TRANSAT A.T. INC.
SECOND QUARTERLY REPORT
Period ended April 30, 2025

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Ticker symbol
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ["MD&A"] provides a review of Transat A.T. Inc.'s operations, performance and financial position for the quarter ended April 30, 2025, compared with the quarter ended April 30, 2024, and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2024 and the accompanying notes and the 2024 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 2024 Annual Report. The risks and uncertainties set out in the MD&A of the 2024 Annual Report are herein incorporated by reference and remain substantially unchanged. Unless otherwise indicated, the information contained herein is dated as of June 11, 2025. You will find more information about us on Transat's website at www.transat.com and on SEDAR+ at www.sedarplus.ca, including the Attest Reports for the quarter ended April 30, 2025, and the Annual Information Form for the year ended October 31, 2024.

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

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

The forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, 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, maintain and grow its reputation and brand, the availability of funding in the future, the Corporation's ability to repay its debt from internally generated funds or otherwise, the Corporation's ability to adequately mitigate the Pratt & Whitney GTF engine issues, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, cybersecurity risks, changes in legislation, regulatory developments or procedures, pending litigation and third-party lawsuits, the ability to reduce operating costs through the Elevation program initiatives, among other things, the Corporation's ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of the MD&A included in our 2024 Annual Report.

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 or other credit facilities.
- The outlook whereby for fiscal year 2025, the Corporation expects an available capacity increase of 1.0%, measured in available seat-miles, compared to 2024.
- The outlook whereby the initiatives implemented to date are expected to generate an annualized adjusted operating income run rate of $67.0 million and the Corporation remains on track to reach its goal of $100.0 million.
- The outlook whereby the subordinated debt - LEEFF would be reduced to $175.0 million as at the date of the agreement and the unsecured credit facility - travel credits will be subject to a restructuring resulting from the issuance of an unsecured debenture - LEEFF in the amount of $158.7 million and the issuance of 9,934,617 convertible preferred shares in the amount of $16.3 million.
- The outlook whereby the expiry date of the 13,000,000 warrants outstanding would be extended from April 26, 2031 to April 26, 2035.
- The outlook whereby the Corporation must repay its subordinated debt - LEEFF as well as 50% of its $50.0 million revolving term credit agreement by November 1, 2026.
- The outlook whereby this debt restructuring is expected to result in a gain on debt forgiveness, estimated to date at approximately $370.0 million.
- The outlook whereby the Corporation and the Canada Enterprise Emergency Funding Corporation are able to finalize the definitive agreements and obtain the necessary approvals within the anticipated timeframe, the transaction is expected to close in the third quarter of the 2025 calendar year.

In making these statements, the Corporation assumes, among other things, that the standards and measures for the health and safety of personnel and travellers imposed by government and airport authorities will be consistent with those currently in effect, that workers will continue to be available to the Corporation, its suppliers and the companies providing passenger services at the airports, that credit facilities and other terms of credit extended by its business partners will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year and that fuel prices, exchange rates, selling prices and hotel and other costs remain stable, the Corporation will be able to adequately mitigate the Pratt & Whitney GTF engine issues and that the initiatives identified to improve adjusted operating income (adjusted EBITDA) can be implemented as planned, and will result in cost reductions and revenue increases of the order anticipated by mid-2026. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this MD&A. The Corporation considers that the assumptions on which these forward-looking statements are based are reasonable. These statements reflect current expectations regarding future events and operating performance, speak only as of the date this MD&A is issued, and represent the Corporation's expectations as of that date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

2. NON-IFRS FINANCIAL MEASURES

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

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

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

Starting in the quarter ended January 31, 2025, the Corporation excludes from its calculations of Adjusted operating income, Adjusted earnings and Adjusted net income the effect of changes in discount rates used for accretion of the provision for return conditions. The Corporation believes that this item, which is highly variable and difficult to predict, can have a significant impact on results for a particular period, and does not reflect our past or future financial performance.

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

Adjusted operating income (loss) or adjusted EBITDA	Operating income (loss) before depreciation, amortization and asset impairment expense, reversal of impairment of the investment in a joint venture, the effect of changes in discount rates used for accretion of the provision for return conditions, restructuring and transaction costs and other significant unusual items, and including premiums related to derivatives that matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted 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, gain (loss) on long-term debt modification, gain (loss) on business disposals, gain on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, the effect of changes in discount rates used for accretion of the provision for return conditions, restructuring and transaction costs, write-off of assets, reversal of impairment of the investment in a joint venture, foreign exchange gain (loss) and other significant unusual items, and including premiums related to derivatives that matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results.
Adjusted net income (loss)	Net income (loss) before change in fair value of derivatives, revaluation of liability related to warrants, gain (loss) on long-term debt modification, gain (loss) on business disposals, gain on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, the effect of changes in discount rates used for accretion of the provision for return conditions, restructuring and transaction costs, write-off of assets, reversal of impairment of the investment in a joint venture, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums related to derivatives that matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted net income (loss) is also used in calculating the variable compensation of employees and senior executives.
Adjusted net earnings (loss) per share	Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.
Total debt	Long-term debt plus lease liabilities, deferred government grant and liability related to warrants, net of deferred financing costs related to the 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 April 30		Six-month periods ended April 30	
	2025	**2024**	**2025**	**2024**
(in thousands of Canadian dollars, except per share amounts)	**$**	**$**	**$**	**$**
Operating income (loss)	**37,270**	(15,161)	**(14,686)**	(67,590)
Depreciation and amortization	**62,680**	54,748	**125,645**	104,912
Reversal of impairment of the investment in a joint venture	**—**	—	**—**	(3,112)
Effect of discount rate changes	**(887)**	(7,485)	**6,262**	(2,210)
Restructuring costs	**979**	1,911	**4,057**	1,977
Premiums related to derivatives that matured during the period	**(1,596)**	(3,863)	**(2,863)**	(7,177)
Adjusted operating income	**98,446**	30,150	**118,415**	26,800
Loss before income tax expense	**(22,885)**	(54,024)	**(144,910)**	(115,063)
Reversal of impairment of the investment in a joint venture	**—**	—	**—**	(3,112)
Effect of discount rate changes	**(887)**	(7,485)	**6,262**	(2,210)
Restructuring costs	**979**	1,911	**4,057**	1,977
Gain on asset disposals	**—**	—	**(5,183)**	(5,784)
Change in fair value of derivatives	**92,241**	(4,978)	**88,779**	17,181
Revaluation of liability related to warrants	**(2,119)**	(6,236)	**(2,126)**	5,511
Foreign exchange (gain) loss	**(60,999)**	28,170	**(13,527)**	(13,957)
Gain on long-term debt modification	**—**	—	**(216)**	—
Premiums related to derivatives that matured during the period	**(1,596)**	(3,863)	**(2,863)**	(7,177)
Adjusted pre-tax income (loss)	**4,734**	(46,505)	**(69,727)**	(122,634)
Net loss	**(22,884)**	(54,387)	**(145,416)**	(115,364)
Reversal of impairment of the investment in a joint venture	**—**	—	**—**	(3,112)
Effect of discount rate changes	**(887)**	(7,485)	**6,262**	(2,210)
Restructuring costs	**979**	1,911	**4,057**	1,977
Gain on asset disposals	**—**	—	**(5,183)**	(5,784)
Change in fair value of derivatives	**92,241**	(4,978)	**88,779**	17,181
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Foreign exchange (gain) loss	**(60,999)**	28,170	**(13,527)**	(13,957)
Gain on long-term debt modification	**—**	—	**(216)**	—
Premiums related to derivatives that matured during the period	**(1,596)**	(3,863)	**(2,863)**	(7,177)
Adjusted net income (loss)	**4,735**	(46,868)	**(70,233)**	(122,935)
Adjusted net income (loss)	**4,735**	(46,868)	**(70,233)**	(122,935)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	**39,752**	38,713	**39,607**	38,645
Adjusted net earnings (loss) per share	**0.12**	(1.21)	**(1.77)**	(3.18)

	As at April 30, 2025	As at October 31, 2024
(in thousands of dollars)	**$**	**$**
Long-term debt	**705,562**	682,295
Deferred government grant	**106,626**	120,784
Liability related to warrants	**6,393**	8,519
Lease liabilities	**1,369,221**	1,465,722
Total debt	**2,187,802**	2,277,320
Total debt	**2,187,802**	2,277,320
Cash and cash equivalents	**(532,611)**	(260,336)
Total net debt	**1,655,191**	2,016,984

3. FINANCIAL HIGHLIGHTS

	Quarters ended April 30				Six-month periods ended April 30			
(in thousands of Canadian dollars, except per share amounts)	2025 $	2024 $	Difference $	Difference %	2025 $	2024 $	Difference $	Difference %
Consolidated Statements of Loss								
Revenues	**1,031,073**	973,204	57,869	5.9	**1,860,578**	1,758,702	101,876	5.8
Operating income (loss)	**37,270**	(15,161)	52,431	345.8	**(14,686)**	(67,590)	52,904	78.3
Net loss	**(22,884)**	(54,387)	31,503	57.9	**(145,416)**	(115,364)	(30,052)	(26.0)
Basic loss per share	**(0.58)**	(1.40)	0.82	58.6	**(3.67)**	(2.99)	(0.68)	(22.7)
Diluted loss per share	**(0.58)**	(1.40)	0.82	58.6	**(3.67)**	(2.99)	(0.68)	(22.7)
Adjusted operating income[1]	**98,446**	30,150	68,296	226.5	**118,415**	26,800	91,615	341.8
Adjusted net income (loss)[1]	**4,735**	(46,868)	51,603	110.1	**(70,233)**	(122,935)	52,702	42.9
Adjusted net earnings (loss) per share[1]	**0.12**	(1.21)	1.33	109.9	**(1.77)**	(3.18)	1.41	44.3
Consolidated Statements of Cash Flows								
Operating activities	**207,842**	183,216	24,626	13.4	**376,420**	293,918	82,502	28.1
Investing activities	**(19,312)**	(31,247)	11,935	38.2	**(11,578)**	(59,992)	48,414	80.7
Financing activities	**(45,788)**	(77,986)	32,198	41.3	**(93,534)**	(141,136)	47,602	33.7
Effect of exchange rate changes on cash and cash equivalents	**514**	1,617	(1,103)	(68.2)	**967**	449	518	115.4
Net change in cash and cash equivalents	**143,256**	75,600	67,656	89.5	**272,275**	93,239	179,036	192.0

