TRANSAT A.T. INC.
THIRD QUARTERLY REPORT
Period ended July 31, 2026

Investor Relations
Mr. Jean-François Pruneau
Chief Financial Officer

investorrelations@transat.com

Ticker symbol
TSX: TRZ

TABLE OF CONTENTS

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 quarter ended July 31, 2026, compared with the quarter ended July 31, 2025 and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2025 and the accompanying notes and the 2025 Annual Report, including the MD&A and the section on risks and uncertainties. The purpose of this document is to provide a quarter update to the information contained in the MD&A section of our 2025 Annual Report. The risks and uncertainties set out in the MD&A of the 2025 Annual Report are herein incorporated by reference and remain substantially unchanged. Unless otherwise indicated, the information contained herein is dated as of September 9, 2026. 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 quarter ended July 31, 2026, and the Annual Information Form for the year ended October 31, 2025.

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 and settle its liabilities from internally generated funds or otherwise, the Corporation's ability to maintain an adequate level of liquidity for its working capital requirements, the Corporation's ability to adequately mitigate the Pratt & Whitney GTF engine issues, fluctuations in fuel prices and exchange rates and interest rates, the availability and continuity of fuel supply at each airport served by the Corporation, 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* Optimization 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 Management's Discussion and Analysis included in our 2025 Annual Report, filed on SEDAR+ at www.sedarplus.ca.

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 the fourth quarter of 2026, the Corporation expects a 2% increase in capacity, measured in available seat-miles, compared to 2025.

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, that fuel supplies will continue to be available on terms generally consistent with those currently being offered, that fuel prices, exchange rates, selling prices and hotel and other costs remain stable, that 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. 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.

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:

	Quarters ended July 31		Nine-month periods ended July 31	
	2026	**2025**	**2026**	**2025**
(in thousands of Canadian dollars, except per share amounts)	**$**	**$**	**$**	**$**
Operating income (loss)	**(63,372)**	24,241	**(162,187)**	9,555
Depreciation and amortization	**67,272**	62,674	**194,455**	188,319
Effect of discount rate changes	**(1,752)**	(3,122)	**(11,797)**	3,141
Changes in market price of CORSIA Eligible Emissions Units	**(1,047)**	—	**(5,596)**	—
Restructuring costs	**—**	157	**220**	4,214
Premiums related to derivatives that matured during the period	**(2,050)**	(2,771)	**(3,186)**	(5,634)
Adjusted operating income (loss)	**(949)**	81,179	**11,909**	199,595
Income (loss) before income tax expense	**(105,890)**	400,578	**(213,661)**	255,668
Effect of discount rate changes	**(1,752)**	(3,122)	**(11,797)**	3,141
Changes in market price of CORSIA Eligible Emissions Units	**(1,047)**	—	**(5,596)**	—
Restructuring costs	**—**	157	**220**	4,214
Gain on asset disposals	**—**	(14,060)	**—**	(19,243)
Change in fair value of derivatives	**(8,679)**	(56,637)	**(7,732)**	32,142
Revaluation of liability related to warrants and preferred shares	**(4,326)**	5,107	**1,573**	2,981
Foreign exchange loss (gain)	**34,957**	4,869	**(738)**	(8,658)
Gain on long-term debt extinguishment	**—**	(345,116)	**—**	(345,332)
Premiums related to derivatives that matured during the period	**(2,050)**	(2,771)	**(3,186)**	(5,634)
Adjusted pre-tax loss	**(88,787)**	(10,995)	**(240,917)**	(80,721)
Net income (loss)	**(106,588)**	399,821	**(215,080)**	254,405
Effect of discount rate changes	**(1,752)**	(3,122)	**(11,797)**	3,141
Changes in market price of CORSIA Eligible Emissions Units	**(1,047)**	—	**(5,596)**	—
Restructuring costs	**—**	157	**220**	4,214
Gain on asset disposals	**—**	(14,060)	**—**	(19,243)
Change in fair value of derivatives	**(8,679)**	(56,637)	**(7,732)**	32,142
Revaluation of liability related to warrants and preferred shares	**(4,326)**	5,107	**1,573**	2,981
Foreign exchange loss (gain)	**34,957**	4,869	**(738)**	(8,658)
Gain on long-term debt extinguishment	**—**	(345,116)	**—**	(345,332)
Premiums related to derivatives that matured during the period	**(2,050)**	(2,771)	**(3,186)**	(5,634)
Adjusted net loss	**(89,485)**	(11,752)	**(242,336)**	(81,984)
Adjusted net loss	**(89,485)**	(11,752)	**(242,336)**	(81,984)
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	**41,022**	42,351	**40,777**	40,531
Adjusted net loss per share	**(2.18)**	(0.28)	**(5.94)**	(2.02)

	As at July 31, 2026	As at October 31, 2025
(in thousands of dollars)	**$**	**$**
Long-term debt	**257,735**	200,818
Deferred government grant	**189,950**	199,182
Liability related to warrants	**15,367**	14,235
Lease liabilities	**1,293,139**	1,347,396
Total debt	**1,756,191**	1,761,631
Total debt	**1,756,191**	1,761,631
Cash and cash equivalents	**(243,046)**	(164,920)
Total net debt	**1,513,145**	1,596,711

3. FINANCIAL HIGHLIGHTS

	Quarters ended July 31				Nine-month periods ended July 31			
(in thousands of Canadian dollars, except per share amounts)	2026 $	2025 $	Difference $	Difference %	2026 $	2025 $	Difference $	Difference %
Consolidated Statements of Loss								
Revenues	**792,720**	766,301	26,419	3.4	**2,691,036**	2,626,879	64,157	2.4
Operating income (loss)	**(63,372)**	24,241	(87,613)	(361.4)	**(162,187)**	9,555	(171,742)	(1,797.4)
Net income (loss)	**(106,588)**	399,821	(506,409)	(126.7)	**(215,080)**	254,405	(469,485)	(184.5)
Basic earnings (loss) per share	**(2.60)**	9.97	(12.57)	(126.1)	**(5.27)**	6.40	(11.67)	(182.3)
Diluted earnings (loss) per share	**(2.60)**	9.39	(11.99)	(127.7)	**(5.27)**	6.22	(11.49)	(184.7)
Adjusted operating income (loss)[1]	**(949)**	81,179	(82,128)	(101.2)	**11,909**	199,595	(187,686)	(94.0)
Adjusted net loss[1]	**(89,485)**	(11,752)	(77,733)	(661.4)	**(242,336)**	(81,984)	(160,352)	(195.6)
Adjusted net loss per share[1]	**(2.18)**	(0.28)	(1.90)	(678.6)	**(5.94)**	(2.02)	(3.92)	(194.1)
Consolidated Statements of Cash Flows								
Operating activities	**(220,546)**	(104,915)	(115,631)	(110.2)	**194,168**	271,505	(77,337)	(28.5)
Investing activities	**(20,715)**	31,202	(51,917)	(166.4)	**(55,467)**	19,624	(75,091)	(382.6)
Financing activities	**92,990**	(100,223)	193,213	192.8	**(60,284)**	(193,757)	133,473	68.9
Effect of exchange rate changes on cash and cash equivalents	**1,170**	(1,522)	2,692	176.9	**(291)**	(555)	264	47.6
Net change in cash and cash equivalents	**(147,101)**	(175,458)	28,357	16.2	**78,126**	96,817	(18,691)	(19.3)

	As at July 31, 2026 $	As at October 31, 2025 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	**243,046**	164,920	78,126	47.4
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**245,429**	465,592	(220,163)	(47.3)
	488,475	630,512	(142,037)	(22.5)
Total assets	**2,491,120**	2,574,563	(83,443)	(3.2)
Debt (current and non-current)	**257,735**	200,818	56,917	28.3
Total debt[1]	**1,756,191**	1,761,631	(5,440)	(0.3)
Total net debt[1]	**1,513,145**	1,596,711	(83,566)	(5.2)

[1] See the Non-IFRS Financial Measures section

4. OVERVIEW

CORE BUSINESS

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 2025 World's Best Leisure Airline by passengers at the Skytrax World Airline Awards, it flies to international destinations. Air Transat's fleet is primarily composed of some of the most energy-efficient aircraft in their category. Based in Montreal, Transat has over 5,000 employees with a common purpose to bring people closer together. (TSX: TRZ) www.transat.com

5. HIGHLIGHT OF THE QUARTER

FINANCING

On July 27, 2026, the Corporation entered into the necessary agreements with the Government of Canada to establish the Liquidity for Airline Sector Resilience facility (LASR), a new financing measure to support Canadian air carriers experiencing significant liquidity pressures, resulting in particular from higher fuel prices. This new facility was added to the loan program agreement entered into in July 2025. The amount that can be drawn down under the facility is based on incremental fuel costs incurred compared with 2025, up to a maximum of $150 million. On July 28, 2026, the Corporation made an initial $125 million drawdown under this facility.

