporate responsibility since many years that is based on three pillars: planet, people (employees and communities) and sustainable practices;
- Engaged teams with a strong sense of belonging to the Corporation;
- Long-term roots in Québec.

For fiscal 2025, as part of its 2022-2026 strategic plan and the implementation of the Elevation program, Transat has set the following objectives and performance drivers:

1. Optimize revenue management with initiatives focused on pricing, inventory and advanced analytics;
2. Reduce external costs in a durable way by optimizing contracts, streamlining volumes and improving supplier performance;
3. Strengthen crew productivity and improve the network to optimize spending;
4. Improve operational efficiency through optimized inventory management, better use of teams and revised maintenance programs;
5. Maximize business and customer contact center efficiency by automating certain procedures, reducing distribution fees and increasing the return on investment of marketing initiatives;
6. Streamline and optimize organizational structure;
7. Fully leverage the synergies and opportunities offered by the commercial joint venture with Porter Airlines.

REVIEW OF OBJECTIVES AND ACHIEVEMENTS FOR 2024

The main objectives and achievements for fiscal 2024 were as follows:

Continue to optimize cash and capital structure

During fiscal 2024, the Corporation continued efforts to optimize its capital structure. As described in the Financing section, the Corporation renegotiated some of its financing agreements during the fiscal year, mainly by extending the maturity date of this debt by one year to February 1, 2026 (previously April 29, 2025). These financing agreements are:

- Secured debt with a principal amount of $41.4 million 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.

In addition, during fiscal 2024, the Corporation repaid debt totalling $57.0 million. This includes early repayments of $46.0 million on its subordinated credit facility related to operations, initially due to mature on April 29, 2025, thereby enabling the debt to be settled in full. The Corporation also repaid $11.0 million on its secured debt - LEEFF.

Finally, the Corporation made three sale and leaseback transactions on October 29, 2024 for spare Pratt & Whitney GTF engines. The transactions, valued at $87.5 million, enabled the Corporation to increase its liquidity while continuing to use the spare engines as needed for its fleet of A321LR aircraft.

Finalize the fleet renewal strategy to support medium- and long-term growth

In 2024, the Corporation took delivery of four new Airbus 321LRs and three Airbus 330s. The addition of A321LRs is an important step in modernizing the fleet, providing increased customer comfort, optimized service quality and superior energy-efficient performance. The A330s were added to the fleet to mitigate the impact of aircraft grounded due to the Pratt & Whitney engine issues.

The Corporation continued to develop its 2030 plan for the fleet while building a procurement strategy aligned with its long-term objectives.

Develop and implement a digital transformation plan to improve customer experience and increase the productivity of internal resources

The Corporation completed a five-year digital transformation plan, an integral part of the Elevation program, and had it approved by the Board of Directors. This plan relies on the adoption of emerging technology and aims to increase revenues, reduce operating costs and maintain exemplary customer service. Fifteen initiatives have been selected for their potential impact including a significant contribution from initiatives related to revenue management, pricing and distribution. Artificial intelligence, integrated in more than half of projects, plays a central role in this transformation.

Continue to develop the air network by strengthening the most profitable historical routes, opening new connections (Lima, Peru and Marrakesh, Morocco) and launching an expanded long-term business agreement with Porter

In November 2023, the Corporation announced the creation of a commercial joint venture with Porter Airlines that aims to accelerate both airlines' expansion in their respective markets. The joint venture will also encourage better network optimization through collaboration in planning schedules and itineraries. The first phase of the joint venture was implemented in June 2024.

During fiscal 2024, the Corporation's network was strengthened by the addition of new destinations and optimized frequencies on certain routes, notably the inauguration of connections to Lima, Peru in December 2023 and Marrakech, Morocco in June 2024, offering strategic entry points into South America and North Africa, respectively. Tulum will be added to the Corporation's new destinations beginning in December 2024. The Corporation recently announced the addition of Valencia beginning in summer 2025. In addition, a number of destinations such as Marseille, Lyon and Nantes are now served year-round.

These initiatives demonstrate the Corporation's commitment to continually optimize its flight program based on demand and customer trends and to capitalize on its primary strengths, namely making travel as enjoyable as it is affordable, and always reliable.

Optimize the Corporation's pricing and revenue management practices

Optimization of pricing and revenue management practices continued in 2024, although particularly complicated by inefficiencies created by the competitive environment in the Corporation's primary markets and the challenges posed by aircraft grounded due to the Pratt & Whitney GTF engine issues.

Notable achievements in ancillary revenues included revising price families, which boosted sales of ancillary services, for example, by encouraging customers to pay for seat reservations. In addition, the strategic partnership with PlusGrade announced in December 2023 enabled the Corporation to optimize the sale of upgrades, in particular through auctions for upgrades to Club Class.

Artificial intelligence (AI) initiatives were also launched to improve revenue management, marking an important step in process modernization.

Complete and deploy a global corporate responsibility strategy, with major projects including delivering the plan to decarbonize its operations and formalizing commitments to diversity, equity and inclusion

In 2024, the Corporation made advances in various strategic initiatives to strengthen its commitments to sustainability, diversity, inclusion and safety. Diversity, equity and inclusion (DEI) commitments were adopted, and a DEI governance committee was established. All non-unionized employees also participated in a DEI training. In tandem, an occupational heath and safety (OHS) commitment was also adopted, following completion of a three-year 2023-2025 OHS preventative plan. In terms of disclosures, the Corporation prepared and filed a number of reports included in its corporate responsibility (CR) framework: publishing the first CR report based on models such as the TCFD (Task Force on Climate-related Financial Disclosures) and SASB (Sustainability Accounting Standards Board), developing the first progress report for the three-year accessibility plan and publishing the first report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. These reports and plans demonstrate the Corporation's commitment to transparency, accessibility and responsible practices. In terms of airline operations, the priority remains the deployment of the decarbonization plan launched in 2023. The Corporation is focusing its efforts on energy efficiency and network optimization in a context where grounded A321LRs pose a significant problem for actioning decarbonization levers.