	As at April 30, 2025 $	As at October 31, 2024 $	Difference $	Difference %
Consolidated Statements of Financial Position				
Cash and cash equivalents	**532,611**	260,336	272,275	104.6
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	**295,582**	484,944	(189,362)	(39.0)
	828,193	745,280	82,913	11.1
Total assets	**2,831,579**	2,750,910	80,669	2.9
Debt (current and non-current)	**705,562**	682,295	23,267	3.4
Total debt[1]	**2,187,802**	2,277,320	(89,518)	(3.9)
Total net debt[1]	**1,655,191**	2,016,984	(361,793)	(17.9)

[1] See the Non-IFRS Financial Measures section

4. OVERVIEW

CORE BUSINESS

Founded in Montréal 37 years ago, Transat has achieved worldwide recognition as a provider of leisure travel. Known for operating as an air carrier under the Air Transat brand, Transat also consists of specialist tour operators and other entities in the retail distribution of holiday travel packages. Its full offerings include products and services for exploring a multitude of international destinations, mainly in Europe and the Caribbean, with growth ambitions in South America and North Africa.

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

Voted World's Best Leisure Airline by passengers at the 2024 Skytrax World Airline Awards, Air Transat is known for its exceptional customer service.

5. HIGHLIGHTS OF THE QUARTER

COMPENSATION AGREEMENT

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

ELEVATION OPTIMIZATION PROGRAM

The Corporation, supported by a specialized industry firm, continued to implement its Elevation Program, which aims to accelerate the achievement of results of strategic initiatives and maximize their potential to foster sustainable long-term growth. The implementation of identified initiatives continues to advance as anticipated. The initiatives implemented to date are expected to generate an annualized adjusted operating income run rate of $67.0 million and the Corporation remains on track to reach its goal of $100.0 million. The initial phase of the Program focused on optimizing our organizational structure, with efficiency gains and significant cost savings, in particular by implementing AI (artificial intelligence) technology in our contact centre. Over the next few months, revenue management initiatives and various productivity measures will be implemented to foster profitable growth.

6. CONSOLIDATED OPERATIONS

	Quarters ended April 30				Six-month periods ended April 30			
	2025	2024	Difference	Difference	2025	2024	Difference	Difference
(in thousands of dollars)	$	$	$	%	$	$	$	%
Revenues	**1,031,073**	973,204	57,869	5.9	**1,860,578**	1,758,702	101,876	5.8
Operating expenses								
Costs of providing tourism services	**375,432**	366,994	8,438	2.3	**674,527**	636,092	38,435	6.0
Aircraft fuel	**136,487**	150,574	(14,087)	(9.4)	**258,363**	285,993	(27,630)	(9.7)
Salaries and employee benefits	**132,915**	139,604	(6,689)	(4.8)	**260,194**	263,113	(2,919)	(1.1)
Sales and distribution costs	**77,624**	78,115	(491)	(0.6)	**141,539**	140,096	1,443	1.0
Aircraft maintenance	**62,219**	38,082	24,137	63.4	**124,376**	95,160	29,216	30.7
Airport and navigation fees	**49,351**	48,321	1,030	2.1	**96,884**	94,356	2,528	2.7
Aircraft rent	**3,330**	4,614	(1,284)	(27.8)	**6,004**	11,401	(5,397)	(47.3)
Other airline costs	**58,344**	71,105	(12,761)	(17.9)	**110,624**	133,704	(23,080)	(17.3)
Other	**34,442**	34,297	145	0.4	**73,051**	62,730	10,321	16.5
Depreciation and amortization	**62,680**	54,748	7,932	14.5	**125,645**	104,912	20,733	19.8
Restructuring costs	**979**	1,911	(932)	(48.8)	**4,057**	1,977	2,080	105.2
Reversal of impairment of the investment in a joint venture	**—**	—	—	—	**—**	(3,112)	3,112	100.0
Share of net income of a joint venture	**—**	—	—	—	**—**	(130)	130	100.0
	993,803	988,365	5,438	0.6	**1,875,264**	1,826,292	48,972	2.7
Operating income (loss)	**37,270**	(15,161)	52,431	345.8	**(14,686)**	(67,590)	52,904	78.3
Financing costs	**38,210**	34,714	3,496	10.1	**77,895**	70,354	7,541	10.7
Financing income	**(7,178)**	(12,807)	5,629	44.0	**(15,398)**	(25,832)	10,434	40.4
Change in fair value of derivatives	**92,241**	(4,978)	97,219	1,953.0	**88,779**	17,181	71,598	416.7
Revaluation of liability related to warrants	**(2,119)**	(6,236)	4,117	66.0	**(2,126)**	5,511	(7,637)	(138.6)
Foreign exchange (gain) loss	**(60,999)**	28,170	(89,169)	(316.5)	**(13,527)**	(13,957)	430	3.1
Gain on asset disposals	**—**	—	—	—	**(5,183)**	(5,784)	601	10.4
Gain on long-term debt modification	**—**	—	—	—	**(216)**	—	(216)	100.0
Loss before income tax expense	**(22,885)**	(54,024)	31,139	57.6	**(144,910)**	(115,063)	(29,847)	(25.9)
Income taxes (recovery)								
Current	**(5)**	652	(657)	(100.8)	**403**	1,053	(650)	(61.7)
Deferred	**4**	(289)	293	101.4	**103**	(752)	855	113.7
	(1)	363	(364)	(100.3)	**506**	301	205	68.1
Net loss for the period	**(22,884)**	(54,387)	31,503	57.9	**(145,416)**	(115,364)	(30,052)	(26.0)

REVENUES

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

Compared with 2024, our revenues were up $57.9 million (5.9%) for the quarter ended April 30, 2025. This increase was attributable to a 1.6% increase in traffic, expressed in revenue-passenger-miles, compared with the corresponding quarter of 2024. For the quarter, across the entire network, the capacity offered increased by 2.6% compared with 2024, while the capacity for sun routes, the main market during the period, remained stable. Airline unit revenues, expressed in revenue per passenger-mile (or yield), were up 2.0%. However, this increase in revenue was reined in by inefficiencies in revenue management resulting from issues with the Pratt & Whitney GTF engines, increased competition and the economic slowdown. Across all our markets, the Corporation reported a load factor of 84.6% compared to 85.5% in 2024. In addition, following the agreement entered into with the original equipment manufacturer of the GTF engines, we recorded a financial compensation of $20.0 million in revenues.

For the six-month period ended April 30, 2025, our revenues were up $101.9 million (5.8%), compared with 2024. Overall, traffic, expressed in revenue-passenger miles, was 1.3% higher than for the corresponding period of 2024. Our airline unit revenues, expressed in revenue per passenger-mile (or "yield") were up 1.8%. However, this increase in revenue was reined in by inefficiencies in revenue management resulting from issues with the Pratt & Whitney GTF engines, increased competition and the economic slowdown. Across all our markets, the Corporation reported a load factor of 82.7% compared with 82.9% in 2024. For the six-month period, across the entire network, the capacity offered increased by 1.6% compared with 2024, while the capacity for sun routes, the main program during this period, increased by 0.5%. In addition, following the agreement entered into with the original equipment manufacturer of the GTF engines, we recorded a financial indemnity of $20.0 million in revenues.

OPERATING EXPENSES

Total operating expenses were up $5.4 million (0.6%) for the quarter and $49.0 million (2.7%) for the six-month period, compared with 2024. These increases were mainly attributable to the the weakening of the Canadian dollar against the U.S. currency, increased costs of providing tourism services and higher capacity compared with the corresponding periods of 2024, partially offset by the lower aircraft fuel expense.

Costs of providing tourism services

Costs of providing tourism services are incurred by our tour operators. They include primarily hotel room costs as well as transfer and excursion costs. Compared with 2024, these costs increased by $8.4 million (2.3%) for the quarter and $38.4 million (6.0%) for the six-month period. These increases resulted primarily from the increased cost of person-nights compared with 2024 and the weakening of the Canadian dollar against the U.S. currency.

Aircraft fuel

Aircraft fuel expense decreased by $14.1 million (9.4%) for the quarter. This decrease was mainly attributable to an 18.2% drop in fuel prices denominated in U.S. dollars, partially offset by the weakening of the Canadian dollar against the U.S. currency and the higher volume of litres consumed due to increased capacity compared with the corresponding period of 2024.

