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

Unaudited (in thousands of Canadian dollars)	Notes	As at July 31, 2023 $	As at October 31, 2022 $
ASSETS			
Cash and cash equivalents		**570,592**	322,535
Cash and cash equivalents in trust or otherwise reserved	3	**263,598**	344,284
Trade and other receivables	4	**146,554**	265,050
Income taxes receivable		**2,464**	5,537
Inventories		**30,291**	26,725
Prepaid expenses		**54,553**	26,428
Derivative financial instruments		**15,576**	11,939
Current portion of deposits	5	**178,377**	29,392
Assets held for sale	6	**47,806**	—
Current assets		**1,309,811**	1,031,890
Cash and cash equivalents reserved	3	**29,750**	31,273
Deposits	5	**195,927**	172,231
Deferred tax assets		**1,090**	953
Property, plant and equipment	7	**1,038,362**	1,000,151
Intangible assets		**13,614**	13,261
Investment	8	**9,959**	8,820
Deferred financing costs		**12,743**	12,552
Non-current assets		**1,301,445**	1,239,241
		2,611,256	2,271,131
LIABILITIES			
Trade and other payables		**324,414**	289,897
Income taxes payable		**415**	1,054
Customer deposits and deferred revenues		**819,899**	602,509
Derivative financial instruments		**6,842**	6,209
Current portion of lease liabilities	9	**135,499**	137,165
Current portion of liability related to warrants	10	**39,986**	16,799
Current portion of provision for return conditions	11	**2,009**	—
Liabilities related to assets held for sale	6	624	—
Current liabilities		**1,329,688**	1,053,633
Long-term debt and lease liabilities	9	**1,706,906**	1,614,903
Liability related to warrants	10	**16,251**	7,561
Deferred government grant	9	**152,576**	169,025
Provision for return conditions	11	**161,221**	154,772
Employee benefits liability		**22,341**	20,773
Deferred tax liabilities		**623**	644
Non-current liabilities		**2,059,918**	1,967,678
NEGATIVE EQUITY			
Share capital	12	**223,083**	221,924
Share-based payment reserve		**16,265**	16,092
Deficit		**(1,013,089)**	(984,602)
Cumulative exchange differences		**(4,609)**	(3,594)
		(778,350)	(750,180)
		2,611,256	2,271,131

See accompanying notes to the interim unaudited condensed consolidated financial statements

On behalf of the Board,

Director

Director

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

		Quarters ended July 31		Nine-month periods ended July 31	
Unaudited		2023	2022	2023	2022
(in thousands of Canadian dollars, except per share amounts)	*Notes*	$	$	$	$
Revenues	*13*	**746,317**	508,304	**2,283,885**	1,068,899
Operating expenses					
Aircraft fuel		**158,140**	205,810	**449,979**	323,591
Salaries and employee benefits	*13*	**114,287**	91,024	**322,719**	197,130
Costs of providing tourism services		**93,345**	78,060	**626,689**	283,692
Airport and navigation fees		**55,159**	44,344	**133,436**	80,165
Aircraft maintenance		**50,018**	32,223	**123,426**	79,759
Sales and distribution costs		**45,340**	31,845	**165,190**	76,805
Aircraft rent	*9*	**2,041**	2,386	**7,864**	5,477
Other airline costs		**81,960**	53,715	**187,876**	100,924
Other		**27,846**	23,332	**82,163**	62,369
Share of net (income) loss of a joint venture	*8*	**(953)**	610	**(1,442)**	1,415
Depreciation and amortization	*7*	**53,752**	38,173	**137,623**	112,144
Restructuring costs	*14*	**1,007**	—	**3,350**	—
		681,942	601,522	**2,238,873**	1,323,471
Operating income (loss)		**64,375**	(93,218)	**45,012**	(254,572)
Financing costs	*9*	**33,694**	27,158	**98,582**	74,088
Financing income		**(11,099)**	(3,047)	**(30,922)**	(5,599)
Change in fair value of derivatives		**(12,168)**	6,908	**11,702**	8,628
Revaluation of liability related to warrants	*10*	**24,972**	(14,506)	**31,877**	(13,697)
Foreign exchange (gain) loss		**(29,052)**	(1,706)	**(36,014)**	27,715
Loss (gain) on asset disposals	*15*	**—**	13	**(2,511)**	(4,005)
Gain on long-term debt modification		**—**	—	**—**	(22,191)
Income (loss) before income tax expense		**58,028**	(108,038)	**(27,702)**	(319,511)
Income taxes (recovery)					
Current		**92**	(1,566)	**612**	(418)
Deferred		**633**	—	**173**	—
		725	(1,566)	**785**	(418)
Net income (loss) for the period		**57,303**	(106,472)	**(28,487)**	(319,093)
Earnings (loss) per share	*12*				
Basic		**1.49**	(2.82)	**(0.75)**	(8.44)
Diluted		**1.49**	(2.82)	**(0.75)**	(8.44)

