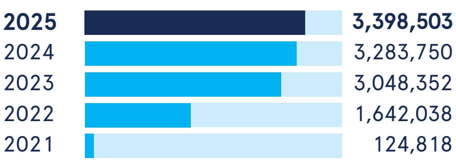
Annual report
2025


Travel moves us

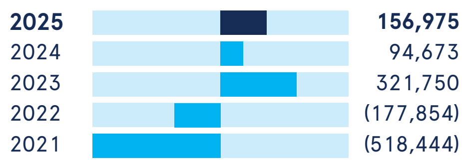
2025 Highlights

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

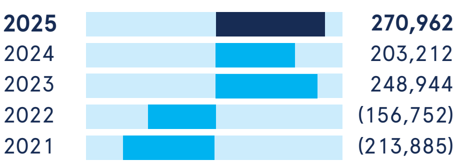
Revenues



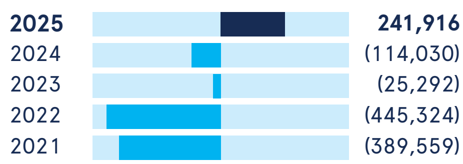
Cash flows related to operating activities



Adjusted operating income (loss)[1]



Net income (loss) **for the year**



	2025	2024	Difference	Difference
			$	%
Revenues	3,398,503	3,283,750	114,753	3.5
Operating income (loss)	9,803	(12,727)	22,530	177.0
Adjusting operating income [1]	270,962	203,212	67,750	33.3
Net income (loss) for the year	241,916	(114,030)	355,946	312.2
Diluted earnings (loss) per share	5.72	(2.94)	8.66	294.6
Cash flows related to operating activities	156,975	94,673	62,302	65.8
Cash and cash equivalents	164,920	260,336	(95,416)	(36.7)
Total assets	2,574,563	2,750,910	(176,346)	(6.4)
Long-tem debt (including current portion)	200,818	682,295	(481,477)	(70.6)
Debt ratio[2]	1.25	1.32	(0.07)	(5.5)
Stock price as at October 31 (TRZ)	2.11	1.76	0.35	19.9
Oustanding shares, end of year (in thousands)	40,380	39,266	1,114	2.8

1 See *Non-IFRS financial measures section.*

2 Debt ratio: total liabilities divided by total assets.

Senior Management

Annick Guérard

President and Chief Executive Officer

Joseph Adamo

President, Transat Distribution Canada

Chief Sales and Marketing Officer

Bernard Bussières

Chief Legal and Government Relations Officer and Corporate Secretary

**As at October 31, 2025*

Debbie Cabana

Director, Office of the President and Chief Executive Officer

Nathalie Forcier

Chief Legal and Government Relations Officer and Corporate Secretary

**Appointed on November 10, 2025*

Julie Lamontagne

Chief People, Sustainability and Communications Officer

Marc-Philippe Lumpé

Chief Operations Officer

Sebastian Ponce

Chief Revenue Officer

Jean-François Pruneau

Chief Financial Officer

Bamba Sissoko

Chief Information Officer

Board of Directors

Annick Guérard

President and Chief Executive Officer, Transat

1

Susan Kudzman

President of the Board of Directors

Corporate Director

1 2 3 4

Geneviève Brouillette

Corporate Director

3

Lucie Chabot

Corporate Director

1 2

Valérie Chort

Corporate Director

4

Robert Coallier

Corporate Director

2 3

Daniel Desjardins

Corporate Director

1 2 4

Stéphane Lefebvre

President and Chief Executive Officer, Solotech Inc.

Bruno Matheu

President and Founder, BLM Consulting

4

Ian Rae

President and Chief Executive Officer, Aptum Inc.

Julie Tremblay

Corporate Director

1 3

Committees

1 **Executive Committee** | 2 **Audit Committee** | 3 **Human Resources and Governance Committee** | 4 **Risk Management and Corporate Responsibility Committee**

Susan Kudzman
Chair of the Board of Directors

A Year of Renewed Momentum and Responsible Stewardship

Fiscal 2025 marked a year of meaningful progress for Transat that brought us to the near-completion of an intensive multi-year transformation cycle. This period required focus, resilience, and difficult, but necessary decisions to position Transat for long-term competitiveness. After years shaped by external shocks, including industry-wide operational challenges and lingering pandemic effects, we are seeing the results of the rigorous work across the organization. While some uncertainties remain, the fundamentals of the business are getting stronger, and the Board is confident Transat is emerging as a company that can withstand turbulence and emerge with renewed strength on the other side.

Through this period, our customers remained at the heart of everything we do. They are not only our first priority; they are the very core of Transat. On behalf of the Board of Directors, I want to express our sincerest thanks. Our Board and the entire Transat team remain deeply committed to delivering the level of service, care and reliability that our customers expect and deserve.

This was also a year focused squarely on strengthening Transat's financial foundation. During the year, Transat completed a significant recapitalization that eliminated approximately half of its long-term, pandemic-era debt, more than $400 million in value. This achievement reflects effective execution by management and steadfast support from our partners, while providing Transat with the stability and the flexibility needed to focus on commercial and operational priorities. I would like to thank the federal government for the substantial effort put into addressing this issue.

We are now in the final stage of our current strategic plan, which has guided our long-term priorities and overall direction. In parallel, the *Elevation* program has played a pivotal role in improving productivity, enhancing revenue performance, and driving sustainable cash generation. The Board has been closely engaged throughout this effort, and I want to thank management for their unwavering commitment and discipline. In particular, I wish to recognize our President and Chief Executive Officer, Annick Guérard, our Chief Financial Officer, Jean-François Pruneau, and the executive team for their leadership in advancing *Elevation* and the Company's turnaround. Their work has sharpened the operational focus required for a more resilient and competitive future.

Over the coming months, the Board and management will work together to define Transat's next multi-year roadmap, building on market conditions, ongoing brand strength, high-potential modernized fleet, and an increasingly efficient operating model. It marks the next chapter in our stabilization and restructuring journey, with a focus toward building and accelerating with renewed confidence.

Talent and workforce stability were also key priorities for the Board in 2025. The quality and dedication of Transat's people remain one of its most distinctive strengths. They built this company, sustained it through its most challenging moments, and are now leading its renewal. Management advanced important work this year to identify, develop, and mobilize talent across the enterprise.

In terms of governance, the Board continued to operate with diligence and independence during a demanding year with a deep understanding of the responsibility that shareholders, big and small, have placed in us. Our directors bring a wide range of relevant experience and proven expertise in aviation, finance, turnaround, operations, technology, governance and strategy. These capabilities have been critical throughout this pivotal period and will remain paramount in the years to come. I am proud of the strength, professionalism, and commitment that define this group of directors whose primary objective is always to make the right decisions in the best interests of Transat and its stakeholders.

Stewardship is a constant and forward-looking responsibility, and we are attentive to ensuring the Board's composition, skills, and perspectives remain aligned with the Company's evolving strategy and with the opportunities and risks that lie ahead. This approach to board succession and refreshment is an important part of preparing Transat for its next chapter.

As Transat closes a year of record adjusted EBITDA and enters its next strategic chapter, the Board is preparing for the future with the same sense of responsibility that has guided our work through periods of both turbulence and progress. Transat has demonstrated resilience, adaptability, and determination. Our commitment remains constant: strong governance, strategic clarity, and an unwavering focus on creating long-term value for all stakeholders.

On behalf of the Board, I extend our sincere thanks to our customers, employees, partners, and shareholders for their continued trust. We are on a clearer flight path built on long-term performance. We look ahead with focus and confidence to the next stage of our journey.

Annick
Guérard
President and CEO

A Successful Transformation, a Springboard to Our Next Strategic Plan

Over the past year, Transat has overcome economic challenges, seized market opportunities, cut its debt in half, and accelerated the execution of its strategic plan through the *Elevation* optimization program. Fiscal 2025 was truly a pivotal year that brought us close to completing an intensive multiyear transformation cycle. The entire organization mobilized with agility and determination in a constantly demanding environment, demonstrating resilience and our desire to reach operational excellence that defines Transat.

The year began in a climate of hesitation within the industry, marked by economic uncertainty and signs of a slowdown. The decline in demand on cross-border routes, combined with macroeconomic indicators calling for caution, prompted airlines to revise their plans. The dominant response was fluctuating capacity and redeployment toward markets deemed more promising, in order to limit risks and preserve profitability. Fortunately, demand for leisure travel—particularly to the flagship destinations in our portfolio—remained strong.

For the third consecutive year, Transat faced challenges related to Pratt & Whitney's GTF engines. Several aircraft were grounded for reasons entirely beyond our control, complicating fleet operations. Despite these constraints, Transat stayed the course with its activities and program, while maintaining customer satisfaction thanks to operational reliability, flight punctuality, and service excellence.

At the end of the year, we reached a tentative agreement with the union representing our pilots, marking a complete overhaul of their collective agreement. We would have preferred to reach this agreement without any impact on our customers and regret the disruptions caused by the situation. This important milestone now allows us to look to the future with confidence and to strengthen our commitment to providing service that meets our standards.

Through the unwavering commitment of our teams and sustained loyalty of our customers, we closed the fiscal year with improved performance, reflected in a 3.5% increase in revenue for fiscal 2025 and a 33.3% growth in adjusted EBITDA.

An Organization Transformed by the *Elevation* Program

Thanks to the commitment of our people and the support of our partners, we are engaged in an unprecedented transformation and optimization effort in Transat's history. Just over a year after its launch, the *Elevation* program encompasses about thirty initiatives aimed at increasing revenue, reducing costs, improving cash flow management, and strengthening operational efficiency—key levers to Transat's renewed performance. This year enabled the Company to accelerate this transformation by leveraging technological, financial, and organizational levers to enhance competitiveness and create sustainable value.

Revenue management optimization was at the heart of priorities, with the deployment of advanced analytical tools and high-value digital solutions. The program also relies on rigorous governance principles and close collaboration between our Board and management team to strengthen our structure and ways of working while stimulating our ability to innovate and adapt. We remain firmly committed to achieving our objective of generating recurring annual operating income of $100 million by mid-fiscal 2026.

Diversification of Our Network: New Horizons for Transat

Elevation has also energized the execution of our strategic plan and accelerated the expansion of our network. In 2025, we reached an important milestone in diversifying our offering and customer base. Our program was enriched with new routes to strategic destinations in Europe, South America, and Africa, supporting our growth and reinforcing our position in key markets. We also continue to rely on our historic routes while exploring destinations that mitigate the seasonality of our activities, ensuring sustained year-round performance.

This momentum will continue in 2026, with an even stronger network thanks to reinforced alliances. The implementation of our new agreement with Turkish Airlines and our commercial joint venture with Porter Airlines represent major levers to broaden our reach and better serve our customers, positioning the Company for the next stage of its strategic evolution.

Successful Reduction of Our Debt Level

Midway through the year, we achieved a key milestone for Transat's future. After 18 months of negotiations, we completed the restructuring of a major portion of our debt, cutting our indebtedness in half. Interest expenses have been alleviated and deadlines extended for the outstanding portion of the debt. The agreement reached with the federal government marks a major strategic step to strengthen our financial stability and support our return to profitability. This achievement gives us the momentum needed to continue our recovery and invest in long-term value-creating initiatives.

I would like to thank the members of the Board of Directors and my colleagues on the management team for their support and commitment throughout this process. I also appreciate the openness and willingness of the federal government to reach a solution that maintains a healthy and competitive aviation market, to the benefit of Canadian consumers.

Strategic Plan: A New Cycle Begins

In the last year, we have taken decisive steps in our transformation and strengthened our organization. Driven by the engagement of our teams and the support of our partners, we are entering 2026 with clear priorities and a more stable foundation. We are beginning to develop our next strategic plan, which will reflect renewed ambitions and a forward-looking vision for growth, while considering the challenges and opportunities of this new cycle. The full return to profitability remains our ultimate priority, and every decision we make aims to bring us closer to that goal.

Finally, I would like to thank our employees, suppliers, investors, and shareholders for their trust. Transat is strongly supported and ready to go further. Together, we will bring forward impactful projects that will accelerate our development and generate long-term benefits for all our stakeholders.

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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, 2025, compared with the year ended October 31, 2024, 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 17, 2025. 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, 2025, and the Annual Information Form.

The consolidated financial statements have been prepared in accordance with IFRS Accounting 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, measures taken, planned or contemplated by governments regarding the imposition of tariffs on exports and imports, 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, the Corporation's ability to maintain and grow its reputation and brand, the availability of funding in the future for the Corporation including its debt refinancing, the Corporation's ability to repay its debt from internally generated funds or otherwise, 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 Corporation's ability to reduce operating costs through, among other things, the Elevation program initiatives, 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, drawdowns under existing credit facilities or by other means.

- The outlook whereby, for fiscal year 2026, the Corporation expects a 6% to 8% increase in capacity, measured in available seat-miles, compared to 2025.

- The outlook whereby the initiatives from the Elevation Program are expected to contribute $100 million to adjusted operating income by mid-2026.

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 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 and preferred shares, gains (losses) on business and/or asset disposals, the effect of changes in discount rates used for accretion of the provision for return conditions, changes in market price of CORSIA Eligible Emissions Units (carbon credits), 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 on long-term debt extinguishment 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.

Starting November 1, 2024, the Corporation excludes from its calculations of Adjusted operating income, Adjusted earnings and Adjusted net income the effect of changes in discount rates used for accretion of the provision for return conditions and changes in market price of CORSIA Eligible Emissions Units (carbon credits) used to calculate the provision for carbon offsets. The Corporation believes that these items, which are highly variable and difficult to predict, can have a significant impact on results for a particular period and do not reflect our past or future financial performance.

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, the effect of changes in discount rates used for accretion of the provision for return conditions, changes in market price of CORSIA Eligible Emissions Units (carbon credits), restructuring 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 operating income is also used to calculate variable compensation for employees and senior executives.
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 and preferred shares, gain on long-term debt extinguishment, gain on business disposals, gain on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, the effect of changes in discount rates used for accretion of the provision for return conditions, changes in market price of CORSIA Eligible Emissions Units (carbon credits), restructuring 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 and preferred shares, gain on long-term debt extinguishment, gain on business disposals, gain on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, the effect of changes in discount rates used for accretion of the provision for return conditions, changes in market price of CORSIA Eligible Emissions Units (carbon credits), restructuring 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 Subordinated 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)	2025 $	2024 $	2023 $
Operating income (loss)	**9,803**	(12,727)	89,733
Depreciation and amortization	**256,797**	221,870	186,355
Reversal of impairment of the investment in a joint venture	**—**	(3,112)	—
Effect of discount rate changes	**5,908**	9,589	(14,320)
Changes in market price of CORSIA Eligible Emissions Units	**2,903**	—	—
Restructuring costs	**5,663**	3,166	3,626
Premiums related to derivatives that matured during the period	**(10,112)**	(15,574)	(16,450)
Adjusted operating income	**270,962**	203,212	248,944
Income (loss) before income tax expense	**244,365**	(108,984)	(24,679)
Asset impairment	**—**	—	4,592
Reversal of impairment of the investment in a joint venture	**—**	(3,112)	—
Effect of discount rate changes	**5,908**	9,589	(14,320)
Changes in market price of CORSIA Eligible Emissions Units	**2,903**	—	—
Restructuring costs	**5,663**	3,166	3,626
Gain on asset disposals	**(19,243)**	(24,887)	(2,170)
Change in fair value of derivatives	**14,267**	23,691	4,434
Revaluation of liability related to warrants and preferred shares	**(3,031)**	(12,297)	(3,544)
Foreign exchange loss	**6,411**	5,778	23,378
Foreign exchange gain on business disposal	**—**	—	(7,275)
Write-off of deferred financing costs	**—**	—	12,743
Gain on long-term debt extinguishment and modification	**(345,332)**	—	(5,585)
Premiums related to derivatives that matured during the period	**(10,112)**	(15,574)	(16,450)
Adjusted pre-tax loss	**(98,201)**	(122,630)	(25,250)
Net income (loss) for the year	**241,916**	(114,030)	(25,292)
Asset impairment	**—**	—	4,592
Reversal of impairment of the investment in a joint venture	**—**	(3,112)	—
Effect of discount rate changes	**5,908**	9,589	(14,320)
Changes in market price of CORSIA Eligible Emissions Units	**2,903**	—	—
Restructuring costs	**5,663**	3,166	3,626
Gain on asset disposals	**(19,243)**	(24,887)	(2,170)
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Foreign exchange loss	**6,411**	5,778	23,378
Foreign exchange gain on business disposal	**—**	—	(7,275)
Write-off of deferred financing costs	**—**	—	12,743
Gain on long-term debt extinguishment and modification	**(345,332)**	—	(5,585)
Premiums related to derivatives that matured during the period	**(10,112)**	(15,574)	(16,450)
Adjusted net loss	**(100,650)**	(127,676)	(25,863)
Adjusted net loss	**(100,650)**	(127,676)	(25,863)
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	**41,645**	38,839	38,278
Adjusted net loss per share	**(2.42)**	(3.29)	(0.68)

(in thousands of dollars)	As at October 31, 2025 $	As at October 31, 2024 $	As at October 31, 2023 $
Long-term debt	**200,818**	682,295	669,145
Deferred government grant	**199,182**	120,784	146,634
Liability related to warrants	**14,235**	8,519	20,816
Lease liabilities	**1,347,396**	1,465,722	1,221,451
Total debt	**1,761,631**	2,277,320	2,058,046

Total debt	**1,761,631**	2,277,320	2,058,046
Cash and cash equivalents	**(164,920)**	(260,336)	(435,647)
Total net debt	**1,596,711**	2,016,984	1,622,399

3. FINANCIAL HIGHLIGHTS

				Difference	
	2025	**2024**	**2023**	**2025**	**2024**
(in thousands of Canadian dollars, except per share amounts)	**$**	**$**	**$**	**%**	**%**
Consolidated Statements of Income (Loss)					
Revenues	**3,398,503**	3,283,750	3,048,352	3.5	7.7
Operating income (loss)	**9,803**	(12,727)	89,733	177.0	(114.2)
Net income (loss) for the year	**241,916**	(114,030)	(25,292)	312.2	(350.9)
Basic earnings (loss) per share	**6.06**	(2.94)	(0.66)	306.1	(345.5)
Diluted earnings (loss) per share	**5.72**	(2.94)	(0.66)	294.6	(345.5)
Adjusted operating income[1]	**270,962**	203,212	248,944	33.3	(18.4)
Adjusted net loss[1]	**(100,650)**	(127,676)	(25,863)	21.2	(393.7)
Adjusted net loss per share[1]	**(2.42)**	(3.29)	(0.68)	26.4	(383.8)
Consolidated Statements of Cash Flows					
Operating activities	**156,975**	94,673	321,750	65.8	(70.6)
Investing activities	**(10,206)**	(31,451)	(7,935)	67.5	(296.4)
Financing activities	**(243,186)**	(240,292)	(203,021)	(1.2)	(18.4)
Effect of exchange rate changes on cash and cash equivalents	**1,001**	1,759	2,318	(43.1)	(24.1)
Net change in cash and cash equivalents	**(95,416)**	(175,311)	113,112	45.6	(255.0)

	As at October 31, 2025	**As at October 31, 2024**	**As at October 31, 2023**	**Difference 2025**	**2024**
	$	**$**	**$**	**%**	**%**
Consolidated Statements of Financial Position					
Cash and cash equivalents	**164,920**	260,336	435,647	(36.7)	(40.2)
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**465,592**	484,944	450,752	(4.0)	7.6
	630,512	745,280	886,399	(15.4)	(15.9)
Total assets	**2,574,563**	2,750,910	2,569,370	(6.4)	7.1
Debt (current and non-current)	**200,818**	682,295	669,145	(70.6)	2.0
Total debt[1]	**1,761,631**	2,277,320	2,058,046	(22.6)	10.7
Total net debt[1]	**1,596,711**	2,016,984	1,622,399	(20.8)	24.3

[1] See the Non-IFRS financial measures section

4. HIGHLIGHTS OF THE FISCAL YEAR

COMPENSATION AGREEMENT

On April 17, 2025, the Corporation entered into a new financial compensation agreement with the original equipment manufacturer of the Pratt & Whitney GTF engines as compensation for costs related to aircraft grounded due to the GTF engine issues. This agreement, subject to certain conditions, covers the period from October 16, 2024 to December 31, 2026, and is for a maximum amount of US$55.0 million [$76.9 million].