Aircraft fuel expense decreased by $27.6 million (9.7%) for the six-month period. This decrease was mainly attributable to a 16.8% drop in fuel prices denominated in U.S. dollars, partially offset by the weakening of the Canadian dollar against the U.S. currency and the higher volume of litres consumed due to increased capacity compared with the corresponding period of 2024.

Salaries and employee benefits

Salaries and employee benefits decreased by $6.7 million (4.8%) for the quarter and $2.9 million (1.1%) for the six-month period, compared with 2024. These decreases were mainly due to the optimization of our organizational structure as part of the Elevation optimization program.

Sales and distribution costs

Sales and distribution costs include commissions paid to travel agencies, credit card fees, distribution expenses and marketing expenses. Sales and distribution costs decreased by $0.5 million (0.6%) during the quarter, compared with 2024. This decrease was mainly attributable to lower marketing expenses, partially offset by higher business volume and distribution costs.

Sales and distribution costs increased by $1.4 million (1.0%) for the six-month period, compared with 2024. This increase was mainly driven by higher business volume and distribution costs.

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 increased by $24.1 million (63.4%) for the quarter and $29.2 million (30.7%) for the six-month period, compared with 2024. These increases were mainly attributable to the addition of seven aircraft to our fleet during the previous fiscal year, the recent sale and leaseback transactions for four Pratt & Whitney GTF engines, partially offset by a decrease in maintenance work performed in accordance with the manufacturers' maintenance plans, compared with 2024.

Airport and navigation fees

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees increased by $1.0 million (2.1%) for the quarter and $2.5 million (2.7%) for the six-month period, compared with 2024. These increases mainly resulted from the greater capacity deployed compared with 2024 and from higher prices.

Aircraft rent

Aircraft rent refers to variable aircraft rent and rent under short-term leases. These costs decreased by $1.3 million (27.8%) during the quarter and $5.4 million (47.3%) for the six-month period, compared with 2024. These decreases resulted mainly from a lower average number of aircraft under short-term leases in 2025, compared with the corresponding periods of 2024.

Other airline costs

Other airline costs consist mainly of handling, crew, catering costs and other costs related to airline operations. Other airline costs decreased by $12.8 million (17.9%) for the quarter and $23.1 million (17.3%) for the six-month period, compared with 2024. These decreases were mainly related to the lower average number of aircraft under short-term leases compared with 2024 and the insourcing of passenger and ramp services at the Montréal-Trudeau International Airport.

Other

Other costs increased by $0.1 million (0.4%) for the quarter and $10.3 million (16.5%) for the six-month period, compared with 2024. These increases resulted mainly from costs incurred related to our Elevation optimization program compared with 2024.

Depreciation and amortization

Depreciation and amortization expense includes depreciation and amortization as well as impairment losses relating to property, plant and equipment and intangible assets. Depreciation and amortization expense increased by $7.9 million (14.5%) for the second quarter and $20.7 million (19.8%) for the six-month period, compared with 2024. These increases were primarily due to the commissioning of three Airbus A330s and four Airbus A321LRs in 2024.

Restructuring costs

Restructuring costs are employee termination benefits related to the changes in organizational structure. For the quarter ended April 30, 2025, restructuring costs included an expense for employee termination benefits of $1.0 million, compared with the quarter ended April 30, 2024, which included an expense for employee termination benefits of $1.8 million and employee relocation costs of $0.1 million. For the six-month period ended April 30, 2025, restructuring costs included an expense for employee termination benefits of $4.1 million, compared with the corresponding quarter of 2024, which included an expense for employee termination benefits of $1.8 million and employee relocation costs of $0.1 million.

Reversal of impairment of the investment in a joint venture

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

Share of net income of a joint venture

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

OPERATING RESULTS

Given the above, we reported operating income of $37.3 million during the second quarter, compared with an operating loss of $15.2 million in 2024. For the six-month period, we reported an operating loss of $14.7 million, compared with $67.6 million in 2024.

The improvement in our operating results for the quarter and six-month period was due primarily to increased airline unit revenues, combined with higher traffic, the financial compensation from the original equipment manufacturer of the GTF engines and lower fuel prices. Despite the improvement, the Corporation is continuing to incur additional costs resulting from the Pratt & Whitney GTF engine issues, including issues related to the long-term leases for three Airbus A330s contracted in 2024 to maintain the capacity offered. Operating results also include costs incurred for our Elevation optimization program, such as professional fees for a specialized firm helping the Corporation accelerate the achievement of targeted results of strategic initiatives and employee termination benefits related to organizational restructuring.

For the quarter, the Corporation reported adjusted operating income of $98.4 million, compared with $30.2 million in 2024. For the six-month period, the Corporation reported adjusted income of $118.4 million, compared with $26.8 million in 2024.

OTHER EXPENSES AND REVENUES

Financing costs

Financing costs include interest on lease liabilities, long-term debt and other interest, standby fees, arrangement fees as well as financial expenses, net of proceeds from deferred government grant. Financing costs increased by $3.5 million (10.1%) for the second quarter and $7.5 million (10.7%) for the six-month period, compared with 2024. These increases resulted from the rise in lease liabilities, mainly due to the addition of seven new aircraft leases in 2024.

Financing income

Financing income was down $5.6 million (44.0%) during the second quarter and $10.4 million (40.4%) for the six-month period, compared with 2024, due to lower interest rates and the decrease 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.

During the quarter and the six-month period ended April 30, 2025, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by $92.2 million and $88.8 million, respectively, mainly due to the decrease in the fair value of derivative financial instruments related to foreign currencies as a result of the strengthening of the Canadian dollar against the U.S. currency during the quarter and the decline in the fair value of derivative financial instruments related to aircraft fuel as a result of lower fuel prices.

Revaluation of liability related to warrants

The revaluation of the liability related to warrants represents the change in fair value of warrants during the period. For the quarter and six-month period ended April 30, 2025, the fair value of warrants decreased by $2.1 million, mainly due to the decrease in the closing share price from $1.76 to $1.52 between October 31, 2024 and April 30, 2025.

Foreign exchange (gain) loss

During the quarter, the Corporation recognized a foreign exchange gain of $61.0 million, compared with a foreign exchange loss of $28.2 million in 2024. For the quarter, the foreign exchange gain resulted mainly from the favourable exchange effect on lease liabilities related to aircraft, following the strengthening of the Canadian dollar against the U.S. currency.

For the six-month period, the Corporation recorded a foreign exchange gain of $13.5 million, compared with a foreign exchange gain of $14.0 million in 2024. For the six-month period, the gain resulted mainly from the favourable exchange effect on lease liabilities related to aircraft, following the strengthening of the Canadian dollar against the U.S. currency.

Gain on asset disposals

During the six-month period ended April 30, 2025, the Corporation recorded a gain on sale and leaseback of assets of $5.2 million following the sale and leaseback of a Pratt & Whitney GTF engine.

On January 9, 2024, the Corporation closed the agreement for the sale and purchase of its 50% stake in Desarrollo Transimar, a Mexican company operating a hotel, the Armony Luxury Resort & Spa, for US$15.5 million, [$20.7 million]. Following this transaction, the Corporation recorded a gain on disposal of an investment of $5.8 million.

Gain on long-term debt modification

On January 31, 2025, the Corporation renegotiated certain terms of its agreement with the Government of Canada for the subordinated debt - LEEFF. The Corporation concluded that the extension of the maturity date to April 29, 2027 (previously April 29, 2026) under the amended agreement was non-substantial as defined in IFRS 9, *Financial Instruments*. Accordingly, as at January 31, 2025, the Corporation recorded a gain on long-term debt modification of $0.2 million.

INCOME TAXES

Income tax recovery amounted to $0.0 million for the second quarter of 2025, compared with an income tax expense of $0.4 million for the corresponding quarter of last year. For the six-month period, the income tax expense amounted to $0.5 million, compared with $0.3 million in 2024. The higher effective income tax rate resulted from an increase in the prescribed income tax rate and profitability of certain foreign subsidiaries.

During the quarter ended April 30, 2020, the Corporation stopped recognizing deferred tax assets and wrote down deferred tax asset balances related to Canadian operations whose recognition could no longer be justified under IFRS. Accordingly, during the quarter and six-month period ended April 30, 2025, no deferred tax assets of Canadian subsidiaries were recognized.

NET LOSS AND ADJUSTED NET LOSS

Considering the items discussed in the Consolidated Operations section, for the second quarter of 2025, the Corporation reported a net loss of $22.9 million, or $0.58 per share (basic and diluted), compared with $54.4 million, or $1.40 per share (basic and diluted) during the corresponding quarter of the previous year. For the second quarter of 2025, the weighted average number of outstanding shares used to compute per share amounts was 39,752,000 (basic and diluted), compared with 38,713,000 (basic and diluted) for the corresponding quarter of 2024.

For the six-month period, net loss amounted to $145.4 million, or $3.67 per share (basic and diluted), compared with $115.4 million, or $2.99 per share (basic and diluted) for the corresponding period of last year. For the six-month period, the weighted average number of outstanding shares used to compute per share amounts was 39,607,000 (basic and diluted) compared with 38,645,000 (basic and diluted) for the corresponding period of 2024.

For the quarter and six-month period ended April 30, 2025, the Corporation reported adjusted net losses of $4.7 million ($0.12 per share) and $70.2 million ($1.77 per share), respectively, compared with adjusted net losses of $46.9 million ($1.21 per share) and $122.9 million ($3.18 per share), respectively, for the corresponding periods of 2024.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's operations are seasonal in nature; consequently, interim operating results do not proportionately reflect the operating results for a full year. For the quarters reported, revenue growth was mainly attributable to our increased capacity.