Continue to nurture corporate culture to foster a valued and enjoyable employee experience

In 2023, the Corporation developed new corporate DNA, including new values and a renewed strategic vision and purpose. During 2024, the Corporation continued to deploy this renewed culture by integrating these new components into various communications and internal business practices to promote the sense of belonging to the Corporation and the employee experience. The Corporation integrated, among other things, its value statements and behaviours associated with tools for measuring employee commitment (Officevibe) into our annual performance management process.

Leadership training was also provided to our managers.

We continued our efforts in terms of diversity, equity and inclusion (DEI) by adopting commitments and targets. A DEI governance committee was established, and all non-unionized employees received DEI training.

Transat was voted World's Best Leisure Airline at the 2024 Skytrax World Airline Awards for the sixth time, a distinction that reflects not only the quality of services offered to passengers but also the excellence of its teams.

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 $260.3 million as at October 31, 2024.
Credit facilities	For operational purposes, we can also rely on, among other resources, a $50.0 million revolving term credit facility maturing on February 1, 2026. In addition, as described in the Financing section, the Corporation had an agreement with the Government of Canada that allowed it to borrow $706.7 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 in synergy and are committed to ensuring overall customer satisfaction and contributing to improving the Corporation’s effectiveness. In addition, we believe that the Corporation has a strong management team.
Supplier relationships	The Corporation has maintained over 37 years of privileged relationships with many local and destination suppliers, including hotel operators.

Transat has the resources it needs to meet its 2025 objectives and continue building on its long-term strategies.

6. CONSOLIDATED OPERATIONS

				Difference	
	2024	**2023**	**2022**	**2024**	**2023**
(in thousands of dollars)	**$**	**$**	**$**	**%**	**%**
Revenues	**3,283,750**	3,048,352	1,642,038	7.7	85.6
Operating expenses					
Costs of providing tourism services	**832,358**	707,023	355,250	17.7	99.0
Aircraft fuel	**631,989**	647,795	526,152	(2.4)	23.1
Salaries and employee benefits	**532,069**	442,623	288,889	20.2	53.2
Sales and distribution costs	**232,855**	214,076	116,105	8.8	84.4
Aircraft maintenance	**218,066**	172,812	114,159	26.2	51.4
Airport and navigation fees	**211,229**	191,283	128,318	10.4	49.1
Aircraft rent	**9,563**	12,254	6,018	(22.0)	103.6
Other airline costs	**278,889**	272,761	162,082	2.2	68.3
Other	**127,665**	110,769	90,949	15.3	21.8
Share of net income of a joint venture	**(130)**	(2,758)	2,477	95.3	(211.3)
Depreciation and amortization	**221,870**	186,355	154,212	19.1	20.8
Reversal of impairment of the investment in a joint venture	**(3,112)**	—	—	100.0	—
Restructuring costs	**3,166**	3,626	847	(12.7)	328.1
	3,296,477	2,958,619	1,945,458	11.4	52.1
Operating income (loss)	**(12,727)**	89,733	(303,420)	(114.2)	129.6
Financing costs	**145,464**	135,397	105,314	7.4	28.6
Financing income	**(41,492)**	(42,966)	(12,982)	(3.4)	231.0
Gain on asset disposals	**(24,887)**	(2,170)	(3,934)	1,046.9	(44.8)
Change in fair value of derivatives	**23,691**	4,434	9,685	(434.3)	54.2
Revaluation of liability related to warrants	**(12,297)**	(3,544)	(21,989)	247.0	(83.9)
Foreign exchange loss	**5,778**	23,378	92,150	75.3	74.6
Foreign exchange gain on business disposal	**—**	(7,275)	—	(100.0)	100.0
Write-off of deferred financing costs	**—**	12,743	—	100.0	100.0
Gain on long-term debt modification	**—**	(5,585)	(22,191)	(100.0)	(74.8)
Pre-tax loss	**(108,984)**	(24,679)	(449,473)	(341.6)	94.5
Income taxes (recovery)					
Current	**2,340**	528	(3,174)	343.2	116.6
Deferred	**2,706**	85	(975)	3,083.5	108.7
	5,046	613	(4,149)	723.2	114.8
Net loss for the year	**(114,030)**	(25,292)	(445,324)	(350.9)	94.3
Loss per share:					
Basic	**(2.94)**	(0.66)	(11.77)	(345.5)	94.4
Diluted	**(2.94)**	(0.66)	(11.77)	(345.5)	94.4

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, 2024, revenues were up $235.4 million (7.7%). This increase resulted from the greater capacity deployed in our markets. Across the entire network, the capacity offered increased by 10.1% compared with 2023. Overall, traffic, expressed in revenue-passenger-miles, was 7.6% higher than for fiscal 2023. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were down 7.0%. Across all our markets, the Corporation reported a load factor of 85.1% compared with 87.1% in 2023. However, this increase in revenue was reined in by strike threats during the winter season, by inefficiencies in revenue management resulting from issues with the Pratt & Whitney GTF engines, increased competition, overcapacity in our markets and the economic uncertainty. In addition, following the agreement entered into with the original manufacturer of the GTF engines, we recorded a financial compensation of $33.6 million in revenues.