6. CONSOLIDATED OPERATIONS

	Quarters ended July 31				Nine-month periods ended July 31			
	2026	**2025**	**Difference**	**Difference**	**2026**	**2025**	**Difference**	**Difference**
(in thousands of dollars)	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Revenues	**792,720**	766,301	26,419	3.4	**2,691,036**	2,626,879	64,157	2.4
Operating expenses								
Costs of providing tourism services	**101,705**	113,481	(11,776)	(10.4)	**772,854**	788,008	(15,154)	(1.9)
Aircraft fuel	**237,817**	159,280	78,537	49.3	**557,093**	417,643	139,450	33.4
Salaries and employee benefits	**163,032**	141,313	21,719	15.4	**454,524**	401,507	53,017	13.2
Sales and distribution costs	**48,654**	49,004	(350)	(0.7)	**197,881**	190,543	7,338	3.9
Aircraft maintenance	**59,667**	63,500	(3,833)	(6.0)	**189,747**	187,876	1,871	1.0
Airport and navigation fees	**66,860**	61,226	5,634	9.2	**167,093**	158,110	8,983	5.7
Aircraft rent	**—**	13	(13)	(100.0)	**3,012**	6,017	(3,005)	(49.9)
Other airline costs	**82,992**	67,049	15,943	23.8	**205,375**	177,673	27,702	15.6
Other	**28,093**	24,363	3,730	15.3	**110,969**	97,414	13,555	13.9
Depreciation and amortization	**67,272**	62,674	4,598	7.3	**194,455**	188,319	6,136	3.3
Restructuring costs	**—**	157	(157)	(100.0)	**220**	4,214	(3,994)	(94.8)
	856,092	742,060	114,032	15.4	**2,853,223**	2,617,324	235,899	9.0
Operating income (loss)	**(63,372)**	24,241	(87,613)	(361.4)	**(162,187)**	9,555	(171,742)	(1,797.4)
Financing costs	**23,237**	34,726	(11,489)	(33.1)	**71,096**	112,621	(41,525)	(36.9)
Financing income	**(2,671)**	(5,226)	2,555	48.9	**(12,725)**	(20,624)	7,899	38.3
Change in fair value of derivatives	**(8,679)**	(56,637)	47,958	84.7	**(7,732)**	32,142	(39,874)	(124.1)
Revaluation of liability related to warrants and preferred shares	**(4,326)**	5,107	(9,433)	(184.7)	**1,573**	2,981	(1,408)	(47.2)
Foreign exchange loss (gain)	**34,957**	4,869	30,088	618.0	**(738)**	(8,658)	7,920	91.5
Gain on asset disposals	**—**	(14,060)	14,060	100.0	**—**	(19,243)	19,243	100.0
Gain on long-term debt extinguishment	**—**	(345,116)	345,116	100.0	**—**	(345,332)	345,332	100.0
Income (loss) before income tax expense	**(105,890)**	400,578	(506,468)	(126.4)	**(213,661)**	255,668	(469,329)	(183.6)
Income taxes (recovery)								
Current	**958**	757	201	26.6	**1,679**	1,160	519	44.7
Deferred	**(260)**	—	(260)	100.0	**(260)**	103	(363)	(352.4)
	698	757	(59)	(7.8)	**1,419**	1,263	156	12.4
Net income (loss) for the period	**(106,588)**	399,821	(506,409)	(126.7)	**(215,080)**	254,405	(469,485)	(184.5)

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 quarter ended July 31, 2026, revenues were up $26.4 million (3.4%), compared with 2025, despite a $35.0 million decline in revenues in the Cuban market due to the suspension of our flights to Cuba. Revenue growth was driven by a 5.8% increase in traffic, expressed in revenue-passenger-miles, compared with the corresponding quarter of 2025. For the quarter, across the entire network, the capacity offered increased by 6.1% compared with 2025, while capacity on transatlantic routes, the main program during this period, increased by 8.4%. Airline unit revenues, expressed in revenue per passenger-mile or "yield," were down 1.0%. Persistent issues with Pratt & Whitney's GTF engines continued to result in less effective revenue management, alongside inefficiencies caused by having to redeploy part of our capacity after suspending flights to Cuba. Revenue growth was also hampered by further intense competition and economic conditions. Across all our markets, the Corporation reported a load factor of 84.7%, compared with 85.0% in 2025.

For the nine-month period ended July 31, 2026, revenues were up $64.2 million (2.4%), compared with 2025, despite a $116.0 million decline in revenues in the Cuban market due to the suspension of our flights to Cuba since February 9, 2026. Overall, traffic, expressed in revenue-passenger miles, was 4.2% higher than for the corresponding period of 2025. For the nine-month period, across the entire network, the capacity offered increased 4.3% compared with 2025. Our airline unit revenues, expressed in revenue per passenger-mile or "yield," were down 0.4%. However, the increase in revenue was reined in by persistent issues with the Pratt & Whitney GTF engines which continued to result in less effective revenue management, alongside inefficiencies caused by having to unexpectedly redeploy part of our capacity after suspending flights to Cuba, increased competition and economic conditions. Revenue growth was also slowed by the cancellation of flights to Jamaica owing to Hurricane Melissa in the first quarter of 2026, despite having deployed capacity to other destinations. Across all our markets, the Corporation reported a load factor of 83.6%, which was comparable to the 2025 level. In addition, following the agreement entered into with the original equipment manufacturer of the GTF engines, we recorded financial compensation amounting to $17.3 million during the nine-month period of 2026, compared with $27.0 million for the nine-month period of 2025.

OPERATING EXPENSES

Total operating expenses were up $114.0 million (15.4%) for the quarter and $235.9 million (9.0%) for the nine-month period, compared with 2025. These increases resulted primarily from sharp rises in fuel prices, higher salaries and employee benefits, as well as expanded capacity compared with the corresponding periods of 2025, partially offset by lower costs of providing tourism services.

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.

Costs of providing tourism services were down $11.8 million (10.4%) for the quarter and $15.2 million for the nine-month period, compared with 2025. These declines resulted primarily from selling fewer packages than in 2025, partially offset by a higher unit cost of person-nights than in 2025 due to repositioning capacity to more expensive alternative destinations after suspending flights to Cuba.

Aircraft fuel

Aircraft fuel expense increased by $78.5 million (49.3%) for the quarter and by $139.5 million (33.4%) for the nine-month period. These increases were mainly attributable to rises in fuel prices denominated in U.S. dollars of 56.0% for the quarter and 39.2% for the nine-month period, mainly due to geopolitical disruptions impacting the Strait of Hormuz, which are driving up global energy markets and affecting the airline industry, in particular, as well as a higher volume of litres consumed owing to increased capacity. These increases were partially offset by the recognition of $25.3 million in revenues from government grants related to the Liquidity for Airline Sector Resilience facility, as well as by the impact of a lower market price of CORSIA Eligible Emission Units used to calculate the provision for carbon offsets, compared with the corresponding periods of 2025.

Salaries and employee benefits

Salaries and employee benefits were up $21.7 million (15.4%) for the quarter and $53.0 million (13.2%) for the nine-month period, compared with 2025. These increases were primarily driven by higher salaries than in the corresponding periods of 2025, more specifically for pilots as a result of the renegotiation of the collective agreement ratified in January 2026.

Sales and distribution costs

Sales and distribution costs were down $0.3 million (0.7%) for the quarter, compared with 2025. For the nine-month period, the sales and distribution costs were up $7.3 million (3.9%), compared with 2025. The increase resulted primarily from higher marketing expenses and business volumes.

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 down $3.8 million (6.0%) for the quarter, compared with 2025. This decrease resulted primarily from reversals of provisions for return conditions arising from changes to certain aircraft lease terms, partially offset by more maintenance work performed under manufacturers' maintenance plans compared with the corresponding period of 2025.

For the nine-month period, aircraft maintenance costs were up $1.9 million (1.0%), compared with 2025. This increase was mainly due to more maintenance work performed under manufacturers' maintenance plans, partially offset by reversals of provisions for return conditions arising from renegotiated aircraft leases and by the effect of changes in discount rates used to calculate the provision for return conditions, compared with the corresponding period of 2025.

Airport and navigation fees

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees were up $5.6 million (9.2%) for the quarter and $9.0 million (5.7%) for the nine-month period, compared with 2025, owing primarily to higher business volumes.

Aircraft rent

Aircraft rent refers to variable aircraft rent and rent under short-term leases. For the nine-month period of 2026, aircraft rent fell $3.0 million (49.9%), compared with 2025. This decrease resulted mainly from a lower average number of aircraft under short-term leases in 2026, compared with 2025.

Other airline costs

Other airline costs consist mainly of handling, crew, catering costs and other costs related to airline operations. Other airline costs were up $15.9 million (23.8%) for the quarter and $27.7 million (15.6%) for the nine-month period, compared with 2025. These increases resulted primarily from rises in business volumes, higher crew costs and additional costs incurred to redeploy capacity withdrawn from the Cuban market to other destinations, compared with the corresponding periods of 2025.

Other

Other costs were up $3.7 million (15.3%) for the quarter and $13.6 million (13.9%) for the nine-month period, compared with 2025. The increase for the quarter was driven primarily by higher business volumes compared with 2025. For the nine-month period, the increase resulted primarily from one-time costs incurred in a proxy fight with a dissenting shareholder.

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 increased by $4.6 million (7.3%) for the third quarter and $6.1 million (3.3%) for the nine-month period, compared with 2025. These increases resulted primarily from the acquisition of six aircraft engines over the past twelve months.

Restructuring costs

Restructuring costs are employee termination benefits related to the changes in organizational structure. For the quarter ended July 31, 2026, employee termination benefit expense was nil compared with $0.2 million in 2025. For the nine-month period ended July 31, 2026, restructuring costs included $0.2 million in employee termination benefit expense, compared with $4.2 million in 2025.

OPERATING RESULTS

Given the above, we reported an operating loss of $63.4 million for the third quarter, compared with operating income of $24.2 million in 2025. For the nine-month period, we reported an operating loss of $162.2 million, compared with operating income of $9.6 million in 2025.