The improvement in our operating results for winter 2025 (Q1 and Q2) was due primarily to increased airline unit revenues, combined with higher traffic, the financial compensation from the original equipment manufacturer of the GTF engines and lower fuel prices. The decline in our operating results during the third quarter of 2024, compared with 2023, was attributable, among other things, to the additional costs caused by the Pratt & Whitney GTF engine issue, as well as increased competition and uncertainty. For the fourth quarter of 2024, the improvement in our operating results compared with 2023 was mainly due to the financial compensation received from the original equipment manufacturer of the GTF engines. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

Selected unaudited quarterly financial information								
(in thousands of dollars, except per share data)	**Q3-2023** $	**Q4-2023** $	**Q1-2024** $	**Q2-2024** $	**Q3-2024** $	**Q4-2024** $	**Q1-2025** $	**Q2-2025** $
Revenues	746,317	764,467	785,498	973,204	**736,203**	**788,845**	**829,505**	**1,031,073**
Operating income (loss)	64,375	44,721	(52,429)	(15,161)	**(9,837)**	**64,700**	**(51,956)**	**37,270**
Net income (loss)	57,303	3,195	(60,977)	(54,387)	**(39,893)**	**41,227**	**(122,532)**	**(22,884)**
Basic earnings (loss) per share	1.49	0.08	(1.58)	(1.40)	**(1.03)**	**1.05**	**(3.10)**	**(0.58)**
Diluted earnings (loss) per share	1.49	0.08	(1.58)	(1.40)	**(1.03)**	**1.05**	**(3.10)**	**(0.58)**
Adjusted operating income (loss)[1]	107,368	80,097	(3,349)	30,150	**47,994**	**128,417**	**19,969**	**98,446**
Adjusted net income (loss)[1]	34,888	6,766	(76,066)	(46,868)	**(36,300)**	**31,558**	**(74,968)**	**4,735**
Adjusted net earnings (loss) per share[1]	0.91	0.18	(1.97)	(1.21)	**(0.93)**	**0.81**	**(1.90)**	**0.12**

[1] See the Non-IFRS financial measures section

7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

As at April 30, 2025, cash and cash equivalents totalled $532.6 million compared with $260.3 million as at October 31, 2024. Cash and cash equivalents in trust or otherwise reserved amounted to $295.6 million at the end of the second quarter of 2025, compared with $484.9 million as at October 31, 2024. The Corporation's statement of financial position reflected $384.0 million in negative working capital, for a ratio of 0.76, compared with $261.1 million in negative working capital and a ratio of 0.81 as at October 31, 2024.

Total assets increased by $80.7 million (2.9%), from $2,750.9 million as at October 31, 2024 to $2,831.6 million as at April 30, 2025. This increase is explained in the financial position table provided below. Equity decreased by $144.5 million from negative equity of $889.1 million as at October 31, 2024, to $1,033.6 million as at April 30, 2025. The decrease resulted primarily from the $145.4 million net loss.

(in thousands of dollars)	April 30, 2025 $	October 31, 2024 $	Difference $	Main reasons for significant differences
Assets				
Cash and cash equivalents	**532,611**	260,336	272,275	See the Cash flows section
Cash and cash equivalents in trust or otherwise reserved	**295,582**	484,944	(189,362)	Seasonal nature of operations
Trade and other receivables	**165,613**	151,190	14,423	Increase in the amount receivable from the original equipment manufacturer of the GTF engines and increase in amounts receivable from credit card processors, offset by a decrease in cash receivable from lessors
Income taxes receivable	**730**	504	226	No significant difference
Inventories	**44,015**	40,212	3,803	Increase in inventory of aircraft parts
Prepaid expenses	**49,236**	31,359	17,877	Increase in prepayments to suppliers due to seasonal nature of operations
Deposits	**412,322**	367,185	45,137	Increase in deposits with credit card processors and in maintenance deposits with lessors
Deferred tax assets	**487**	588	(101)	No significant difference
Property, plant and equipment	**1,285,594**	1,378,871	(93,277)	Depreciation for the period, partially offset by acquisitions
Intangible assets	**13,089**	13,058	31	Acquisitions, partially offset by amortization for the period
Derivative financial instruments	**32,300**	22,663	9,637	Favourable change in fuel-related derivatives, offset by an unfavourable change in foreign currency derivatives contracted

(in thousands of dollars)	April 30, 2025 $	October 31, 2024 $	Difference $	Main reasons for significant differences
Liabilities				
Trade and other payables	**471,037**	363,889	107,148	Seasonal nature of operations and increased business volume from packages sold
Income taxes payable	**1,885**	1,632	253	Increase mainly due to the increase in the prescribed effective income tax rate and profitability of certain foreign subsidiaries
Customer deposits and deferred revenues	**888,727**	781,156	107,571	Seasonal nature of operations and increased business volume
Derivative financial instruments	**106,379**	15,835	90,544	Unfavourable change in foreign currency derivatives and fuel-related derivatives contracted
Long-term debt and lease liabilities	**2,074,783**	2,148,017	(73,234)	Mainly due to principal repayments, partially offset by the sale and leaseback of assets
Provision for return conditions	**183,244**	174,368	8,876	Increase mainly related to the passage of time
Liability related to warrants	**6,393**	8,519	(2,126)	Decrease in fair value during the period due to changes in the Corporation's share price
Deferred government grant	**106,626**	120,784	(14,158)	Revenue from government grants for the period as per the effective interest method
Employee benefits liability	**25,634**	25,305	329	No significant difference
Deferred tax liabilities	**494**	481	13	No significant difference
Equity				
Share capital	**226,393**	225,438	955	Shares issued from treasury
Share-based payment reserve	**16,382**	16,283	99	Share-based payment expense
Deficit	**(1,268,529)**	(1,123,113)	(145,416)	Net loss
Cumulative exchange differences	**(7,869)**	(7,684)	(185)	Foreign exchange loss on the translation of the financial statements of foreign subsidiaries

CASH FLOWS

	Quarters ended April 30			Six-month periods ended April 30		
	2025	2024	Difference	2025	2024	Difference
(in thousands of dollars)	$	$	$	$	$	$
Cash flows related to operating activities	**207,842**	183,216	24,626	**376,420**	293,918	82,502
Cash flows related to investing activities	**(19,312)**	(31,247)	11,935	**(11,578)**	(59,992)	48,414
Cash flows related to financing activities	**(45,788)**	(77,986)	32,198	**(93,534)**	(141,136)	47,602
Effect of exchange rate changes on cash	**514**	1,617	(1,103)	**967**	449	518
Net change in cash and cash equivalents	**143,256**	75,600	67,656	**272,275**	93,239	179,036

Operating activities

Operating activities generated cash flows of $207.8 million during the second quarter, compared with $183.2 million in 2024. The increase of $24.6 million in cash flows generated by operating activities resulted from the $22.3 million increase in net income before operating items not involving an outlay (receipt) of cash and the $10.1 million increase in the net change in the provision for return conditions, partially offset by the $13.9 million decrease in the net change in other operating assets and liabilities and the $6.2 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 $376.4 million for the six-month period compared with $293.9 million in 2024. The increase of $82.5 million in cash flows generated by operating activities resulted from the $31.2 million increase in net income before operating items not involving an outlay (receipt) of cash, the $39.5 million increase in cash flows generated by the net change in non-cash working capital balances related to operations, the $7.8 million increase in the net change in other operating assets and liabilities and the $4.0 million increase in the net change in the provision for return conditions.

Investing activities

Cash flows generated by investing activities amounted to $19.3 million for second quarter compared with $31.2 million in 2024, a decrease of $11.9 million. For the six-month period, cash flows used in investing activities amounted to $11.6 million compared with $60.0 million in 2024, a decrease of $48.4 million. For the quarter and the six-month period ended April 30, 2025, additions to property, plant and equipment and intangible assets amounted to $14.9 million and $37.8 million, respectively, and consisted primarily in aircraft maintenance and aircraft equipment, compared with $29.8 million and $79.0 million, respectively in 2024. During the first quarter of 2025, the Corporation also completed a sale and leaseback transaction for a Pratt & Whitney GTF engine totalling $30.6 million. In 2024, a net consideration of $20.4 million was received for the disposal of our investment in Desarrollo Transimar.

Financing activities

For the second quarter, cash flows used in financing activities amounted to $45.8 million, compared with cash flows of $78.0 million in 2024, representing a decrease of $32.2 million. The Corporation made repayments on its lease liabilities amounting to $46.3 million compared with $42.2 million in 2024. During the second quarter of 2024, the Corporation made repayments on its subordinated credit facility for a total of $36.3 million.

For the six-month period, financing activities used $93.5 million in cash flows, compared with $141.1 million in 2024. The Corporation made repayments on its lease liabilities amounting to $93.4 million compared with $85.0 million in 2024. During first six months of 2024, the Corporation made repayments on its credit facilities for a total of $57.0 million.

FINANCING

Funding from the Government of Canada

The Corporation has an agreement with the Government of Canada that allowed it to borrow $706.7 million in additional liquidity through the Large Employer Emergency Financing Facility (LEEFF).