SKYTRAX WORLD'S BEST LEISURE AIRLINE AWARD

On June 17, 2025, Air Transat, the Corporation's subsidiary, was named the World's Best Leisure Airline at the Skytrax World Airline Awards for the seventh time and third year in a row. This award represents passenger satisfaction of the product and staff service standards that leisure airlines provide to customers onboard flights and at the airport.

FINANCING

On July 10, 2025, the Corporation completed the restructuring of its debt with the Canada Enterprise Emergency Financing Corporation ("CEEFC") through the Large Employer Emergency Financing Facility ("LEEFF"). Under this agreement, the Subordinated debt – LEEFF, with a carrying amount of $370.7 million as at July 10, 2025 [notional amount of $377.3 million], was reduced to $175.0 million, the Unsecured credit facility – Travel credits, with a carrying amount of $251.2 million [notional value of $353.3 million], was converted into a $158.7 million Unsecured debenture – LEEFF and $9,934,617 Series 4 Preferred Shares in the amount of $16.3 million, and the Secured debt – LEEFF in the amount of $41.4 million was repaid. In addition, the expiry date of the 13,000,000 warrants outstanding was extended from April 26, 2031 to July 10, 2035. This debt restructuring resulted in a $345.1 million gain on debt extinguishment.

SALE AND LEASEBACK TRANSACTIONS

During the year ended October 31, 2025, the Corporation completed three sale and leaseback transactions for three Pratt & Whitney GTF engines. The transactions, valued at $92.1 million, enabled the Corporation to increase its liquidity while continuing to use the spare engines as needed for its A321LR aircraft. On August 14, 2025, in accordance with its financing agreements and at the request of the CEEFC, the Corporation used $30.0 million of proceeds from the transactions to make a $13.7 million mandatory principal prepayment on its Unsecured debenture – LEEFF and redeem 6,243,026 Series 4 Preferred Shares for $16.3 million. The remaining proceeds of the transaction were used to fund the Corporation's operations.

ELEVATION OPTIMIZATION PROGRAM

In 2025, the Corporation employed technological, financial and organizational drivers to accelerate its transformation with a view to strengthening its competitiveness and creating sustainable value. Optimizing revenue management was a top priority, with advanced analytics tools and digital solutions rolled out to support more dynamic pricing and timely decision-making. These initiatives help bolster business performance in a competitive market environment.

At the same time, fundamental changes were made to achieve operational efficiency gains and lower costs on a sustainable basis. Digitalizing maintenance operations, incorporating modelling tools for resource planning and adopting lighter procurement processes helped streamline operations, improve aircraft availability and generate significant savings. Building on this operational momentum, the Corporation modernized its marketing and distribution activities by integrating advanced digital solutions and automating several key processes, particularly at the contact centre. This transformation aims to deliver a more seamless and customized customer experience, while enhancing operational profitability. By leveraging data and analytics tools, marketing campaigns can be more accurately targeted, allowing for finer segmentation and smarter advertising spending.

Lastly, the Corporation consolidated its organizational structure and strategic partnerships. Streamlining its organizational structure has resulted in more agile decision-making and improved resource alignment with key priorities. In addition, the joint venture with Porter Airlines was fine-tuned to maximize synergies, improve the customer experience and grow revenue generation, helping fuel long-term value creation. These initiatives are expected to contribute $100 million to adjusted operating income by mid-2026.

5. OVERVIEW

CORE BUSINESS, VISION AND STRATEGY

Founded in Montreal in 1987, Transat has achieved worldwide recognition as a provider of leisure travel particularly as an airline under the Air Transat brand. Voted World's Best Leisure Airline by passengers at the 2025 Skytrax World Airline Awards, it flies to international destinations. By renewing its fleet with the most energy-efficient aircraft in their category, it is committed to a healthier environment, knowing that this is essential to its operations and the destinations it serves. Based in Montreal, Transat has nearly 5,000 employees with a common purpose to bring people closer together.

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.

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 and business agreements to expand and strengthen the network through a higher volume of passenger traffic and thereby optimize aircraft fleet;
- Reduce costs through the Elevation program, including streamlining the organization and enhancing agility, particularly by renegotiating some agreements (ground services, aircraft maintenance, etc.), as well as generate additional revenues and optimize technology tools and processes;
- Review and implement any 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-established roots in Québec and promotion of the French language, at the heart of its identity.

For fiscal 2026, 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. Continue to implement the Elevation program to consolidate operational efficiency gains and sound financial management;
2. Develop the next strategic plan for the next 3-5 years by defining the vision and growth priorities, including network expansion, developing partnerships and continuously improving customer experience;
3. Continue to deploy the network strategy and optimize the holiday and VFF (visiting family and friends) offering, in particular by reducing seasonality, improving connectivity and developing partnerships;
4. Optimize cash and reduce costs with targeted initiatives, including process streamlining and contract renegotiation;
5. Strengthen talent management to support performance and continue business transformation.

REVIEW OF OBJECTIVES AND ACHIEVEMENTS FOR 2025

The main objectives and achievements for fiscal 2025 were as follows:

Optimize revenue management with initiatives focused on pricing, inventory and advanced analytics

Revenue management capabilities were strengthened by rolling out advanced analytics tools and dashboards, supporting faster, more informed decision-making. Incorporating artificial intelligence solutions helped improve overall passenger revenue performance in a highly competitive environment.

Reduce external costs in a durable way by optimizing contracts, streamlining volumes and improving supplier performance

Targeted strategic procurement initiatives delivered structural savings through contract renegotiations and volume streamlining. These actions strengthened control over external spending, enhanced supplier performance and simplified procurement processes, ensuring greater cost control.

Strengthen crew productivity and improve the network to optimize spending

Incorporating modelling and analytics tools helped optimize crew planning and operations scheduling, driving more efficient resource allocation and cost reductions, while supporting network performance.

Improve operational efficiency through optimized inventory management, better use of teams and revised maintenance programs

Digitizing of maintenance operations streamlined processes and improved access to information. Implementing an optimized schedule and adopting predictive tools transformed maintenance into a proactive approach, reducing delays and increasing aircraft availability.

Maximize business and customer contact center efficiency by automating certain procedures, reducing distribution fees and increasing the return on investment of marketing initiatives

Business transformation continued in our customer contact centre with task automation and digital solution roll-outs, thereby reducing call volumes, simplifying interactions with customers for our staff, and generating major productivity gains. Analytics tools also enabled marketing campaigns to be more strategically focused and rely on digital channels, fuelling better business performance and a higher return on investment.

Streamline and optimize organizational structure

The corporate structure was streamlined by consolidating certain roles and responsibilities, fuelling collaboration and agile decision-making. This initiative, coupled with targeted headcount reductions, delivered operational efficiency gains and aligned resources with strategic priorities.

Fully leverage the synergies and opportunities offered by the commercial joint venture with Porter Airlines

Strategic actions maximized synergies and value creation through the joint venture with Porter Airlines with a focus on optimizing network operations and improving the customer experience and revenue growth, while strengthening the Corporation's competitive position.

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 $164.9 million as at October 31, 2025.
Credit facilities	For operational purposes and working capital needs, we can also rely on, among other resources, a $50.0 million revolving term credit facility maturing on November 1, 2027 and our $50.0 million Subordinated working capital facility – LEEFF, available under certain conditions, maturing on July 10, 2035. In addition, as described in the Financing section, the Corporation had an agreement with the Government of Canada that allowed it to borrow $320.0 million in additional liquidity through the LEEFF in the form of a $175.0 million subordinated financing and a $145.0 million unsecured debenture. 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	Since inception, the Corporation has maintained privileged relationships with many local and destination suppliers.

Transat has the resources it needs to meet its 2026 objectives and continue building on its long-term strategies.

6. CONSOLIDATED OPERATIONS

				Difference	
	2025	2024	2023	2025	2024
(in thousands of dollars)	$	$	$	%	%
Revenues	**3,398,503**	3,283,750	3,048,352	3.5	7.7
Operating expenses					
Costs of providing tourism services	**885,055**	832,358	707,023	6.3	17.7
Aircraft fuel	**593,454**	631,989	647,795	(6.1)	(2.4)
Salaries and employee benefits	**542,668**	532,069	442,623	2.0	20.2
Sales and distribution costs	**240,689**	232,855	214,076	3.4	8.8
Aircraft maintenance	**252,412**	218,066	172,812	15.8	26.2
Airport and navigation fees	**220,237**	211,229	191,283	4.3	10.4
Aircraft rent	**6,094**	9,563	12,254	(36.3)	(22.0)
Other airline costs	**251,412**	278,889	272,761	(9.9)	2.2
Other	**134,219**	127,665	110,769	5.1	15.3
Depreciation and amortization	**256,797**	221,870	186,355	15.7	19.1
Restructuring costs	**5,663**	3,166	3,626	78.9	(12.7)
Reversal of impairment of the investment in a joint venture	**—**	(3,112)	—	(100.0)	100.0
Share of net income of a joint venture	**—**	(130)	(2,758)	100.0	95.3
	3,388,700	3,296,477	2,958,619	2.8	11.4
Operating income (loss)	**9,803**	(12,727)	89,733	177.0	(114.2)
Financing costs	**137,404**	145,464	135,397	(5.5)	7.4
Financing income	**(25,038)**	(41,492)	(42,966)	(39.7)	(3.4)
Gain on long-term debt extinguishment and modification	**(345,332)**	—	(5,585)	100.0	(100.0)
Gain on asset disposals	**(19,243)**	(24,887)	(2,170)	(22.7)	1,046.9
Change in fair value of derivatives	**14,267**	23,691	4,434	39.8	(434.3)
Revaluation of liability related to warrants and preferred shares	**(3,031)**	(12,297)	(3,544)	(75.4)	247.0
Foreign exchange loss	**6,411**	5,778	23,378	(11.0)	75.3
Foreign exchange gain on business disposal	**—**	—	(7,275)	—	(100.0)
Write-off of deferred financing costs	**—**	—	12,743	—	100.0
Pre-tax income (loss)	**244,365**	(108,984)	(24,679)	324.2	(341.6)
Income taxes					
Current	**2,222**	2,340	528	(5.0)	343.2
Deferred	**227**	2,706	85	(91.6)	3,083.5
	2,449	5,046	613	(51.5)	723.2
Net income (loss) for the year	**241,916**	(114,030)	(25,292)	312.2	(350.9)
Earning (loss) per share:					
Basic	**6.06**	(2.94)	(0.66)	306.1	(345.5)
Diluted	**5.72**	(2.94)	(0.66)	294.6	(345.5)

REVENUES

We generate nearly all of our revenues from air transport, outgoing tour operators, travel agencies, distribution, incoming tour operators and services at travel destinations.

For the year ended October 31, 2025, revenues were up $114.8 million (3.5%). Overall, traffic, expressed in revenue-passenger miles, was 0.2% higher than for the corresponding period of 2024. For fiscal year, across the entire network, the capacity offered increased by 0.8% compared with 2024. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were up 2.3%. However, revenue growth was constrained by increased competition in the transatlantic market due to a shift in competitors' transatlantic market supply, revenue management inefficiencies related to issues with the Pratt & Whitney GTF engines and economic conditions. Across all our markets, the Corporation reported a load factor of 84.6% compared with 85.1% in 2024. In addition, following the agreement entered into with the original equipment manufacturer of the GTF engines during the fiscal year, we recorded a financial compensation of $32.4 million in revenues.

For the 2025 winter season, across the entire network, the capacity offered increased by 1.6% compared with 2024, while the capacity for sun routes, the main market during this period, increased by 0.5%. Overall, traffic was 1.3% higher than for fiscal 2024. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were up 1.8%. Across all our markets, the Corporation reported a load factor of 82.7% compared with 82.9% in 2024.

For the 2025 summer season, across the entire network, the capacity offered increased by 0.3% compared with 2024, while the capacity for transatlantic routes, the main market during this period, increased by 1.4%. Overall, traffic was 0.5% lower than for fiscal 2024. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were up 2.5%. Across all our markets, the Corporation reported a load factor of 86.0% compared with 86.7% in 2024.

OPERATING EXPENSES

Total operating expenses were up $92.2 million (2.8%) for the fiscal year, compared with 2024. This increase was mainly attributable to the weakening of the dollar against the U.S. dollar, higher costs of providing tourism services and expanded capacity compared with 2024, partially offset by the lower aircraft fuel expense.

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 $52.7 million (6.3%) increase was mainly due to the higher cost of person-nights compared with 2024 and a weakening of the dollar against the U.S. dollar.

Aircraft fuel

Aircraft fuel expense decreased by $38.5 million (6.1%) for the fiscal year. This decrease was mainly attributable to a 9.8% drop in fuel prices denominated in U.S. dollars, partially offset by the weakening of the dollar against the U.S. dollar and the higher volume of litres consumed due to increased capacity compared with the corresponding period of 2024.

Salaries and employee benefits

Salaries and employee benefits were up $10.6 million (2.0%) to $542.7 million for the year ended October 31, 2025. This increase was primarily driven by expanded operating capacity compared with the corresponding period in fiscal 2024, growth in annual salaries, insourcing of passenger and ramp services at the Montréal-Trudeau International Airport, and higher variable compensation plan costs.

Sales and distribution costs

Sales and distribution costs amounted to $240.7 million, up $7.8 million (3.4%) compared with fiscal 2024. This increase was mainly driven by higher business volume.

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 $34.3 million (15.8%) for the fiscal year, compared with 2024. This increase was primarily attributable to the addition of seven aircraft to our fleet during the previous fiscal year and the recent sale and leaseback transactions for six Pratt & Whitney GTF engines, partially offset by less maintenance work performed under manufacturers' maintenance plans compared with 2024.

Airport and navigation fees

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees were up $9.0 million (4.3%) for fiscal year, compared with 2024. This increase resulted mainly from the greater capacity deployed compared with 2024 and from higher prices.

Aircraft rent

Aircraft rent refers to variable aircraft rent and rent under short-term leases. These expenses decreased by $3.5 million (36.3%) during fiscal year, compared with 2024. This decrease was primarily due to a lower average number of aircraft under short-term leases in 2025, compared with the corresponding periods of 2024.

Other airline costs

Other airline costs consist mainly of handling, crew, catering costs and other costs related to airline operations. Other airline costs were down $27.5 million (9.9%) for the fiscal year, compared with 2024. This decrease was mainly related to the lower average number of aircraft under short-term leases compared with 2024 and the insourcing of passenger and ramp services at the Montréal-Trudeau International Airport.

Other

Other costs were up $6.6 million (5.1%) for the fiscal year, compared with 2024. This increase resulted mainly from costs incurred related to our Elevation optimization program compared with 2024.

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 $34.9 million (15.7%) in fiscal 2025, compared with 2024. This increase was primarily due to the commissioning of three Airbus A330s and four Airbus A321LRs in 2024, as well as six aircraft engine acquisitions.

Restructuring costs

Restructuring costs are employee termination benefits related to the changes in organizational structure. For the year ended October 31, 2025, restructuring costs included an expense for employee termination benefits of $5.7 million whereas fiscal 2024 included an expense for employee termination benefits of $2.5 million and employee relocation costs of $0.6 million.

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.

Share of net income of a joint venture

Share of net income of a joint venture represented our share of the net income of Desarrollo Transimar, our hotel joint venture. On January 9, 2024, the Corporation disposed of its 50% interest in Desarrollo Transimar to its co-shareholder.

OPERATING RESULTS

Given the above, we reported operating income of $9.8 million for the fiscal year, compared with an operating loss of $12.7 million in 2024. Operating results by season are summarized as follows:

				Difference	
	2025	2024	2023	2025	2024
(in thousands of dollars)	$	$	$	%	%
Winter season					
Revenues	**1,860,578**	1,758,702	1,537,568	5.8	14.4
Operating expenses	**1,875,264**	1,826,292	1,556,931	2.7	17.3
Operating loss	**(14,686)**	(67,590)	(19,363)	78.3	(249.1)
Operating loss (%)	**(0.8)**	(3.8)	(1.3)	79.5	(205.2)
Summer season					
Revenues	**1,537,925**	1,525,048	1,510,784	0.8	0.9
Operating expenses	**1,513,436**	1,470,185	1,401,688	2.9	4.9
Operating income	**24,489**	54,863	109,096	(55.4)	(49.7)
Operating income (%)	**1.6**	3.6	7.2	(55.7)	(50.2)

For the winter season, the Corporation reported an operating loss amounting to $14.7 million (0.8%), compared with an operating loss of $67.6 million (3.8%) in 2024. The improvement in our operating results for the winter season was primarily due to increased airline unit revenues, combined with higher traffic, the financial compensation received from the original equipment manufacturer of the GTF engines and lower fuel prices. However, the improvement in our results was reined in by revenue management inefficiencies related to issues with the Pratt & Whitney GTF engines and by increased competition.

During the summer season, the Corporation reported operating income of $24.5 million (1.6%) compared with operating income of $54.9 million (3.6%) for the previous year. The deterioration in our operating results for the summer season compared with 2024 was primarily due to a $21.3 million decrease in the financial compensation received during the summer from the original equipment manufacturer of the GTF engines, increased competition in the transatlantic market due to a shift in competitors' transatlantic market supply, an increase in aircraft maintenance costs and salaries and employee benefits, revenue management inefficiencies related to issues with the Pratt & Whitney GTF engines and economic conditions.

During the winter season, the Corporation recorded adjusted operating income of $118.4 million (6.4%), compared with $26.8 million (1.5%) in 2024. For the summer season, we recorded adjusted operating income of $152.5 million (9.9%) compared with $176.4 million (11.6%) in 2024. Overall, for the fiscal year, the Corporation recorded adjusted operating income of $271.0 million (8.0%), compared with $203.2 million (6.2%) in 2024.