For the quarter and nine-month period ended July 31, 2026, the deterioration in operating results was primarily due to surges in fuel prices, owing mainly to geopolitical disruptions affecting the Strait of Hormuz, which are driving up global energy markets and impacting the airline industry in particular, as well as to higher salaries and employee benefits. For the nine-month period, the unfavourable difference was also driven by lower financial compensation from the original equipment manufacturer of GTF engines than in 2025. The disruptions caused by Hurricane Melissa during the first quarter of 2026, combined with the inability to fully redeploy the cancelled capacity following the suspension of our flights to Cuba, as well as additional costs from the partial redeployment of capacity to more expensive alternative destinations, also added pressure on growth in operating results. The deterioration in our operating results was partially offset by higher traffic, cost savings from implementing key *Elevation* Optimization Program initiatives and disciplined cost management. The Corporation continues to incur additional costs resulting from the Pratt & Whitney GTF engine issues, including long-term lease costs for three Airbus A330s contracted in 2024 to maintain the capacity offered.

For the third quarter, the Corporation reported an adjusted operating loss of $0.9 million, compared with adjusted operating income of $81.2 million in 2025. For the nine-month period, we reported adjusted operating income of $11.9 million, compared with $199.6 million in 2025.

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 revenues from deferred government grant.

Financing costs were down $11.5 million (33.1%) for the third quarter and $41.5 million (36.9%) for the nine-month period, compared with 2025. The decreases resulted primarily from lower interest on long-term debt following the Corporation's debt restructuring in the third quarter of fiscal 2025, as well as from lower interest rates.

Financing income

Financing income was down $2.6 million (48.9%) for the third quarter and $7.9 million (38.3%) for the nine-month period, compared with 2025, due to lower interest rates and a decline in average cash and cash equivalents balances.

Change in fair value of derivatives

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

For the quarter ended July 31, 2026, the fair value of derivative financial instruments increased by $8.7 million. This increase resulted primarily from the rise in fair value of derivative financial instruments related to foreign currencies, as a result of the weakening of the dollar against the U.S. dollar, and the increase in fair value of fuel-related derivatives due to rises in fuel prices relative to our derivative contracts. The increase was partially offset by the decrease in fair value of fuel-related derivatives upon the maturity of favourable contracts.

For the nine-month period ended July 31, 2026, the fair value of derivative financial instruments was up $7.7 million. This increase was mainly due to the rise in fair value of fuel-related derivative financial instruments due to rises in fuel prices relative to our derivative contracts and the increase in fair value of derivative financial instruments related to foreign currencies due to the weakening of the dollar against the U.S. dollar.

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 quarter ended July 31, 2026, the fair value of warrants and preferred shares was down $4.3 million. This decline was mainly attributable to the decrease in the closing share price from $2.56 to $2.26 between April 30, 2026 and July 31, 2026.

For the nine-month period ended July 31, 2026, the fair value of warrants and preferred shares was up $1.6 million. This increase was mainly driven by the rise in the closing share price from $2.11 to $2.26 between October 31, 2025 and July 31, 2026.

Foreign exchange loss (gain)

For the quarter, the Corporation recorded a foreign exchange loss of $35.0 million, compared with $4.9 million in 2025. For the nine-month period, the Corporation recorded a foreign exchange gain of $0.7 million, compared with $8.7 million in 2025. The foreign exchange loss for the quarter resulted primarily from the unfavourable exchange effect on lease liabilities related to aircraft, following the weakening of the dollar against the U.S. dollar, while the foreign exchange gain for the nine-month period was mainly due to the favourable exchange effect on lease liabilities related to aircraft, following the strengthening of the dollar against the U.S. dollar.

Gain on asset disposals

For the quarter ended July 31, 2025, the Corporation recorded a gain on sale and leaseback of assets of $14.1 million following two sale and leaseback transactions for two Pratt & Whitney GTF engines. For the nine-month period ended July 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.

Gain on long-term debt extinguishment

For the quarter ended July 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 $345.1 million gain on long-term debt extinguishment.

INCOME TAXES

Income tax expense amounted to $0.7 million for the third quarter, compared with $0.8 million for the corresponding quarter of last year. For the nine-month period, income tax expense amounted to $1.4 million, compared with $1.3 million in 2025.

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, for the quarter and the nine-month period ended July 31, 2026, no deferred tax assets of Canadian subsidiaries were recognized.

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

Considering the items discussed in the Consolidated Operations section, for the third quarter of 2026, the Corporation reported a net loss of $106.6 million, or $2.60 per share (basic and diluted), compared with net income of $399.8 million, or $9.97 per share (basic) and $9.39 per share (diluted) during the corresponding quarter of last year. For the third quarter of 2026, the weighted average number of outstanding shares used to compute per share amounts was 41,022,000 (basic and diluted), compared with 40,083,000 (basic) and 42,351,000 (diluted) for the corresponding quarter of 2025.

For the nine-month period, the net loss amounted to $215.1 million, or $5.27 per share (basic and diluted), compared with net income of $254.4 million, or $6.40 per share (basic) and $6.22 per share (diluted) for the corresponding period of last year. For the nine-month period, the weighted average number of outstanding shares used to compute per share amounts was 40,777,000 (basic and diluted), compared with 39,767,000 (basic) and 40,531,000 (diluted) for the corresponding period of 2025.

For the quarter and nine-month period ended July 31, 2026, the Corporation reported adjusted net losses of $89.5 million ($2.18 per share) and $242.3 million ($5.94 per share), respectively, compared with adjusted net losses of $11.8 million ($0.28 per share) and $82.0 million ($2.02 per share) for the corresponding periods of 2025, respectively.

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.

Our improved operating results for Q1-2026, compared with 2025, were mainly driven by increased airline unit revenues and higher traffic, combined with cost reductions from key *Elevation* Optimization Program initiatives and disciplined cost management. The deterioration in our operating results for Q2-2026, compared with 2025, was mainly due to higher fuel prices, higher salaries and employee benefits, lower financial compensation from the original equipment manufacturer of the GTF engines and flight suspensions to Cuba. The decline was partially offset by traffic growth and cost reductions from key *Elevation* Optimization Program initiatives and disciplined cost management. The deterioration in our operating results for Q3-2026, compared with 2025, was mainly due to higher fuel prices, and higher salaries and employee benefits. The decline was partially offset by increased revenue from traffic growth. The deterioration in our operating results for Q4-2025, compared with 2024, was mainly attributable to lower financial compensation from the original equipment manufacturer of the GTF engines and increases 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)	Q4-2024 $	Q1-2025 $	Q2-2025 $	Q3-2025 $	Q4-2025 $	Q1-2026 $	Q2-2026 $	Q3-2026 $
Revenues	788,845	829,505	1,031,073	766,301	**771,624**	**870,713**	**1,027,603**	**792,720**
Operating income (loss)	64,700	(51,956)	37,270	24,241	**248**	**(19,154)**	**(79,661)**	**(63,372)**
Net income (loss)	41,227	(122,532)	(22,884)	399,821	**(12,489)**	**(29,498)**	**(78,994)**	**(106,588)**
Basic earnings (loss) per share	1.05	(3.10)	(0.58)	9.97	**(0.31)**	**(0.73)**	**(1.94)**	**(2.60)**
Diluted earnings (loss) per share	1.05	(3.10)	(0.58)	9.39	**(0.52)**	**(0.73)**	**(1.94)**	**(2.60)**
Adjusted operating income (loss)[1]	128,417	19,969	98,446	81,179	**71,367**	**33,598**	**(20,740)**	**(949)**
Adjusted net income (loss)[1]	31,558	(74,968)	4,735	(11,752)	**(18,666)**	**(47,856)**	**(104,995)**	**(89,485)**
Adjusted net earnings (loss) per share[1]	0.81	(1.90)	0.12	(0.28)	**(0.42)**	**(1.18)**	**(2.58)**	**(2.18)**

[1] See the Non-IFRS financial measures section

7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

As at July 31, 2026, cash and cash equivalents totalled $243.0 million, compared with $164.9 million as at October 31, 2025. Cash and cash equivalents in trust or otherwise reserved amounted to $245.4 million at the end of the third quarter of 2026, compared with $465.6 million as at October 31, 2025. The Corporation's statement of financial position reflected $666.6 million in negative working capital, for a ratio of 0.58, compared with $428.7 million in negative working capital and a ratio of 0.70 as at October 31, 2025.

Total assets declined $83.4 million (3.2%) from $2,574.6 million as at October 31, 2025 to $2,491.1 million as at July 31, 2026. This decrease is detailed in the financial position table provided below. Negative equity deteriorated $213.1 million from $645.1 million as at October 31, 2025 to $858.1 million as at July 31, 2026. This decrease resulted primarily from the $215.1 million net loss.