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

Secured debt – LEEFF

On January 31, 2025, the Corporation renegotiated its LEEFF secured debt agreement at the original principal amount of $78.0 million, including the extension of the maturity date to November 1, 2026 (previously February 1, 2026). The credit facility is secured by a first ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bears interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) (previously at the bankers' acceptance rate), plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at April 30, 2025, the financial ratios and covenants were met. During the six-month period ended April 30, 2024, the Corporation made a repayment of $11.0 million, bringing the principal balance payable to $41.4 million. As at April 30, 2025 and as October 31, 2024, the credit facility was fully drawn and the carrying amount stood at $41.4 million as at April 30, 2025 [$41.4 million as at October 31, 2024].

Subordinated debt – LEEFF

On January 31, 2025, the Corporation renegotiated its LEEFF unsecured debt agreement at the original principal amount of $312.0 million, including the extension of the maturity date to April 29, 2027 (previously April 29, 2026) and its conversion into a non-renewable, second-ranking subordinated debt agreement (previously a non-renewable, unsecured credit facility). The credit facility bore interest at a rate of 8.0% until December 31, 2024. The credit facility now bears interest at a rate of 10.0% until December 31, 2025, increasing by 2.0% per annum thereafter. The interest was capitalizable until December 31, 2024. In the event of a change of control, this credit facility becomes immediately due and payable.

The Corporation concluded that the amendments to its debt agreement were non-substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, as at January 31, 2025, the carrying amount of the subordinated debt - LEEFF has been adjusted downward to correspond to the revised amount of future cash flows discounted using the original effective interest rate. The $0.2 million adjustment was recorded as a gain on long-term debt modification.

As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn and the carrying amount was $368.9 million as at April 30, 2025 ($359.6 million as at October 31, 2024).

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

The number of shares issuable upon exercise of the warrants may not exceed 25.0% of the current number of issued and outstanding shares, nor may it result in the holder owning 19.9% or more of the outstanding shares upon exercise of the warrants. In the event of exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price. Finally, in the event that the 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 April 30, 2025 and October 31, 2024, a total of 13,000,000 warrants had vested under the drawdowns on the subordinated debt – LEEFF and no warrants had been exercised.

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

- A maximum of 9,906,353 warrants could be exercised through the issuance of shares;
- 3,093,647 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Unsecured credit facility related to travel credits

An amount of $353.3 million, in the form of an unsecured credit facility to issue refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom a travel credit was issued as a result of COVID–19. This credit facility matures on April 29, 2028 and bears interest at 1.22%. In the event the secured debt – LEEFF and the subordinated debt – LEEFF have not been repaid, this credit facility could become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders.

As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn. As at April 30, 2025, the carrying amount of the credit facility was $245.3 million ($231.3 million as at October 31, 2024), and an amount of $106.6 million ($120.8 million as at October 31, 2024) was also recognized as a deferred government grant related to these drawdowns.

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

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

Other credit facilities

Revolving credit facility

On January 31, 2025, the Corporation renegotiated its $50.0 million revolving credit facility agreement for operating purposes, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at Adjusted Term CORRA or at SOFR (Secured Overnight Financing Rate) in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at April 30, 2025, the financial ratios and covenants were met. As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn.

Off-balance sheet arrangements

In the normal course of business, Transat enters into arrangements and incurs obligations that will impact the Corporation's future operations and cash flows, some of which are reported as liabilities in the 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 $453.6 million as at April 30, 2025 ($462.6 million as at October 31, 2024) and are detailed as follows:

OFF-BALANCE SHEET ARRANGEMENTS	**As at April 30, 2025**	**As at October 31, 2024**
(in thousands of dollars)	**$**	**$**
Guarantees		
Irrevocable letters of credit	**1,771**	1,721
Collateral security contracts	**1,179**	1,153
Leases		
Lease obligations	**450,667**	459,748
	453,617	462,622

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

The Corporation has a $74.0 million annually renewable revolving credit facility for issuing letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at April 30, 2025, $71.0 million of the facility was drawn ($69.6 million as at October 31, 2024), including $35.6 million ($31.2 million as at October 31, 2024) to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure obligations under senior executive defined benefit pension agreements will be drawn.

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits from which £1.3 million ($2.3 million) has been drawn down.

As at April 30, 2025, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had decreased by $9.0 million compared with October 31, 2024. This decrease resulted primarily from the impact of lower interest rates on future rents and the weakening of the Canadian dollar against the U.S. currency.

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

Debt

The Corporation reported $705.6 million in long-term debt and $1,369.2 million in lease liabilities in the consolidated statement of financial position.

The Corporation's total debt stood at $2,187.8 million as at April 30, 2025, down $89.5 million from October 31, 2024. This decrease was primarily due to the repayment of lease liabilities and the strengthening of the Canadian dollar against the U.S. currency, partially offset by new lease liabilities.

Total net debt decreased by $361.8 million from $2,017.0 million as at October 31, 2024 to $1,655.2 million as at April 30, 2025. The decrease in total net debt was attributable to the decrease in total debt and the increase in cash and cash equivalents.

Outstanding shares

As at April 30, 2025, the Corporation had three authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at June 6, 2025, there were a total of 40,131,018 voting shares outstanding.

Stock options

As at June 6, 2025, a total of 369,702 stock options was outstanding, 103,036 of which were exercisable.

Warrants

As at April 30, 2025, and as at June 6, 2025, a total of 13,000,000 warrants was issued. As at April 30, 2025, and as at June 6, 2025, a total of 13,000,000 warrants had vested following drawdowns on the credit facility and no warrants had been exercised.

8. OTHER

FLEET

As at April 30, 2025, Air Transat's permanent fleet consisted of sixteen Airbus A330s (332, 345 or 363 seats), nineteen Airbus A321LRs (199 seats), of which 6 were grounded due to GTF engine problems, and eight Airbus A321ceos (199 seats).

LITIGATION

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

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

EVENT AFTER THE REPORTING PERIOD

On June 5, 2025, the Corporation announced that it had entered into an agreement in principle with the Canada Enterprise Emergency Funding Corporation ("CEEFC") to restructure all of its debt under the Large Employer Emergency Financing Facility ("LEEFF") managed by the CEEFC for the principal amount of $773.4 million with a carrying amount of $762.2 million, including the amount of deferred government grant, as at April 30, 2025.

Under this agreement, subordinated debt - LEEFF with a carrying amount of $368.9 million as at April 30, 2025 [notional value of $378.7 million], would be reduced to $175.0 million as at the date of the agreement and the unsecured credit facility - travel credits, with a carrying amount of $245.3 million [notional value of $353.3 million], will be subject to a restructuring resulting from the issuance of an unsecured debenture - LEEFF in the amount of $158.7 million and the issuance of 9,934,617 convertible preferred shares in the amount of $16.3 million. In addition, the expiry date of the 13,000,000 warrants outstanding would be extended from April 26, 2031 to April 26, 2035. The agreement also stipulates that the Corporation must repay its subordinated debt - LEEFF in the amount of $41.4 million as well as 50% of its $50.0 million revolving term credit agreement by November 1, 2026. This debt restructuring is expected to result in a gain on debt forgiveness, estimated to date at approximately $370.0 million.

The subordinated debt - LEEFF in the amount of $175.0 million and a term of 10 years will bear interest at a rate of 1.22% per annum for the first three years and 3.0% per annum thereafter. The facility will be secured by a second mortgage on all assets of the Corporation and its subsidiaries that are borrowers under the facility, including Air Transat Inc.

The unsecured debenture - LEEFF in the amount of $158.7 million and a term of 10 years will be interest-free during the first five years and will bear interest at 7.0% after the fifth anniversary of its issuance, increasing by 1.0% per annum thereafter to a maximum of 12.0%. It will be repayable at any time and at least annually from the fifth anniversary in amounts equal to no less than 10.0% of the principal amount plus accrued interest. In addition, prepayments may be required under certain conditions.

The preferred shares will be convertible into Class B Voting Shares after the second anniversary of the closing date of the transaction, will be entitled to the same dividend as any dividend declared on the Class A Voting Shares and Class B Voting Shares and will be redeemable under certain conditions.

The transaction is subject to the entering into of definitive agreements and also approval from the Toronto Stock Exchange is required for the preferred share component.

Assuming that the Corporation and CEEFC are able to finalize the definitive agreements and obtain the necessary approvals within the anticipated timeframe, the transaction is expected to close in the third quarter of the 2025 calendar year.

The Corporation is currently assessing the various accounting impacts of this debt restructuring on its consolidated financial statements.

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, 2024. There have been no significant changes to the Corporation's accounting policies since that date.

CURRENT CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1), which amends IAS 1, *Presentation of Financial Statements*. The amendments aim to clarify how an entity classifies its debt instruments and other financial liabilities with uncertain settlement dates as current or non-current in particular circumstances. On October 31, 2022, the IASB published amendments to *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to improve the information an entity provides when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Corporation adopted these amendments during the first quarter and they had no impact on the Corporation's consolidated statement of financial position.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

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

IFRS 18 – Presentation and Disclosure in Financial Statements

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

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

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 April 30, 2025 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 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 April 30, 2025 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 summer period, which consists of the third and fourth quarters, are 1.2 percentage points lower compared to the same date in fiscal 2024, while airline unit revenues, expressed as yield, are 1.7% higher than they were at this time last year.

For fiscal year 2025, the Corporation expects an available capacity increase of 1.0%, measured in available seat-miles, compared to 2024.