For the 2024 winter season, across the entire network, the capacity offered increased by 18.5% compared with 2023, while the capacity for sun routes, the main market during this period, increased by 20.2%. Overall, traffic was 15.7% higher than for fiscal 2023. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were down 5.6%. Across all our markets, the Corporation reported a load factor of 82.9% compared with 85.0% in 2023.

For the 2024 summer season, across the entire network, the capacity offered increased by 4.8% compared with 2023, while the capacity for transatlantic routes, the main market during this period, increased by 9.3%. Overall, traffic was 2.7% higher than for fiscal 2023. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were down 9.1%. Across all our markets, the Corporation reported a load factor of 86.7% compared with 88.4% in 2023.

OPERATING EXPENSES

Total operating expenses were up $337.9 million (11.4%) for the year, compared with 2023. These increases were attributable to the greater capacity deployed compared with fiscal 2023 as well as the costs incurred due to the Pratt & Whitney GTF engine issue, including the costs of leasing additional aircraft during the fiscal year to make up for the grounding of three aircraft during the 2024 winter season and six during the summer season.

Costs of providing tourism services

Costs of providing tourism services are incurred by our tour operators. They include primarily hotel room costs as well as transfer and excursion costs. The $125.3 million (17.7%) increase resulted primarily from the rise in the number of packages sold compared with 2023.

Aircraft fuel

Aircraft fuel expense was down $15.8 million (2.4%) for the fiscal year. The decrease was mainly attributable to a 11.6% drop in fuel prices compared with fiscal 2023, partially offset by the higher volume of litres consumed due to increased capacity.

Salaries and employee benefits

Salaries and employee benefits were up $89.4 million (20.2%) to $532.1 million for the year ended October 31, 2024. This increase was mainly attributable to the higher number of employees needed to support our increased capacity and the insourcing of passenger and ramp services at Montréal-Trudeau International Airport.

Sales and distribution costs

Sales and distribution costs include commissions paid to travel agencies, credit card fees, distribution expenses and marketing expenses. Sales and distribution costs were up $18.8 million (8.8%) during the fiscal year compared with 2023. This increase was mainly driven by higher business volume and marketing expenses.

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 $45.3 million (26.2%) for the year, compared with 2023. This increase was mainly attributable to the greater capacity deployed compared with 2023 and the increased maintenance work performed in accordance with the manufacturers' maintenance plans, partially offset by the favourable effects of changes in the assumptions related to the provision for return conditions, including the forecasted utilization of aircraft and engines, and lower interest rates.

Airport and navigation fees

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees were up $19.9 million (10.4%) for the fiscal year, compared with 2023. These increases mainly resulted from the greater capacity deployed compared with 2023 and to higher prices.

Aircraft rent

Aircraft rent refers to variable aircraft rent and rent under short-term leases. Compared with 2023, these expenses decreased by $2.7 million (22.0%) during the year. This decrease resulted mainly from a lower average number of aircraft under short-term leases in 2024, compared with the previous fiscal year. Because of the Pratt & Whitney GTF engine issue and the delay in delivery of the Airbus A321LRs, five aircraft were leased during the 2024 winter season. For the full fiscal year 2023, we had to rent two aircraft to make up for 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 airline operations. Other airline costs were up $6.1 million (2.2%) for the fiscal year, compared with 2023. The increase mainly resulted from the greater capacity deployed compared with 2023 and the Pratt & Whitney GTF engine issue, partially offset by the decrease in handling costs following the insourcing of passenger and ramp services at the Montréal-Trudeau International Airport.

Other

Other costs were up $16.9 million (15.3%) for the fiscal year, compared with 2023. These increases resulted from higher business volume compared with 2023.

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 amounted to $0.1 million for the fiscal year, compared with $2.8 million for 2023. On January 9, 2024, the Corporation disposed of its 50% interest in Desarrollo Transimar to its co-shareholder (see the *Gain on asset disposals* section).

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 $35.5 million (19.1%) in fiscal 2024. These increases were primarily due to the commissioning of one Airbus A330, three Airbus A321LRs and one A321ceo in 2023 and three Airbus A330s and four Airbus A321LRs in 2024.

Reversal of impairment of the investment in a joint venture

Prior to the closing of the transaction for the sale of its interest in a joint venture entered into during the quarter ended January 31, 2024, the Corporation recorded a reversal of impairment of $3.1 million, corresponding to the cumulative impairment losses recognized in relation to its investment in a joint venture.

Restructuring costs

Restructuring costs are employee termination benefits related to the changes in organizational structure as well as termination benefits and employee relocation costs related to the closure of the Vancouver base effective June 30, 2023. For the year ended October 31, 2024, restructuring costs included an expense for employee termination benefits of $2.5 million and employee relocation costs of $0.6 million, compared with $3.0 million and $0.6 million, respectively, in 2023.