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

	Quarters ended July 31		Nine-month periods ended July 31	
Unaudited	**2023**	**2022**	**2023**	**2022**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Net income (loss) for the period	**57,303**	(106,472)	**(28,487)**	(319,093)
Other comprehensive income (loss)				
Items that will be reclassified to net income (loss)				
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	**(2,184)**	1,224	**(1,015)**	(341)
Reclassification to net income (loss)	**—**	—	**—**	(360)
Total other comprehensive income (loss)	**(2,184)**	1,224	**(1,015)**	(701)
Comprehensive income (loss) for the period	**55,119**	(105,248)	**(29,502)**	(319,794)

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Unaudited (in thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Deficit $	Accumulated other comprehensive income (loss) Cumulative exchange differences $	Total equity $
Balance as at October 31, 2021	221,012	15,948	(544,881)	(7,189)	(315,110)
Net loss for the period	—	—	(319,093)	—	(319,093)
Other comprehensive loss	—	—	—	(701)	(701)
Comprehensive loss for the period	—	—	(319,093)	(701)	(319,794)
Issued from treasury	598	—	—	—	598
Share-based payment expense	—	88	—	—	88
Balance as at July 31, 2022	**221,610**	**16,036**	**(863,974)**	**(7,890)**	**(634,218)**
Net loss for the period	—	—	(126,231)	—	(126,231)
Other comprehensive income	—	—	5,603	4,296	9,899
Comprehensive income (loss) for the period	—	—	(120,628)	4,296	(116,332)
Issued from treasury	314	—	—	—	314
Share-based payment expense	—	56	—	—	56
Balance as at October 31, 2022	221,924	16,092	(984,602)	(3,594)	(750,180)
Net loss for the period	—	—	(28,487)	—	(28,487)
Other comprehensive loss	—	—	—	(1,015)	(1,015)
Comprehensive loss for the period	—	—	(28,487)	(1,015)	(29,502)
Issued from treasury	1,159	—	—	—	1,159
Share-based payment expense	—	173	—	—	173
Balance as at July 31, 2023	**223,083**	**16,265**	**(1,013,089)**	**(4,609)**	**(778,350)**