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

Unaudited (in thousands of Canadian dollars)	Notes	As at April 30, 2025 $	As at October 31, 2024 $
ASSETS	8		
Cash and cash equivalents		**532,611**	260,336
Cash and cash equivalents in trust or otherwise reserved	3	**259,993**	453,768
Trade and other receivables	4	**165,613**	151,190
Income taxes receivable		**730**	504
Inventories	5	**44,015**	40,212
Prepaid expenses		**49,236**	31,359
Derivative financial instruments		**32,300**	22,663
Current portion of deposits	6	**161,937**	126,798
Current assets		**1,246,435**	1,086,830
Cash and cash equivalents reserved	3	**35,589**	31,176
Deposits	6	**250,385**	240,387
Deferred tax assets		**487**	588
Property, plant and equipment	7	**1,285,594**	1,378,871
Intangible assets		**13,089**	13,058
Non-current assets		**1,585,144**	1,664,080
		2,831,579	2,750,910
LIABILITIES			
Trade and other payables		**471,037**	363,889
Income taxes payable		**1,885**	1,632
Customer deposits and deferred revenues		**888,727**	781,156
Derivative financial instruments		**106,379**	15,835
Current portion of lease liabilities	8	**156,014**	176,920
Liability related to warrants	9	**6,393**	8,519
Current liabilities		**1,630,435**	1,347,951
Long-term debt and lease liabilities	8	**1,918,769**	1,971,097
Deferred government grant	8	**106,626**	120,784
Provision for return conditions	10	**183,244**	174,368
Employee benefits liability		**25,634**	25,305
Deferred tax liabilities		**494**	481
Non-current liabilities		**2,234,767**	2,292,035
NEGATIVE EQUITY			
Share capital	11	**226,393**	225,438
Share-based payment reserve		**16,382**	16,283
Deficit		**(1,268,529)**	(1,123,113)
Cumulative exchange differences		**(7,869)**	(7,684)
		(1,033,623)	(889,076)
		2,831,579	2,750,910

See accompanying notes to the interim unaudited condensed consolidated financial statements

On behalf of the Board,

Director

Director

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	Quarters ended April 30 2025 $	Quarters ended April 30 2024 $	Six-month periods ended April 30 2025 $	Six-month periods ended April 30 2024 $
Revenues	12	**1,031,073**	973,204	**1,860,578**	1,758,702
Operating expenses					
Costs of providing tourism services		**375,432**	366,994	**674,527**	636,092
Aircraft fuel		**136,487**	150,574	**258,363**	285,993
Salaries and employee benefits		**132,915**	139,604	**260,194**	263,113
Sales and distribution costs		**77,624**	78,115	**141,539**	140,096
Aircraft maintenance		**62,219**	38,082	**124,376**	95,160
Airport and navigation fees		**49,351**	48,321	**96,884**	94,356
Aircraft rent	8	**3,330**	4,614	**6,004**	11,401
Other airline costs		**58,344**	71,105	**110,624**	133,704
Other		**34,442**	34,297	**73,051**	62,730
Depreciation and amortization		**62,680**	54,748	**125,645**	104,912
Restructuring costs	13	**979**	1,911	**4,057**	1,977
Reversal of impairment of the investment in a joint venture		**—**	—	**—**	(3,112)
Share of net income of a joint venture		**—**	—	**—**	(130)
		993,803	988,365	**1,875,264**	1,826,292
Operating income (loss)		**37,270**	(15,161)	**(14,686)**	(67,590)
Financing costs	8	**38,210**	34,714	**77,895**	70,354
Financing income		**(7,178)**	(12,807)	**(15,398)**	(25,832)
Change in fair value of derivatives		**92,241**	(4,978)	**88,779**	17,181
Revaluation of liability related to warrants	9	**(2,119)**	(6,236)	**(2,126)**	5,511
Foreign exchange (gain) loss		**(60,999)**	28,170	**(13,527)**	(13,957)
Gain on asset disposals	14	**—**	—	**(5,183)**	(5,784)
Gain on long-term debt modification	8	**—**	—	**(216)**	—
Loss before income tax expense		**(22,885)**	(54,024)	**(144,910)**	(115,063)
Income taxes (recovery)					
Current		**(5)**	652	**403**	1,053
Deferred		**4**	(289)	**103**	(752)
		(1)	363	**506**	301
Net loss for the period		**(22,884)**	(54,387)	**(145,416)**	(115,364)
Loss per share	11				
Basic		**(0.58)**	(1.40)	**(3.67)**	(2.99)
Diluted		**(0.58)**	(1.40)	**(3.67)**	(2.99)

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

	Quarters ended April 30		Six-month periods ended April 30	
Unaudited	**2025**	**2024**	**2025**	**2024**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Net loss for the period	**(22,884)**	(54,387)	**(145,416)**	(115,364)
Other comprehensive income (loss)				
Items that will be reclassified to net loss				
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	**54**	843	**(185)**	461
Total other comprehensive income (loss)	**54**	843	**(185)**	461
Comprehensive loss for the year	**(22,830)**	(53,544)	**(145,601)**	(114,903)

CONSOLIDATED STATEMENTS OF CHANGES IN NEGATIVE EQUITY

Unaudited	Share capital	Share-based payment reserve	Deficit	Cumulative exchange differences	Total negative equity
(in thousands of Canadian dollars)	$	$	$	$	$
Balance as at October 31, 2023	223,450	16,329	(1,008,452)	(10,366)	(779,039)
Net loss for the period	—	—	(115,364)	—	(115,364)
Other comprehensive income	—	—	—	461	461
Comprehensive income (loss) for the period	—	—	(115,364)	461	(114,903)
Issued from treasury	912	—	—	—	912
Reversal of share-based payment expense	—	(145)	—	—	(145)
Balance as at April 30, 2024	**224,362**	**16,184**	**(1,123,816)**	**(9,905)**	**(893,175)**
Net income for the period	—	—	1,334	—	1,334
Other comprehensive income (loss)	—	—	(631)	2,221	1,590
Comprehensive income for the period	—	—	703	2,221	2,924
Issued from treasury	1,076	—	—	—	1,076
Share-based payment expense	—	99	—	—	99
Balance as at October 31, 2024	225,438	16,283	(1,123,113)	(7,684)	(889,076)
Net loss for the period	—	—	(145,416)	—	(145,416)
Other comprehensive loss	—	—	—	(185)	(185)
Comprehensive loss for the period	—	—	(145,416)	(185)	(145,601)
Issued from treasury	955	—	—	—	955
Share-based payment expense	—	99	—	—	99
Balance as at April 30, 2025	**226,393**	**16,382**	**(1,268,529)**	**(7,869)**	**(1,033,623)**

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 April 30 2025 $	Quarters ended April 30 2024 $	Six-month periods ended April 30 2025 $	Six-month periods ended April 30 2024 $
OPERATING ACTIVITIES					
Net loss for the period		**(22,884)**	(54,387)	**(145,416)**	(115,364)
Operating items not involving an outlay (receipt) of cash:					
Depreciation and amortization	*7*	**62,680**	54,748	**125,645**	104,912
Compensation received in the form of credits	*12*	**(19,978)**	—	**(19,978)**	—
Change in fair value of derivatives		**92,241**	(4,978)	**88,779**	17,181
Revaluation of liability related to warrants	*9*	**(2,119)**	(6,236)	**(2,126)**	5,511
Foreign exchange (gain) loss		**(60,999)**	28,170	**(13,527)**	(13,957)
Capitalized interest on long-term debt and lease liabilities		**2,508**	10,908	**14,339**	21,756
Deferred taxes		**4**	(289)	**103**	(752)
Employee benefits		**477**	1,742	**954**	2,207
Share-based payment expense (reversal)		**50**	50	**99**	(145)
Gain on asset disposals	*14*	**—**	—	**(5,183)**	(5,784)
Gain on long-term debt modification	*8*	**—**	—	**(216)**	—
Reversal of impairment of the investment in a joint venture		**—**	—	**—**	(3,112)
Share of net income of a joint venture		**—**	—	**—**	(130)
		51,980	29,728	**43,473**	12,323
Net change in non-cash working capital balances related to operations		**164,522**	158,346	**335,460**	295,924
Net change in provision for return conditions		**4,678**	(5,392)	**10,810**	6,840
Net change in other assets and liabilities related to operations		**(13,338)**	534	**(13,323)**	(21,169)
Cash flows related to operating activities		**207,842**	183,216	**376,420**	293,918
INVESTING ACTIVITIES					
Additions to property, plant and equipment and other intangible assets		**(14,899)**	(29,821)	**(37,780)**	(78,980)
Increase in cash and cash equivalents reserved		**(4,413)**	(1,426)	**(4,413)**	(1,426)
Net proceeds from sale and leaseback of assets	*7*	**—**	—	**30,615**	—
Consideration received for an investment disposal, net of transaction costs		**—**	—	**—**	20,414
Cash flows related to investing activities		**(19,312)**	(31,247)	**(11,578)**	(59,992)
FINANCING ACTIVITIES					
Repayment of lease liabilities	*8*	**(46,251)**	(42,184)	**(93,434)**	(85,048)
Repayment of long-term debt	*8*	**—**	(36,300)	**—**	(57,000)
Proceeds from issuance of shares	*11*	**463**	498	**955**	912
Transaction costs		**—**	—	**(1,055)**	—
Cash flows related to financing activities		**(45,788)**	(77,986)	**(93,534)**	(141,136)
Effect of exchange rate changes on cash and cash equivalents		**514**	1,617	**967**	449
Net change in cash and cash equivalents		**143,256**	75,600	**272,275**	93,239
Cash and cash equivalents, beginning of period		**389,355**	453,286	**260,336**	435,647
Cash and cash equivalents, end of period		**532,611**	528,886	**532,611**	528,886
Supplementary information (as reported in operating activities)					
Net income taxes paid (recovered)		**220**	(198)	**271**	(370)
Interest received		**(7,633)**	(13,502)	**(15,268)**	(25,877)
Interest paid		**35,620**	21,126	**62,460**	44,241

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Note 1 Corporate information

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

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

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended April 30, 2025 were approved by the Corporation's Board of Directors on June 11, 2025.