OPERATING RESULTS

Given the above, we reported an operating loss of $12.7 million for the year, compared with operating income of $89.7 million in 2023. Operating results by season are summarized as follows:

				Difference	
	2024	**2023**	**2022**	**2024**	**2023**
(in thousands of dollars)	**$**	**$**	**$**	**%**	**%**
Winter season					
Revenues	**1,758,702**	1,537,568	560,595	14.4	174.3
Operating expenses	**1,826,292**	1,556,931	721,949	17.3	115.7
Operating loss	**(67,590)**	(19,363)	(161,354)	(249.1)	88.0
Operating loss (%)	**(3.8)**	(1.3)	(28.8)	(205.2)	95.6
Summer season					
Revenues	**1,525,048**	1,510,784	1,081,443	0.9	39.7
Operating expenses	**1,470,185**	1,401,688	1,223,509	4.9	14.6
Operating income (loss)	**54,863**	109,096	(142,066)	(49.7)	176.8
Operating income (loss) (%)	**3.6**	7.2	(13.1)	(50.2)	155.0

For the winter season, the Corporation reported an operating loss amounting to $67.6 million (3.8%), compared with $19.4 million (1.3%) in 2023. The deterioration in our operating results was due to additional costs resulting from the Pratt & Whitney GTF engine issue, strike threats that negatively impacted sales and reservations, as well as increased competition and the economic slowdown which put downward pressure on our airline unit revenues.

During the summer season, the Corporation reported operating income of $54.9 million (3.6%) compared with operating income of $109.1 million (7.2%) for the previous year. The deterioration in our operating results was due to increased competition, overcapacity in our markets, strike threats that negatively impacted sales and reservations and the economic uncertainty which put downward pressure on our airline unit revenues, as well as additional costs resulting from the Pratt & Whitney GTF engine issue, partially offset by the financial compensation received from the original manufacturer of the GTF engines.

During the winter season, the Corporation recorded an adjusted operating income of $29.0 million (1.6%), compared with $59.5 million (3.9%) in 2023. For the summer season, we recorded adjusted operating income of $164.6 million (10.8%) compared with $203.8 million (13.5%) in 2023. Overall, for the fiscal year, the Corporation recorded adjusted operating income of $193.6 million (5.9%), compared with $263.3 million (8.6%) in 2023.

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 $10.1 million (7.4%) in fiscal 2024 compared with 2023. The increase resulted from the rise in lease liabilities, mainly due to the addition of seven new aircraft leases in 2024 and five aircraft in 2023, partially offset by a decrease in our outstanding debt following full and partial repayments under certain credit agreements in 2024.

Financing income

Financing income was down $1.5 million (3.4%) during the year compared with 2023. The decrease was due to the decline in average cash and cash equivalents balances, partially offset by higher interest rates.

Gain on asset disposals

During the year ended October 31, 2024, the gain on asset disposals amounted to $24.9 million. The Corporation recorded, among other items, an $18.7 million gain on sale and leaseback of assets following the sale and leaseback transactions of three Pratt & Whitney GTF engines. In addition, the Corporation recorded a $5.8 million gain on disposal of an investment upon closure of the agreement for the sale and purchase of our 50% stake in Desarrollo Transimar, a Mexican company operating a hotel, the Armony Luxury Resort & Spa for US$15.5 million, [$20.7 million].

During the year ended October 31, 2023, we recorded, among other items, a $2.5 million gain on asset disposals following 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 depreciated during the year ended October 31, 2020.

Change in fair value of derivatives

The change in fair value of derivatives corresponds to the change in fair value, for the year, 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.

During the year ended October 31, 2024, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by $23.7 million. This decrease was mainly attributable to the maturing of derivatives related to aircraft fuel and foreign currencies and to lower fuel prices, partially offset by the weakening of the Canadian dollar against the U.S. currency.

In 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 maturing of derivatives related to aircraft fuel and foreign currencies and to lower fuel prices.

Revaluation of liability related to warrants

The revaluation of the liability related to warrants represents the change in fair value of warrants during the period. For the fiscal year, the fair value of warrants decreased by $12.3 million, mainly driven by the decline in the closing share price from $3.01 to $1.76 between October 31, 2023 and October 31, 2024.

Foreign exchange loss

For fiscal 2024, the Corporation recorded a foreign exchange loss of $5.8 million compared with a $23.4 million loss in 2023. For the fiscal year, 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.

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 during the year ended October 31, 2023.

Write-off of deferred financing costs

The Corporation's financing agreements allowed it to borrow additional liquidity totalling $100.0 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 deferred financing costs was written off during the year ended October 31, 2023.

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 interest rate. The $5.6 million adjustment was recorded as a gain on long-term debt modification.

INCOME TAXES

For fiscal 2024, the income tax expense amounted to $5.0 million, compared with $0.6 million in 2023. The effective tax rates were 4.6% and 2.5%, respectively, for the years ended October 31, 2024 and 2023. The higher effective income tax rate resulted mainly from an increase in the prescribed income tax rate and profitability of certain foreign subsidiaries, and the use of tax losses in Canada to offset the gain resulting from the repatriation of funds from the sale of our investment in a hotel for which a portion of the tax losses used were recognized in comprehensive loss.

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, 2024, no deferred tax assets of Canadian subsidiaries were recognized.

NET LOSS AND ADJUSTED NET LOSS

Considering the items discussed in the Consolidated Operations section, for fiscal 2024, the Corporation reported a net loss of $114.0 million, or $2.94 per share (basic and diluted), compared with $25.3 million, or $0.66 per share (basic or diluted) during the previous year. For the year ended October 31, 2024, the weighted average number of outstanding shares used to compute per share amounts was 38,839,000 (basic and diluted) compared with 38,278,000 (basic and diluted) for 2023.