OTHER EXPENSES AND REVENUES

Financing costs

Financing costs include interest on lease liabilities and long-term debt, accretion on provision for return conditions, other interest, standby fees, arrangement fees as well as financial expenses, net of proceeds from deferred government grant.

Financing costs were down $8.1 million (5.5%) in fiscal 2025, compared with 2024. This decrease resulted from lower interest on long-term debt following the Corporation's debt restructuring, partially offset by the rise in lease liabilities, due mainly to the addition of seven new aircraft leases in 2024 and six aircraft engines.

Financing income

Financing income was down $16.5 million (39.7%) for the fiscal year, compared with 2024, due to lower interest rates and a decline in average cash and cash equivalents balances.

Gain on long-term debt extinguishment

During the year ended October 31, 2025, the Corporation completed the restructuring of its debt contracted with the CEEFC through the LEEFF. As a result of this restructuring, the Corporation recorded a $345.3 million gain on long-term debt extinguishment. See the Financing section for more details.

Gain on asset disposals

During the year ended October 31, 2025, the Corporation recognized a $19.2 million gain on sale and leaseback of assets following three sale and leaseback transactions for three Pratt & Whitney GTF engines.

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].

Change in fair value of derivatives

The change in fair value of derivatives corresponds to the change in fair value, for the period, of the portfolio of derivative financial instruments held and used by the Corporation to manage its exposure to fluctuations in fuel prices and exchange rates.

During the year ended October 31, 2025, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by $14.3 million. The decline resulted primarily from the maturing of derivatives related to aircraft fuel and foreign currencies, partially offset by higher fuel prices, related to our derivative contracts.

In 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 dollar against the U.S. dollar, related to our derivatives.

Revaluation of liability related to warrants and preferred shares

The revaluation of the liability related to warrants and preferred shares represents the change in fair value of warrants and preferred shares during the period. The revaluation resulted mainly from a change in the Corporation's share price.

For the fiscal year, the fair value of warrants and preferred shares decreased by $3.0 million, due mainly to a decrease in the fair value of preferred shares resulting from a fall in the closing share price from $2.80 to $2.11 between July 10, 2025, the date the shares were issued, and October 31, 2025. This decrease was partially offset by an increase in the fair value of warrants due to an increase in the closing share price from $1.76 to $2.11 between October 31, 2024 and October 31, 2025, and the extension of the expiry date of the warrants.

Foreign exchange loss

For fiscal 2025, the Corporation recorded a foreign exchange loss of $6.4 million, compared with $5.8 million in 2024. For fiscal 2025, the loss mainly resulted from the unfavourable exchange effect on lease liabilities related to aircraft, following a weakening of the dollar against the U.S. dollar.

INCOME TAXES

In fiscal 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 Accounting Standards. Accordingly, during the year ended October 31, 2025, no deferred tax assets of Canadian subsidiaries were recognized.

For fiscal 2025, the income tax expense amounted to $2.4 million, compared with $5.0 million in 2024. The income tax expense was higher in 2024, mainly due to 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 was recognized in comprehensive loss in 2024. The Corporation has been subject to the OECD Pillar Two global minimum tax regime since November 1, 2024 after the global minimum tax became effective in Canada during the third quarter of 2024. .

NET INCOME (LOSS) AND ADJUSTED NET LOSS

Considering the items discussed in the Consolidated Operations section for fiscal 2025, net income was $241.9 million, basic earnings per share was $6.06 and diluted earnings per share was $5.72, compared with a net loss of $114.0 million, or $2.94 per share (basic and diluted), during the previous fiscal year. For the year ended October 31, 2025, the weighted average number of outstanding shares used to compute per share amounts was 39,903,000 for basic earnings per share and 41,645,000 for diluted earnings per share, compared with 38,839,000 (basic and diluted) for 2024.

For the year ended October 31, 2025, adjusted net loss was $100.7 million ($2.42 per share), compared with $127.7 million ($3.29 per share) in 2024.

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 improvement in our operating results for the first three quarters of fiscal 2025 compared with 2024 was primarily due to increased airline unit revenues, constrained by increased competition in the transatlantic market due to a shift in competitors' transatlantic market supply, combined with higher traffic, the financial compensation received in 2025 from the original equipment manufacturer of the GTF engines and lower fuel prices, partially offset by revenue management inefficiencies related to issues with the Pratt & Whitney GTF engines and economic conditions. In addition, the deterioration in our operating results for the fourth quarter of fiscal 2025 compared with 2024, resulted from the decrease in the financial compensation from the original equipment manufacturer of the GTF engines, an increase in aircraft maintenance costs and salaries and employee benefits. 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)	Q1-2024 $	Q2-2024 $	Q3-2024 $	Q4-2024 $	Q1-2025 $	Q2-2025 $	Q3-2025 $	Q4-2025 $
Revenues	785,498	973,204	736,203	788,845	**829,505**	**1,031,073**	**766,301**	**771,624**
Operating income (loss)	(52,429)	(15,161)	(9,837)	64,700	**(51,956)**	**37,270**	**24,241**	**248**
Net income (loss)	(60,977)	(54,387)	(39,893)	41,227	**(122,532)**	**(22,884)**	**399,821**	**(12,489)**
Basic earnings (loss) per share	(1.58)	(1.40)	(1.03)	1.05	**(3.10)**	**(0.58)**	**9.97**	**(0.31)**
Diluted earnings (loss) per share	(1.58)	(1.40)	(1.03)	1.05	**(3.10)**	**(0.58)**	**9.39**	**(0.52)**
Adjusted operating income (loss)[1]	(3,349)	30,150	47,994	128,417	**19,969**	**98,446**	**81,179**	**71,367**
Adjusted net income (loss)[1]	(76,066)	(46,868)	(36,300)	31,558	**(74,968)**	**4,735**	**(11,752)**	**(18,666)**
Adjusted net earnings (loss) per share[1]	(1.97)	(1.21)	(0.93)	0.81	**(1.90)**	**0.12**	**(0.28)**	**(0.42)**

[1] See the Non-IFRS financial measures section

FOURTH-QUARTER HIGHLIGHTS

For the fourth quarter, the Corporation generated $771.6 million in revenues, down $17.2 million (2.2%) from $788.8 million for the corresponding period of 2024. This decrease was attributable to the financial compensation received from the original equipment manufacturer of the GTF engines that was $28.2 million lower than in the fourth quarter of 2024. Excluding the impact of this lower compensation, revenues increased by 1.5%. We generated an operating income of $0.2 million compared with $64.7 million generated in the fourth quarter of 2024. This deterioration resulted from the decrease in revenues, as well as the increase in aircraft maintenance costs and salaries and employee benefits, compared with the fourth quarter of 2024.

We recorded a net loss of $12.5 million (basic loss per share of $0.31 per share and diluted loss per share of $0.52) for the fourth quarter, compared with net income of $41.2 million ($1.05 per share, basic and diluted) in 2024.

For the fourth quarter, adjusted net loss amounted to $18.7 million ($0.42 per share) compared with adjusted net income of $31.6 million ($0.81 per share) in 2024.

7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

As at October 31, 2025, cash and cash equivalents totalled $164.9 million compared with $260.3 million as at October 31, 2024. Cash and cash equivalents in trust or otherwise reserved amounted to $465.6 million at the end of the fourth quarter of 2025, compared with $484.9 million as at October 31, 2024. The Corporation's statement of financial position reflected $428.7 million in negative working capital, for a ratio of 0.70, compared with $261.1 million in negative working capital and a ratio of 0.81 as at October 31, 2024.

Total assets decreased by $176.3 million (6.4%), from $2,750.9 million as at October 31, 2024 to $2,574.6 million as at October 31, 2025. The decrease is detailed in the financial position table provided below. Equity increased by $244.0 million from negative equity of $889.1 million as at October 31, 2024, to $645.1 million as at October 31, 2025. The increase resulted primarily from $241.9 million in net income.

(in thousands of dollars)	As at October 31, 2025 $	As at October 31, 2024 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**164,920**	260,336	(95,416)	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**465,592**	484,944	(19,352)	Decrease due to the increase in balances receivable from credit card processors and prepaid expenses to suppliers
Trade and other receivables	**153,575**	151,190	2,385	Receipts of cash receivable from lessors, offset by higher government receivables
Income taxes receivable	**469**	504	(35)	No significant difference
Inventories	**49,653**	40,212	9,441	Increase in inventory of aircraft parts
Prepaid expenses	**36,683**	31,359	5,324	Increase in prepayments to suppliers
Deposits	**409,416**	367,185	42,231	Increase in maintenance deposits with lessors
Deferred tax assets	**370**	588	(218)	No significant difference
Property, plant and equipment	**1,254,604**	1,378,871	(124,267)	Depreciation for the period, partially offset by acquisitions
Intangible assets	**21,030**	13,058	7,972	Acquisitions, partially offset by amortization for the period
Derivative financial instruments	**18,251**	22,663	(4,412)	Unfavourable change in foreign currency derivatives contracted, partially offset by the favourable change in fuel-related derivatives

(in thousands of dollars)	As at October 31, 2025 $	As at October 31, 2024 $	Difference $	Main reasons for significant differences
Liabilities				
Trade and other payables	**376,940**	363,889	13,051	Increased business volume
Income taxes payable	**2,182**	1,632	550	No significant difference
Customer deposits and deferred revenues	**823,276**	781,156	42,120	Increased business volume
Derivative financial instruments	**17,564**	15,835	1,729	Unfavourable change in foreign currency derivatives, offset by the favourable change in fuel-related derivatives contracted
Long-term debt and lease liabilities	**1,548,214**	2,148,017	(599,803)	Restructuring of long-term debt and principal repayments, partially offset by higher lease liabilities
Provision for return conditions	**202,700**	174,368	28,332	Increase mainly related to the passage of time
Liability related to warrants	**14,235**	8,519	5,716	Increase in fair value during the period due to changes in estimates following long-term debt restructuring and changes in the Corporation's share price
Deferred government grant	**199,182**	120,784	78,398	Increase due to long-term debt restructuring
Employee benefits liability	**26,829**	25,305	1,524	No significant difference
Deferred tax liabilities	**548**	481	67	No significant difference
Preferred shares	**7,948**	—	7,948	Preferred share issuances and redemptions during the period and fair value remeasurement due to changes in the share price
Equity				
Share capital	**227,365**	225,438	1,927	Shares issued from treasury
Share-based payment reserve	**16,454**	16,283	171	Share-based payment expense
Deficit	**(881,166)**	(1,123,113)	241,947	Net income
Cumulative exchange differences	**(7,708)**	(7,684)	(24)	Foreign exchange loss on the translation of the financial statements of foreign subsidiaries

CASH FLOWS

				Difference	
	2025	2024	2023	2025	2024
(in thousands of dollars)	$	$	$	%	%
Cash flows related to operating activities	**156,975**	94,673	321,750	65.8	(70.6)
Cash flows related to investing activities	**(10,206)**	(31,451)	(7,935)	67.5	(296.4)
Cash flows related to financing activities	**(243,186)**	(240,292)	(203,021)	(1.2)	(18.4)
Effect of exchange rate changes on cash	**1,001**	1,759	2,318	(43.1)	(24.1)
Net change in cash and cash equivalents	**(95,416)**	(175,311)	113,112	45.6	(255.0)

Operating activities

Operating activities generated cash flows of $157.0 million compared with $94.7 million in 2024. The increase in cash flows generated by operating activities resulted from a $35.6 million increase in cash flows generated by the net change in non-cash working capital balances related to operations, a $30.9 million increase in the net change in provision for return conditions, and a $21.0 million increase in net income before operating items not involving an outlay (receipt) of cash, partially offset by a $25.1 million decrease in the net change in other operating assets and liabilities.

Investing activities

For the year, cash flows used by investing activities amounted to $10.2 million, compared with cash flows used of $31.5 million in 2024. For the year ended October 31, 2025, additions to property, plant and equipment and intangible assets amounted to $97.9 million, and consisted primarily of aircraft maintenance and aircraft equipment, compared with $138.6 million in 2024. During the year ended October 31, 2025, the Corporation also completed sale and leaseback transactions for three Pratt & Whitney GTF engines for a total of $92.1 million. During fiscal 2024, the Corporation completed three sale and leaseback transactions for three Pratt & Whitney GTF engines for a total of $87.5 million. In 2024, a net consideration of $20.4 million was received for the disposal of our investment in Desarrollo Transimar.

Financing activities

Financing activities used $243.2 million in cash flows, compared with $240.3 million in 2024. The Corporation made lease liability repayments amounting to $191.7 million, compared with $185.3 million in 2024. As part of its debt restructuring, the Corporation fully repaid the $41.4 million principal balance under its Secured debt – LEEFF agreement. During fiscal 2025, the Corporation also made a $13.7 million mandatory principal prepayment on its Unsecured debenture – LEEFF, redeemed 6,243,026 Series 4 Preferred Shares for $16.3 million and drew down $30.0 million under its Subordinated working capital facility – LEEFF. In addition, the Corporation incurred $12.0 million in transaction costs in connection with its debt restructuring in 2025. During fiscal 2024, the Corporation also made credit facility repayments totalling $57.0 million.

FINANCING

Funding from the Government of Canada

On July 10, 2025, the Corporation completed its debt restructuring with the Canada Enterprise Emergency Funding Corporation ("CEEFC") under the Large Employer Emergency Financing Facility ("LEEFF"). Under this restructuring, the Secured debt – LEEFF was fully repaid, the terms of the Subordinated debt – LEEFF were amended, the Unsecured credit facility - Travel credits was converted into an unsecured debenture and Series 4 Preferred Shares, and the terms of the warrants were amended. The CEEFC also granted the Corporation a subordinated working capital facility under certain conditions.

Under the credit agreements entered into with the CEEFC, the Corporation has made certain commitments, in particular with respect to:

- Complying with restrictions on dividends, stock repurchases and executive compensation;
- Maintaining active employment at a certain level;
- Maintaining spending levels with Canadian suppliers.

The credit facilities made available to the Corporation by the CEEFC are as follows:

Subordinated debt – LEEFF

On July 10, 2025, as part of its debt restructuring, certain terms and conditions of the Corporation's second-ranking, non-renewable Subordinated debt – LEEFF agreement were amended. Under the amended agreement, the principal amount was reduced from $370.7 million to $175.0 million and its maturity date was extended to July 10, 2035. The agreement now bears interest at 1.22% until July 10, 2028, at which time it increases to 3.0% until maturity. Mandatory prepayments may be required by the CEEFC as a result of certain events, including, but not limited to, sale and leaseback transactions, asset sales and share issuances. The Corporation would then have to repay an amount equivalent to 50% of the amounts received. In addition, mandatory prepayments may be required until July 10, 2030 in the event that cash flows generated and cash balances exceed certain thresholds. 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 comply with certain financial covenants. As of October 31, 2025, the financial covenants were met. The credit facility includes a prepayment option, which is an embedded derivative, the fair value of which is recorded as a reduction of 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 income (loss) under Change in fair value of derivatives. As at October 31, 2025, the fair value of the prepayment option was nil.

The Corporation concluded that the amendments to its debt agreement renegotiated on July 10, 2025 were substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, on July 10, 2025, the Corporation derecognized the original liability with a carrying amount of $370.7 million and recognized a new financial liability amounting to $63.9 million and a deferred government grant amounting to $111.1 million. The Corporation recognized a $190.5 million gain on long-term debt extinguishment, net of $5.3 million in transaction costs in respect of this agreement.

On January 31, 2025, the Corporation renegotiated its Unsecured debt – LEEFF agreement with an initial principal amount of $312.0 million, mainly to extend the maturity date to April 29, 2027 (previously April 29, 2026) and convert it into a non-renewable, second-ranking subordinated agreement (previously an unsecured, non-renewable credit facility). The credit facility bore interest at 8.0% until December 31, 2024, after which it bears interest at 10.0% until December 31, 2025, increasing by 2.0% annually thereafter. The interest was capitalizable until December 31, 2024. In the event of a change of control, this credit facility was to become immediately due and payable.

The Corporation concluded that the amendments to its debt agreement renegotiated on January 31, 2025 were non-substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, as at January 31, 2025, the carrying amount of the Subordinated debt - LEEFF was adjusted downward to reflect the revised amount of future cash flows discounted using the original effective interest rate. The $0.2 million adjustment was recognized as a gain on long-term debt modification and included in the gain on long-term debt extinguishment in the consolidated statement of income (loss).

As at October 31, 2025 and 2024, the credit facility was fully drawn down and its carrying amount stood at $66.1 million as at October 31, 2025 [$359.6 million as at October 31, 2024]. As at October 31, 2025, an amount of $108.9 million was also recognized as a deferred government grant related to the Subordinated debt – LEEFF. During the year ended October 31, 2025, an amount of $2.1 million [nil during the year ended October 31, 2024] was recognized as proceeds from government grants as a reduction of financing costs.

In the context of the initial financing arrangement related to the Subordinated debt – LEEFF , the Corporation issued to the Government of Canada a total of 13,000,000 warrants.

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. Lastly, in the event that the Subordinated 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, 2025 and 2024, a total of 13,000,000 warrants had vested under the drawdowns on the Subordinated 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 10,032,045 warrants could be exercised through the issuance of shares;
- 2,967,955 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 debenture – LEEFF

An initial amount of $158.7 million, in the form of an unsecured debenture, maturing on July 10, 2035, bearing no interest for the first five years and bearing interest at a rate of 7.0% as of July 11, 2030, increasing by 1.0% per annum thereafter, and repayable as of July 10, 2030 by annual principal payments of $15.9 million. Mandatory prepayments may be required by the CEEFC as a result of certain events, including, but not limited to, sale and leaseback transactions, asset sales and share issuances. The Corporation would then have to repay an amount equivalent to 50% of the amounts received. In addition, mandatory prepayments may be required until July 10, 2030 in the event that cash flows generated and cash balances exceed certain thresholds. In the event of a change of control, the unsecured debenture becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at October 31, 2025, the financial covenants were met.

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025, and at the request of the CEEFC,, the Corporation made a mandatory principal prepayment of $13.7 million on its unsecured debenture. As at October 31, 2025, the principal balance payable amounted to $145,0 million [nil as at October 31, 2024]. As at October 31, 2025, the carrying amount of the unsecured debenture stood at $54.8 million, [nil as at October 31, 2024], and an amount of $90.2 million [nil as at October 31, 2024] was also recognized as a deferred government grant related to this debenture. During the year ended October 31, 2025, proceeds from government grants of $3.1 million [nil during the year ended October 31, 2024] were recorded as a reduction of financing costs.

Subordinated working capital facility – LEEFF

Since July 10, 2025, the Corporation has had a $50.0 million second-ranking subordinated working capital facility agreement for its operations that will increase to $75.0 million once the Corporation has repaid an amount of $25.0 million on its revolving term credit facility. The agreement expires on July 10, 2035 and becomes immediately due and payable in the event of a change in control. Drawdowns may be made up to the cumulative mandatory prepayments made on the Subordinated debt – LEEFF and unsecured debenture and up to the Series 4 Preferred Share redemptions and up to certain cash thresholds. Repayments become due under certain financial conditions and cash thresholds. The agreement bears interest at the rate of 7.0% until July 10, 2026 and thereafter at the 3-month CORRA rate plus a premium of 4.5% calculated on each anniversary date. Under the terms of the agreement, the Corporation is required to meet certain financial covenants. On August 20, 2025, following the $13.7 million mandatory principal prepayment of its unsecured debenture and the redemption of 6,243,026 Series 4 Preferred Shares amount of $16.3 million, the Corporation drew down $30.0 million from its subordinated working capital facility. As at October 31, 2025, the financial covenants were met, and an amount of $30.0 million was drawn down under this credit facility.