(in thousands of dollars)	As at July 31, 2026 $	As at October 31, 2025 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**243,046**	164,920	78,126	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**245,429**	465,592	(220,163)	Seasonal nature of operations
Trade and other receivables	**161,942**	153,575	8,367	Higher trade and other receivables as a result of the seasonal nature of operations, offset by receipts of credit card processor receivables, cash receivable from lessors and government receivables
Income taxes receivable	**1,233**	469	764	No significant difference
Inventories	**58,068**	49,653	8,415	Increase in inventory of aircraft parts and fuel
Prepaid expenses	**50,405**	36,683	13,722	Increase in prepayments to suppliers due to seasonal nature of operations
Deposits	**440,061**	409,416	30,645	Increases in maintenance deposits with lessors and deposits with credit card processors
Deferred tax assets	**553**	370	183	No significant difference
Property, plant and equipment	**1,215,497**	1,254,604	(39,107)	Depreciation for the period, partially offset by additions
Intangible assets	**20,049**	21,030	(981)	Amortization for the period, partially offset by additions
Derivative financial instruments	**54,837**	18,251	36,586	Favourable change in fuel-related derivatives, partially offset by the unfavourable change in foreign currency derivatives contracted

(in thousands of dollars)	As at July 31, 2026 $	As at October 31, 2025 $	Difference $	Main reasons for significant differences
Liabilities				
Trade and other payables	**463,821**	376,940	86,881	Seasonal nature of operations and increased business volume
Income taxes payable	**1,615**	2,182	(567)	No significant difference
Customer deposits and deferred revenues	**847,397**	823,276	24,121	Seasonal nature of operations and increased business volume
Derivative financial instruments	**41,597**	17,564	24,033	Unfavourable change in fuel-related derivatives, partially offset by favourable change in foreign currency derivatives contracted
Long-term debt and lease liabilities	**1,550,874**	1,548,214	2,660	Drawdowns under the Liquidity for Airline Sector Resilience facility, lease amendments and weakening of the dollar against the U.S. dollar, partially offset by principal repayments
Provision for return conditions	**202,544**	202,700	(156)	Decrease due to modifications in certain aircraft leases and the impact of changes in discount rates, offset by the increase related to the passage of time
Liability related to warrants	**15,367**	14,235	1,132	Increase resulting from changes in the Corporation's share price
Deferred government grant	**189,950**	199,182	(9,232)	Revenues from government grants for the period, partially offset by the addition of a deferred government grant amount as a result of the drawdown under the Liquidity for Airline Sector Resilience facility
Employee benefits liability	**27,153**	26,829	324	No significant difference
Deferred tax liabilities	**562**	548	14	No significant difference
Preferred shares	**8,389**	7,948	441	Increase resulting from changes in the Corporation's share price
Equity				
Share capital	**228,987**	227,365	1,622	Shares issued from treasury
Share-based payment reserve	**16,542**	16,454	88	Share-based payment expense
Deficit	**(1,096,246)**	(881,166)	(215,080)	Net loss
Cumulative exchange differences	**(7,432)**	(7,708)	276	Foreign exchange gain on the translation of the financial statements of foreign subsidiaries

CASH FLOWS

	Quarters ended July 31			Nine-month periods ended July 31		
	2026	**2025**	**Difference**	**2026**	**2025**	**Difference**
(in thousands of dollars)	**$**	**$**	**$**	**$**	**$**	**$**
Cash flows related to operating activities	**(220,546)**	(104,915)	(115,631)	**194,168**	271,505	(77,337)
Cash flows related to investing activities	**(20,715)**	31,202	(51,917)	**(55,467)**	19,624	(75,091)
Cash flows related to financing activities	**92,990**	(100,223)	193,213	**(60,284)**	(193,757)	133,473
Effect of exchange rate changes on cash	**1,170**	(1,522)	2,692	**(291)**	(555)	264
Net change in cash and cash equivalents	**(147,101)**	(175,458)	28,357	**78,126**	96,817	(18,691)

Operating activities

Operating activities used cash flows of $220.5 million for the third quarter, compared with $104.9 million in 2025. The increase of $115.6 million in cash flows used by operating activities resulted from a $102.4 million decrease in net income before operating items not involving an outlay (receipt) of cash, a $11.0 million decrease in the net change in other assets and liabilities related to operations and a $6.8 million decrease in the net change in the provision for return conditions, partially offset by a $4.6 million increase in cash flows generated by the net change in non-cash working capital balances related to operations.

Cash flows generated from operating activities amounted to $194.2 million for the nine-month period compared with $271.5 million in 2025. The $77.3 million decrease in cash flows generated by operating activities resulted from a $165.3 million decrease in net income before operating items not involving an outlay (receipt) of cash, a $16.3 million decrease in the net change in other assets and liabilities related to operations and a $12.6 million decrease in the net change in the provision for return conditions, partially offset by a $116.9 million increase in cash flows generated by the net change in non-cash working capital balances related to operations.

Investing activities

Cash flows used in investing activities amounted to $20.7 million for the third quarter, compared with cash flows generated of $31.2 million in 2025, representing a decrease of $51.9 million. For the nine-month period, cash flows used in investing activities amounted to $55.5 million compared with cash flows generated of $19.6 million in 2025, representing a $75.1 million decrease. For the quarter and the nine-month period ended July 31, 2026, additions to property, plant and equipment and intangible assets amounted to $20.7 million and $53.3 million, respectively, and consisted primarily of aircraft maintenance and aircraft equipment, compared with $30.2 million and $68.0 million, respectively, in 2025. During the nine-month period of 2025, the Corporation also completed sale and leaseback transactions for three Pratt & Whitney GTF engines for a total of $92.1 million.

Financing activities

For the third quarter, cash flows generated by financing activities amounted to $93.0 million, a $193.2 million favourable difference from cash flows used of $100.2 million in 2025. The Corporation drew down $125.0 million under its Liquidity for Airline Sector Resilience facility and incurred transaction costs of $2.1 million in respect of this agreement. The Corporation also drew down $30.0 million under its Subordinated working capital facility – LEEFF. During the third quarter of 2026, the Corporation repaid lease liabilities of $60.5 million, compared with $48.4 million in 2025.

For the nine-month period, financing activities used $60.3 million in cash flows, compared with $193.8 million in 2025. The Corporation drew down $125.0 million under its Liquidity for Airline Sector Resilience facility and incurred transaction costs of $2.1 million in respect of this agreement. The Corporation repaid $50.0 million under its Revolving term credit facility. During the nine-month period of 2026, the Corporation repaid lease liabilities of $134.8 million, compared with $141.9 million in 2025.

FINANCING

Funding from the Government of Canada

The Corporation has entered into credit agreements with the Canada Enterprise Emergency Funding Corporation (CEEFC) totalling $483.7 million. These agreements include $175.0 million in subordinated debt granted under the Large Employer Emergency Financing Facility (LEEFF), a $158.7 million secured debenture and a financing agreement with a maximum amount of $150.0 million granted under the Liquidity for Airline Sector Resilience facility. In addition to these credit agreements, the Corporation was also granted a $75.0 million subordinated working capital facility under certain conditions.

Under these agreements, 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:

Liquidity for Airline Sector Resilience facility

On July 27, 2026, the Corporation entered into the necessary agreements with the Government of Canada to establish the Liquidity for Airline Sector Resilience facility (LASR), a new financing measure to support Canadian air carriers experiencing significant liquidity pressures resulting from higher fuel prices.

The amount that can be drawn under the facility is based on incremental fuel costs incurred during the period from May 1, 2026 to November 1, 2026, compared with those incurred in 2025, up to a maximum of $150.0 million. The facility matures on July 28, 2030 and bears interest at 3.91%. Under the terms of the agreement, $7.5 million in transaction costs and an amount equal to 5% of the drawdowns made, are repayable at maturity. They are included in estimating the future cash flows used in determining the effective interest rate and are recognized at amortized cost over the term of the debt. 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 in the event that cash flows generated and cash balances exceed certain thresholds. In the event of a change of control, this facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at July 31, 2026, the financial covenants were met. The credit facility includes prepayment options, which are embedded derivatives, the fair value of which is recorded as a reduction of the carrying amount of the credit facility. These embedded derivatives are separated from the host contract and designated at fair value through profit or loss, with changes in fair value recognized in the consolidated statement of loss under Change in fair value of derivatives. As at July 31, 2026, the fair value of the prepayment options was nil.

On July 28, 2026, the Corporation made an initial $125.0 million drawdown under this facility. At that date, the Corporation recognized a $94.3 million financial liability net of $2.1 million in transaction costs and a $28.6 million deferred government grant in connection with this agreement.

As at July 31, 2026, the carrying amount of the credit facility stood at $94.4 million, and a $3.3 million deferred government grant was also recognized in respect of this facility. During the nine-month period ended July 31, 2026, an amount of $25.3 million was recognized as revenues from government grant as a reduction of aircraft fuel expense.

On September 3, 2026, the Corporation made a second drawdown in the amount of $25.0 million under this facility. Following this drawdown, the facility was fully drawn.

Subordinated debt - LEEFF

An amount of $175.0 million, in the form of subordinated debt maturing on July 10, 2035. The agreement 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 at July 31, 2026, the financial covenants were met. The credit facility includes prepayment options, which are embedded derivatives, the fair value of which is recorded as a reduction of the carrying amount of the credit facility. These embedded derivatives are separated from the host contract and designated at fair value through profit or loss, with changes in their fair value recorded in the consolidated statement of loss under Change in fair value of derivatives. As at July 31, 2026, the fair value of the prepayment options was nil.

As at July 31, 2026 and as at October 31, 2025, the credit facility was fully drawn down, and the carrying amount stood at $71.6 million as at July 31, 2026 [$66.1 million as at October 31, 2025]. As at July 31, 2026, an amount of $103.4 million was also recognized as a deferred government grant related to the Subordinated debt – LEEFF [$108.9 million as at October 31, 2025].

In the context of the initial financing arrangement related to the Subordinated debt – LEEFF, 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 are exercisable prior to July 10, 2035.