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

Note 2 Significant accounting policies

Basis of preparation

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

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

The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation's Annual Report for the year ended October 31, 2024.

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

Current changes in accounting policies

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) which amends IAS 1, *Presentation of Financial Statements*. The amendments aim to clarify how an entity classifies its debt instruments and other financial liabilities with uncertain settlement dates as current or non-current in particular circumstances. On October 31, 2022, the IASB published amendments to *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to improve the information an entity provides when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Corporation adopted these amendments during the first quarter and they had no impact on the Corporation's consolidated statement of financial position.

Future changes in accounting policies

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

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

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

IFRS 18 – Presentation and Disclosure in Financial Statements

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

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

Note 3 Cash and cash equivalents in trust or otherwise reserved

As at April 30, 2025, cash and cash equivalents in trust or otherwise reserved included $222,206 [$413,049 as at October 31, 2024] in funds received from customers, primarily Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included an amount of $73,376, of which $35,589 was recorded as non-current assets [$71,895 as at October 31, 2024, $31,176 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 4 Trade and other receivables

	As at April 30, 2025 $	As at October 31, 2024 $
Credit card processor receivables	**53,765**	41,904
Government receivables	**26,773**	28,176
Cash receivable from lessors	**26,313**	40,139
Trade receivables	**10,507**	14,330
Other receivables	**48,255**	26,641
	165,613	151,190

Other receivables included an amount of $19,978 receivable from the original equipment manufacturer of the GTF engines.

Note 5 Inventories

	As at April 30, 2025 $	As at October 31, 2024 $
Spare parts and supplies	**40,600**	35,599
Fuel	**3,415**	4,613
	44,015	40,212

Note 6 Deposits

	As at April 30, 2025 $	As at October 31, 2024 $
Maintenance deposits with lessors	**202,849**	191,527
Deposits with credit card processors	**148,690**	114,806
Deposits on leased aircraft and engines	**50,727**	50,937
Deposits with suppliers	**10,056**	9,915
	412,322	367,185
Less current portion	**161,937**	126,798
	250,385	240,387

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, 2024	**107,485**	**170,530**	**39,497**	**18,564**	**2,108,287**	**113,899**	**2,558,262**
Additions	—	4,955	1,200	35	40,253	2,315	48,758
Disposals	—	(18,139)	—	—	—	—	(18,139)
Write-offs	—	(73)	(21)	—	(2,401)	(2,635)	(5,130)
Exchange difference	—	—	21	13	—	7	41
Balance as at April 30, 2025	**107,485**	**157,273**	**40,697**	**18,612**	**2,146,139**	**113,586**	**2,583,792**
Accumulated depreciation							
Balance as at October 31, 2024	**78,459**	**82,380**	**33,269**	**12,518**	**894,563**	**78,202**	**1,179,391**
Depreciation	3,801	7,062	1,654	322	108,327	2,724	123,890
Write-offs	—	(73)	(21)	—	(2,401)	(2,635)	(5,130)
Exchange difference	—	—	22	7	—	18	47
Balance as at April 30, 2025	**82,260**	**89,369**	**34,924**	**12,847**	**1,000,489**	**78,309**	**1,298,198**
Net book value as at October 31, 2024	**29,026**	**88,150**	**6,228**	**6,046**	**1,213,724**	**35,697**	**1,378,871**
Net book value as at April 30, 2025	**25,225**	**67,904**	**5,773**	**5,765**	**1,145,650**	**35,277**	**1,285,594**

Property, plant and equipment related to the fleet

During the six-month period ended April 30, 2025, the Corporation sold a spare Pratt & Whitney GTF engine under a sale and leaseback transaction. The Corporation measured the right-of-use asset resulting from the sale and leaseback transaction in proportion to the previous carrying amount of the asset to which the Corporation retains the right of use. Accordingly, the Corporation recognized a gain on the sale and leaseback of assets of $5,183 *[Note 14]*, which represents the excess of the proceeds from disposal over the lease liability and the change in the asset related to the transaction. Total proceeds received amounted to $30,615, and the Corporation recorded a right-of-use asset of $11,397 and lease liabilities of $18,690, while the carrying amount of the engine sold was $18,139. The spare engine will continue to be operated under the 10-year lease entered into under this sale and leaseback transaction.

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 April 30, 2025 and October 31, 2024. The current portion of lease liabilities includes deferred rent payments related to aircraft leases of $5,838 [$23,536 as at October 31, 2024]:

	Final maturity	Weighted average effective interest rate	As at April 30, 2025	As at October 31, 2024
		%	$	$
Long-term debt				
Secured debt - LEEFF	**2027**	**7.54**	**41,400**	41,400
Subordinated debt - LEEFF	**2027**	**13.43**	**368,860**	359,556
Unsecured credit facility - Travel credits	**2028**	**14.00**	**245,302**	231,339
Revolving credit facility	**2027**	**7.54**	**50,000**	50,000
Long-term debt		**12.87**	**705,562**	682,295
Lease liabilities				
Fleet	**2025-2036**	**6.44**	**1,328,140**	1,425,144
Real estate and other	**2025-2037**	**5.51**	**41,081**	40,578
Lease liabilities		**6.41**	**1,369,221**	1,465,722
Total long-term debt and lease liabilities		**8.61**	**2,074,783**	2,148,017
Current portion of lease liabilities			**(156,014)**	(176,920)
Long-term debt and lease liabilities			**1,918,769**	1,971,097

Funding from the Government of Canada

The Corporation has an agreement with the Government of Canada that allowed it to borrow $706,700 through the Large Employer Emergency Financing Facility ["LEEFF"]. The fully repayable credit facilities made available by the Canada Enterprise Emergency Funding Corporation ["CEEFC"] under the LEEFF, are as follows:

Secured debt - LEEFF

On January 31, 2025, the Corporation renegotiated its LEEFF secured debt agreement at the original principal amount of $78,000, including the extension of the maturity date to November 1, 2026 (previously February 1, 2026). The credit facility is secured by a first ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bears interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) (previously at the bankers' acceptance rate) plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at April 30, 2025, the financial ratios and covenants were met. During the the six-month period ended April 30, 2024, the Corporation made a repayment of $11,000, bringing the principal payable to $41,400. As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn, and the carrying amount stood at $41,400 as at April 30, 2025 [$41,400 as at October 31, 2024].

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

Subordinated debt – LEEFF

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

The Corporation concluded that the amendments to its debt agreement were non-substantial as defined under IFRS 9, *Financial Instruments*. Accordingly, as at January 31, 2025, the carrying amount of the subordinated debt - LEEFF has been adjusted downward to correspond to the revised amount of future cash flows discounted using the original effective interest rate. The adjustment of $216 was recorded as a gain on modification of long-term debt.

As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn and its carrying amount stood at $368,860 as at April 30, 2025 [$359,556 as at October 31, 2024].

As part of the financing package, the Corporation issued a total of 13,000,000 warrants *[Note 9]* in connection with the subordinated debt - LEEFF.

Unsecured credit facility related to travel credits

An amount of $353,300 in the form of an unsecured credit facility to issue refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom a travel credit was issued as a result of COVID–19. This credit facility matures on April 29, 2028 and bears interest at the rate of 1.22%. In the event the secured debt – LEEFF and the subordinated debt – LEEFF have not been repaid, this credit facility could become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders.

As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn. As at April 30, 2025, the carrying amount of the credit facility was $245,302 [$231,339 as at October 31, 2024], and an amount of $106,626 [$120,784 as at October 31, 2024] was also recognized as deferred government grant related to these drawdowns. During the six-month period ended April 30, 2025, an amount of $14,158 was recognized as proceeds from government grants as a reduction of financing costs.

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

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

Other credit facilities

Revolving credit facility

On January 31, 2025, the Corporation renegotiated its $50,000 revolving credit facility agreement for operating purposes, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at Adjusted Term CORRA or at SOFR (Secured Overnight Financing Rate) in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at April 30, 2025, the financial ratios and covenants were met. As at April 30, 2025 and October 31, 2024, the credit facility was fully drawn.