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Unaudited (in thousands of Canadian dollars)	Notes	Quarters ended July 31 2023 $	 2022 $	Nine-month periods ended July 31 2023 $	 2022 $
OPERATING ACTIVITIES					
Net income (loss) for the period		**57,303**	(106,472)	**(28,487)**	(319,093)
Operating items not involving an outlay (receipt) of cash:					
Depreciation and amortization	7	**53,752**	38,173	**137,623**	112,144
Change in fair value of derivatives		**(12,168)**	6,908	**11,702**	8,628
Revaluation of liability related to warrants		**24,972**	(14,506)	**31,877**	(13,697)
Gain on long-term debt modification		**—**	—	**—**	(22,191)
Loss (gain) on asset disposals	15	**—**	13	**(2,511)**	(4,005)
Foreign exchange (gain) loss		**(29,052)**	(1,706)	**(36,014)**	27,715
Share of net (income) loss of a joint venture	8	**(953)**	610	**(1,442)**	1,415
Capitalized interest on long-term debt and lease liabilities		**11,190**	11,714	**33,127**	34,016
Deferred taxes		**633**	—	**173**	—
Employee benefits		**450**	480	**2,499**	1,440
Share-based payment expense		**61**	30	**173**	88
		106,188	(64,756)	**148,720**	(173,540)
Net change in non-cash working capital balances related to operations		**(105,749)**	19,595	**246,679**	77,271
Net change in provision for return conditions		**(598)**	1,722	**15,181**	13,098
Net change in other assets and liabilities related to operations		**(7,375)**	(19,285)	**(32,467)**	(34,622)
Cash flows related to operating activities		**(7,534)**	(62,724)	**378,113**	(117,793)
INVESTING ACTIVITIES					
Additions to property, plant and equipment and other intangible assets		**(14,138)**	(9,992)	**(33,421)**	(24,456)
Consideration received for assets held for sale	6	**10,002**	—	**10,002**	—
Decrease (increase) in cash and cash equivalents reserved		**—**	—	**1,523**	(545)
Cash flows related to investing activities		**(4,136)**	(9,992)	**(21,896)**	(25,001)
FINANCING ACTIVITIES					
Repayment of lease liabilities	9	**(40,407)**	(24,191)	**(109,947)**	(83,600)
Transaction costs		**—**	(2,614)	**(191)**	(2,614)
Proceeds from issuance of shares		**433**	337	**1,159**	598
Repayment of debt		**—**	(3,344)	**—**	(3,344)
Proceeds from borrowings	9	**—**	4,623	**—**	213,217
Cash flows related to financing activities		**(39,974)**	(25,189)	**(108,979)**	124,257
Effect of exchange rate changes on cash and cash equivalents		**(1,326)**	(1,956)	**819**	(3,309)
Net change in cash and cash equivalents		**(52,970)**	(99,861)	**248,057**	(21,846)
Cash and cash equivalents, beginning of period		**623,562**	511,210	**322,535**	433,195
Cash and cash equivalents, end of period		**570,592**	411,349	**570,592**	411,349
Supplementary information (as reported in operating activities)					
Net income taxes paid (recovered)		**(1,751)**	350	**(2,142)**	821
Net interest paid		**10,332**	3,900	**30,486**	11,549

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Note 1 Corporate information

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

Transat A.T. Inc. is an integrated company specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of a Canadian leisure airline, offering international and Canadian destinations, and is vertically integrated with its other services of holiday packages, distribution through a dynamic travel agency network and value-added services at travel destinations.

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended July 31, 2023, were approved by the Corporation's Board of Directors on September 13, 2023.

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

Note 2 Significant accounting policies

Basis of preparation

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

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

The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation's Annual Report for the year ended October 31, 2022.

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

Changes in accounting policy

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 twelve months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements.

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

Note 3 Cash and cash equivalents in trust or otherwise reserved

As at July 31, 2023, cash and cash equivalents in trust or otherwise reserved included $229,208 [$319,162 as at October 31, 2022] in funds received from customers, primarily Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included an amount of $64,140, $29,750 of which was recorded as non-current assets [$56,395 as at October 31, 2022, $31,273 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 4 Trade and other receivables

	As at July 31, 2023 $	**As at October 31, 2022 $**
Credit card processor receivables	**61,499**	196,894
Government receivables	**36,963**	31,179
Trade receivables	**15,016**	9,497
Cash receivable from lessors	**15,217**	9,959
Other receivables	**17,859**	17,521
	146,554	265,050

Note 5 Deposits

	As at July 31, 2023 $	**As at October 31, 2022 $**
Maintenance deposits with lessors	**156,591**	135,563
Deposits with credit card processors	**170,321**	20,757
Deposits on leased aircraft and engines	**40,471**	37,920
Deposits with suppliers	**6,921**	7,383
	374,304	201,623
Less current portion	**178,377**	29,392
	195,927	172,231

Note 6 Assets held for sale

On August 31, 2023, the Corporation finalized the agreement for the sale and purchase of its wholly owned subsidiary Laminama, S.A. de C.V. ["Laminama"], whose main asset is a land located in Puerto Morelos, Mexico, initially announced on July 10, to Finest Holding, B.V., a luxury hotel and resort group. The sale price, payable in cash, is firm and amounts to US$38,000 [$51,414]. An amount of US$7,600 [$10,002] was received upon signature of the agreement and recorded under Trade and other payables. The balance of the sale price was paid upon closing of the transaction.