The number of shares issuable upon exercise of the warrants may not exceed 9,436,772 shares or 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 July 31, 2026 and October 31, 2025, a total of 13,000,000 warrants had vested under the drawdowns under 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 9,436,772 warrants could be exercised through the issuance of shares;
- 3,563,228 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Secured debenture – LEEFF

On July 27, 2026, the Corporation renegotiated its unsecured debenture – LEEFF agreement to convert it into a third-ranking secured debenture. The secured debenture, having an initial amount of $158.7 million, matures on July 10, 2035, bears no interest for the first five years and will bear interest at a rate of 7.0% as of July 11, 2030, increasing by 1.0% per annum thereafter. It is repayable as of July 10, 2030 in 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 secured debenture becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at July 31, 2026, the financial covenants were met.

As at July 31, 2026, the principal balance payable amounted to $145.0 million [$145.0 million as at October 31, 2025]. As at July 31, 2026, the carrying amount of the secured debenture stood at $61.7 million [$54.8 million as at October 31, 2025], and an amount of $83.3 million [$90.2 million as at October 31, 2025] was also recognized as a deferred government grant related to this debenture.

Subordinated working capital facility – LEEFF

The Corporation has a $75.0 million second-ranking subordinated working capital facility agreement for its operations. 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 under the Subordinated debt – LEEFF, the Secured debenture and the Liquidity for Airline Sector Resilience facility and Series 4 Preferred Share redemptions 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% determined on each anniversary date. The facility remains available for future drawdowns. As at July 31, 2026, the financial covenants were met and an amount of $30.0 million had been drawn under this credit facility.

Other credit facilities

Revolving term credit facility

The Corporation has a $25.0 million Revolving term credit facility for its operations, maturing on November 1, 2027. The Revolving term credit facility 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 facility is secured by a first ranking movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The 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. On July 31, 2026, the agreement was amended to modify certain financial conditions. As at July 31, 2026, the financial ratios and covenants were met. During the nine-month period ended July 31, 2026, the Corporation repaid $50.0 million under its Revolving term credit facility, reducing the balance drawn down to nil as at July 31, 2026 [$50.0 million as at October 31, 2025].

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 interim condensed consolidated financial statements and others are disclosed in the notes to the consolidated financial statements.

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

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

Off-balance sheet arrangements that can be estimated, excluding agreements with suppliers and other obligations, amounted to approximately $485.3 million as at July 31, 2026 [$475.4 million as at October 31, 2025] and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS	**As at July 31, 2026**	**As at October 31, 2025**
(in thousands of dollars)	**$**	**$**
Guarantees		
Irrevocable letters of credit	**3,445**	4,142
Collateral security contracts	**3,284**	3,533
Leases		
Lease obligations	**478,575**	467,728
	485,304	475,403

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 the Revolving credit facility agreement – Letters of credit, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at July 31, 2026, $70.0 million had been drawn down under the facility [$68.8 million as at October 31, 2025], $37.7 million [$35.6 million as at October 31, 2025] of which was used 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 July 31, 2026, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, increased by $9.9 million compared with October 31, 2025. This increase resulted primarily from the impact of higher interest rates on future rents and the weakening of the dollar against the U.S. dollar.

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.

Debt

The Corporation reported $257.7 million in long-term debt and $1,293.1 million in lease liabilities in the consolidated statement of financial position.

The Corporation's total debt stood at $1,756.2 million as at July 31, 2026, down $5.4 million from October 31, 2025. This decrease resulted primarily from repayments of lease liabilities and long-term debt, partially offset by drawdowns under credit facilities and newly added and renegotiated leases.

Total net debt decreased by $83.6 million from $1,596.7 million as at October 31, 2025 to $1,513.1 million as at July 31, 2026. The decline in total net debt resulted primarily from a decrease in the Corporation's total debt and an increase in cash and cash equivalents.

Outstanding shares

As at July 31, 2026, 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 3,691,591 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 September 4, 2026, there were a total of 41,201,435 voting shares outstanding.

As at September 4, 2026, 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 September 4, 2026, a total of 420,000 stock options was outstanding, 266,667 of which were exercisable.

Warrants

As at July 31, 2026, and as at September 4, 2026, a total of 13,000,000 warrants was issued. As at July 31, 2026, and as at September 4, 2026, 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 July 31, 2026, Air Transat's permanent fleet consisted of fifteen Airbus A330s (332, 345 or 363 seats), nineteen Airbus A321LRs (199 seats) of which four were grounded due to GTF engine problems, and seven 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.

EVENT AFTER THE REPORTING PERIOD

On September 9, 2026, the Corporation entered into a term credit facility agreement with the Canada Enterprise Emergency Funding Corporation (CEEFC) with a maximum amount of $250.0 million. Under the terms of the agreement, expiring on July 10, 2035, drawdowns may be made on or before September 9, 2027. All amounts drawn down bear interest at a rate of 1.22% until July 26, 2029 and 3.0% thereafter.

On the same date, the Corporation made its first drawdown of $80.0 million under this agreement.

9. ACCOUNTING

The accounting policies and methods of computation used by the Corporation are the same as those used in the annual consolidated financial statements for the year ended October 31, 2025. There have been no significant changes to the Corporation's accounting policies since that date.

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 the Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the 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. CONTROLS AND PROCEDURES

In accordance with the National Instrument 52-109 of the Canadian Securities Authorities, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Chief Financial Officer who, among other things, deem adequate as at July 31, 2026 the design of:

- Disclosure controls and procedures, which provide reasonable assurance that material financial information has been duly disclosed by the Corporation and its subsidiaries and that this information is recorded, processed, summarized and reported within the time periods specified in the legislation;

- Internal control over financial reporting ("ICFR"), which, in accordance with COSO 2013 controls, provides reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements in accordance with IFRS.

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation have also evaluated whether there were changes to its ICFR during the quarter ended July 31, 2026 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

11. KEY INDICATORS

To date, load factors for the fourth quarter are 0.6 percentage points higher compared to the same date in fiscal 2025, while airline unit revenues, expressed as yield, remain broadly in line with last year.

For the fourth quarter of 2026, the Corporation expects a 2% increase in capacity, measured in available seat-miles, compared to 2025.

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

Unaudited (in thousands of Canadian dollars)	Notes	As at July 31, 2026 $	As at October 31, 2025 $
ASSETS	8		
Cash and cash equivalents		**243,046**	164,920
Cash and cash equivalents in trust or otherwise reserved	3	**207,706**	430,003
Trade and other receivables	4	**161,942**	153,575
Income taxes receivable		**1,233**	469
Inventories	5	**58,068**	49,653
Prepaid expenses		**50,405**	36,683
Derivative financial instruments		**54,837**	18,251
Current portion of deposits	6	**136,574**	126,223
Current assets		**913,811**	979,777
Cash and cash equivalents reserved	3	**37,723**	35,589
Deposits	6	**303,487**	283,193
Deferred tax assets		**553**	370
Property, plant and equipment	7	**1,215,497**	1,254,604
Intangible assets		**20,049**	21,030
Non-current assets		**1,577,309**	1,594,786
		2,491,120	2,574,563
LIABILITIES			
Trade and other payables		**463,821**	376,940
Income taxes payable		**1,615**	2,182
Customer deposits and deferred revenues		**847,397**	823,276
Derivative financial instruments		**41,597**	17,564
Current portion of long-term debt and lease liabilities	8	**195,527**	172,666
Liability related to warrants	9	**15,367**	14,235
Current portion of provision for return conditions	10	**6,735**	1,581
Preferred shares	11	**8,389**	—
Current liabilities		**1,580,448**	1,408,444
Long-term debt and lease liabilities	8	**1,355,347**	1,375,548
Deferred government grant	8	**189,950**	199,182
Provision for return conditions	10	**195,809**	201,119
Employee benefits liability		**27,153**	26,829
Deferred tax liabilities		**562**	548
Preferred shares	11	**—**	7,948
Non-current liabilities		**1,768,821**	1,811,174
NEGATIVE EQUITY			
Share capital	11	**228,987**	227,365
Share-based payment reserve		**16,542**	16,454
Deficit		**(1,096,246)**	(881,166)
Cumulative exchange differences		**(7,432)**	(7,708)
		(858,149)	(645,055)
		2,491,120	2,574,563

See accompanying notes to the interim unaudited condensed consolidated financial statements

On behalf of the Board,

Daniel Desjardins, Director

Stéphane Lefebvre, Director

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	Quarters ended July 31 2026 $	 2025 $	Nine-month periods ended July 31 2026 $	 2025 $
Revenues	12	**792,720**	766,301	**2,691,036**	2,626,879
Operating expenses					
Costs of providing tourism services		**101,705**	113,481	**772,854**	788,008
Aircraft fuel	8	**237,817**	159,280	**557,093**	417,643
Salaries and employee benefits		**163,032**	141,313	**454,524**	401,507
Sales and distribution costs		**48,654**	49,004	**197,881**	190,543
Aircraft maintenance		**59,667**	63,500	**189,747**	187,876
Airport and navigation fees		**66,860**	61,226	**167,093**	158,110
Aircraft rent	8	**—**	13	**3,012**	6,017
Other airline costs		**82,992**	67,049	**205,375**	177,673
Other		**28,093**	24,363	**110,969**	97,414
Depreciation and amortization		**67,272**	62,674	**194,455**	188,319
Restructuring costs	13	**—**	157	**220**	4,214
		856,092	742,060	**2,853,223**	2,617,324
Operating income (loss)		**(63,372)**	24,241	**(162,187)**	9,555
Financing costs	8	**23,237**	34,726	**71,096**	112,621
Financing income		**(2,671)**	(5,226)	**(12,725)**	(20,624)
Change in fair value of derivatives		**(8,679)**	(56,637)	**(7,732)**	32,142
Revaluation of liability related to warrants and preferred shares	9, 11	**(4,326)**	5,107	**1,573**	2,981
Foreign exchange loss (gain)		**34,957**	4,869	**(738)**	(8,658)
Gain on asset disposals	7	**—**	(14,060)	**—**	(19,243)
Gain on long-term debt extinguishment		**—**	(345,116)	**—**	(345,332)
Income (loss) before income tax expense		**(105,890)**	400,578	**(213,661)**	255,668
Income taxes (recovery)					
Current		**958**	757	**1,679**	1,160
Deferred		**(260)**	—	**(260)**	103
		698	757	**1,419**	1,263
Net income (loss) for the period		**(106,588)**	399,821	**(215,080)**	254,405
Earnings (loss) per share	11				
Basic		**(2.60)**	9.97	**(5.27)**	6.40
Diluted		**(2.60)**	9.39	**(5.27)**	6.22