For the year ended October 31, 2024, adjusted net loss was $137.3 million ($3.53 per share), compared with $11.5 million ($0.30 per share) in 2023.

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 the quarters reported, revenue growth was mainly attributable to our increased capacity.

The decline in our operating results was attributable to the additional costs caused by the Pratt & Whitney GTF engine issue, strike threats, increased competition and the economic uncertainty that led to a decline in airline unit revenues. For the 2024 summer season, (Q4), the improvement in our operating results compared with 2023 was mainly due to the financial compensation received from the original equipment manufacturer of the GTF engines. 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)	**Q1-2023 $**	**Q2-2023 $**	**Q3-2023 $**	**Q4-2023 $**	**Q1-2024 $**	**Q2-2024 $**	**Q3-2024 $**	**Q4-2024 $**
Revenues	667,457	870,111	746,317	764,467	**785,498**	**973,204**	**736,203**	**788,845**
Operating income (loss)	(38,103)	18,740	64,375	44,721	**(52,429)**	**(15,161)**	**(9,837)**	**64,700**
Net income (loss)	(56,610)	(29,180)	57,303	3,195	**(60,977)**	**(54,387)**	**(39,893)**	**41,227**
Basic earnings (loss) per share	(1.49)	(0.76)	1.49	0.08	**(1.58)**	**(1.40)**	**(1.03)**	**1.05**
Diluted earnings (loss) per share	(1.49)	(0.76)	1.49	0.08	**(1.58)**	**(1.40)**	**(1.03)**	**1.05**
Adjusted operating income (loss)[1]	3,331	56,144	114,782	89,007	**(8,625)**	**37,635**	**41,326**	**123,286**
Adjusted net income (loss)[1]	(61,564)	(7,957)	42,302	15,676	**(81,342)**	**(39,383)**	**(42,968)**	**26,427**
Adjusted net earnings (loss) per share[1]	(1.62)	(0.21)	1.10	0.41	**(2.11)**	**(1.02)**	**(1.10)**	**0.67**

[1] See the Non-IFRS financial measures section

FOURTH-QUARTER HIGHLIGHTS

For the fourth quarter, the Corporation generated $788.8 million in revenues, up $24.4 million (3.2%) from $764.5 million for the corresponding period of 2023. Operations generated operating income of $64.7 million compared with $44.7 million in 2023. These increases resulted from the $33.6 million agreement entered into with the original equipment manufacturer of the GTF engines.

We recorded net income of $41.2 million in the fourth quarter ($1.05 per share, basic and diluted), compared with $3.2 million ($0.08 per share, basic and diluted) in 2023.

For the fourth quarter, adjusted net income amounted to $26.4 million ($0.67 per share) compared with $15.7 million ($0.41 per share) in 2023.

7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

As at October 31, 2024, cash and cash equivalents totalled $260.3 million compared with $435.6 million as at October 31, 2023. Cash and cash equivalents in trust or otherwise reserved amounted to $484.9 million at the end of fiscal 2024, compared with $450.8 million as at October 31, 2023. The Corporation's statement of financial position reflected $261.1 million in negative working capital, for a ratio of 0.81, compared with $57.7 million in negative working capital and a ratio of 0.95 as at October 31, 2023.

Total assets increased by $181.5 million (7.1%), from $2,569.4 million as at October 31, 2023 to $2,750.9 million as at October 31, 2024. This increase is explained in the financial position table provided below. Equity decreased by $110.0 million, from negative equity of $779.0 million as at October 31, 2023, to negative equity of $889.1 million as at October 31, 2024. The decrease resulted primarily from the $114.0 million net loss.

(in thousands of dollars)	October 31, 2024 $	October 31, 2023 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**260,336**	435,647	(175,311)	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**484,944**	450,752	34,192	Higher business volume
Trade and other receivables	**151,190**	138,675	12,515	Increase in cash receivable from lessors following maintenance claims related to maintenance performed
Income taxes receivable	**504**	598	(94)	No significant difference
Inventories	**40,212**	33,735	6,477	Increase in inventory of aircraft parts
Prepaid expenses	**31,359**	38,113	(6,754)	Decrease in prepayments to suppliers
Deposits	**367,185**	322,805	44,380	Increase in deposits with credit card processors and in deposits for aircraft maintenance due to higher business volume and a greater number of aircraft
Deferred tax assets	**588**	1,047	(459)	No significant difference
Property, plant and equipment	**1,378,871**	1,083,109	295,762	Mainly due to the delivery of four Airbus A321LRs and three Airbus A330s and the capitalization of eligible aircraft maintenance, partially offset by depreciation for the period
Intangible assets	**13,058**	14,771	(1,713)	Amortization for the period partially offset by acquisitions
Derivative financial instruments	**22,663**	38,321	(15,658)	Unfavourable change in fuel-related and foreign currency derivatives contracted
Investment	**—**	11,797	(11,797)	Disposal of the joint venture