Unsecured credit facility – Travel credits

On July 10, 2025, as part of its debt restructuring, the Corporation's $353.3 million unsecured credit facility related to travel credits, which was contracted to provide refunds to travellers who were scheduled to depart on or after February 1, 2020 and for whom travel credits were issued as a result of COVID-19, was fully converted into an unsecured debenture amounting to $158.7 million and 9,934,617 Series 4 Preferred Shares with a value of $16.3 million.

The Corporation concluded that the amendments to its debt agreement renegotiated on July 10, 2025 were substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, on July 10, 2025, the conversion of this credit facility resulted in the derecognition of its original liability with a carrying amount of $251.2 million and the related deferred government grant balance of $100.8 million. It also resulted in the recognition of the unsecured debenture of $65.4 million, a deferred government grant of $93.3 million and 9,934,617 Series 4 Preferred Shares amounting to $27.8 million. The Corporation recognized a gain on long-term debt extinguishment of $159.8 million, net of transaction costs of $5.6 million, in respect of this conversion.

The $353.3 million unsecured credit facility related to travel credits was to mature on April 29, 2028 and bore interest at 1.22%. In the event the Secured debt – LEEFF and the Subordinated debt – LEEFF had not been repaid, this credit facility was to 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, the credit facility was fully drawn down, and the carrying amount of the credit facility stood at $231.3 million. An amount of $120.8 million was also recognized as a deferred government grant related to these drawdowns. During the year ended October 31, 2025, proceeds from government grants of $20.0 million were recorded as a reduction of financing costs.

Secured debt – LEEFF

On July 10, 2025, as part of its debt restructuring, the Corporation repaid in full the $41.4 million principal balance of its Secured debt – LEEFF.

On January 31, 2025, the Corporation renegotiated its Secured debt – LEEFF agreement with an original principal amount of $78.0 million, including the extension of the maturity date to November 1, 2026 (previously February 1, 2026). The credit facility was secured by a first-ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bore interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) rate (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 was to become immediately due and payable. Under the terms of the agreement, the Corporation was required to meet certain financial ratios and covenants. During the year ended October 31, 2024, the Corporation made an $11.0 million repayment. As at October 31, 2024, the credit facility was fully drawn down, and the carrying amount stood at $41.4 million.

The Corporation concluded that the modification related to the extension of the maturity date renegotiated on January 31, 2025 was non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded in relation to these amendments made on January 31, 2025.

Other credit facilities

Revolving credit facility

On July 10, 2025, as part of the restructuring of its long-term debt, the Corporation committed to repay by January 15, 2026 an amount of $25.0 million from its $50.0 million revolving term credit agreement for the purpose of its operations. On September 5, 2025, the Corporation renegotiated its agreement primarily to extend the maturity date to November 1, 2027. Prior to that, on January 31, 2025, the Corporation renegotiated its revolving term credit facility agreement, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). 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 bears interest at the Adjusted Term CORRA rate or SOFR (Secured Overnight Financing Rate) 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, 2025, the financial ratios and covenants were met. As at October 31, 2025 and October 31, 2024, the credit facility was fully drawn down. On November 21, 2025, the revolving term credit facility agreement was amended to modify certain financial conditions.

Off-balance sheet arrangements

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

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

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

Off-balance sheet arrangements that can be estimated, excluding agreements with suppliers and other obligations, amounted to approximately $475.4 million as at October 31, 2025 [$462.6 million as at October 31, 2024] and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS	**As at October 31, 2025**	**As at October 31, 2024**
(in thousands of dollars)	**$**	**$**
Guarantees		
Irrevocable letters of credit	**4,142**	1,721
Collateral security contracts	**3,533**	1,153
Leases		
Lease obligations	**467,728**	459,748
	475,403	462,622

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 the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at October 31, 2025, $68.8 million was drawn down under the facility [$69.6 million as at October 31, 2024], of which $35.6 million [$31.2 million as at October 31, 2024] 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.

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits from which £0.1 million ($0.1 million) has been drawn down.

As at October 31, 2025, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, increased by $12.8 million compared with October 31, 2024. This increase resulted primarily from the weakening of the dollar against the U.S. dollar, partially offset by the impact of lower 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, drawdowns under existing credit facilities or by other means.

CONTRACTUAL OBLIGATIONS BY YEAR	2026	2027	2028	2029	2030	2031 and up	Total
Years ending October 31	$	$	$	$	$	$	$
Contractual obligations							
Long-term debt	32,905	36,855	27,967	5,250	5,250	371,470	479,697
Lease liabilities	255,308	257,986	239,893	219,090	198,642	573,881	1,744,800
Leases (off-balance sheet)	—	11,308	38,977	38,977	38,977	339,489	467,728
Agreements with suppliers and other obligations	38,486	20,630	10,051	6,600	4,716	40,415	120,898
	326,699	**326,779**	**316,888**	**269,917**	**247,585**	**1,325,255**	**2,813,123**

Debt

The Corporation reported $200.8 million in long-term debt and $1,347.4 million in lease liabilities in the consolidated statement of financial position.

The Corporation's total debt stood at $1,761.6 million as at October 31, 2025, down $515.7 million from October 31, 2024. This decrease was primarily due to lower long-term debt following the Corporation's debt restructuring and lease liability repayments.

Total net debt decreased by $420.3 million from $2,017.0 million as at October 31, 2024 to $1,596.7 million as at October 31, 2025. The decline in total net debt resulted from lower total debt primarily due to the Corporation's debt restructuring.

Outstanding shares

As at October 31, 2025, the Corporation had four authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares, an unlimited number of preferred shares and 9,934,617 Series 4 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 12, 2025, there were a total of 40,561,223 voting shares outstanding.

As at December 12, 2025, there were a total of 3,691,591 Series 4 Preferred Shares, non-voting, bearing dividends at the same amount and at the same time as any dividend declared on the Class A Variable Voting Shares and Class B Voting Shares, redeemable at the Corporation's option at a price per share equal to the higher of $1.64 per share and the fair value of the Class B Voting Shares, redeemable at the holder's option upon a change of control and convertible at the holder's option into Class B Voting Shares , insofar as the holder shall not hold more than 19.9% of the Class B Voting Shares outstanding as a result of the conversion.

Stock options

As at December 12, 2025, a total of 300,000 stock options was outstanding, 183,334 of which were exercisable.

Warrants

As at October 31, 2025, and as at December 12, 2025, a total of 13,000,000 warrants was issued. As at October 31, 2025, and as at December 12, 2025, 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, 2025, Air Transat's permanent fleet consisted of sixteen Airbus A330s (332, 345 or 363 seats), nineteen Airbus A321LRs (199 seats) of which five were grounded due to GTF engine problems, and eight Airbus A321ceos (199 seats).

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.

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, 2025 and 2024, 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 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, 2025, 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, 2025. 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 applicable. Approximately 82% of the Corporation's costs were incurred in a currency other than the measurement currency of the reporting unit incurring the costs, whereas approximately 15% of revenues were earned in a currency other than the measurement currency of the reporting unit making the sale. To safeguard the value of commitments and anticipated transactions, the Corporation has a foreign currency risk management policy that authorizes the use of certain types of derivative financial instruments related to foreign currencies based on anticipated foreign exchange rate trends, expiring in generally less than 18 months.

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 $7.9 million as at October 31, 2025 ($14.3 million as at October 31, 2024). Trade accounts receivable consist of balances receivable from a large number of customers, including travel agencies. Trade accounts receivable 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, 2025 and 2024. As at October 31, 2025, approximately 8% (approximately 20% as at October 31, 2024) of accounts receivable were over 90 days past due, whereas approximately 85% (approximately 73% as at October 31, 2024) 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, 2025, the balance receivable and deposits from credit card processors totalled $54.1 million and $113.7 million, respectively ($41.9 million and $114.8 million, respectively, as at October 31, 2024). 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 $52.8 million as at October 31, 2025 ($50.9 million as at October 31, 2024), 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, 2025, the cash security deposits with lessors that have been claimed totalled $19.6 million ($40.1 million as at October 31, 2024) 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 $10.7 million as at October 31, 2025 ($9.9 million as at October 31, 2024). 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, 2025, 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, 2025 and 2024.

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. The Corporation adopted these amendments on November 1, 2024, and they had no impact on the Corporation's consolidated statement of financial position.

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 in 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 its various risk exposures, including those applicable to its industry. This framework is based on the following principles:

- Promote a culture of risk awareness across the Corporation 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 by helping design and carry out 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.

An ongoing risk management process forms an integral part of the Corporation's governance and 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 constantly evolving economic and socio-political environments, all risks to which the Corporation is exposed were reassessed in detail by the Corporation's officers during the year. 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 risks were then categorized according to the impact they may have on the Corporation, its strategic plan or its operations. The outcome of this annual exercise comprised a total of 26 risks, rated in order of significance: eight high-priority risks, six priority risks, nine moderate risks and three 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 the Corporation's and its subsidiaries' risk exposures. If the risks discussed in this report were to materialize, they could, individually or in the aggregate, adversely affect the Corporation's financial position, cash flows, ability to achieve its strategic and operational objectives and/or reputation, and as well as investors' and other stakeholders' expectations, and market prices of our shares.

FINANCIAL RISKS

The Corporation’s debt levels, including its lease liabilities, are very high. The Corporation could face difficulties in refinancing its debt and therefore meeting its future financing needs. Despite its debt restructuring completed in the past fiscal year, the Corporation continues to review all options to optimize its capital structure. As its debt matures, the Corporation may not have access to sources of financing or acceptable financing terms. Although the Corporation has regularly succeeded in extending its financing agreement maturity dates, restructuring the debt that it contracted through the LEEFF and setting up 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’s current credit facilities are, and may in the future be, 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. Financial market conditions could limit access to credit and raise borrowing costs, hampering access to additional financing under satisfactory terms and conditions. Accordingly, the Corporation’s business, financial position and operating results could be adversely affected.

The Corporation must also make a number of investments in the normal course of business, particularly to enhance the passenger experience and ensure its competitive positioning. Any inability to generate sufficient liquidity or access additional financing to carry out such investments may also adversely affect the Corporation’s business, financial position or operating results.

In addition, the Corporation must renew its service contracts with credit card processors in the normal course of business. These agreements are 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 in these reserves could adversely affect the Corporation’s business, available liquidity, financial position and operating results.

Transat has significant non-cancellable lease liabilities, particularly in respect of its aircraft fleet. If the Corporation’s revenues from operations failed to reach sufficient levels, the payments to be made under its existing lease agreements could have a significant adverse effect on its financial position and business.

In the normal course of business, the Corporation receives customer deposits and advance payments. If funds from advance payments were to diminish or be unavailable to pay its suppliers, the Corporation would be required to secure alternative capital funding. There can be no assurance that additional funding would be available under terms and conditions suitable to the Corporation, which could have a significant adverse effect on its financial position and business. In accordance with its investment policy, the Corporation is 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 the Corporation’s 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.

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 it would be able to pass along any increase in fuel prices by raising its fares, or that any such fare increase would offset higher fuel costs, which could in turn adversely affect its business, financial position and operating results.

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 its operating costs or decrease its revenues.

Interest rate hikes could also increase the interest expense on any current or future fixed- and variable-rate debt instruments.

The Corporation operates in a highly competitive industry with thin profit margins. In a highly competitive environment exposed to economic fluctuations, disciplined cost management remains a strategic issue for the Corporation. Ineffective cost management could jeopardize profitability, limit strategic flexibility and adversely affect market competitiveness. To mitigate these risks, the Corporation continues to implement its Elevation program, aimed at accelerating results from strategic initiatives to reduce costs, grow revenue and maximize potential for sustainable growth. There is a risk that anticipated savings or efficiency gains may not materialize as expected, particularly as a result of unexpected external factors or operational challenges. The Corporation can provide no assurance that the strategic initiatives will fully achieve their objectives or be sustainable, which could adversely affect its business, financial position and operating results.

In processing customer credit card information, the Corporation 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. Credit card processors have already taken mitigation measures such as withholding funds until the service is re-established. Any inability to use credit cards could have a significant adverse affect on the Corporation's bookings and, in turn, on its financial position and operating results.

In addition, it is at times 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 adversely affect its results and financial position.

There are also other socio-economic and geopolitical factors at play, which create additional travel demand uncertainty for the coming months. These factors are further discussed below in the Economic and General Risks section.

Lastly, the travel industry in general and the Corporation in particular depend on seasonal business. As a result, the Corporation's quarterly operating results are subject to fluctuations. In its view, comparisons of the Corporation's 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 its various computer systems. This data is stored and processed in our facilities and in third-party facilities, including in third-party cloud-based environments. 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 the Corporation's efforts to protect against unauthorized access to its systems and sensitive information, due to the scope and complexity of their information technology structure, its reliance on third parties to support and protect its structure and data, and a constantly evolving cyber threat environment, the Corporations' systems and those of third parties it relies on are subject to disruptions, failures, unauthorized access, cyber terrorism, employee errors, negligence, fraud or other misuse. In addition, because hackers are highly sophisticated in gaining unauthorized access to sensitive information, the Corporation might not detect a breach for a long time, if 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 the Corporation's reputation, disrupt its 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 its business, financial position, 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. The Corporation's current financial situation and Elevation program implementation could generate some employee uncertainty. This could adversely affect talent retention and recruiting. The Corporation's current employee headcount is sufficient to support its operations, reducing the need to attract talent. However, retention may prove challenging in the current environment. As a result, the loss of key personnel or difficulties in hiring employees could adversely affect the Corporation's business and operating results.

Labour costs are a significant component of the Corporation's operating expenses. These costs are becoming increasingly significant due to recent substantial wage increases for unionized staff, following the renewal of the most recent collective agreements (flight attendants and flight dispatchers), the upcoming implementation of a new collective agreement for passenger service agents and ground services employees, and the forthcoming renewal of the pilots' collective agreement. 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. They have been governed by six collective agreements since August 2025 following the ratification of the first collective agreement for passenger service agents, and will be governed by seven agreements as of 2026 when the first collective agreement for ramp employees is ratified. The agreement governing flight attendants, namely the Canadian Union of Public Employees, Airline Division, remains in effect until October 31, 2027. Negotiations with the Air Line Pilots Association (ALPA), the union representing pilots, to renew the pilots' collective agreement began in January 2025. These negotiations will result in a significant increase in payroll expense and could disrupt the Corporation's operations if its pilots adopt pressure tactics. A labour dispute between the parties could also occur as early as December 2025 and disrupt the Corporation's operations. Such a dispute or pilot pressure tactics could create uncertainty for passengers and, in turn, reduce the Corporation's revenues and adversely affect its operating results and financial position.

The commercial aviation industry continues to face pressure from pilot unions demanding compensation adjustments due to an anticipated shortage in this labour category. Recent agreements concluded in both the United States and Canada are creating pressure on the ongoing collective bargaining process and could contribute to pilot departures if the new contract fails to meet their expectations. The Corporation must offer working conditions that are competitive with those recently secured in the industry, or pilots may join competitors, making it difficult to recruit replacements. Fleet expansions by certain competitors and new aircraft deliveries slated for 2026 and 2027 could further hinder the Corporation's ability to attract and retain pilots, which could in turn adversely affect its business, operating results and financial position.

KEY SUPPLIES AND SUPPLIER RISKS

Despite being well positioned due to its vertical integration, the Corporation depends on third parties who supply it with certain components of its packages. In particular, the Corporation is also dependent on a large number of hotel operators. In general, these suppliers can terminate or modify existing agreements with us on relatively short notice. The Corporation's potential inability to replace these agreements, find similar suppliers or renegotiate agreements at reduced rates could affect its business, financial position and operating results. Any significant interruptions in the flow of goods and services from the various suppliers who provide it with components of its packages, some of which may be outside the Corporation's control, could have a significant adverse effect on its business, financial position and operating results.

The Corporation's dependence on Airbus, Rolls-Royce, Pratt & Whitney, CFM, KF Aerospace, Lufthansa Technik, Sabena Technic and A.J. Walter, among others, means that it could be adversely affected by problems connected with Airbus aircraft and the Rolls-Royce and Pratt & Whitney engines it uses, including defective material or parts, supply chain issues, mechanical problems and/or negative traveller perceptions.

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 operate this type of aircraft with the same engine, resulting in numerous and lengthy inspection and maintenance operations, and will continue to do so over the coming years, grounding some of the Corporation's aircraft. For the Corporation, these issues are expected to result in up to five of the nineteen A321LRs currently in operation being grounded, which could affect its 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.

The Corporation has entered into commercial agreements with other air carriers, particularly with Porter Airlines in the form of a commercial joint venture, and with other carriers through interline or codeshare agreements. The implementation or poor execution of these agreements, whether current or future, could result in operational complexities and higher operating costs. The inability of these other air carriers to fulfil their obligations to the Corporation could adversely affect the Corporation's business, operating results, financial position and reputation.

Any decline in the quality of travel products or services provided by the Corporation's suppliers, or any traveller perceptions of such a decline, could adversely affect the Corporation's reputation. Any loss of contracts, changes to the Corporation's pricing agreements including widespread increases in these prices resulting from current economic factors, access restrictions to travel suppliers' products and services or adverse shifts in public opinion regarding certain travel suppliers resulting in lower demand for their products and services could significantly affect the Corporation's 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 areas, particularly its agreement with the SAF+ Consortium for the production of sustainable aviation fuel, its new fleet of more efficient, energy-saving Airbus A321LR aircraft, its carbon credit purchase program, its involvement with Canadian and destination communities, 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. The Corporation also faces 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 the evolution of the industry in which the Corporation operates. In recent years, travellers have demanded greater 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 the Corporation generates a portion of its revenues. The Corporation's available seat capacity and person-nights are also influenced by market forces, which challenge its business model 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 the Corporation relies 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 affect its business.

These competitive pressures could adversely affect the Corporation's revenues and profit margins, as it 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 the Corporation's business and operating results by affecting demand for its products and services.

All these factors may create feelings of anxiety among the Corporation's customers, which may reduce demand for leisure travel and adversely affect the Corporation's business, operating results and financial position.

This requires that the Corporation forecast traveller demand in advance and anticipate trends in future preferred destinations. Poor planning of these needs, particularly in terms of the flight capacity to be deployed and person-nights, could adversely affect its operations, financial position and operating results.