As at July 31, 2023, Laminama's assets and liabilities were presented as held for sale in the consolidated statements of financial position. As Laminama's operations do not represent a separate major line of business for the Corporation, Laminama's results are included in the Corporation's results from continuing operations in the consolidated statements of income (loss) and comprehensive income (loss) for the periods ended July 31, 2023.

Assets and liabilities held for sale are detailed as follows:

	As at July 31, 2023 $
Current assets	2,386
Land and other non-current assets	45,420
Assets held for sale	**47,806**
Current liabilities	624
Liabilities related to assets held for sale	**624**
Net assets held for sale	**47,182**

Note 7 Property, plant and equipment

	Leasehold improvements Fleet $	Aircraft equipment $	Office furniture and equipment $	Land, building and leasehold improvements $	Right of use Fleet $	Right of use Real estate and other $	Total $
Cost							
Balance as at October 31, 2022	105,911	142,270	46,843	63,209	1,415,370	111,449	1,885,052
Additions	1,179	15,143	2,757	371	196,968	2,765	219,183
Reclassification	—	—	(4,990)	4,990	—	—	—
Disposals	(1,599)	(34)	—	—	(18,690)	—	(20,323)
Write-offs	—	(45)	—	(4)	(1,976)	(1,574)	(3,599)
Impairment	—	—	—	(4,592)	—	—	(4,592)
Assets held for sale	—	—	—	(45,420)	—	—	(45,420)
Exchange difference	—	—	(97)	(1,893)	—	(13)	(2,003)
Balance as at July 31, 2023	105,491	157,334	44,513	16,661	1,591,672	112,627	2,028,298
Accumulated depreciation							
Balance as at October 31, 2022	63,648	86,376	32,842	11,534	618,142	72,359	884,901
Depreciation	6,160	5,940	2,633	520	110,037	3,800	129,090
Disposals	(1,599)	(2)	—	—	(18,690)	—	(20,291)
Write-offs	—	(45)	—	(4)	(1,976)	(1,574)	(3,599)
Exchange difference	—	—	(91)	(63)	—	(11)	(165)
Balance as at July 31, 2023	68,209	92,269	35,384	11,987	707,513	74,574	989,936
Net book value as at July 31, 2023	37,282	65,065	9,129	4,674	884,159	38,053	1,038,362

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

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

Furthermore, given the agreement for the sale and purchase of its Laminama subsidiary entered into during the quarter ended July 31, 2023 *[Note 6]*, the Corporation measured the recoverable amount of Laminama's non-current assets and compared it with their carrying amount, before classifying its assets as assets held for sale. The recoverable amount of non-current assets held for sale was measured using a selling price allocation based on the fair value of assets and liabilities held for sale, less costs to sell. As the recoverable amount of the land in Mexico was less than its carrying amount, the Corporation recorded an impairment loss of $4,592.

Note 8 Investment

As at July 31, 2023, the change in the Corporation's 50% investment in a joint venture, Desarrollo Transimar, is detailed as follows:

	$
Balance as at October 31, 2022	**8,820**
Share of net income	**1,442**
Translation adjustment	**(303)**
Balance as at July 31, 2023	**9,959**

The investment was translated at the USD/CAD closing rate of 1.3161 as at July 31, 2023 [1.3641 as at October 31, 2022].

Note 9 Long-term debt and lease liabilities

The following table details the maturities and weighted average interest rates related to long-term debt and lease liabilities as at July 31, 2023, and October 31, 2022. The current portion of lease liabilities included deferred rent payments related to aircraft leases of $24,519 [$32,148 as at October 31, 2022]:

	Final maturity	Weighted average effective interest rate	As at July 31, 2023	As at October 31, 2022
		%	$	$
Long-term debt				
Secured debt - LEEFF	**2025**	**5.30**	**77,211**	77,215
Unsecured debt - LEEFF	**2026**	**13.27**	**312,796**	284,757
Unsecured credit facility - Travel credits	**2028**	**14.00**	**199,166**	182,520
Revolving credit facility	**2025**	**9.76**	**49,582**	49,644
Subordinated credit facility	**2025**	**15.16**	**71,898**	70,024
Long-term debt		**12.55**	**710,653**	664,160
Lease liabilities				
Fleet	**2023-2035**	**6.18**	**1,089,047**	1,044,951
Real estate and other	**2023-2037**	**5.53**	**42,705**	42,957
Lease liabilities		**6.16**	**1,131,752**	1,087,908
Total long-term debt and lease liabilities		**8.62**	**1,842,405**	1,752,068
Current portion of lease liabilities			**(135,499)**	(137,165)
Long-term debt and lease liabilities			**1,706,906**	1,614,903

Funding from the Government of Canada

The Corporation has an agreement with the Government of Canada that allows it to borrow up to $843,300 through the Large Employer Emergency Financing Facility ("LEEFF"). The fully repayable credit facilities made available by the Canada Enterprise Emergency Funding Corporation ["CEEFC"] under the LEEFF, which Transat uses on an as-needed basis, are as follows:

Secured debt – LEEFF

On April 28, 2023, The Corporation renegotiated its LEEFF secured debt agreement of $98,000, mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024). The credit facility is secured by a first ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bears interest at bankers' acceptance rate plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5 %. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. The Corporation benefits from a waiver of certain financial ratios and covenants from its lenders until October 29, 2023. No drawdowns were made during the nine-month period ended July 31, 2023. As at July 31, 2023, and October 31, 2022, an amount of $78,000 was drawn down with a carrying value of $77,211 as at July 31, 2023 [$77,215 as at October 31, 2022]. The unused amount of $20,000 is available until October 29, 2023.

The Corporation concluded that the modification related to the extension of the maturity date was non-substantial as defined by IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to this amendment.

Unsecured debt – LEEFF

An amount of $392,000, in the form of a non-revolving and unsecured credit facility. The credit facility bears interest at a rate of 5.0% until December 31, 2023, increasing to 8.0% until December 31, 2024, and increasing by 2.0% per annum thereafter, with the option to capitalize interest until December 31, 2024. An amount of $312,000 matures on April 29, 2026, while the balance of $80,000 will mature on July 29, 2027. In the event of a change in control, this credit facility becomes immediately due and payable.

As at July 31, 2023, and October 31, 2022, an amount of $312,000 was drawn down with a carrying value of $312,796 as at July 31, 2023 [$284,757 as at October 31, 2022]. The unused amount of $80,000 is available until October 29, 2023. No drawdowns were made during the nine-month period ended July 31, 2023. The credit facility includes a prepayment option, which is an embedded derivative, the fair value of which is recorded as a deduction from the carrying amount of the credit facility. This embedded derivative is separated from the host contract and designated at fair value through profit or loss, with changes in its fair value recorded in the consolidated statement of loss under Change in fair value of derivatives. As at July 31, 2023, the fair value of the prepayment option was nil [$128 as at October 31, 2022] and was determined using a trinomial tree approach based on the Hull-White model.

In the context of the financing arrangement, the Corporation issued a total of 17,687,500 warrants *[Note 10]* related to the unsecured financing facility - LEEFF.

Unsecured credit facility related to travel credits

An amount of $353,300, 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 the rate of 1.22%. In the event the secured debt – LEEFF and the unsecured debt – LEEFF have not been repaid, this credit facility could become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders.

As at July 31, 2023, and October 31, 2022, the credit facility was fully drawn. As at July 31, 2023, the carrying amount of the credit facility was $199,166 [$182,520 as at October 31, 2022], and an amount of $152,576 was also recognized as deferred government grant related to these drawdowns. During the nine-month period ended July 31, 2023, an amount of $16,646 was recognized as proceeds from government grants as a reduction of financing costs.

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

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

Other credit facilities

Revolving credit facility

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

The Corporation concluded that the change related to the extension of the maturity date was non-substantial as defined by IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to this amendment.