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Unaudited (in thousands of Canadian dollars)	Quarters ended July 31 2026 $	 2025 $	Nine-month periods ended July 31 2026 $	 2025 $
Net income (loss) for the period	**(106,588)**	399,821	**(215,080)**	254,405
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	**719**	78	**276**	(107)
Total other comprehensive income (loss)	**719**	78	**276**	(107)
Comprehensive income (loss) for the period	**(105,869)**	399,899	**(214,804)**	254,298

CONSOLIDATED STATEMENTS OF CHANGES IN NEGATIVE EQUITY

Unaudited (in thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Deficit $	Cumulative exchange differences $	Total negative equity $
Balance as at October 31, 2024	225,438	16,283	(1,123,113)	(7,684)	(889,076)
Net income for the period	—	—	254,405	—	254,405
Other comprehensive loss	—	—	—	(107)	(107)
Comprehensive income (loss) for the period	—	—	254,405	(107)	254,298
Issued from treasury	1,479	—	—	—	1,479
Share-based payment expense	—	148	—	—	148
Balance as at July 31, 2025	226,917	16,431	(868,708)	(7,791)	(633,151)
Net loss for the period	—	—	(12,489)	—	(12,489)
Other comprehensive income	—	—	31	83	114
Comprehensive income (loss) for the period	—	—	(12,458)	83	(12,375)
Issued from treasury	448	—	—	—	448
Share-based payment expense	—	23	—	—	23
Balance as at October 31, 2025	227,365	16,454	(881,166)	(7,708)	(645,055)
Net loss for the period	—	—	(215,080)	—	(215,080)
Other comprehensive income	—	—	—	276	276
Comprehensive income (loss) for the period	—	—	(215,080)	276	(214,804)
Issued from treasury	1,622	—	—	—	1,622
Share-based payment expense	—	88	—	—	88
Balance as at July 31, 2026	**228,987**	**16,542**	**(1,096,246)**	**(7,432)**	**(858,149)**

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Unaudited (in thousands of Canadian dollars)	Notes	Quarters ended July 31 2026 $	2025 $	Nine-month periods ended July 31 2026 $	2025 $
OPERATING ACTIVITIES					
Net income (loss) for the period		**(106,588)**	399,821	**(215,080)**	254,405
Operating items not involving an outlay (receipt) of cash:					
Compensation received in the form of credits	*12*	**(6,993)**	(6,978)	**(17,308)**	(26,956)
Depreciation and amortization		**67,272**	62,674	**194,455**	188,319
Revenues from government grant recognized as a reduction of aircraft fuel expense	*8*	**(25,280)**	—	**(25,280)**	—
Change in fair value of derivatives		**(8,679)**	(56,637)	**(7,732)**	32,142
Revaluation of liability related to warrants and preferred shares	*9, 11*	**(4,326)**	5,107	**1,573**	2,981
Foreign exchange loss (gain)		**34,957**	4,869	**(738)**	(8,658)
Employee benefits		**489**	1,252	**1,467**	2,206
Amortization of financing costs using the effective interest method		**73**	—	**73**	—
Capitalized interest on long-term debt and lease liabilities		**—**	2,150	**—**	16,489
Share-based payment expense		**28**	49	**88**	148
Deferred taxes		**(260)**	—	**(260)**	103
Gain on asset disposals	*7*	**—**	(14,060)	**—**	(19,243)
Gain on long-term debt extinguishment		**—**	(345,116)	**—**	(345,332)
		(49,307)	53,131	**(68,742)**	96,604
Net change in non-cash working capital balances related to operations		**(142,274)**	(146,889)	**305,473**	188,571
Net change in provision for return conditions		**(5,513)**	1,293	**(467)**	12,103
Net change in other assets and liabilities related to operations		**(23,452)**	(12,450)	**(42,096)**	(25,773)
Cash flows related to operating activities		**(220,546)**	(104,915)	**194,168**	271,505
INVESTING ACTIVITIES					
Additions to property, plant and equipment and other intangible assets		**(20,715)**	(30,248)	**(53,333)**	(68,028)
Increase in cash and cash equivalents reserved		**—**	—	**(2,134)**	(4,413)
Net proceeds from sale and leaseback of assets	*7*	**—**	61,450	**—**	92,065
Cash flows related to investing activities		**(20,715)**	31,202	**(55,467)**	19,624
FINANCING ACTIVITIES					
Proceeds from borrowings	*8*	**155,000**	—	**155,000**	—
Transaction costs		**(2,108)**	(10,926)	**(2,108)**	(11,981)
Repayment of lease liabilities	*8*	**(60,503)**	(48,421)	**(134,798)**	(141,855)
Repayment of long-term debt	*8*	**—**	(41,400)	**(80,000)**	(41,400)
Proceeds from issuance of shares	*11*	**601**	524	**1,622**	1,479
Cash flows related to financing activities		**92,990**	(100,223)	**(60,284)**	(193,757)
Effect of exchange rate changes on cash and cash equivalents		**1,170**	(1,522)	**(291)**	(555)
Net change in cash and cash equivalents		**(147,101)**	(175,458)	**78,126**	96,817
Cash and cash equivalents, beginning of period		**390,147**	532,611	**164,920**	260,336
Cash and cash equivalents, end of period		**243,046**	357,153	**243,046**	357,153
Supplementary information (as reported in operating activities)					
Net income taxes paid		**2,087**	652	**2,740**	923
Interest received		**(2,822)**	(5,658)	**(12,666)**	(20,926)
Interest paid		**21,653**	34,823	**66,131**	97,283

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Note 1 Corporate information

Transat A.T. Inc. [the "Corporation"], headquartered at 300 Léo-Pariseau Street, 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 interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended July 31, 2026 were approved by the Corporation's Board of Directors on September 9, 2026.

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

Note 2 Material accounting policies

Basis of preparation

These interim condensed 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 interim condensed consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*.

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

The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation's Annual Report for the year ended October 31, 2025.

These interim condensed consolidated financial statements have been prepared on a going concern basis, at historical cost, except for financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and financial assets/liabilities at fair value through other comprehensive income (loss) that were measured at fair value. As part of its assessment of the Corporation's ability to continue as a going concern, management exercised significant judgment due to uncertainties surrounding future aircraft fuel price trends, the Corporation's ability to increase and sustain sufficient revenues, its access to financing sources or additional financial support measures, and its ability to comply with the financial covenants under its existing financing agreements in the future. In particular, this assessment took into account the Corporation's financial forecasts, available liquidity and committed financing arrangements, including the financing agreement of $250,000 signed on September 9, 2026.

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 a reduction of the related expenses.

The difference between the fair value of drawdowns under debt instruments with contractual interest rates lower than the rate the Corporation could obtain in the marketplace for similar debt instruments and their nominal value is recognized as Deferred government grant at the time of the drawdown. Revenues from the deferred government grant are recognized in the consolidated statement of income (loss) on a systematic basis as a reduction of the corresponding expenses.

Revenues from the deferred government grant related to working capital financing are recognized as a reduction of the corresponding financing costs using the effective interest method. Revenues from the deferred government grant related to financial support to mitigate higher fuel prices are recognized as a reduction of aircraft fuel expense as eligible costs are incurred.

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 the Financial Statements*

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the 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 Cash and cash equivalents in trust or otherwise reserved

As at July 31, 2026, cash and cash equivalents in trust or otherwise reserved included $175,280 [$396,652 as at October 31, 2025] 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 $70,149, of which $37,723 was recorded as non-current assets [$68,940 as at October 31, 2025, $35,589 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 4 Trade and other receivables

	As at July 31, 2026	**As at October 31, 2025**
	$	**$**
Credit card processor receivables	**49,723**	54,082
Government receivables	**38,644**	41,673
Amounts receivable from suppliers	**24,439**	17,330
Cash receivable from lessors	**15,592**	19,579
Trade receivables	**9,619**	7,943
Other receivables	**23,925**	12,968
	161,942	153,575

Note 5 Inventories

	As at July 31, 2026	As at October 31, 2025
	$	$
Spare parts and supplies	**48,708**	44,172
Fuel	**9,360**	5,481
	58,068	49,653

Note 6 Deposits

	As at July 31, 2026	As at October 31, 2025
	$	$
Maintenance deposits with lessors	**252,237**	232,258
Deposits with credit card processors	**120,182**	113,652
Deposits on leased aircraft and engines	**56,023**	52,768
Deposits with suppliers	**11,619**	10,738
	440,061	409,416
Less current portion	**136,574**	126,223
	303,487	283,193

Note 7 Property, plant and equipment

	Leasehold improvements Fleet	Aircraft equipment	Office furniture and equipment	Land, building and leasehold improvements	Right of use Fleet	Right of use Real estate and other	Total
	$	$	$	$	$	$	$
Cost							
Balance as at October 31, 2025	108,067	158,362	41,164	18,515	2,206,252	113,730	2,646,090
Additions	—	11,675	3,335	353	135,892	779	152,034
Disposals	—	—	—	—	(30,886)	—	(30,886)
Write-offs	(1,733)	(1,762)	—	—	(21,097)	(751)	(25,343)
Exchange difference	—	—	138	116	—	39	293
Balance as at July 31, 2026	106,334	168,275	44,637	18,984	2,290,161	113,797	2,742,188
Accumulated depreciation							
Balance as at October 31, 2025	86,041	91,684	34,386	13,124	1,085,712	80,539	1,391,486
Depreciation	7,201	13,354	2,514	490	162,998	4,653	191,210
Disposals	—	—	—	—	(30,886)	—	(30,886)
Write-offs	(1,733)	(1,762)	—	—	(21,097)	(751)	(25,343)
Exchange difference	—	—	128	72	—	24	224
Balance as at July 31, 2026	91,509	103,276	37,028	13,686	1,196,727	84,465	1,526,691
Net book value as at July 31, 2026	14,825	64,999	7,609	5,298	1,093,434	29,332	1,215,497

Property, plant and equipment related to the fleet

During the quarter ended July 31, 2026, the Corporation entered into novation agreements relating to the leases of two Airbus A321ceos. As part of these transactions, certain terms of the leases were modified, resulting in the recognition of additional right-of-use assets of $47,675.