In addition to the foregoing factors, the Corporation's operating results could also be adversely affected by factors beyond its control, particularly socio-political instability in Eastern Europe, namely the war in Ukraine, the Israel-Palestine conflict, any measures taken, anticipated or potentially contemplated by foreign governments to impose export and import tariffs, 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, the Corporation's 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 and a risk materializes, the Corporation's reputation may be harmed. 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 implemented sound governance practices, including a code of ethics and a supplier code of conduct, and developed certain mechanisms over the years to prevent any reputational damage, 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 damage its reputation. Any reputational damage or impairment for the Corporation may have a material adverse effect on its business, outlook, 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 of aircraft that is leased, at times 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, its operating results and its financial position.

The Corporation's focus on two types of Airbus aircraft (A321 and A330) could result in significant downtime for part of its fleet if mechanical problems arise or if the regulator releases any mandatory inspection or maintenance directives applicable to its 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 the Corporation's operations are disrupted due to aircraft unavailability, the loss of associated revenues could have an adverse impact on its business, financial position and operating results.

Any incident involving the Corporation's aircraft could give rise to significant repair or replacement costs for the damaged aircraft, service interruption and claims, which could have a material adverse effect on the Corporation's business, operating results and financial position.

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. Any difficulty in securing such access or disruptions in airport operations caused by labour conflicts or other factors could adversely affect the Corporation's business, operating results and financial position.

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. Some of these airports are located near U.S. border town airports that are not subject to such fees. Any increase in airport user fees and air navigation fees could adversely affect the Corporation's business, financial position and operating results.

TECHNOLOGICAL RISKS

Transat relies heavily on various information and telecommunication technologies to operate its business, increase its revenues and reduce its operating expenses. The Corporation’s business depends on its 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 its products to retail travel agents and other travel intermediaries, and stave off information system intrusions. Fast-paced technological change and growing demand for web-based or mobile reservations could require higher-than-anticipated capital expenditures to improve customer service, which could adversely affect the Corporation’s business, operating results and financial position.

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. Exploiting system vulnerabilities is increasingly sophisticated and commonplace, and requires constant management of and developments in security measures. 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 for the Corporation, or its suppliers, could have a material adverse effect on the Corporation’s business, customer relationships, operating results and financial position, and damage its reputation.

A number of the information technology systems used by the Corporation 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 could be unable to react effectively to information security attacks, obtain new systems to keep up with growth in its customer base or support new products. Such outcomes could generate additional expenses, which could adversely affect the Corporation’s business, operating results and financial position.

REGULATORY RISKS

The Corporation is highly dependent on the legislation and regulatory standards that govern the various aspects of its operations. In particular, these relate to airline safety, consumer rights, permits, licensing, intellectual property rights, privacy, competition, pricing and the environment. Any change in the measures in effect introduced by government authorities with jurisdiction over the Corporation's operations, including 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 could adversely affect the Corporation’s business and operating results.

Any adoption of new regulatory frameworks or amendments to existing legislation or regulations and tax policy changes could bear on the Corporation’s business and adversely affect its operating results, particularly as regards income taxes, consumption taxes, 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 operates, including in particular compensation, service and refund requirements in the event of flight disruptions, could adversely affect the Corporation’s operating results and financial position.

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. Any adoption of amendments to these regulations or new regulations could adversely affect the Corporation’s operating results and financial position.

In the course of its business, 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 affect the Corporation’s operating results, financial position and reputation.

INSURANCE COVERAGE RISKS

The Corporation holds and maintains in full force insurance policies for amounts conforming to industry standards. The Corporation's liability insurance for its 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 its tour operator activities, the Corporation makes reasonable efforts to ensure that its service providers also have insurance covering bodily harm or property damage suffered by travellers. In collaboration with an insurer, the Corporation has established a voluntary professional liability insurance (errors and omissions) plan for its franchisees.

The Corporation holds and maintains in full force insurance policies for amounts in accordance with airline industry standards and in compliance with applicable statutory requirements and the Corporation's covenants under its aircraft lease agreements. The Corporation's liability insurance for its 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. The Corporation holds and maintains in full force additional insurance 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.

The Corporation also 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.

There can be no assurance that all the Corporation's risk exposures are covered and that the Corporation will be able to maintain coverage with favourable levels and conditions at an acceptable cost.

Although the Corporation has never faced a liability claim for which it did not have adequate insurance coverage, there can be no assurance that its 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 the Corporation will be able to obtain adequate insurance at an acceptable cost in the future. Any increase in insurance costs or reduction in insurance coverage could have a material adverse effect on the Corporation's business, operating results and financial position.

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, 2025.

Lastly, no significant changes in ICFR occurred during the quarter ended October 31, 2025 that materially affected the Corporation's ICFR.

12. KEY INDICATORS

To date, airline unit revenues, expressed as yield, for Winter 2026 are 1.4% higher compared to the same date in fiscal 2025, while load factors are 0.8 percentage points lower than they were at this time last year, mainly influenced by second-quarter dynamics, with potential for improvement as the season progresses.

For fiscal year 2026, the Corporation expects a 6% to 8% increase in capacity, measured in available seat-miles, compared to 2025.

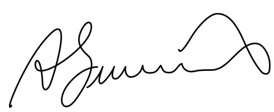
MANAGEMENT'S REPORT

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 Accounting Standards 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 17, 2025

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Transat A.T. Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at October 31, 2025 and 2024, and the consolidated statements of income (loss), the consolidated statements of comprehensive income (loss), the consolidated statements of changes in negative equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with IFRS Accounting Standards ["IFRS"].

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
As indicated in Notes 2 and 17, the Group recognizes revenue when it satisfies the performance obligation, that is, when the service is transferred to the customer and the customer obtains control of that service. The amounts received from customers for services not yet provided are included in current liabilities as Customer deposits and deferred revenues. The Group's revenues for the year ended October 31, 2025 amounted to $3,398.5 million. As at October 31, 2025, customer deposits and deferred revenues totalled $823.3 million. Group revenues are recorded using a number of IT systems and controls for processing, recording and recognizing a large volume of low-value transactions. We considered this issue to be a key audit matter due to the significance of revenues and the large volume of transactions that required significant audit effort to test recorded revenues.	Our approach to addressing the matter included the following procedures, among others: – We tested certain controls related to IT systems used by the Group to record revenues; – We obtained and assessed the report certifying the effectiveness of internal controls implemented by a service organization used by the Group to record revenues, particularly for bookings; – We tested a sample of revenue-generating transactions, including air transportation and hotel services, for the fiscal year by tracing selected items to source documents; – We tested a sample of manual adjustments for the Group's air transportation and hotel services recorded close to fiscal year-end by examining on source documents and supporting documents for the period when the services were rendered.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP [1]

Montréal, Canada

December 17, 2025

[1] CPA auditor, CA, public accountancy permit No. A120803

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

(in thousands of Canadian dollars)	Notes	As at October 31, 2025 $	As at October 31, 2024 $
ASSETS	12		
Cash and cash equivalents		**164,920**	260,336
Cash and cash equivalents in trust or otherwise reserved	4	**430,003**	453,768
Trade and other receivables	5	**153,575**	151,190
Income taxes receivable	20	**469**	504
Inventories	6	**49,653**	40,212
Prepaid expenses		**36,683**	31,359
Derivative financial instruments	7	**18,251**	22,663
Current portion of deposits	8	**126,223**	126,798
Current assets		**979,777**	1,086,830
Cash and cash equivalents reserved	4	**35,589**	31,176
Deposits	8	**283,193**	240,387
Deferred tax assets	20	**370**	588
Property, plant and equipment	9	**1,254,604**	1,378,871
Intangible assets	10	**21,030**	13,058
Non-current assets		**1,594,786**	1,664,080
		2,574,563	2,750,910
LIABILITIES			
Trade and other payables	11	**376,940**	363,889
Income taxes payable		**2,182**	1,632
Customer deposits and deferred revenues		**823,276**	781,156
Derivative financial instruments	7	**17,564**	15,835
Current portion of long-term debt and lease liabilities	12	**172,666**	176,920
Liability related to warrants	13	**14,235**	8,519
Current portion of provision for return conditions	14	**1,581**	—
Current liabilities		**1,408,444**	1,347,951
Long-term debt and lease liabilities	12	**1,375,548**	1,971,097
Deferred government grant	12	**199,182**	120,784
Provision for return conditions	14	**201,119**	174,368
Employee benefits liability	15	**26,829**	25,305
Deferred tax liabilities	20	**548**	481
Preferred shares	16	**7,948**	—
Non-current liabilities		**1,811,174**	2,292,035
NEGATIVE EQUITY			
Share capital	16	**227,365**	225,438
Share-based payment reserve		**16,454**	16,283
Deficit		**(881,166)**	(1,123,113)
Cumulative exchange differences		**(7,708)**	(7,684)
		(645,055)	(889,076)
		2,574,563	2,750,910

See accompanying notes to the consolidated financial statements

On behalf of the Board,

Director

Director

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

Years ended October 31 (in thousands of Canadian dollars, except per share amounts)	Notes	2025 $	2024 $
Revenues	17	**3,398,503**	3,283,750
Operating expenses			
Costs of providing tourism services		**885,055**	832,358
Aircraft fuel		**593,454**	631,989
Salaries and employee benefits	17, 21	**542,668**	532,069
Sales and distribution costs		**240,689**	232,855
Aircraft maintenance		**252,412**	218,066
Airport and navigation fees		**220,237**	211,229
Aircraft rent	12	**6,094**	9,563
Other airline costs		**251,412**	278,889
Other		**134,219**	127,665
Depreciation and amortization	17	**256,797**	221,870
Restructuring costs	18	**5,663**	3,166
Reversal of impairment of the investment in a joint venture		**—**	(3,112)
Share of net income of a joint venture		**—**	(130)
		3,388,700	3,296,477
Operating income (loss)		**9,803**	(12,727)
Financing costs	12	**137,404**	145,464
Financing income		**(25,038)**	(41,492)
Gain on long-term debt extinguishment	12, 13	**(345,332)**	—
Gain on asset disposals	19	**(19,243)**	(24,887)
Change in fair value of derivatives		**14,267**	23,691
Revaluation of liability related to warrants and preferred shares	13, 16	**(3,031)**	(12,297)
Foreign exchange loss		**6,411**	5,778
Income (loss) before income tax expense		**244,365**	(108,984)
Income taxes	20		
Current		**2,222**	2,340
Deferred		**227**	2,706
		2,449	5,046
Net income (loss) for the year		**241,916**	(114,030)
Earnings (loss) per share	16		
Basic		**6.06**	(2.94)
Diluted		**5.72**	(2.94)

See accompanying notes to the consolidated financial statements

TRANSAT A.T. INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended October 31 (in thousands of Canadian dollars)		2025 $	2024 $
Net income (loss) for the year		**241,916**	(114,030)
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		**(24)**	2,682
Items that will never be reclassified to net income (loss)			
Retirement benefits – Net actuarial gains and losses	*15*	**31**	(2,486)
Deferred taxes	*20*	**—**	1,855
		31	(631)
Total other comprehensive income		**7**	2,051
Comprehensive income (loss) for the period		**241,923**	(111,979)

CONSOLIDATED STATEMENTS OF CHANGES IN NEGATIVE EQUITY

(in thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Deficit $	Cumulative exchange differences $	Total negative equity $
Balance as at October 31, 2023	223,450	16,329	(1,008,452)	(10,366)	(779,039)
Net loss for the year	—	—	(114,030)	—	(114,030)
Other comprehensive income (loss)	—	—	(631)	2,682	2,051
Comprehensive income (loss) for the year	—	—	(114,661)	2,682	(111,979)
Issued from treasury	1,988	—	—	—	1,988
Reversal of share-based payment expense	—	(46)	—	—	(46)
Balance as at October 31, 2024	**225,438**	**16,283**	**(1,123,113)**	**(7,684)**	**(889,076)**
Net income for the year	—	—	241,916	—	241,916
Other comprehensive income (loss)	—	—	31	(24)	7
Comprehensive income (loss) for the year	—	—	241,947	(24)	241,923
Issued from treasury	1,927	—	—	—	1,927
Share-based payment expense	—	171	—	—	171
Balance as at October 31, 2025	**227,365**	**16,454**	**(881,166)**	**(7,708)**	**(645,055)**

See accompanying notes to the consolidated financial statements

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

Years ended October 31 (in thousands of Canadian dollars)	Notes	2025 $	2024 $
OPERATING ACTIVITIES			
Net income (loss) for the year		**241,916**	(114,030)
Operating items not involving an outlay (receipt) of cash:			
Compensation received in the form of credits	*17*	**(32,373)**	(29,071)
Depreciation and amortization	*17*	**256,797**	221,870
Gain on long-term debt extinguishment	*12*	**(345,332)**	—
Gain on asset disposals	*19*	**(19,243)**	(24,887)
Change in fair value of derivatives		**14,267**	23,691
Revaluation of liability related to warrants and preferred shares	*13, 16*	**(3,031)**	(12,297)
Foreign exchange loss		**6,411**	5,778
Capitalized interest on long-term debt and lease liabilities		**16,489**	44,547
Employee benefits	*15*	**2,804**	3,107
Share-based payment expense (reversal)		**171**	(46)
Deferred taxes		**227**	2,706
Reversal of impairment of the investment in a joint venture		**—**	(3,112)
Share of net income of a joint venture		**—**	(130)
		139,103	118,126
Net change in non-cash working capital balances related to operations		**33,091**	(2,515)
Net change in provision for return conditions		**27,256**	(3,597)
Net change in other assets and liabilities related to operations		**(42,475)**	(17,341)
Cash flows related to operating activities		**156,975**	94,673
INVESTING ACTIVITIES			
Additions to property, plant and equipment and other intangible assets		**(97,858)**	(138,569)
Increase in cash and cash equivalents reserved		**(4,413)**	(1,426)
Net proceeds from sale and leaseback of assets	*9*	**92,065**	87,488
Consideration received for an investment disposal, net of transaction costs		**—**	20,414
Proceeds from disposal of assets	*19*	**—**	642
Cash flows related to investing activities		**(10,206)**	(31,451)
FINANCING ACTIVITIES			
Repayment of lease liabilities	*12*	**(191,732)**	(185,280)
Repayment of long-term debt	*12*	**(55,135)**	(57,000)
Redemption of preferred shares	*16*	**(16,265)**	—
Proceeds from borrowings	*12*	**30,000**	—
Proceeds from issuance of shares	*16*	**1,927**	1,988
Transaction costs		**(11,981)**	—
Cash flows related to financing activities		**(243,186)**	(240,292)
Effect of exchange rate changes on cash and cash equivalents		**1,001**	1,759
Net change in cash and cash equivalents		**(95,416)**	(175,311)
Cash and cash equivalents, beginning of year		**260,336**	435,647
Cash and cash equivalents, end of year		**164,920**	260,336
Supplementary information (as reported in operating activities)			
Net income taxes paid		**1,293**	946
Interest received		**(24,591)**	(42,704)
Interest paid		**120,183**	92,160

See accompanying notes to the consolidated financial statements

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

Note 1 Corporate information

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

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

The consolidated financial statements of Transat A.T. Inc. for the year ended October 31, 2025 were approved by the Corporation's Board of Directors on December 17, 2025.

Note 2 Material accounting policies

Basis of preparation

These consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with IFRS Accounting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"] and as adopted by the Accounting Standards Board of Canada.

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

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

Basis of consolidation

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

Subsidiaries

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

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

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

- For each business combination including the non-controlling interest, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

Investment in a joint venture

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

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

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

Foreign currency translation

Transactions and balances

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

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

Group companies

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

Cash equivalents

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

Inventories

Inventories, consisting primarily of spare parts, supplies and fuel, are valued at the lower of cost, determined using the first-in, first-out method, and net realizable value. Net realizable value is the estimated selling price in the normal course of business less estimated costs to sell. Replacement cost may be indicative of net realizable value. Inventories are presented net of the provision for impairment of inventories, if applicable. The Corporation did not record a provision for impairment of inventories in 2025 and 2024.

Leases

Recognition of leases and right-of-use assets

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

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

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

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

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

Sale and leaseback

For sale and leaseback transactions, where the Corporation sells an asset to a lessor and immediately leases it back, the Corporation recognizes the asset disposal as soon as the lessor takes control of the asset. If the lessor does not take control of the asset, the Corporation continues to recognize the asset disposed of in the consolidated statement of financial position and records a financial liability equal to the proceeds received. If the asset disposal is a sale, the Corporation derecognizes the underlying asset and recognizes a right-of-use asset resulting from the sale and leaseback at the proportion of the previous carrying amount of the asset sold to which the Corporation retains the right of use and a lease liability corresponding to the present value of future payments. A gain on the sale and leaseback of assets corresponding to the share of the asset not retained by the Corporation according to the terms of the lease is also recognized.

Property, plant and equipment

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

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

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

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

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

Right-of-use assets

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

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

Intangible assets

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

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

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

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

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

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

Software	3–10 years
Customer lists	7–10 years

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

Financial instruments

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

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

Classification of financial instruments

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

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

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

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

Amortized cost

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

Derivative financial instruments and hedge accounting

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

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

These derivative financial instruments are designated as cash flow hedges.

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

The Corporation enters into foreign currency contract options and designates the intrinsic value of these contracts as cash flow hedging on future purchases of foreign currencies. The time value of these options, including premiums paid, is recognized in Other comprehensive income (loss) in the consolidated statement of comprehensive income (loss) for effective hedging relationships. The time value of these options, including premiums paid, remains in Accumulated other comprehensive income (loss) as Unrealized gain (loss) on cash flow hedges until the settlement of the underlying hedged item, at which time the premiums paid accounted for under Unrealized gain (loss) on cash flow hedges are reclassified under the same account in the consolidated statement of income (loss) as the underlying hedged item.

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

Derivative financial instruments that do not qualify for hedge accounting

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

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

Transaction costs

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

Fair value

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

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

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

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

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

Impairment of financial assets classified at amortized cost

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

Impairment of non-financial assets

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

Intangible assets

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

Reversal of impairment losses

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

Provisions

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

Provision for return conditions

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

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

Employee future benefits

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

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

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

Revenue recognition

The Corporation recognizes revenues when it satisfies the performance obligation, that is, when the service is transferred to the customer and the customer obtains control of that service. Amounts received from customers for services not yet rendered, including amounts received from customers for trips that had to be cancelled and for which the Corporation has issued travel credits, are included in current liabilities as Customer deposits and deferred revenues.

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

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

Financial compensation relating to assets that are not available when, or as, they are intended to be used are recognized as other revenues over the period in which this circumstance exists and such compensation is used to compensate the Corporation for direct and incremental costs incurred. This includes indemnities from the original equipment manufacturer to mitigate the financial impact of grounded aircraft.

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

Breakdown of revenues from contracts with customers

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation operates mainly in the Americas, and serves two main programs that also represent its two main product lines: the transatlantic program and the Americas program, which includes the sun destinations program.

Contract balances

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

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

Government grants

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

The difference between the fair value of drawdowns on debt instruments with contractual interest rates lower than the rate the Corporation could obtain on the market for similar debt instruments and their nominal value is recognized as Deferred government grant at the time of the drawdown. The proceeds from the deferred government grant are recognized on the consolidated statement of income (loss) as a reduction of the corresponding financing costs using the effective interest method.