Subordinated credit facility

On April 28, 2023, the Corporation renegotiated its $70,000 subordinated credit facility for its operations, mainly to extend the maturity date to April 29, 2025 (previously April 29, 2024). The agreement becomes immediately due and payable in the event of a change in control. The agreement is secured by a second ranking movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The credit facility bears interest at bankers' acceptance rate plus a premium of 6.0% or at the financial institution's prime rate, plus a premium of 5.0%. Until October 29, 2023, an additional capitalizable premium of 3.75% will be added to the interest. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and conditions. The Corporation benefits from a waiver of certain financial ratios and covenants from its lenders until October 29, 2023. As at July 31, 2023, and October 31, 2022, the credit facility was fully drawn.

The Corporation concluded that the change related to the extension of the maturity date was non-substantial as defined by IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to this amendment.

Revolving credit facility agreement – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at July 31, 2023, $62,080 had been drawn down under the facility [$55,935 as at October 31, 2022], $29,750 of which was to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the periods ended July 31, 2023, and 2022, is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Interest expense on long-term debt	**16,766**	13,818	**48,822**	35,374
Interest expense on lease liabilities	**15,168**	11,288	**44,693**	33,751
Accretion on provision for return conditions	**1,247**	983	**3,765**	2,034
Other interest	**513**	1,069	**1,302**	2,929
Financing costs	**33,694**	27,158	**98,582**	74,088

Rent expense

Rent expense for the periods ended July 31, 2023, and 2022, is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Variable lease payments	**1,149**	2,386	**4,659**	5,477
Short-term leases	**892**	—	**3,205**	—
Aircraft rent	**2,041**	2,386	**7,864**	5,477
Variable lease payments	**219**	383	**747**	791
Short-term leases	**1,665**	1,005	**3,916**	2,592
Low value leases	**86**	81	**272**	255
	4,011	3,855	**12,799**	9,115

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the nine-month period ended July 31, 2023:

	Cash flows $	Non-cash changes $	Total $
Balance as at October 31, 2022			**1,087,908**
Repayments	**(109,947)**	**—**	**(109,947)**
New lease liabilities (new contracts and amendments)	**—**	**189,414**	**189,414**
Interest portion of deferred rent payments	**—**	**2,962**	**2,962**
Offset of rent payments and lease terminations	**—**	**(2,474)**	**(2,474)**
Exchange difference	**—**	**(36,111)**	**(36,111)**
Balance as at July 31, 2023	**(109,947)**	**153,791**	**1,131,752**

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at July 31, 2023 is detailed as follows. Interest on long-term debt only includes interest payable as at July 31, 2023. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.3161 as at July 31, 2023:

Year ending October 31	2023 $	2024 $	2025 $	2026 $	2027 $	2028 and up $	Total $
Long-term debt obligations	**—**	**—**	**198,691**	**312,796**	**—**	**199,166**	**710,653**
Fleet	51,419	187,329	191,010	170,547	153,735	638,634	**1,392,674**
Real estate and other	1,919	5,492	5,641	3,756	5,308	35,095	**57,211**
Lease liabilities	**53,338**	**192,821**	**196,651**	**174,303**	**159,043**	**673,729**	**1,449,885**
Total	**53,338**	**192,821**	**395,342**	**487,099**	**159,043**	**872,895**	**2,160,538**

Note 7 provides the information required for right-of-use assets and depreciation. Note 16 details the information required with respect to leases of aircraft that will be delivered in the coming years.

Note 10 Liability related to warrants

In the context of the initial financing arrangement related to the unsecured facility – LEEFF *[Note 9]*, on April 29, 2021, the Corporation issued a total of 13,000,000 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $4.50 per share, exercisable over a 10-year period, representing 18.75% of the total commitment available under the unsecured debt – LEEFF.

On July 29, 2022, as part of the amendments to the financing package related to the LEEFF unsecured financing, the Corporation issued an additional 4,687,500 warrants to purchase an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $3.20 per share over a 10-year period, representing 18.75% of the additional commitment available under the LEEFF unsecured financing.

Warrants are to vest in proportion to the drawings that will be made. Under the terms of the LEEFF unsecured financing agreement, if the loan was to be repaid prior to December 31, 2023, 50% of the vested warrants would be forfeited.