(in thousands of dollars)	October 31, 2024 $	October 31, 2023 $	Difference $	Main reasons for significant differences
Liabilities				
Trade and other payables	**363,889**	319,764	44,125	Higher business volume
Income taxes payable	**1,632**	416	1,216	Increase mainly due to the higher income tax rate of certain foreign subsidiaries
Customer deposits and deferred revenues	**781,156**	754,176	26,980	Higher business volume
Derivative financial instruments	**15,835**	17,158	(1,323)	Favourable change in foreign currency derivatives, partially offset by an unfavorable change in fuel-related derivatives contracted
Long-term debt and lease liabilities	**2,148,017**	1,890,596	257,421	Increase in lease liabilities following the addition of seven aircraft, the sale and leaseback of assets and the weakening of the Canadian dollar against the U.S. currency, partially offset by principal repayments
Provision for return conditions	**174,368**	177,832	(3,464)	Decrease mainly related to changes in estimates, partially offset by the increase related to the passage of time
Liability related to warrants	**8,519**	20,816	(12,297)	Decrease in fair value during the period due to the changes in the Corporation's share price
Deferred government grant	**120,784**	146,634	(25,850)	Revenue from government grants for the period as per the effective interest method
Employee benefits liability	**25,305**	20,961	4,344	Decrease in the assumed discount rate and amendments to certain pension plan agreements
Deferred tax liabilities	**481**	56	425	No significant difference
Equity				
Share capital	**225,438**	223,450	1,988	Shares issued from treasury
Share-based payment reserve	**16,283**	16,329	(46)	Reversal of share-based payment expense
Deficit	**(1,123,113)**	(1,008,452)	(114,661)	Net loss
Cumulative exchange differences	**(7,684)**	(10,366)	2,682	Foreign exchange gain on the translation of the financial statements of foreign subsidiaries

CASH FLOWS

				Difference	
	2024	**2023**	**2022**	**2024**	**2023**
(in thousands of dollars)	**$**	**$**	**$**	**%**	**%**
Cash flows related to operating activities	**94,673**	321,750	(177,854)	(70.6)	280.9
Cash flows related to investing activities	**(31,451)**	(7,935)	(33,783)	(296.4)	76.5
Cash flows related to financing activities	**(240,292)**	(203,021)	99,689	(18.4)	(303.7)
Effect of exchange rate changes on cash	**1,759**	2,318	1,288	(24.1)	80.0
Net change in cash and cash equivalents	**(175,311)**	113,112	(110,660)	(255.0)	202.2

Operating activities

Operating activities generated cash flows of $94.7 million, compared with $321.8 million in 2023. The decrease in cash flows generated by operating activities resulted from the $125.2 million decrease in cash flows generated by the net change in non-cash working capital balances related to operations, the $109.9 million decrease in net income before operating items not involving an outlay (receipt) of cash and the $22.6 million decrease in the net change in the provision for return conditions, partially offset by the $30.5 million increase in the net change in other operating assets and liabilities.

Investing activities

Cash flows used in investing activities amounted to $31.5 million for fiscal 2024, compared with cash outflows of $7.9 million in 2023. For the year ended October 31, 2024, additions to property, plant and equipment and intangible assets amounted to $138.6 million and consisted primarily in aircraft maintenance and aircraft equipment, compared with $57.6 million in 2023. During fiscal 2024, the Corporation also completed three sale and leaseback transactions for Pratt & Whitney GTF engines totalling $87.5 million. Furthermore, in 2024, a net consideration of $20.4 million was received for the disposal of our investment in Desarrollo Transimar, whereas in 2023, the Corporation received a net consideration of $48.1 million for the sale of Laminama, whose main asset was land.

Financing activities

Cash flows used in financing activities amounted to $240.3 million compared with $203.0 million in 2023. The Corporation made repayments on its lease liabilities amounting to $185.3 million compared with $151.4 million in 2023. The Corporation also made repayments on its credit facilities for a total of $57.0 million, compared with $53.0 million in 2023.

FINANCING

Funding from the Government of Canada

The Corporation has an agreement with the Government of Canada that allowed it to borrow $706.7 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 26, 2024 and April 28, 2023, the Corporation renegotiated its LEEFF secured debt agreement at the original principal amount of $78.0 million, including the extension of the maturity date to February 1, 2026 (previously April 29, 2025) and April 29, 2025 (previously April 29, 2024), respectively. 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 now bears interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) (previously at the 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, 2024, the financial ratios and covenants were met. During the year ended October 31, 2024, the Corporation made a repayment of $11.0 million, bringing the principal balance payable to $41.4 million [$52.4 million as at October 31, 2023]. As at October 31, 2024 and 2023, the credit facility was fully drawn and the carrying amount stood at $41.4 million as at October 31, 2024 [$51.9 million as at October 31, 2023].

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 bore interest at a rate of 5.0% until December 31, 2023. The credit facility now bears interest at a rate of 8.0% until December 31, 2024, increasing by 2.0% per annum thereafter, with the option to capitalize interest until December 31, 2024. In the event of a change of control, this credit facility becomes immediately due and payable. As at October 31, 2024 and 2023, the credit facility was fully drawn and the carrying amount stood at $359.6 million as at October 31, 2024 [$317.2 million as at October 31, 2023].

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.

The number of shares issuable upon exercise of the warrants may not exceed 25.0% 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, 2024 and 2023, 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 9,755,270 warrants could be exercised through the issuance of shares;
- 3,244,730 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

An amount of $353.3 million, in the form of an unsecured credit facility 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, 2024 and 2023, the credit facility was fully drawn. As at October 31, 2024, the carrying amount of the credit facility was $231.3 million ($205.2 million as at October 31, 2023), and an amount of $120.8 million ($146.6 million as at October 31, 2023) 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:

- Refunding 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 26, 2024 and April 28, 2023, the Corporation renegotiated its $50.0 million revolving credit facility for its operations, including the extension of the maturity date to February 1, 2026 (previously April 29, 2025) and April 29, 2025 (previously April 29, 2024), 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 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 now bears interest at Adjusted Term CORRA (previously at the 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, 2024, the financial ratios and covenants were met. As at October 31, 2024 and 2023, the credit facility was fully drawn.