Income taxes

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

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

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

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

Share-based payment plans

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

Equity-settled transactions

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

Cash-settled transactions

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

Employee share purchase plans

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

Earnings (loss) per share

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

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

Current 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. The Corporation adopted these amendments on November 1, 2024, and they had no impact on the Corporation's consolidated statement of financial position.

Future changes in accounting policies

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 in 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.

Note 3 Significant accounting estimates and judgments

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

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

Impairment of non-financial assets

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

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

As at October 31, 2025 and 2024, the Corporation determined that there were no indications that any assets may be impaired.

Provision for return conditions

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

Liability related to warrants

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation's liabilities. As at the issuance date, the liability related to warrants, was valued using the Black-Scholes model. The liability related to warrants is remeasured at the end of each period at fair value through profit or loss. It is classified in Level 3 of the fair value hierarchy. At each reporting date, the fair value of the liability related to warrants is determined using the Black-Scholes model, which uses significant inputs that are not based on observable market data, hence the classification in Level 3.

Taxes

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

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

Due to the adverse impact of the COVID-19 pandemic on its results, the Corporation ceased to recognize deferred tax assets of its Canadian subsidiaries and reduced the carrying amount of deferred tax asset balances for which it was no longer able to justify recognition under IFRS. The Corporation measured the available favourable and adverse indicators to determine whether sufficient taxable income could be realized to recognize the existing deferred tax assets. There are adverse indicators related to the losses generated during the year ended October 31, 2025 and previous fiscal years. These adverse indications outweighed the historical favourable indications, and the Corporation did not record any deferred tax assets for its Canadian subsidiaries during the year ended October 31, 2025. The tax deductions underlying these deferred tax assets remain available for future use against taxable income.

Note 4 Cash and cash equivalents in trust or otherwise reserved

As at October 31, 2025, cash and cash equivalents in trust or otherwise reserved included $396,652 [$413,049 as at October 31, 2024] 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 $68,940, of which $35,589 was recorded as non-current assets [$71,895 as at October 31, 2024, $31,176 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 5 Trade and other receivables

	As at October 31, 2025	**As at October 31, 2024**
	$	**$**
Credit card processor receivables	**54,082**	41,904
Government receivables	**41,673**	28,176
Cash receivable from lessors	**19,579**	40,139
Trade receivables	**7,943**	14,330
Other receivables	**30,298**	26,641
	153,575	151,190

Note 6 Inventories

	As at October 31, 2025	**As at October 31, 2024**
	$	**$**
Spare parts and supplies	**44,172**	35,599
Fuel	**5,481**	4,613
	49,653	40,212

Note 7 Financial instruments

Classification of financial instruments

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

	Carrying amount				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Fair value
	$	$	$	$	$
As at October 31, 2025					
Financial assets					
Cash and cash equivalents	164,920	—	—	164,920	164,920
Cash and cash equivalents in trust or otherwise reserved	465,592	—	—	465,592	465,592
Trade and other receivables	—	—	111,902	111,902	111,902
Deposits with credit card processors	—	—	113,652	113,652	113,652
Deposits on leased aircraft and engines	—	—	52,768	52,768	52,768
Derivative financial instruments					
- Fuel-related derivatives	10,066	—	—	10,066	10,066
- Foreign currency derivatives	8,185	—	—	8,185	8,185
	648,763	—	278,322	927,085	927,085
Financial liabilities					
Trade and other payables	—	—	367,115	367,115	367,115
Derivative financial instruments					
- Fuel-related derivatives	7,539	—	—	7,539	7,539
- Foreign currency derivatives	10,025	—	—	10,025	10,025
Liability related to warrants	14,235	—	—	14,235	14,235
Long-term debt	—	—	200,818	200,818	197,339
Preferred shares	7,948	—	—	7,948	7,948
	39,747	—	567,933	607,680	604,201

	Carrying amount				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	Fair value
	$	$	$	$	$
As at October 31, 2024					
Financial assets					
Cash and cash equivalents	260,336	—	—	260,336	260,336
Cash and cash equivalents in trust or otherwise reserved	484,944	—	—	484,944	484,944
Trade and other receivables	—	—	123,014	123,014	123,014
Deposits with credit card processors	—	—	114,806	114,806	114,806
Deposits on leased aircraft and engines	—	—	50,937	50,937	50,937
Derivative financial instruments					
- Fuel-related derivatives	2,412	—	—	2,412	2,412
- Foreign currency derivatives	20,251	—	—	20,251	20,251
	767,943	—	288,757	1,056,700	1,056,700
Financial liabilities					
Trade and other payables	—	—	346,164	346,164	346,164
Derivative financial instruments					
- Fuel-related derivatives	4,706	—	—	4,706	4,706
- Foreign currency derivatives	11,129	—	—	11,129	11,129
Long-term debt	—	—	682,295	682,295	682,608
Liability related to warrants	8,519	—	—	8,519	8,519
	24,354	—	1,028,459	1,052,813	1,053,126

Determination of fair value of financial instruments

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

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

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

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

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

The fair value of the liability related to warrants is measured using the Black-Scholes model *[Note 13]*.

The fair value of preferred shares is measured using the five-day volume-weighted average price (VWAP) of the Corporation's Class B Voting Shares and Class A Variable Voting Shares on the Toronto Stock Exchange.

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

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
	$	$	$	$
As at October 31, 2025				
Financial assets				
Derivative financial instruments				
- Fuel-related derivatives	**—**	**10,066**	**—**	**10,066**
- Foreign currency derivatives	**—**	**8,185**	**—**	**8,185**
	—	**18,251**	**—**	**18,251**
Financial liabilities				
Derivative financial instruments				
- Fuel-related derivatives	**—**	**7,539**	**—**	**7,539**
- Foreign currency derivatives	**—**	**10,025**	**—**	**10,025**
Liability related to warrants	**—**	**—**	**14,235**	**14,235**
Preferred shares	**—**	**—**	**7,948**	**7,948**
	—	**17,564**	**22,183**	**39,747**

	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
	$	$	$	$
As at October 31, 2024				
Financial assets				
Derivative financial instruments				
- Fuel-related derivatives	—	2,412	—	2,412
- Foreign currency derivatives	—	20,251	—	20,251
	—	22,663	—	22,663
Financial liabilities				
Derivative financial instruments				
- Fuel-related derivatives	—	4,706	—	4,706
- Foreign currency derivatives	—	11,129	—	11,129
Liability related to warrants	—	—	8,519	8,519
	—	15,835	8,519	24,354

Management of risks arising from financial instruments

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

Credit and counterparty risk

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

Trade accounts receivable included under Trade and other receivables in the consolidated statement of financial position totalled $7,943 as at October 31, 2025 [$14,330 as at October 31, 2024]. 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, 2025 and 2024. As at October 31, 2025, approximately 8% [approximately 20% as at October 31, 2024] of accounts receivable were over 90 days past due, whereas approximately 85% [approximately 73% as at October 31, 2024] 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, 2025, receivables from and deposits with credit card processors totalled $54,082 and $113,652, respectively [$41,904 and $114,806, respectively, as at October 31, 2024]. The credit risk for these amounts is negligible.

Under the terms of its aircraft and engine leases, the Corporation makes deposits when aircraft and engines are commissioned, particularly as collateral for remaining lease payments. These deposits totalled $52,768 as at October 31, 2025 [$50,937 as at October 31, 2024] 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, 2025, the cash security deposits with lessors that have been claimed totalled $19,579 [$40,139 as at October 31, 2024] 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 $10,738 as at October 31, 2025 [$9,915 as at October 31, 2024]. These deposits are offset by purchases from suppliers. Risk arises from the fact that suppliers might not be able to honour their obligations to provide the required goods or services. The Corporation strives to minimize its exposure by limiting deposits to recognized and reputable suppliers in its active markets. These deposits are spread across a large number of suppliers and, historically, the Corporation has not been required to write off a considerable amount for its deposits with suppliers.

For financial institutions, including the various counterparties, the maximum credit risk as at October 31, 2025 relates to cash and cash equivalents, including cash and cash equivalents in trust or otherwise reserved, and derivative financial instruments accounted for in assets. These assets are held or traded with a limited number of financial institutions and other counterparties. The Corporation is exposed to the risk that the financial institutions and other counterparties with which it holds securities or enters into agreements could be unable to honour their obligations. The Corporation minimizes risk by entering into agreements with only large financial institutions and other large counterparties with appropriate credit ratings. The Corporation's policy is to invest solely in products that are rated R1-Mid or better (by Dominion Bond Rating Service ["DBRS"]), A2 (by Standard & Poor's) or P2 (by Moody's) and rated by at least two rating firms. Exposure to these risks is closely monitored and maintained within the limits set out in the Corporation's various policies. The Corporation revises these policies on a regular basis.

The Corporation does not believe it was exposed to a significant concentration of credit risk as at October 31, 2025 and 2024.

Liquidity risk

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

The maturities of the Corporation's financial liabilities as at October 31, 2025 are summarized in the following table, excluding lease liabilities, which are disclosed in Note 12:

	Maturing in under 1 year	Maturing in 1 to 2 years	Maturing in 2 to 5 years	Maturing in 5 years and up	Total contractual cash flows	Total carrying amount
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**367,115**	—	—	—	**367,115**	**367,115**
Long-term debt	**32,905**	**36,855**	**38,467**	**371,470**	**479,697**	**200,818**
Derivative financial instruments	**17,728**	—	—	—	**17,728**	**17,564**
Liability related to warrants	**14,235**	—	—	—	**14,235**	**14,235**
Total	**431,983**	**36,855**	**38,467**	**371,470**	**878,775**	**599,732**

Market risk

Foreign exchange risk

The Corporation is exposed to foreign exchange risk, primarily as a result of its many arrangements with foreign-based suppliers, lease liabilities, fuel purchases, long-term debt and revenues in foreign currencies, and fluctuations in exchange rates mainly with respect to the U.S. dollar, the euro and the pound sterling against the Canadian dollar and the euro, as applicable. Approximately 82% of the Corporation's costs were incurred in a currency other than the measurement currency of the reporting unit incurring the costs, whereas approximately 15% of revenues were earned in a currency other than the measurement currency of the reporting unit making the sale. To safeguard the value of commitments and anticipated transactions, the Corporation has a foreign currency risk management policy that authorizes the use of certain types of derivative financial instruments related to foreign currencies based on anticipated foreign exchange rate trends, expiring in generally less than 18 months.

Expressed in Canadian dollars, the net financial assets and net financial liabilities of the Corporation and its subsidiaries denominated in currencies other than their financial statement measurement currency as at October 31, 2025, based on their financial statement measurement currency, are summarized in the following table:

Net assets (liabilities)	**U.S. dollar**	**Euro**	**Pound sterling**	**Canadian dollar**	**Other currencies**	**Total**
	$	$	$	$	$	$
2025						
Financial statement measurement currency of the group's companies						
U.S. dollar	—	—	—	**68**	**(1,656)**	**(1,588)**
Pound sterling	**66**	**6**	—	**441**	—	**513**
Canadian dollar	**(1,287,181)**	**(18,432)**	**8,037**	—	**(2,323)**	**(1,299,899)**
Other currencies	**602**	**35**	—	—	**909**	**1,546**
Total	**(1,286,513)**	**(18,391)**	**8,037**	**509**	**(3,070)**	**(1,299,428)**

For the year ended October 31, 2025, a 1% appreciation in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in an $8,631 increase in the Corporation's net income for the year, whereas other comprehensive income would have decreased by $619. Conversely, a 1% depreciation in the Canadian dollar against the other currencies, assuming that all other variables had remained the same, would have resulted in a $1,993 decrease in the Corporation's net income for the year, whereas other comprehensive income would have increased by $619. Also, for sensitivity analysis purposes, the impact of any other single currency on the Corporation's net income would not be material.

As at October 31, 2025, 41% of estimated requirements for fiscal 2026 were covered by foreign exchange derivatives [36% of the estimated requirements for fiscal 2025 were covered by foreign exchange derivatives as at October 31, 2024].

Risk of fluctuations in fuel prices

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

For the year ended October 31, 2025, a 10% increase in fuel prices, assuming that all other variables had remained the same, would have resulted in a $624 increase in the Corporation's net income. A 10% decrease in fuel prices, assuming that all other variables had remained the same, would have resulted in a $4,473 decrease in the Corporation's net income.

As at October 31, 2025, 28% of estimated requirements for fiscal 2026 were covered by fuel-related derivatives [29% of the estimated requirements for fiscal 2025 were covered by fuel-related derivatives as at October 31, 2024].

Interest rate risk

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

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

For the year ended October 31, 2025, a 25-basis point increase or decrease in interest rates, assuming that all other variables had remained the same, would have resulted in a $1,644 increase or decrease in the Corporation's net loss.

Capital risk management

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

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

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

	2025	2024
	$	$
Total net debt		
Long-term debt	**200,818**	682,295
Deferred government grant	**199,182**	120,784
Liability related to warrants	**14,235**	8,519
Lease liabilities	**1,347,396**	1,465,722
Cash and cash equivalents	**(164,920)**	(260,336)
	1,596,711	2,016,984
Number of outstanding shares (in thousands)	**40,380**	39,266
Closing share price	**2.11**	1.76
Market capitalization	**85,202**	69,108
Total net debt	**1,596,711**	2,016,984
Total capitalization	**1,681,913**	2,086,092
Total net debt/Total capitalization ratio	**94.9%**	96.7%

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

Note 8 Deposits

	As at October 31, 2025	As at October 31, 2024
	$	$
Maintenance deposits with lessors	**232,258**	191,527
Deposits with credit card processors	**113,652**	114,806
Deposits on leased aircraft and engines	**52,768**	50,937
Deposits with suppliers	**10,738**	9,915
	409,416	367,185
Less current portion	**126,223**	126,798
	283,193	240,387

Note 9 Property, plant and equipment

	Leasehold improvements Fleet	Aircraft equipment	Office furniture and equipment	Land, building and leasehold improvements	Right of use Fleet	Right of use Real estate and other	Total
	$	$	$	$	$	$	$
Cost							
Balance as at October 31, 2024	107,485	170,530	39,497	18,564	2,108,287	113,899	2,558,262
Additions	582	52,186	3,792	45	125,597	3,271	185,473
Disposals	—	(57,043)	—	(30)	—	—	(57,073)
Write-offs	—	(7,311)	(2,077)	—	(27,632)	(3,465)	(40,485)
Exchange difference	—	—	(48)	(64)	—	25	(87)
Balance as at October 31, 2025	108,067	158,362	41,164	18,515	2,206,252	113,730	2,646,090
Accumulated depreciation							
Balance as at October 31, 2024	78,459	82,380	33,269	12,518	894,563	78,202	1,179,391
Depreciation	7,582	17,126	3,242	643	218,781	5,776	253,150
Disposals	—	(511)	—	—	—	—	(511)
Write-offs	—	(7,311)	(2,077)	—	(27,632)	(3,465)	(40,485)
Exchange difference	—	—	(48)	(37)	—	26	(59)
Balance as at October 31, 2025	86,041	91,684	34,386	13,124	1,085,712	80,539	1,391,486
Net book value as at October 31, 2025	22,026	66,678	6,778	5,391	1,120,540	33,191	1,254,604

	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, 2023	105,491	161,874	39,506	16,746	1,674,883	113,832	2,112,332
Additions	1,999	77,621	1,949	398	470,071	3,121	555,159
Reclassification	—	—	(1,859)	1,859	—	—	—
Disposals	—	(66,046)	(27)	(32)	(10,409)	—	(76,514)
Write-offs	(5)	(2,919)	(14)	(324)	(26,258)	(3,102)	(32,622)
Exchange difference	—	—	(58)	(83)	—	48	(93)
Balance as at October 31, 2024	107,485	170,530	39,497	18,564	2,108,287	113,899	2,558,262
Accumulated depreciation							
Balance as at October 31, 2023	70,300	94,697	29,867	12,220	746,306	75,833	1,029,223
Depreciation	8,164	15,150	3,508	704	184,526	5,460	217,512
Disposals	—	(24,548)	(27)	(32)	(10,011)	—	(34,618)
Write-offs	(5)	(2,919)	(14)	(324)	(26,258)	(3,102)	(32,622)
Exchange difference	—	—	(65)	(50)	—	11	(104)
Balance as at October 31, 2024	78,459	82,380	33,269	12,518	894,563	78,202	1,179,391
Net book value as at October 31, 2024	29,026	88,150	6,228	6,046	1,213,724	35,697	1,378,871

Property, plant and equipment related to the fleet

During the fiscal year ended October 31, 2025, the Corporation acquired three spare Pratt & Whitney GTF engines under sale and leaseback transactions. The Corporation measured the right-of-use assets arising from these transactions at the proportion of the previous carrying amounts of the assets that relate to the rights of use retained by the Corporation. Accordingly, the Corporation recognized a gain on the sale and leaseback of assets of $19,243 *[Note 19]*, which represents the excess of the proceeds from disposal over the lease liabilities and the change in assets related to the transactions. Total proceeds received amounted to $92,065, and the Corporation recorded right-of-use assets of $25,983 and lease liabilities of $42,273, while the carrying amount of the engines sold was $56,532. The spare engines will continue to be operated under 5- and 10-year leases entered into under these sale and leaseback transactions.

During the fiscal year ended October 31, 2024, the Corporation acquired a spare Pratt & Whitney GTF engine under sale and leaseback transactions that also involved two engines already owned by the Corporation. The Corporation recognized a gain on the sale and leaseback of assets of $18,711 *[Note 19]*, which represents the excess of the proceeds from disposal over the lease liability and the change in assets related to the transactions. Total proceeds received amounted to $87,488, and the Corporation recorded right-of-use assets of $26,793 and lease liabilities of $54,322, while the carrying amount of the engines sold was $41,248. The spare engines will continue to be operated under 10-year leases entered into under these sale and leaseback transactions.

During the year ended October 31, 2024, three Airbus A330s and four Airbus A321LRs were commissioned.

Note 10 Intangible assets

	Software	Trademarks	Customer lists	Total
	$	$	$	$
Cost				
Balance as at October 31, 2024	**163,730**	**20,486**	**12,594**	**196,810**
Additions	**11,554**	**—**	**—**	**11,554**
Write-offs and impairment	**(178)**	**—**	**—**	**(178)**
Exchange difference	**100**	**48**	**—**	**148**
Balance as at October 31, 2025	**175,206**	**20,534**	**12,594**	**208,334**
Accumulated amortization and impairment				
Balance as at October 31, 2024	**152,965**	**18,193**	**12,594**	**183,752**
Amortization	**3,647**	**—**	**—**	**3,647**
Write-offs and impairment	**(178)**	**—**	**—**	**(178)**
Exchange difference	**83**	**—**	**—**	**83**
Balance as at October 31, 2025	**156,517**	**18,193**	**12,594**	**187,304**
Net book value as at October 31, 2025	**18,689**	**2,341**	**—**	**21,030**

	Software	Trademarks	Customer lists	Total
	$	$	$	$
Cost				
Balance as at October 31, 2023	162,701	20,378	12,594	195,673
Additions	2,514	—	—	2,514
Write-offs and impairment	(1,709)	—	—	(1,709)
Exchange difference	224	108	—	332
Balance as at October 31, 2024	163,730	20,486	12,594	196,810
Accumulated amortization and impairment				
Balance as at October 31, 2023	150,115	18,193	12,594	180,902
Amortization	4,358	—	—	4,358
Write-offs and impairment	(1,709)	—	—	(1,709)
Exchange difference	201	—	—	201
Balance as at October 31, 2024	152,965	18,193	12,594	183,752
Net book value as at October 31, 2024	10,765	2,293	—	13,058

Note 11 Trade and other payables

	2025	2024
	$	$
Trade payables	**202,510**	224,534
Salaries and employee benefits payable	**118,927**	87,951
Accrued expenses	**45,678**	33,679
Government remittances	**9,825**	17,725
	376,940	363,889

Note 12 Long-term debt and lease liabilities

The following table details the maturities and weighted average interest rates related to long-term debt and lease liabilities as at October 31, 2025 and October 31, 2024. The current portion of long-term debt and lease liabilities as at October 31, 2024 included $23,536 in deferred rent payments related to aircraft leases.