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

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

Under the limitations set out above, if the 17,687,500 warrants issued are exercised:

- a maximum of 9,599,107 warrants could be exercised through the issuance of shares;
- 8,088,393 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Moreover, the parties may, by mutual agreement, exercise the 9,599,107 warrants for a settlement in cash. To the extent that Transat shares are listed on a public market, the Corporation could also choose to settle the exercise of these 9,599,107 warrants on a net share basis, that is, by issuing shares based on the difference between Transat's share market price and the exercise price of warrants.

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

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

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

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

The change in the liability related to warrants for the nine-month period ended July 31, 2023, is detailed as follows:

	As at July 31, 2023	**As at October 31, 2022**
	$	**$**
Opening balance	**24,360**	36,557
Issuance	**—**	9,792
Revaluation of liability related to warrants	**31,877**	(21,989)
Closing balance	**56,237**	24,360
Current liability	**39,986**	16,799
Non-current liability	**16,251**	7,561
Closing balance	**56,237**	24,360

To remeasure the liability related to warrants, classified as Level 3, the Corporation used a Black-Scholes valuation model. As at July 31, 2023, the primary unobservable input used in the model is expected volatility, which is estimated at 56.3%. A 5.0 percentage point increase in the expected volatility used in the pricing model would result in a total increase of $1,466 in the liability related to warrants as at July 31, 2023.

Note 11 Provision for return conditions

The provision for return conditions relates to contractual obligations to return leased aircraft and engines at the end of the leases under predetermined maintenance conditions. The change in the provision for return conditions for the nine-month period ended July 31, 2023, is detailed as follows:

	As at July 31, 2023 $	As at October 31, 2022 $
Opening balance	**154,772**	126,244
Additional provisions	**14,057**	49,858
Changes in estimates	**(9,364)**	(15,276)
Utilization of provision	**—**	(6,163)
Unused amounts reversed	**—**	(2,864)
Accretion	**3,765**	2,973
Closing balance	**163,230**	154,772
Current provisions	**2,009**	—
Non-current provisions	**161,221**	154,772
Closing balance	**163,230**	154,772

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

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

Note 12 Equity

Authorized share capital

CLASS A VARIABLE VOTING SHARES

An unlimited number of participating Class A Variable Voting Shares (“Class A Shares”), which may be owned or controlled only by non-Canadians as defined by the *Canada Transportation Act* (“CTA”), carry one vote per share at any meeting of the shareholders, subject to an automatic reduction of the voting rights attached thereto in the event that [i] any non-Canadian, individually or in affiliation with another person, holds more than 25% of the votes cast, [ii] any non-Canadian authorized to provide air service in any jurisdiction (in aggregate) holds more than 25% of the votes cast, or [iii] the votes that would be cast by the holders of Class A Shares would be more than 49%. If any of the above-mentioned applicable limitations are exceeded, the votes that should be attributed to holders of Class A Shares will be attributed as follows:

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

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

Class B Voting Shares

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

Preferred shares

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

Issued and outstanding share capital

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

	Number of shares	$
Balance as at October 31, 2021	37,747,090	221,012
Issued from treasury	265,054	912
Balance as at October 31, 2022	38,012,144	221,924
Issued from treasury	384,286	1,159
Balance as at July 31, 2023	**38,396,430**	**223,083**

As at July 31, 2023, the number of Class A Shares and Class B Shares stood at 2,842,328 and 35,554,102, respectively [1,428,479 and 36,583,665, respectively, as at October 31, 2022].

Stock option plan

	Number of options	Weighted average price ($)
Balance as at October 31, 2022	480,847	6.13
Granted	50,000	3.39
Cancelled	(25,125)	10.01
Expired	(49,688)	6.01
Balance as at July 31, 2023	**456,034**	**5.63**
Options exercisable as at July 31, 2023	**106,034**	**10.18**

Warrants

No warrants were exercised during the quarter and nine-month period ended July 31, 2023. Accordingly, the Corporation did not issue any shares related to the exercise of warrants *[Note 10]*.