During the nine-month period ended July 31, 2026, the Corporation returned one Airbus A330 and one Airbus A321ceo to the lessor upon expiry of the leases. The returns resulted in disposals of property, plant and equipment and accumulated depreciation balances of $30,886. The carrying amount of assets related to these aircraft was fully depreciated.

During the nine-month period ended July 31, 2025, the Corporation acquired two Pratt & Whitney GTF spare engines under sale and leaseback transactions. The Corporation also entered into a sale and leaseback transaction in the first quarter for an engine that it already owned. The Corporation measured the right-of-use assets resulting from these sale and leaseback transactions in proportion to the previous carrying amounts of the assets to which the Corporation retains the right of use. Accordingly, the Corporation recognized a gain on the sale and leaseback of assets of $19,243, 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 the 5- and 10-year leases entered into under these sale and leaseback transactions.

Note 8 Long-term debt and lease liabilities

The following table details the maturities and weighted average interest rates related to long-term debt and lease liabilities as at July 31, 2026 and October 31, 2025.

	Final maturity	Weighted average effective interest rate	As at July 31, 2026	As at October 31, 2025
		%	$	$
Long-term debt				
Liquidity for Airline Sector Resilience facility	**2030**	**14.90**	**94,394**	—
Subordinated debt - LEEFF	**2035**	**14.89**	**71,624**	66,052
Secured debenture - LEEFF	**2035**	**17.32**	**61,717**	54,766
Subordinated working capital facility - LEEFF	**2035**	**7.00**	**30,000**	30,000
Revolving credit facility	**2028**	**7.07**	**—**	50,000
Long-term debt		**14.56**	**257,735**	200,818
Lease liabilities				
Fleet	**2026-2036**	**6.40**	**1,256,426**	1,307,596
Real estate and other	**2026-2037**	**5.45**	**36,713**	39,800
Lease liabilities		**6.37**	**1,293,139**	1,347,396
Total long-term debt and lease liabilities		**7.73**	**1,550,874**	1,548,214
Current portion of long-term debt			**—**	(25,000)
Current portion of lease liabilities			**(195,527)**	(147,666)
Current portion of long-term debt and lease liabilities			**(195,527)**	(172,666)
Long-term debt and lease liabilities			**1,355,347**	1,375,548

Funding from the Government of Canada

The Corporation has entered into credit agreements with the Canada Enterprise Emergency Funding Corporation (CEEFC) totalling $483,735. These agreements include $175,000 in subordinated debt granted under the Large Employer Emergency Financing Facility (LEEFF), a $158,735 secured debenture and a financing agreement with a maximum amount of $150,000 granted under the Liquidity for Airline Sector Resilience facility. In addition to these credit agreements, the Corporation was also granted a $75,000 subordinated working capital facility under certain conditions.

Under these agreements, 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:

Liquidity for Airline Sector Resilience facility

On July 27, 2026, the Corporation entered into the necessary agreements with the Government of Canada to establish the Liquidity for Airline Sector Resilience facility (LASR), a new financing measure to support Canadian air carriers experiencing significant liquidity pressures resulting from higher fuel prices.

The amount that can be drawn under the facility is based on incremental fuel costs incurred during the period from May 1, 2026 to November 1, 2026, compared with those incurred in 2025, up to a maximum of $150,000. The facility matures on July 28, 2030 and bears interest at 3.91%. Under the terms of the agreement, $7,500 in transaction costs and an amount equal to 5% of the drawdowns made, are repayable at maturity. They are included in estimating the future cash flows used in determining the effective interest rate and are recognized at amortized cost over the term of the debt. 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 in the event that cash flows generated and cash balances exceed certain thresholds. In the event of a change of control, this facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at July 31, 2026, the financial covenants were met. The credit facility includes prepayment options, which are embedded derivatives, the fair value of which is recorded as a reduction of the carrying amount of the credit facility. These embedded derivatives are separated from the host contract and designated at fair value through profit or loss, with changes in fair value recognized in the consolidated statement of loss under Change in fair value of derivatives. As at July 31, 2026, the fair value of the prepayment options was nil.

On July 28, 2026, the Corporation made an initial $125,000 drawdown under this facility. At that date, the Corporation recognized a $94,321 financial liability net of $2,108 in transaction costs and a $28,571 deferred government grant in connection with this agreement.

As at July 31, 2026, the carrying amount of the credit facility stood at $94,394, and a $3,291 deferred government grant was also recognized in respect of this facility. During the nine-month period ended July 31, 2026, an amount of $25,280 was recognized as revenues from government grant as a reduction of aircraft fuel expense.

On September 3, 2026, the Company made a second drawdown in the amount of $25,000 under this facility. Following this drawdown, the facility is fully drawn.

Subordinated debt – LEEFF

An amount of $175,000, in the form of subordinated debt maturing on July 10, 2035. The agreement 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 at July 31, 2026, the financial covenants were met. The credit facility includes prepayment options, which are embedded derivatives, the fair value of which is recorded as a reduction of the carrying amount of the credit facility. These embedded derivatives are separated from the host contract and designated at fair value through profit or loss, with changes in their fair value recorded in the consolidated statement of loss under Change in fair value of derivatives. As at July 31, 2026, the fair value of the prepayment options was nil.

As at July 31, 2026 and as at October 31, 2025, the credit facility was fully drawn down, and the carrying amount stood at $71,624 as at July 31, 2026 [$66,052 as at October 31, 2025]. As at July 31, 2026, an amount of $103,376 was also recognized as a deferred government grant related to the Subordinated debt – LEEFF [$108,948 as at October 31, 2025]. During the nine-month period ended July 31, 2026, an amount of $5,572 [$390 for the nine-month period ended July 31, 2025] was recognized as revenues from government grant as a reduction of financing costs.

Secured debenture – LEEFF

On July 27, 2026, the Corporation renegotiated its unsecured debenture – LEEFF agreement to convert it into a third-ranking secured debenture. The secured debenture, having an initial amount of $158,735, matures on July 10, 2035, bears no interest for the first five years and will bear interest at a rate of 7.0% as of July 11, 2030, increasing by 1.0% per annum thereafter. It is repayable as of July 10, 2030 in 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 secured debenture becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at July 31, 2026, the financial covenants were met.

As at July 31, 2026, the principal balance payable amounted to $145,000 [$145,000 as at October 31, 2025]. As at July 31, 2026, the carrying amount of the secured debenture stood at $61,717 [$54,766 as at October 31, 2025], and an amount of $83,283 [$90,234 as at October 31, 2025] was also recognized as a deferred government grant related to this debenture. During the nine-month period ended July 31, 2026, an amount of $6,951 [$604 for the nine-month period ended July 31, 2025] was recognized as revenues from government grant as a reduction of financing costs.

Subordinated working capital facility – LEEFF

The Corporation has a $75,000 second-ranking subordinated working capital facility agreement for its operations. 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 under the Subordinated debt – LEEFF, the Secured debenture and the Liquidity for Airline Sector Resilience facility and Series 4 Preferred Share redemptions 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% determined on each anniversary date. The facility remains available for future drawdowns. As at July 31, 2026, the financial covenants were met and an amount of $30,000 had been drawn under this credit facility.

Other credit facilities

Revolving term credit facility

The Corporation has a $25,000 Revolving term credit facility for its operations, maturing on November 1, 2027. The Revolving term credit facility 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 facility is secured by a first ranking movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The 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. On July 31, 2026, the agreement was amended to modify certain financial conditions. As at July 31, 2026, the financial ratios and covenants were met. During the nine-month period ended July 31, 2026, the Corporation repaid $50,000 under its Revolving term credit facility, reducing the balance drawn down to nil as at July 31, 2026 [$50,000 as at October 31, 2025].