Subordinated credit facility

During the year ended October 31, 2024, the Corporation early repaid its subordinated credit facility for its operations that was due to mature on April 29, 2025. During the year ended October 31, 2024, the repayments totalled $46.0 million ($27.4 million as at October 31, 2023, of which $3.4 million was capitalized interest).

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 condensed 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 $462.6 million as at October 31, 2024 ($851.5 million as at October 31, 2023) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS (in thousands of dollars)	**2024** **$**	**2023** **$**
Guarantees		
Irrevocable letters of credit	**1,721**	1,350
Collateral security contracts	**1,153**	797
Leases		
Lease obligations	**459,748**	849,320
	462,622	851,467
Agreements with suppliers	**93,927**	54,407
	556,549	905,874

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, 2024, $69.6 million of the facility was drawn ($69.9 million as at October 31, 2023), including $31.2 million ($29.8 million as at October 31, 2023) 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 £1.3 million ($2.3 million) has been drawn down.

As at October 31, 2024, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had decreased by $388.8 million compared with October 31, 2023. This decrease was primarily due to the delivery of four Airbus A321LRs, partially offset by the weakening of the Canadian dollar against the U.S. dollar and by 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	**2025**	**2026**	**2027**	**2028**	**2029**	**2030 and up**	**Total**
Years ending October 31	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Contractual obligations							
Long-term debt	40,807	499,457	4,309	355,374	—	—	899,947
Lease liabilities	259,004	246,051	232,839	217,506	201,818	748,278	1,905,496
Leases (off-balance sheet)	2,625	537	25,366	38,049	38,049	355,122	459,748
Agreements with suppliers and other obligations	49,018	19,738	18,767	8,269	5,336	35,340	136,468
	351,454	**765,783**	**281,281**	**619,198**	**245,203**	**1,138,740**	**3,401,659**

Debt

The Corporation reported $682.3 million in long-term debt and $1,465.7 million in lease liabilities in the consolidated statement of financial position.

The Corporation's total debt stood at $2,277.3 million as at October 31, 2024, up $219.3 million from October 31, 2023. This increase was primarily due to the addition of four Airbus A321LRs and three Airbus A330s to our permanent fleet, to sale and leaseback transactions for three engines and the weakening of the Canadian dollar against the U.S. currency, partially offset by the repayment of lease liabilities and long-term debt.

Total net debt increased by $394.6 million from $1,622.4 million as at October 31, 2023 to $2,017.0 million as at October 31, 2024. The increase in total net debt resulted from the increase in total debt and the decrease in cash and cash equivalent balances.

Outstanding shares

As at October 31, 2024, 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 6, 2024, there were a total of 39,485,123 voting shares outstanding.

Stock options

As at December 6, 2024, a total of 342,583 stock options was outstanding, 42,583 of which were exercisable.

Warrants

As at October 31, 2024, and as at December 6, 2024, a total of 13,000,000 warrants was issued. As at October 31, 2024, and as at December 6, 2024, a total of 13,000,000 warrants had vested following drawdowns on the credit facility and no warrants had been exercised.

8. OTHER

FLEET

As at October 31, 2024, Air Transat's permanent fleet consisted of sixteen Airbus A330s (332, 345 or 363 seats), nineteen Airbus A321LRs (199 seats), and eight Airbus A321ceos (199 seats). During the year ended October 31, 2024, three Airbus A330s and four Airbus A321LRs were commissioned.

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 class actions 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.

EVENT AFTER THE REPORTING PERIOD

On November 5, 2024, the Corporation completed a sale and leaseback transaction for a Pratt & Whitney GTF engine. The transaction, valued at US$22.1 million [$30.8 million], will enable the Corporation to increase its liquidity while continuing to use the spare engine as needed for its A321LR aircraft. Proceeds from the transaction will be used to finance the Corporation's operations.

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, 2024 and October 31, 2023, the Corporation determined that that there was no indication that an asset may be impaired.

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, 2024, 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, 2024. 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 77% of the Corporation's costs were incurred in a currency other than the measurement currency of the reporting unit incurring the costs, whereas approximately 14% 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 $14.3 million as at October 31, 2024 ($11.3 million as at October 31, 2023). 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, 2024 and 2023. As at October 31, 2024, approximately 20% (approximately 11% as at October 31, 2023) of accounts receivable were over 90 days past due, whereas approximately 73% (approximately 77% as at October 31, 2023) 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, 2024, the balance receivable and deposits from credit card processors totalled $41.9 million and $114.8 million, respectively ($46.9 million and $92.1 million, respectively, as at October 31, 2023). 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 $50.9 million as at October 31, 2024 ($43.7 million as at October 31, 2023), 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, 2024, the cash security deposits with lessors that have been claimed totalled $40.1 million ($18.9 million as at October 31, 2023) 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 $9.9 million as at October 31, 2024 ($7.0 million as at October 31, 2023). 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, 2024, 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, 2024 and 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 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.

IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures

In May 2024, the IASB issued narrow-scope amendments to IFRS 9 and IFRS 7. The amendments clarify guidance on the classification of financial assets that include environmental, social and corporate governance linked features; they also clarify the date on which a financial asset or financial liability is derecognized when it is settled using an electronic payment system.