	Final maturity	Weighted average effective interest rate	As at October 31, 2025	As at October 31, 2024
		%	$	$
Long-term debt				
Subordinated debt - LEEFF	**2035**	**14.89**	**66,052**	359,556
Unsecured debenture - LEEFF	**2035**	**17.32**	**54,766**	—
Subordinated working capital facility - LEEFF	**2035**	**7.00**	**30,000**	—
Unsecured credit facility - Travel credits	**2025**	**14.00**	**—**	231,339
Secured debt - LEEFF	**2025**	**7.50**	**—**	41,400
Revolving credit facility	**2028**	**7.34**	**50,000**	50,000
Long-term debt		**12.49**	**200,818**	682,295
Lease liabilities				
Fleet	**2026-2036**	**6.42**	**1,307,596**	1,425,144
Real estate and other	**2026-2037**	**5.48**	**39,800**	40,578
Lease liabilities		**6.39**	**1,347,396**	1,465,722
Total long-term debt and lease liabilities		**7.18**	**1,548,214**	2,148,017
Current portion of long-term debt			**(25,000)**	—
Current portion of lease liabilities			**(147,666)**	(176,920)
Current portion of long-term debt and lease liabilities			**(172,666)**	(176,920)
Long-term debt and lease liabilities			**1,375,548**	1,971,097

Funding from the Government of Canada

On July 10, 2025, the Corporation completed its debt restructuring with the Canada Enterprise Emergency Funding Corporation ("CEEFC") under the Large Employer Emergency Financing Facility ("LEEFF"). Under this restructuring, the Secured debt – LEEFF was fully repaid, the terms of the Subordinated debt – LEEFF were amended, the Unsecured credit facility - Travel credits was converted into an unsecured debenture and Series 4 Preferred Shares *[see Note 16],* and the terms of the warrants were amended *[see Note 13]*. The CEEFC also granted the Corporation a subordinated working capital facility under certain conditions.

Under the credit agreements entered into with the CEEFC, the Corporation has made certain commitments, in particular with respect to:

- Complying with restrictions on dividends, stock repurchases and executive compensation;
- Maintaining active employment at a certain level;
- Maintaining spending levels with Canadian suppliers.

The credit facilities made available to the Corporation by the CEEFC are as follows:

Subordinated debt - LEEFF

On July 10, 2025, as part of its debt restructuring, certain terms and conditions of the Corporation's second-ranking, non-renewable Subordinated debt – LEEFF agreement were amended. Under the amended agreement, the principal amount was reduced from $370,739 to $175,000 and its maturity date was extended to July 10, 2035. The agreement now bears interest at 1.22% until July 10, 2028, at which time it increases to 3.0% until maturity. Mandatory prepayments may be required by the CEEFC as a result of certain events, including, but not limited to, sale and leaseback transactions, asset sales and share issuances. The Corporation would then have to repay an amount equivalent to 50% of the amounts received. In addition, mandatory prepayments may be required until July 10, 2030 in the event that cash flows generated and cash balances exceed certain thresholds. 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 comply with certain financial covenants. As of October 31, 2025, the financial covenants were met. The credit facility includes a prepayment option, which is an embedded derivative, the fair value of which is recorded as a reduction of 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 income (loss) under Change in fair value of derivatives. As at October 31, 2025, the fair value of the prepayment option was nil.

The Corporation concluded that the amendments to its debt agreement renegotiated on July 10, 2025 were substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, on July 10, 2025, the Corporation derecognized the original liability with a carrying amount of $370,739 and recognized a new financial liability amounting to $63,912 and a deferred government grant amounting to $111,088. The Corporation recognized a $190,457 gain on long-term debt extinguishment, net of $5,282 in transaction costs in respect of this agreement.

On January 31, 2025, the Corporation renegotiated its Unsecured debt – LEEFF agreement with an initial principal amount of $312,000, mainly to extend the maturity date to April 29, 2027 (previously April 29, 2026) and convert it into a non-renewable, second-ranking subordinated agreement (previously an unsecured, non-renewable credit facility). The credit facility bore interest at 8.0% until December 31, 2024, after which it bears interest at 10.0% until December 31, 2025, increasing by 2.0% annually thereafter. The interest was capitalizable until December 31, 2024. In the event of a change of control, this credit facility was to become immediately due and payable.

The Corporation concluded that the amendments to its debt agreement renegotiated on January 31, 2025 were non-substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, as at January 31, 2025, the carrying amount of the Subordinated debt - LEEFF was adjusted downward to reflect the revised amount of future cash flows discounted using the original effective interest rate. The $216 adjustment was recognized as a gain on long-term debt modification and included in the gain on long-term debt extinguishment in the consolidated statement of income (loss).

As at October 31, 2025 and 2024, the credit facility was fully drawn down and its carrying amount stood at $66,052 as at October 31, 2025 [$359,556 as at October 31, 2024]. As at October 31, 2025, an amount of $108,948 was also recognized as a deferred government grant related to the Subordinated debt – LEEFF. During the year ended October 31, 2025, an amount of $2,140 [nil during the year ended October 31, 2024] was recognized as proceeds from government grants as a reduction of financing costs.

Unsecured debenture – LEEFF

An initial amount of $158,735, in the form of an unsecured debenture, maturing on July 10, 2035, bearing no interest for the first five years and bearing interest at a rate of 7.0% as of July 11, 2030, increasing by 1.0% per annum thereafter, and repayable as of July 10, 2030 by annual principal payments of $15,873. Mandatory prepayments may be required by the CEEFC as a result of certain events, including, but not limited to, sale and leaseback transactions, asset sales and share issuances. The Corporation would then have to repay an amount equivalent to 50% of the amounts received. In addition, mandatory prepayments may be required until July 10, 2030 in the event that cash flows generated and cash balances exceed certain thresholds. In the event of a change of control, the unsecured debenture becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at October 31, 2025, the financial covenants were met.

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025 *[see Note 9]*, and at the request of the CEEFC, the Corporation made a mandatory principal prepayment of $13,735 on its unsecured debenture. As at October 31, 2025, the principal balance payable amounted to $145,000 [nil as at October 31, 2024] As at October 31, 2025, the carrying amount of the unsecured debenture stood at $54,766, [nil as at October 31, 2024], and an amount of $90,234 [nil as at October 31, 2024 was also recognized as a deferred government grant related to this debenture. During the year ended

October 31, 2025, proceeds from government grants of $3,103 [nil during the year ended October 31, 2024] were recorded as a reduction of financing costs.

Subordinated working capital facility – LEEFF

Since July 10, 2025, the Corporation has had a $50,000 second-ranking subordinated working capital facility agreement for its operations that will increase to $75,000 once the Corporation has repaid an amount of $25,000 on its revolving term credit facility. The agreement expires on July 10, 2035 and becomes immediately due and payable in the event of a change in control. Drawdowns may be made up to the cumulative mandatory prepayments made on the Subordinated debt – LEEFF and unsecured debenture, up to the Series 4 Preferred Share redemptions and up to certain cash thresholds. Repayments become due under certain financial conditions and cash thresholds. The agreement bears interest at the rate of 7.0% until July 10, 2026 and thereafter at the 3-month CORRA rate plus a premium of 4.5% calculated on each anniversary date. Under the terms of the agreement, the Corporation is required to meet certain financial covenants. On August 20, 2025, following the $13,735 mandatory principal prepayment of its unsecured debenture and the redemption of 6,243,026 Series 4 Preferred Shares for an amount of $16,265, the Corporation drew down $30,000 from its subordinated working capital facility. As at October 31, 2025, the financial covenants were met, and an amount of $30,000 was drawn down under this credit facility.

Unsecured credit facility – Travel credits

On July 10, 2025, as part of its debt restructuring, the Corporation's $353,300 unsecured credit facility related to travel credits, which was contracted to provide refunds to travellers who were scheduled to depart on or after February 1, 2020 and for whom travel credits were issued as a result of COVID-19, was fully converted into an unsecured debenture amounting to $158,735 and 9,934,617 Series 4 Preferred Shares with a value of $16,265.

The Corporation concluded that the amendments to its debt agreement renegotiated on July 10, 2025 were substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, on July 10, 2025, the conversion of this credit facility resulted in the derecognition of its original liability with a carrying amount of $251,210 and the related deferred government grant balance of $100,788. It also resulted in the recognition of the unsecured debenture of $65,398, a deferred government grant of $93,337 and 9,934,617 Series 4 Preferred Shares amounting to $27,778. The Corporation recognized a gain on long-term debt extinguishment of $159,841, net of transaction costs of $5,644, in respect of this conversion.

The $353,300 unsecured credit facility related to travel credits was to mature on April 29, 2028 and bore interest at 1.22%. In the event the Secured debt – LEEFF and the Subordinated debt – LEEFF had not been repaid, this credit facility was to 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, the credit facility was fully drawn down, and the carrying amount of the credit facility stood at $231,339. An amount of $120,784 was also recognized as a deferred government grant related to these drawdowns. During the year ended October 31, 2025, proceeds from government grants of $19,996 were recorded as a reduction of financing costs.

Secured debt - LEEFF

On July 10, 2025, as part of its debt restructuring, the Corporation repaid in full the $41,400 principal balance of its Secured debt – LEEFF.

On January 31, 2025, the Corporation renegotiated its Secured debt – LEEFF agreement with an original principal amount of $78,000, including the extension of the maturity date to November 1, 2026 (previously February 1, 2026). The credit facility was secured by a first-ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bore interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) rate (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 was to become immediately due and payable. Under the terms of the agreement, the Corporation was required to meet certain financial ratios and covenants. During the year ended October 31, 2024, the Corporation made an $11,000 repayment. As at October 31, 2024, the credit facility was fully drawn down, and the carrying amount stood at $41,400.

The Corporation concluded that the modification related to the extension of the maturity date renegotiated on January 31, 2025, was non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded in relation to these amendments made on January 31, 2025.

Other credit facilities

Revolving credit facility

On July 10, 2025, as part of the restructuring of its long-term debt, the Corporation committed to repay by January 15, 2026 an amount of $25,000 from its $50,000 revolving term credit agreement for the purpose of its operations. On September 5, 2025, the Corporation renegotiated its agreement primarily to extend the maturity date to November 1, 2027. Prior to that, on January 31, 2025, the Corporation renegotiated its revolving term credit facility agreement, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). 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 bears interest at the Adjusted Term CORRA rate or SOFR (Secured Overnight Financing Rate) 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, 2025, the financial ratios and covenants were met. As at October 31, 2025 and October 31, 2024, the credit facility was fully drawn down. On November 21, 2025, the revolving term credit facility agreement was amended to modify certain financial conditions.

Revolving credit facility agreement – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at October 31, 2025, $68,834 was drawn down under the facility [$69,595 as at October 31, 2024], $35,589 of which was to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the years ended October 31, 2025 and 2024, is detailed as follows:

		Years ended October 31
	2025	**2024**
	$	**$**
Interest expense on lease liabilities	**87,843**	76,025
Interest expense on long-term debt	**42,550**	59,598
Accretion on provision for return conditions	**5,297**	6,804
Other interest and costs	**1,714**	3,037
Financing costs	**137,404**	145,464

Rent expense

Rent expense for the years ended October 31, 2025 and 2024, is detailed as follows:

		Years ended October 31
	2025	**2024**
	$	**$**
Variable lease payments	**3,773**	3,604
Short-term leases	**2,321**	5,959
Aircraft rent	**6,094**	9,563
Short-term leases	**6,190**	9,022
Low value leases and variables lease payments	**332**	610
	12,616	19,195

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the years ended October 31, 2025 and 2024:

	2025			**2024**		
	Cash flows	**Non-cash changes**	**Total**	**Cash flows**	**Non-cash changes**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Opening balance			**1,465,722**			1,221,451
Repayments	**(191,732)**	**—**	**(191,732)**	(185,280)	4,028	(181,252)
New lease liabilities (new contracts and amendments)	**—**	**84,685**	**84,685**	—	417,560	417,560
Interest portion of deferred rent payments	**—**	**399**	**399**	—	1,826	1,826
Offset of rent payments	**—**	**(19,320)**	**(19,320)**	—	—	—
Lease terminations	**—**	**—**	**—**	—	(398)	(398)
Exchange difference	**—**	**7,642**	**7,642**	—	6,535	6,535
Closing balance	**(191,732)**	**73,406**	**1,347,396**	(185,280)	429,551	1,465,722

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at October 31, 2025 is detailed as follows. Interest on long-term debt only includes interest payable as at October 31, 2025. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.4013 as at October 31, 2025:

Year ending October 31	**2026**	**2027**	**2028**	**2029**	**2030**	**2031 and up**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Long-term debt obligations	**25,000**	**30,000**	**25,000**	**—**	**—**	**120,818**	**200,818**
Fleet	248,441	249,726	235,459	213,895	193,644	553,802	**1,694,967**
Real estate and other	6,867	8,260	4,434	5,195	4,998	20,079	**49,833**
Lease liabilities	**255,308**	**257,986**	**239,893**	**219,090**	**198,642**	**573,881**	**1,744,800**
Total	**280,308**	**287,986**	**264,893**	**219,090**	**198,642**	**694,699**	**1,945,618**

Note 9 provides the information required for right-of-use assets and depreciation. Note 22 details the information required with respect to leases of aircraft that will be delivered in the coming years.

Note 13 Liability related to warrants

In the context of the initial financing arrangement related to the Subordinated debt – LEEFF *[Note 12]*, on April 29, 2021, the Corporation issued to the Government of Canada 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, and that were exercisable prior to April 29, 2031. On July 10, 2025, as part of its debt restructuring *[see Note 12]*, the maturity date of the 13,000,000 existing warrants was extended to July 10, 2035. The Corporation measured the fair value of the warrants at the debt restructuring date, using the original and revised terms, and recognized the resulting $5,182 fair value loss as a reduction of the gain on long-term debt extinguishment.

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. Lastly, in the event that the Subordinated 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, 2025 and 2024, a total of 13,000,000 warrants had vested under the drawdowns on the Subordinated 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 10,032,045 warrants could be exercised through the issuance of shares;
- 2,967,955 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 10,032,045 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 10,032,045 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. The liability related to warrants is remeasured at the end of each period at fair value through net income. It is classified at Level 3 in the fair value hierarchy. The fair value of the liability related to warrants is determined using the Black-Scholes valuation model, which uses significant data not based on observable market data, hence their classification in Level 3.

The change in the liability related to warrants is detailed as follows:

	Year ended October 31, 2025	Year ended October 31, 2024
	$	**$**
Opening balance	**8,519**	20,816
Revaluation of liability related to warrants	**534**	(12,297)
Loss on long-term debt extinguishment	**5,182**	—
Closing balance	**14,235**	8,519

To remeasure the liability related to warrants, classified in Level 3, the Corporation used a Black-Scholes valuation model. As at October 31, 2025, the primary unobservable input used in the model was expected volatility, which was estimated at 55.3%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of $775 in the liability related to warrants as at October 31, 2025.

Note 14 Provision for return conditions

The change in the provision for return conditions is detailed as follows:

	Year ended October 31, 2025	Year ended October 31, 2024
	$	$
Opening balance	**174,368**	177,832
Additional provisions	**24,081**	26,604
Changes in estimates	**—**	(41,715)
Unused amounts reversed	**(8,030)**	(4,878)
Effect of discount rate changes	**5,908**	9,589
Accretion	**5,297**	6,804
Foreign exchange loss	**1,076**	132
Closing balance	**202,700**	174,368
Current provisions	**1,581**	—
Non-current provisions	**201,119**	174,368
Closing balance	**202,700**	174,368

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. Provisions for return conditions include actual costs of work and estimates of the inflation of those costs and of the forecasted aircraft and engine utilization. The provision for return conditions applies to leases that expire between 2025 and 2036 with an average remaining term of 5.7 years.

As at October 31, 2025, a 1% increase in estimated inflation, assuming that all other variables had remained the same, would have resulted in a $4,439 increase in the balance of the provision for return conditions. Conversely, a 1% decrease in estimated inflation, assuming that all other variables had remained the same, would have resulted in a $4,212 decrease in the balance of the provision for return conditions. As at October 31, 2025, a 1% increase in discount rates, assuming that all other variables remained the same, would have resulted in a $10,163 decrease in the balance of the provision for return conditions. Conversely, a 1% decrease in discount rates, assuming that all other variables remained the same, would have resulted in a $10,912 increase in the balance of the provision for return conditions.

Note 15 Employee future benefits

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

Defined benefit arrangements and post-employment benefits

The defined benefit pension arrangements offered to certain senior executives provide for payment of benefits based on the number of years of eligible service provided and the average eligible earnings for the five years in which the participant's eligible earnings were the highest. These arrangements are not funded; however, to secure its obligations related to defined benefit pension arrangements, the Corporation has issued a $35,589 letter of credit to the trustee *[see Note 4]*. The Corporation uses an actuarial estimate to measure its obligations as at October 31 each year.

The following table provides a reconciliation of changes in the defined benefit obligation as at October 31, 2025 and 2024:

	2025	2024
	$	$
Present value of obligations, beginning of year	**25,305**	20,961
Current service cost	**786**	630
Cost of plan amendments	**775**	1,228
Interest cost	**1,243**	1,249
Benefits paid	**(1,249)**	(1,249)
Experience gain	**(31)**	(265)
Actuarial loss (gain) on obligation	**—**	2,751
Present value of obligations, end of year	**26,829**	25,305

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

	2025	2024
	$	$
Current service cost	**786**	630
Cost of plan amendments	**775**	1,228
Interest cost	**1,243**	1,249
Total retirement benefit expense	**2,804**	3,107

The following table indicates projected payments under defined benefit pension plan arrangements as at October 31, 2025:

	$
1 year or less	**1,493**
1 to 5 years	**5,995**
5 to 10 years	**8,395**
10 to 15 years	**9,653**
15 to 20 years	**8,340**
	33,876

The weighted average duration of the defined benefit obligation related to pension arrangements was 13.2 years as at October 31, 2025.