Earnings (loss) per share

Basic and diluted earnings (loss) per share were calculated as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2023	2022	2023	2022
(in thousands of dollars, except per share data)	$	$	$	$
NUMERATOR				
Net income (loss) used in computing basic earnings (loss) per share	**57,303**	(106,472)	**(28,487)**	(319,093)
Effect of deemed conversion of warrants	**24,972**	(14,506)	**31,877**	(13,697)
Less anti-dilutive impact	**(24,972)**	14,506	**(31,877)**	13,697
Net income (loss) used in computing diluted earnings (loss) per share	**57,303**	(106,472)	**(28,487)**	(319,093)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	**38,352**	37,795	**38,220**	37,795
Effect of potential dilutive securities				
Stock options	**20**	—	**3**	9
Warrants	**—**	—	**—**	—
Less anti-dilutive impact	**—**	—	**(3)**	(9)
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	**38,372**	37,795	**38,220**	37,795
Earnings (loss) per share				
Basic	**1.49**	(2.82)	**(0.75)**	(8.44)
Diluted	**1.49**	(2.82)	**(0.75)**	(8.44)

For the quarter and the nine-month periods ended July 31, 2023, a total of 256 034 and 456,034 outstanding stock options and the 9,599,107 vested warrants that can be exercised through the issuance of shares were excluded from the calculation since their exercise price exceeded the average share price for the period [480,847 stock options and 9,474,770 warrants for the quarter and the nine-month period ended July 31, 2022].

Note 13 Additional disclosure on revenue and expenses

Breakdown of revenue from contracts with customers

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

	Quarters ended July 31		Nine-month periods ended July 31	
	2023	2022	2023	2022
	$	$	$	$
Customers				
Americas	**236,537**	205,488	**1,578,670**	690,964
Transatlantic	**502,591**	297,705	**686,888**	365,182
Other	**7,189**	5,111	**18,327**	12,753
Total revenues	**746,317**	508,304	**2,283,885**	1,068,899

Government grants

During the nine-month period ended July 31, 2022, the Corporation recognized a deduction in the amount of $24,403 from Salaries and employee benefits related to the subsidy programs (THRP and HHBRP). The THRP and HHBRP ended on May 7, 2022.

Note 14 Restructuring costs

	Quarters ended July 31		Nine-month periods ended July 31	
	2023 $	2022 $	2023 $	2022 $
Restructuring costs				
Severance	**651**	—	**2,994**	—
Staff relocation costs	**356**	—	**356**	—
	1,007	—	**3,350**	—

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

The change in the provision for employee termination benefits for the nine-month period ended July 31, 2023, which was included in Trade and other payables, is as follows:

	As at July 31, 2023 $	As at October 31, 2022 $
Opening balance	**2,015**	5,220
Additional provisions	**3,551**	847
Utilization of provision	**(3,592)**	(4,052)
Unused amounts reversed	**(557)**	—
Closing balance	**1,417**	2,015

Note 15 Gain on asset disposals

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

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

During the nine-month period ended July 31, 2022, the gain on asset disposals of $4,005 was mainly due to the early return of an Airbus A330 to the lessor. This lease termination led to the recognition of a $4,085 gain, which resulted from the reversal of lease liabilities of $3,976 and other assets and liabilities totalling $109. The carrying amount of the right-of-use assets for this aircraft lease was fully impaired during the year ended October 31, 2021.

Note 16 Commitments and contingencies

Leases and other commitments

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

Year ending October 31	2023 $	2024 $	2025 $	2026 $	2027 $	2028 and up $	Total $
Leases (aircraft and other)	3,136	30,061	41,484	60,020	71,520	688,484	**894,705**
Purchase obligations	11,626	7,750	4,782	32	14	—	**24,204**
	14,762	**37,811**	**46,266**	**60,052**	**71,534**	**688,484**	**918,909**

Litigation

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

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

Other

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

Note 17 Guarantees

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

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

Notes 5, 14, 17 and 24 to the consolidated financial statements for the year ended October 31, 2022, provide information about some of these agreements. The following constitutes additional disclosure.

Leases

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

Collateral security contracts

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

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, as required by regulatory agencies, for the performance of the obligations included in mandates of its customers during the term of the licences granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at July 31, 2023, the total amount of these guarantees unsecured by deposits totalled $755. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2023, no amounts had been accrued with respect to the above-mentioned agreements.

Note 18 Segment disclosures

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

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