The amendments will be applicable for fiscal years beginning on or after January 1, 2026, with earlier adoption permitted. The Corporation is currently assessing the potential impact of these amendments on its consolidated financial statements.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure i*n Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements* but will carry forward many requirements from IAS 1. The standard sets out requirements on presentation and disclosures in financial statements. It introduces a defined structure for the statement of income composed of required categories and subtotals. The standard also introduces specific disclosure requirements for management-defined performance measures and a reconciliation between these measures and the most similar subtotal specified in IFRS, which must be disclosed in a single note.

IFRS 18 is applicable for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact of IFRS 18 adoption on its consolidated financial statements.

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 all options to optimize its capital structure, including refinancing existing Government of Canada debt on more advantageous terms over the medium term than those currently in place. The Corporation cannot guarantee it will have access to 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 be able to obtain new extensions or that it will have the necessary liquidity to meet its obligations.

The Corporation must also make a number of investments in the normal course of business to enhance the passenger experience and ensure its competitive positioning. Inability to generate sufficient liquidity to realize such investments may also have an adverse effect on our business, financial condition or results of operations.

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.

Credit card processors also require reserves, drawn from the Corporation's cash resources, in connection with transactions processed for customer reservations. These reserves usually vary depending on the seasonal nature of operations and the specific terms of the contracts with credit card processors. Credit card processors may also require a higher level of reserves based on their assessment of the outlook for the Corporation's business environment or financial position. An increase of these reserves may adversely impact the cash resources available for the Corporation's operations.

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 revenues from operations do not reach 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.

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.

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 carry out its strategic plan 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 with the Elevation Program creating uncertainty for some of our employees, it may become difficult to retain talent. The current workforce is sufficient to support our operations, reducing the need to attract talent. However, retention may prove challenging in the current context. As a result, the loss of key employees could adversely affect our business and operating results.

Labour costs are a significant component of the Corporation's operating expenses. These costs are becoming significant with the renewal of recent collective agreements (flight attendants, flight dispatchers), and the collective agreement governing pilots to be renewed in 2025, with considerable wage increases for unionized staff. 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, was ratified in February 2024 for a period of five years (retroactive to 2022). Negotiations to renew the collective agreement governing pilots will begin in January 2025. It would not only lead to a significant increase in payroll but could potentially disrupt our operations if means of pressure were deployed by the pilots. A labour dispute between the parties could also take place and disrupt our operations. Such dispute or means of pressure by the pilots could also create uncertainty for our passengers and could therefore impact our revenues. Lastly, since September 2024, the employee group of passenger agents has applied for union accreditation, which will result in a new collective agreement for Transat. The process of negotiating a new collective agreement could cause disruption to our operations, and the outcome of the negotiations could result in a significant increase in labor costs for this group of employees.

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 will have to offer working conditions that are competitive with agreements recently concluded in the industry, or many pilots may join competitors.

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, KF 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, supply chain issues, mechanical problems and/or negative perceptions among travellers.

The recent problem with the manufacture of Pratt & Whitney GTF engines for the Airbus 320 series 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 up to six of the nineteen A321LRs currently in operation, which could have an impact on the Corporation's ability to operate and 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 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 new carbon credit purchase program, its involvement with communities in Canada and at destination, its approach to managing human resources, in particular, DEI (Diversity, Equity, Inclusion), corporate governance 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.

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 GTF engine issue, discussed above in the key supplies and supplier risks 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

In general, Transat is highly dependent on the legislation and regulatory standards that govern the various aspects of its operations. These relate to, among other things, airline 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. Amendments to passenger protection regulations in Canada or in other jurisdictions in which the Corporation's airline subsidiary operates could also have an impact on Transat's finances. Increased compensation, service and refund requirements in the event of flight disruptions could result in additional costs for the Corporation.

With a view to combatting climate change, the Corporation is subject to various regulations. The Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") covers international flights between member states. The Corporation is also subject to the EU Emissions Trading Scheme ("EU-ETS") and to the UK Emissions Trading Scheme ("UK-ETS"). The environmental impact of land-based activities (aircraft maintenance and mobile equipment to support airport operations at YUL and YYZ) is governed by a number of federal, provincial and municipal laws and regulations.

Currently, the compliance costs associated with environmental regulations remain relatively modest. However, these costs are likely to increase significantly, as the legal obligations and environmental standards evolve.

Finally, in the course of our business in the air carrier and travel industry, the Corporation is exposed to passenger claims and legal proceedings in the event of a violation of regulatory requirements or failure to provide services. Should these claims be found to be justified, they could result in financial compensation or fines, which could adversely impact Transat's operating results. Such situations could also damage the Corporation's reputation, thereby impacting its customer loyalty and competitiveness in the market.

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 involving directors and officers, as well as 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, 2024.

Lastly, no significant changes in ICFR occurred during the quarter ended October 31, 2024 that materially affected the Corporation’s ICFR.

12. KEY INDICATORS

To date, airline unit revenues, expressed in revenue per passenger mile (or “yield”), are 1% higher than in the corresponding period last year, while load factors for the first quarter are 1.1 percentage points higher than on the same date in fiscal 2024.

For fiscal year 2025, the Corporation expects to increase available capacity by 2%, measured in available seat-miles, compared to 2024.

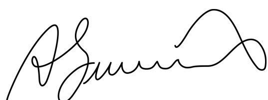
MANAGEMENT'S REPORT

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

Jean-François Pruneau
Chief Financial Officer

December 11, 2024