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

	2025	2024
	%	%
Retirement benefit obligation		
Discount rate	**4.75**	4.75
Rate of increase in eligible earnings	**2.75**	2.75
Retirement benefit expense		
Discount rate	**4.75**	5.75
Rate of increase in eligible earnings	**2.75**	2.75

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

	Retirement benefit expense for the year ended October 31, 2025	Retirement benefit obligation as at October 31, 2025
Increase (decrease)	$	$
Discount rate	**(14)**	**(824)**
Rate of increase in eligible earnings	**11**	**65**

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

	2025	2024
	$	$
Plan assets at fair value	**—**	—
Accrued benefit obligation	**26,829**	25,305
Retirement benefit deficit	**26,829**	25,305

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

Gains (losses)	$
October 31, 2023	(8,806)
Actuarial losses	(2,486)
Income taxes	1,855
October 31, 2024	**(9,437)**
Actuarial gains	**31**
October 31, 2025	**(9,406)**

Defined contribution pension plans

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

Contributions to defined contribution pension plans, which correspond to the cost recognized, amounted to $21,010 for the year ended October 31, 2025 [$19,647 for the year ended October 31, 2024].

Note 16 Equity

Authorized share capital

Class A Variable Voting Shares

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

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

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

Class B Voting Shares

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

Preferred shares

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

Series 4 Preferred Shares

An authorized number of 9,934,617 Series 4 Preferred Shares, non-voting, bearing dividends at the same amount and at the same time as any dividends declared on the Class A Variable Voting Shares and Class B Voting Shares, redeemable at the Corporation's option at a price per share equal to the higher of $1.64 per share or the fair value of the Class B Voting Shares, redeemable at the holder's option upon a change of control, and convertible at the holder's option into Class B Voting Shares as of the date on which Series 4 Preferred Shares are redeemed for a total amount of $16,265, insofar as the holder shall not hold more than 19.9% of the Class B Voting Shares outstanding as a result of the conversion.

Issued and outstanding share capital

Voting shares

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

	Number of shares	$
Balance as at October 31, 2023	38,489,358	223,450
Issued from treasury	776,833	1,988
Balance as at October 31, 2024	39,266,191	225,438
Issued from treasury	1,114,050	1,927
Balance as at October 31, 2025	**40,380,241**	**227,365**

As at October 31, 2025, the number of Class A Shares and Class B Shares stood at 2,691,056 and 37,689,185, respectively [1,521,678 and 37,744,513 as at October 31, 2024].

Preferred shares

As part of the debt restructuring transaction *[see Note 12]*, specifically in the context of the conversion of the Unsecured credit facility - Travel credits, the Corporation issued 9,934,617 Series 4 Preferred Shares with a value of $16,265 or $1.64 per share, reflecting the five-day volume weighted average price (VWAP) of the Corporation's Class B Voting Shares and Class A Variable Voting Shares on the Toronto Stock Exchange on the date prior to the announcement of the agreement in principle with the CEEFC on June 5, 2025.

As the Series 4 Preferred Shares are redeemable at the holder's option, they are recognized as a derivative financial liability of the Corporation. The Series 4 Preferred Shares are accounted for as a debt host contract at amortized cost with an embedded conversion option recognized at each period-end at fair value through profit or loss and are classified as Level 1 in the fair value hierarchy. At the July 10, 2025 issuance date, the fair value of the 9,934,617 Series 4 Preferred Shares was estimated at $27,778 based on a price per share of $2.80.

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025 *[see Note 9]* and at the request of the CEEFC, the Corporation redeemed 6,243,026 Series 4 Preferred Shares for a total amount of $16,265 or $2.60 per share. Following this redemption, no other Series 4 Preferred Shares may be purchased at the holder's option.

As at October 31, 2025, the fair value of the 3,691,591 Series 4 Preferred Shares was estimated to be $7,948 based on a price per share of $2.15, being the five-day VWAP of the Corporation's Class B Voting Shares and Class A Variable Voting Shares on the Toronto Stock Exchange on that date.

The change in the liability related to Series 4 Preferred Shares is detailed as follows:

	Number of shares	Weighted average price ($)	$
Balance as at October 31, 2024	—		—
Preferred shares issued	9,934,617	2.80	27,778
Preferred shares redeemed	(6,243,026)	2.60	(16,265)
Revaluation of liability related to preferred shares			(3,565)
Balance as at October 31, 2025	**3,691,591**	**2.15**	**7,948**

Stock option plan

Under the stock option plan, the Corporation may grant up to a maximum of 1,587,355 additional Class A Shares or Class B Shares to eligible persons at a share price equal to the weighted average price of the shares during the five trading days prior to the option grant date. The option exercise period and the vesting conditions, if any, are determined at each grant. The options granted are exercisable over a seven-year period. Under the plan, in the event of a change of control, all outstanding stock options vest.

The following tables summarize all outstanding options:

	2025		2024	
	Number of options	Weighted average price ($)	Number of options	Weighted average price ($)
Beginning of year	**369,702**	**5.13**	425,904	5.32
Granted	**—**	**—**	100,000	3.90
Cancelled	**—**	**—**	(156,202)	4.86
Expired	**(69,702)**	**10.17**	—	—
End of year	**300,000**	**3.96**	369,702	5.13
Options exercisable, end of year	**183,334**	**4.13**	42,583	10.94

		Outstanding options		Options exercisable	
Range of exercise price	Number of options outstanding as at October 31, 2025	Weighted average remaining life	Weighted average price	Number of options exercisable as at October 31, 2025	Weighted average price
$			$		$
3.39 to 4,18	**300,000**	**4.2**	**3.96**	**183,334**	**4.13**

Compensation expense related to stock option plan

During the year ended October 31, 2025, the Corporation did not grant any stock options [100,000 in 2024] to its key executives and employees. The average fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used and the weighted average fair value of the options on the date of grant were as follows:

	2025	2024
Risk-free interest rate	—	3.32%
Expected life	—	4 years
Expected volatility	—	56.6%
Dividend yield	—	0.0%
Weighted average fair value at date of grant	—	$1.82

During the year ended October 31, 2025, the Corporation recorded a compensation expense reversal of $171 [compensation expense reversal of $46 in 2024] for its stock option plan.

Performance share unit plan

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

During the years ended October 31, 2025 and 2024, the Corporation did not grant any PSUs to its key executives and employees. As at October 31, 2025 and 2024, no PSUs had been awarded. During the years ended October 31, 2025 and 2024, the Corporation did not recognize any compensation expense for its performance share unit plan.

Share purchase plan

A share purchase plan is available to eligible employees of the Corporation and its subsidiaries. Under the plan, as at October 31, 2025, the Corporation was authorized to issue up to 1,287,639 shares. The plan allows eligible employees to purchase shares up to an overall limit of 10% of their annual salary in effect at the time of enrolment. The purchase price of the shares under the plan is equal to the weighted average price of the shares during the five trading days prior to the issue of the shares, less 10%.

During fiscal 2025, the Corporation issued 1,114,050 shares [776,833 shares in 2024] under the share purchase plan.

Stock ownership incentive and capital accumulation plan

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

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

During the year ended October 31, 2025, the Corporation recognized compensation expense of $245 [$256 in 2024] for its stock ownership incentive and capital accumulation plan.

Permanent stock ownership incentive plan

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

During the year ended October 31, 2025, the Corporation recognized compensation expense of $121 [$142 in 2024] for its permanent stock ownership incentive plan.

Deferred share unit plan

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

As at October 31, 2025, the number of DSUs awarded amounted to 631,415 [428,728 as at October 31, 2024]. During the year ended October 31, 2025, the Corporation recorded a compensation expense of $578 [compensation expense reversal of $26 in 2024] for its deferred share unit plan.

Restricted share unit plan

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

As at October 31, 2025 and 2024, no RSUs had been awarded. During the years ended October 31, 2025 and 2024, the Corporation recorded no compensation expense for its restricted share unit plan.

Warrants

No warrants were exercised during the years ended October 31, 2025 and 2024. Accordingly, the Corporation issued no shares related to the exercise of warrants *[Note 13]*.

Earnings (loss) per share

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

(in thousands of dollars, except per share data)	**2025** **$**	**2024** **$**
NUMERATOR		
Net income (loss) used in computing basic earnings (loss) per share	**241,916**	(114,030)
Effect of deemed conversion of warrants and preferred shares	**(3,031)**	(12,297)
Less anti-dilutive impact	**(534)**	12,297
Net income (loss) used in computing diluted earnings (loss) per share	**238,351**	(114,030)
DENOMINATOR		
Adjusted weighted average number of outstanding shares	**39,903**	38,839
Effect of potential dilutive securities		
Preferred shares	**1,742**	—
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	**41,645**	38,839
Earnings (loss) per share		
Basic	**6.06**	(2.94)
Diluted	**5.72**	(2.94)

For the year ended October 31, 2025, a total of 300,000 outstanding stock options and the 10,032,045 vested warrants that can be exercised through the issuance of shares were excluded from the calculation since their exercise price exceeded the Corporation's average share price for the year [342,583 stock options and 9,755,270 warrants for the year ended October 31, 2024].

Note 17 Additional disclosure on revenue and expenses

Breakdown of revenues from contracts with customers

Revenues from contracts with customers is broken down as follows:

	2025	2024
	$	$
Customers		
Americas	**2,001,031**	1,955,183
Transatlantic	**1,334,290**	1,268,494
Other	**63,182**	60,073
Total revenues	**3,398,503**	3,283,750

During the year ended October 31, 2025, financial compensation of $32,373 was received and recognized in other revenues following an agreement entered into with the original equipment manufacturer of the GTF engines [$33,633 during the year ended October 31, 2024].

Contract balances

Contract balances with customers are detailed as follows:

	2025	2024
	$	$
Credit card processor receivables *[Note 5]*	**54,082**	41,904
Trade accounts receivable *[Note 5]*	**7,943**	14,330
Contract costs, included in Prepaid expenses	**16,165**	14,079
Customer deposits and deferred revenues	**823,276**	781,156

Salaries and employee benefits

	2025	2024
	$	$
Salaries and other employee benefits	**539,693**	529,008
Long-term employee benefits *[Note 15]*	**2,804**	3,107
Share-based payment expense (reversal)	**171**	(46)
	542,668	532,069

Depreciation and amortization

	2025	2024
	$	$
Property, plant and equipment *[Note 9]*	**253,150**	217,512
Intangible assets subject to amortization *[Note 10]*	**3,647**	4,358
	256,797	221,870

Note 18 Restructuring costs

		Years ended October 31
	2025	**2024**
	$	**$**
Restructuring costs		
Severance	**5,663**	2,522
Staff relocation costs	**—**	644
	5,663	3,166

Restructuring costs include termination benefits related to the changes in organizational structure.

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

	2025	**2024**
	$	**$**
Opening balance	**1,030**	1,151
Additional provision	**5,663**	2,522
Utilization of provision	**(4,609)**	(2,643)
Closing balance	**2,084**	1,030

Note 19 Gain on asset disposals

The following table shows the gains on asset disposals for the following periods:

		Years ended October 31
	2025	**2024**
	$	**$**
Gain on asset disposals		
Gain on sale and leaseback of assets *[Note 9]*	**(19,243)**	(18,711)
Gain on disposal of an investment	**—**	(5,784)
Gain on asset disposals – other	—	(392)
	(19,243)	(24,887)

During the year ended October 31, 2024, the Corporation recorded a $5,784 gain on disposal of investment following the sale of its 50% interest in Desarrollo Transimar, a Mexican company operating a hotel. In addition, the Corporation recorded a $392 gain on asset disposals related to the sale of an Airbus A330 engine with a carrying amount of $250.

Note 20 Income taxes

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

Consolidated statements of income (loss)	2025	2024
	$	$
Current		
Current income taxes	**3,211**	2,242
Adjustment to taxes recoverable for prior years	**(989)**	98
	2,222	2,340
Deferred		
Relating to temporary differences	**227**	2,382
Adjustment to deferred taxes for prior years	**—**	324
	227	2,706
Income tax expense	**2,449**	5,046

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

	2025		2024	
	%	$	%	$
Income taxes at the statutory rate	**26.5**	**64,757**	26.5	(28,881)
Increase (decrease) resulting from:				
Effect of differences in Canadian and foreign tax rates	**(0.9)**	**(2,241)**	1.6	(1,716)
Global Minimum Tax ("GMT") top-up tax	**0.3**	**787**	—	—
Non-deductible (non-taxable) items	**(0.1)**	**(342)**	(7.8)	8,522
Unrecognized losses for the current year			(24.3)	26,432
Recognition of previously unrecognized temporary difference	**(24.4)**	**(59,647)**	—	—
Adjustments for prior years	**(0.4)**	**(983)**	(0.4)	422
Other	**0.0**	**118**	(0.2)	267
	1.0	**2,449**	(4.6)	5,046

The applicable statutory income tax rate was 26.5% for the year ended October 31, 2025 [26.5% for the year ended October 31, 2024].

The Corporation has been subject to the OECD Pillar Two global minimum tax regime since November 1, 2024 after the global minimum tax became effective in Canada during the third quarter of 2024. For the year ended October 31, 2025, the Corporation recognized an income tax expense of $787 related to the top-up tax for the Corporation’s Barbados operations, which equates to a 15% effective income tax rate in Barbados. The top-up tax was collected from the Corporation’s subsidiaries in Barbados under local law.

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components and changes in temporary differences in deferred tax assets and liabilities for fiscal 2025 and 2024 were as follows:

	2025				
	Balance, beginning of year	Recognized in net income (loss)	Recognized in other comprehensive income (loss)	Exchange differences	Balance, end of year
	$	$	$	$	$
Non-capital losses carried forward	**173**	**(173)**	**—**	**—**	**—**
Excess of tax value over carrying value of:					
Property, plant and equipment and software	**(349,647)**	**33,370**	**—**	**(58)**	**(316,335)**
Intangible assets, excluding software	**(117)**	**(34)**	**—**	**—**	**(151)**
Lease liabilities	**351,117**	**(38,470)**	**—**	**—**	**312,647**
Derivative financial instruments	**(1,346)**	**2,040**	**—**	**—**	**694**
Other financial assets and other assets	**(359)**	**2,966**	**—**	**—**	**2,607**
Provisions	**286**	**74**	**—**	**—**	**360**
Deferred tax	**107**	**(227)**	**—**	**(58)**	**(178)**

	2024				
	Balance, beginning of year	Recognized in net income (loss)	Recognized in other comprehensive income (loss)	Exchange differences	Balance, end of year
	$	$	$	$	$
Non-capital losses carried forward	4,985	(6,667)	1,855	—	173
Capital losses	5,689	(5,689)	—	—	—
Excess of tax value over carrying value of:					
Property, plant and equipment and software	(269,217)	(80,397)	—	(33)	(349,647)
Intangible assets, excluding software	(66)	(51)	—	—	(117)
Lease liabilities	274,096	77,021	—	—	351,117
Derivative financial instruments	(2,296)	950	—	—	(1,346)
Other financial assets and other assets	(12,499)	12,140	—	—	(359)
Provisions	299	(13)	—	—	286
Deferred tax	991	(2,706)	1,855	(33)	107

The net deferred tax assets are detailed below:

	2025	2024
	$	$
Deferred tax assets	**370**	588
Deferred tax liabilities	**(548)**	(481)
Net deferred tax assets	**(178)**	107

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

Year of expiry	Unrecognized $	Recognized $
2026 - 2030	**629**	**—**
2031 - 2035	**797**	**—**
2036- 2040	**53,463**	**—**
2041 - 2045	**669,808**	**—**
With no expiry	**1,601**	**—**
	726,298	**—**

As at October 31, 2025, non-capital losses carried forward and other unrecognized temporary differences were as follows:

	Canada			
	Federal $	Québec $	Other $	Total $
Non-capital losses carried forward	724,069	727,969	2,229	726,298
Interest expense carried forward	203,584	203,584	—	203,584
Capital losses	7	5	—	7
Excess of tax value over carrying value of:				
Property, plant and equipment and software	16,120	15,877	45	16,165
Intangible assets, excluding software	2,223	2,221	—	2,223
Lease liabilities	166,214	165,124	16	166,230
Other financial assets and other assets	591	591	—	591
Provisions	64,740	64,740	—	64,740
Employee benefits	26,829	26,829	—	26,829
	1,204,377	**1,206,940**	**2,290**	**1,206,667**

The Corporation has not recognized any deferred tax liability on its foreign subsidiaries' retained earnings, as these earnings are considered to be indefinitely reinvested. However, if these earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

Note 21 Related party transactions and balances

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

		Interest (%)	
	Country of incorporation	2025	2024
Air Transat A.T. inc.	Canada	**100.0**	100.0
Transat Tours Canada inc.	Canada	**100.0**	100.0
Transat Distribution Canada inc.	Canada	**100.0**	100.0
The Airline Seat Company Ltd.	United Kingdom	**100.0**	100.0
Air Consultants France S.A.S.	France	**100.0**	100.0
Caribbean Transportation Inc.	Barbados	**100.0**	100.0
CTI Logistics Inc.	Barbados	**100.0**	100.0
Sun Excursions Caribbean Inc.	Barbados	**100.0**	100.0
Propiedades Profesionales Dominicanas Carhel S.R.L.	Dominican Republic	**100.0**	100.0
Servicios y Transportes Punta Cana S.R.L.	Dominican Republic	**100.0**	100.0
TTDR Travel Company S.A.S.	Dominican Republic	**100.0**	100.0
Turissimo Carribe Excusiones Dominican Republic C por A	Dominican Republic	**100.0**	100.0
Turissimo Jamaica Ltd.	Jamaica	**100.0**	100.0
Promotora Turística Regional S.A. de C.V.	Mexico	**100.0**	100.0
Trafictours de Mexico S.A. de C.V.	Mexico	**100.0**	100.0

Compensation of key senior executives

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

	2025	2024
	$	$
Salaries and other employee benefits	**4,687**	5,248
Long-term employee benefits	**1,561**	1,858

Note 22 Commitments and contingencies

Leases and other commitments

As at October 31, 2025, the Corporation was party to agreements to lease four Airbus A321XLRs to be delivered in 2027 and 2028. 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 leases of aircraft 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	2026	2027	2028	2029	2030	2031 and up	Total
	$	$	$	$	$	$	$
Leases (aircraft and other)	—	11,308	38,977	38,977	38,977	339,489	**467,728**
Purchase obligations	36,993	19,118	8,550	5,106	3,228	2,672	**75,667**
	36,993	**30,426**	**47,527**	**44,083**	**42,205**	**342,161**	**543,395**

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 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 23 Guarantees

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

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

Notes 4, 12, 15 and 22 to the consolidated financial statements provide information about some of these agreements. The following constitutes additional disclosure.

Leases

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

Collateral security contracts

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

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, as required by regulatory agencies, for the performance of the obligations included in mandates of its customers during the term of the licences granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at October 31, 2025, the total amount of these guarantees unsecured by deposits totalled $3,533. Historically, the Corporation has not made any significant payments under such agreements. As at October 31, 2025, no amounts had been accrued with respect to the above-mentioned agreements.

Note 24 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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For additional information, write to the Chief Financial Officer.

Ce rapport annuel est disponible en français.

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