Revolving credit facility – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under the Revolving credit facility agreement – Letters of credit, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at July 31, 2026, $70,040 had been drawn down under the facility [$68,834 as at October 31, 2025], $37,723 of which was used to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the periods ended July 31, 2026 and 2025, is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Interest expense on lease liabilities	**20,307**	21,294	**61,709**	66,378
Interest expense on long-term debt	**1,022**	11,903	**3,976**	41,184
Accretion on provision for return conditions	**1,662**	1,280	**4,498**	3,863
Other interest and costs	**246**	249	**913**	1,196
Financing costs	**23,237**	34,726	**71,096**	112,621

Rent expense

Rent expense for the periods ended July 31, 2026 and 2025, is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Variable lease payments	**—**	13	**3,012**	3,696
Short-term leases	**—**	—	**—**	2,321
Aircraft rent	**—**	13	**3,012**	6,017
Short-term leases	**571**	2,508	**1,430**	5,802
Low value leases and variable lease payments	**56**	60	**181**	285
	627	2,581	**4,623**	12,104

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the nine-month period ended July 31, 2026:

	Cash flows	Non-cash changes	Total
	$	$	$
Balance as at October 31, 2025			**1,347,396**
Repayments	**(134,798)**	**—**	**(134,798)**
New lease liabilities (new contracts and amendments)	**—**	**100,898**	**100,898**
Offset of rent payments	**—**	**(21,287)**	**(21,287)**
Exchange difference	**—**	**930**	**930**
Balance as at July 31, 2026	**(134,798)**	**80,541**	**1,293,139**

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at July 31, 2026 is detailed as follows. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.4031 as at July 31, 2026:

Year ending October 31	2026	2027	2028	2029	2030	2031 and up	Total
	$	$	$	$	$	$	$
Long-term debt obligations	**1,920**	**9,123**	**9,662**	**12,238**	**166,354**	**412,145**	**611,442**
Fleet	75,936	274,581	249,884	223,681	201,707	555,672	**1,581,461**
Real estate and other	1,871	6,810	6,062	5,283	5,086	20,424	**45,536**
Lease liabilities	**77,807**	**281,391**	**255,946**	**228,964**	**206,793**	**576,096**	**1,626,997**
Total	**79,727**	**290,514**	**265,608**	**241,202**	**373,147**	**988,241**	**2,238,439**

Note 7 provides the information required for right-of-use assets and depreciation. Note 14 details the information required with respect to leases of aircraft that will be delivered in the coming years.

Note 9 Liability related to warrants

In the context of the initial financing arrangement related to the Subordinated debt – LEEFF *[Note 8]*, 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 are exercisable prior to July 10, 2035. On July 10, 2025, as part of the Corporation's debt restructuring, 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 loss on long-term debt extinguishment during the fiscal year ended October 31, 2025.

The number of shares issuable upon exercise of the warrants may not exceed 9,436,772 shares or 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 July 31, 2026 and October 31, 2025, a total of 13,000,000 warrants had vested under the drawdowns under 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 9,436,772 warrants could be exercised through the issuance of shares;
- 3,563,228 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Moreover, the parties may, by mutual agreement, exercise the 9,436,772 warrants for a settlement in cash. To the extent that Transat shares are listed on a public market, the Corporation could also choose to settle the exercise of these 9,436,772 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 profit or loss. It is classified in 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:

	Nine-month period ended July 31, 2026	Year ended October 31, 2025
	$	$
Opening balance	**14,235**	8,519
Revaluation of liability related to warrants	**1,132**	534
Loss on long-term debt extinguishment	**—**	5,182
Closing balance	**15,367**	14,235

To remeasure the liability related to warrants, classified in Level 3, the Corporation used a Black-Scholes valuation model. As at July 31, 2026, the primary unobservable input used in the model was expected volatility, which was estimated at 56.0%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of $795 in the liability related to warrants as at July 31, 2026.

Note 10 Provision for return conditions

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

	Nine-month period ended July 31, 2026	Year ended October 31, 2025
	$	$
Opening balance	**202,700**	174,368
Additional provisions	**24,271**	24,081
Unused amounts reversed	**(17,439)**	(8,030)
Effect of discount rate changes	**(11,797)**	5,908
Accretion	**4,498**	5,297
Foreign exchange loss	**311**	1,076
Closing balance	**202,544**	202,700
Current provisions	**6,735**	1,581
Non-current provisions	**195,809**	201,119
Closing balance	**202,544**	202,700

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 from 2027 to 2036 with an average remaining term of 5.2 years.

As at July 31, 2026, the unused amounts reversed included $1,317 related to leases that expired during the period and $16,122 related to leases that were amended.

Note 11 Equity

Authorized share capital

Class A Variable Voting Shares

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

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

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

Class B Voting Shares

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

Preferred shares

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

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 option of the holder into Class B Voting Shares as of the date on which the 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 Class A Shares and Class B shares were as follows:

	Number of shares	$
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
Issued from treasury	735,514	1,622
Balance as at July 31, 2026	**41,115,755**	**228,987**

As at July 31, 2026, the number of Class A Shares and Class B Shares stood at 1,832,856 and 39,282,899, respectively [2,691,056 and 37,689,185, respectively, as at October 31, 2025].

Preferred shares

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 in Level 1 in the fair value hierarchy.

As at July 31, 2026, the fair value of the 3,691,591 Series 4 Preferred Shares was estimated to be $8,389 based on a price per share of $2.27, being 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 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
Revaluation of liability related to preferred shares			441
Balance as at July 31, 2026	**3,691,591**	**2.27**	**8,389**

Stock option plan

	Number of options	Weighted average price ($)
Balance as at October 31, 2025	300,000	3.96
Granted	120,000	2.58
Balance as at July 31, 2026	**420,000**	**3.56**
Options exercisable as at July 31, 2026	**266,667**	**3.96**

Warrants

No warrants were exercised during the quarter and nine-month period ended July 31, 2026. Accordingly, the Corporation did not issue any shares related to the exercise of warrants *[Note 9]*.

Loss per share

Basic and diluted loss per share were calculated as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
(in thousands of dollars, except per share data)	2026 $	2025 $	2026 $	2025 $
NUMERATOR				
Net income (loss) used in computing basic earnings (loss) per share	**(106,588)**	399,821	**(215,080)**	254,405
Effect of deemed conversion of warrants and preferred shares	**(4,326)**	5,107	**1,573**	2,981
Less anti-dilutive impact	**4,326**	(7,447)	**(1,573)**	(5,321)
Net income (loss) used in computing diluted earnings (loss) per share	**(106,588)**	397,481	**(215,080)**	252,065
DENOMINATOR				
Adjusted weighted average number of outstanding shares	**41,022**	40,083	**40,777**	39,767
Effect of potential dilutive securities				
Preferred shares	**—**	2,268	**—**	764
Stock options	**—**	—	**—**	—
Warrants	**—**	—	**—**	—
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	**41,022**	42,351	**40,777**	40,531
Earnings (loss) per share				
Basic	**(2.60)**	9.97	**(5.27)**	6.40
Diluted	**(2.60)**	9.39	**(5.27)**	6.22

For the quarter and nine-month period ended July 31, 2026, the 420,000 outstanding stock options and the 9,436,772 vested warrants that are exercisable through the issuance of shares were excluded from the calculation since their exercise price exceeded the average share price for the period [300,000 stock options and 9,436,772 warrants for the quarter and nine-month period ended July 31, 2025]. For the quarter and nine-month period ended July 31, 2026, the 3,691,591 Series 4 Preferred Shares were also excluded from the calculation due to their anti-dilutive impact.

Note 12 Additional disclosure on revenue and expenses

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 markets that also represent its two main product lines: the transatlantic market and the Americas market, which includes the sun routes. Revenues from contracts with customers is broken down as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Customers				
Americas	**194,407**	225,840	**1,785,989**	1,806,463
Transatlantic	**575,314**	527,915	**847,201**	772,564
Other	**22,999**	12,546	**57,846**	47,852
Total revenues	**792,720**	766,301	**2,691,036**	2,626,879

In accordance with the financial compensation agreement entered into during the fiscal year ended October 31, 2025 with the original equipment manufacturer of the GTF engines, the Corporation recognized an amount of $6,993 for the quarter ended July 31, 2026 and $17,308 for the nine-month period ended July 31, 2026 [$6,978 for the quarter and $26,956, for the nine-month period ended July 31, 2025].

Note 13 Restructuring costs

	Quarters ended July 31		Nine-month periods ended July 31	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Restructuring costs				
Severance	**—**	157	**220**	4,214
	—	157	**220**	4,214

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

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

	Nine-month period ended July 31, 2026	Year ended October 31, 2025
	$	**$**
Opening balance	**2,084**	1,030
Additional provision	**220**	5,663
Utilization of provision	**(1,925)**	(4,609)
Closing balance	**379**	2,084

Note 14 Commitments and contingencies

Leases and other commitments

As at July 31, 2026, 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)	—	11,619	39,881	39,881	39,881	347,313	**478,575**
Purchase obligations	5,907	19,149	8,550	5,106	3,228	2,672	**44,612**
	5,907	**30,768**	**48,431**	**44,987**	**43,109**	**349,985**	**523,187**

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 15 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 for the year ended October 31, 2025 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 Quebec. These agreements typically cover a one-year period and are renewable annually. As at July 31, 2026, the total amount of these guarantees unsecured by deposits totalled $3,284. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2026, no amounts had been accrued with respect to the above-mentioned agreements.

Note 16 Segment disclosures

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

Note 17 Event after the reporting period

On September 9, 2026, the Corporation entered into a term credit facility agreement with the Canada Enterprise Emergency Funding Corporation (CEEFC) with a maximum amount of $250,000. Under the terms of the agreement, expiring on July 10, 2035, drawdowns may be made on or before September 9, 2027. All amounts drawn down bear interest at a rate of 1.22% until July 26, 2029 and 3.0% thereafter.

On the same date, the Corporation made its first drawdown of $80,000 under this agreement.

transat