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

Revolving credit facility agreement – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at April 30, 2025, $71,033 had been drawn down under the facility [$69,595 as at October 31, 2024], $35,589 of which was to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the periods ended April 30, 2025 and 2024, is detailed as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Interest expense on lease liabilities	**22,462**	17,115	**45,084**	34,694
Interest expense on long-term debt	**14,324**	15,234	**29,281**	30,971
Accretion on provision for return conditions	**1,281**	1,578	**2,583**	3,422
Other interest	**143**	787	**947**	1,267
Financing costs	**38,210**	34,714	**77,895**	70,354

Rent expense

Rent expense for the periods ended April 30, 2025 and 2024, is detailed as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Variable lease payments	**1,743**	1,817	**3,683**	5,759
Short-term leases	**1,587**	2,797	**2,321**	5,642
Aircraft rent	**3,330**	4,614	**6,004**	11,401
Variable lease payments	**2**	273	**96**	273
Short-term leases	**1,971**	2,422	**3,294**	4,389
Low value leases	**62**	78	**129**	159
	5,365	7,387	**9,523**	16,222

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the six-month period ended April 30, 2025:

	Cash flows	Non-cash changes	Total
	$	$	$
Balance as at October 31, 2024			**1,465,722**
Repayments	**(93,434)**	**—**	**(93,434)**
New lease liabilities (new contracts and amendments)	**—**	**20,226**	**20,226**
Interest portion of deferred rent payments	**—**	**366**	**366**
Offset of rent payments	**—**	**(11,397)**	**(11,397)**
Exchange difference	**—**	**(12,262)**	**(12,262)**
Balance as at April 30, 2025	**(93,434)**	**(3,067)**	**1,369,221**

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at April 30, 2025 is detailed as follows. Interest on long-term debt only includes interest payable as at April 30, 2025. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.3812 as at April 30, 2025:

Year ending October 31	2025	2026	2027	2028	2029	2030 and up	Total
	$	$	$	$	$	$	$
Long-term debt obligations	**—**	**—**	**460,260**	**245,302**	**—**	**—**	**705,562**
Fleet	115,205	237,951	228,146	214,946	197,282	728,682	**1,722,212**
Real estate and other	3,193	6,353	7,925	4,418	5,194	25,077	**52,160**
Lease liabilities	**118,398**	**244,304**	**236,071**	**219,364**	**202,476**	**753,759**	**1,774,372**
Total	**118,398**	**244,304**	**696,331**	**464,666**	**202,476**	**753,759**	**2,479,934**

Note 7 provides the information required for right-of-use assets and depreciation. Note 15 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, exercisable over a 10-year period, representing 18.75% of the total commitment available under the subordinated debt – LEEFF.

The number of shares issuable upon exercise of the warrants may not exceed 25.0% of the current number of issued and outstanding shares, nor may it result in the holder owning 19.9% or more of the outstanding shares upon exercise of the warrants. In the event of exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price. Finally, in the event that the 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 April 30, 2025 and October 31, 2024, a total of 13,000,000 warrants had vested under the drawdowns on the subordinated debt - LEEFF and no warrants had been exercised.

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

- a maximum of 9,906,353 warrants could be exercised through the issuance of shares;
- 3,093,647 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 9,906,353 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 9,906,353 warrants on a net share basis, that is, by issuing shares based on the difference between Transat’s share market price and the exercise price of warrants.

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

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

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

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

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

	Six-month period ended April 30, 2025	**Year ended October 31, 2024**
	$	**$**
Opening balance	**8,519**	20,816
Revaluation of liability related to warrants	**(2,126)**	(12,297)
Closing balance	**6,393**	8,519

To remeasure the liability related to warrants, classified in Level 3, the Corporation used a Black-Scholes valuation model. As at April 30, 2025, the primary unobservable input used in the model was expected volatility, which was estimated at 59.6%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of $570 in the liability related to warrants as at April 30, 2025.

Note 10 Provision for return conditions

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

	Six-month period ended April 30, 2025	**Year ended October 31, 2024**
	$	**$**
Opening balance	**174,368**	177,832
Additional provisions	**9,784**	26,604
Effect of discount rate changes	**6,262**	9,589
Unused amounts reversed	**(8,030)**	(4,878)
Changes in estimates	**—**	(41,715)
Accretion	**2,583**	6,804
Foreign exchange (gain) loss	**(1,723)**	132
Closing balance	**183,244**	174,368

The provision for return conditions relates to contractual obligations to return leased aircraft and engines at the end of the leases under predetermined maintenance conditions. Provisions for return conditions include actual costs of work and estimates of the inflation of those costs and of the forecasted aircraft and engine utilization. The provision for return conditions applies to leases that expire between 2025 and 2036 with an average remaining term of 5.9 years.

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.

Issued and outstanding share capital

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

	Number of shares	$
Balance as at October 31, 2023	38,489,358	223,450
Issued from treasury	776,833	1,988
Balance as at October 31, 2024	39,266,191	225,438
Issued from treasury	608,125	955
Balance as at April 30, 2025	**39,874,316**	**226,393**

As at April 30, 2025, the number of Class A Shares and Class B Shares stood at 1,771,973 and 38,102,343, respectively [1,521,678 and 37,744,513, respectively, as at October 31, 2024].

Stock option plan

	Number of options	Weighted average price ($)
Balance as at October 31, 2024	369,702	5.13
Balance as at April 30, 2025	**369,702**	**5.13**
Options exercisable as at April 30, 2025	**103,036**	**8.14**

Warrants

No warrants were exercised during quarter and six-month period ended April 30, 2025. 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 April 30		Six-month periods ended April 30	
	2025	**2024**	**2025**	**2024**
(in thousands of dollars, except per share data)	**$**	**$**	**$**	**$**
NUMERATOR				
Net loss used in computing basic loss per share	**(22,884)**	(54,387)	**(145,416)**	(115,364)
Effect of deemed conversion of warrants	**(2,119)**	(6,236)	**(2,126)**	5,511
Less anti-dilutive impact	**2,119**	6,236	**2,126**	(5,511)
Net loss used in computing diluted loss per share	**(22,884)**	(54,387)	**(145,416)**	(115,364)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	**39,752**	38,713	**39,607**	38,645
Effect of potential dilutive securities				
Stock options	**—**	7	**—**	5
Less anti-dilutive impact	**—**	(7)	**—**	(5)
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	**39,752**	38,713	**39,607**	38,645
Loss per share				
Basic	**(0.58)**	(1.40)	**(3.67)**	(2.99)
Diluted	**(0.58)**	(1.40)	**(3.67)**	(2.99)

For the quarter and six-month period ended April 30, 2025, a total of 369,702 outstanding stock options and the 9,906,353 vested warrants that can be exercised through the issuance of shares were excluded from the calculation since their exercise price exceeded the average share price for the period [225,904 and 325,904 stock options for the quarter and six-month period ended April 30, 2024, respectively, and 9,691,826 warrants for the quarter and six-month period ended April 30, 2024].

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 April 30		Six-month periods ended April 30	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Customers				
Americas	**877,678**	858,396	**1,580,623**	1,534,218
Transatlantic	**124,459**	105,527	**244,649**	212,012
Other	**28,936**	9,281	**35,306**	12,472
Total revenues	**1,031,073**	973,204	**1,860,578**	1,758,702

During the quarter ended April 30, 2025, a financial compensation agreement was entered into with the original equipment manufacturer of the GTF engines and an amount of $19,978 in the form of credits was recognized in accordance with this agreement.

Note 13 Restructuring costs

	Quarters ended April 30		Six-month periods ended April 30	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Restructuring costs				
Severance	**979**	1,848	**4,057**	1,848
Staff relocation costs	**—**	63	**—**	129
	979	1,911	**4,057**	1,977

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:

	Six-month period ended April 30, 2025	Year ended October 31, 2024
	$	**$**
Opening balance	**1,030**	1,151
Additional provision	**4,057**	2,522
Utilization of provision	**(4,036)**	(2,643)
Closing balance	**1,051**	1,030

Note 14 Gain on asset disposals

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

	Quarters ended April 30		Six-month periods ended April 30	
	2025	2024	**2025**	2024
	$	$	**$**	$
Gain on asset disposals				
Gain on sale and leaseback of assets *[Note 7]*	**—**	—	**(5,183)**	—
Gain on disposal of an investment	**—**	—	**—**	(5,784)
	—	—	**(5,183)**	(5,784)

During the six-month period ended April 30, 2024, the Corporation recorded a $5,784 gain on disposal of investment following the sale of its 50% interest in Desarrollo Transimar, a Mexican company operating a hotel.

Note 15 Commitments and contingencies

Leases and other commitments

As at April 30, 2025, the Corporation was party to agreements to lease four Airbus A321XLRs to be delivered in 2027 and 2028. The Corporation also has leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations under various contracts with suppliers, particularly in connection with information technology service contracts, undertaken in the normal course of business. The following table sets out the minimum payments due under aircraft leases to be delivered over the next few years and under leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations:

Year ending October 31	2025	2026	2027	2028	2029	2030 and up	Total
	$	$	$	$	$	$	$
Leases (aircraft and other)	925	537	24,956	37,434	37,434	349,381	**450,667**
Purchase obligations	24,421	18,272	17,271	6,784	3,864	—	**70,612**
	25,346	**18,809**	**42,227**	**44,218**	**41,298**	**349,381**	**521,279**

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 16 Guarantees

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

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

Notes 4, 14, 17 and 24 to the consolidated financial statements for the year ended October 31, 2024 provide information about some of these agreements. The following constitutes additional disclosure.

Leases

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

Collateral security contracts

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

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, as required by regulatory agencies, for the performance of the obligations included in mandates of its customers during the term of the licences granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at April 30, 2025, the total amount of these guarantees unsecured by deposits totalled $1,179. Historically, the Corporation has not made any significant payments under such agreements. As at April 30, 2025, no amounts had been accrued with respect to the above-mentioned agreements.

Note 17 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 18 Event after the reporting period

On June 5, 2025, the Corporation announced that it had entered into an agreement in principle with the Canada Enterprise Emergency Funding Corporation ("CEEFC") to restructure all of its debt under the Large Employer Emergency Financing Facility ("LEEFF") managed by the CEEFC for the principal amount of $773,422 with a carrying amount of $762,188, including the amount of deferred government grant, as at April 30, 2025.

Under this agreement, subordinated debt - LEEFF with a carrying amount of $368,860 as at April 30, 2025 [notional value of $378,722], would be reduced to $175,000 as at the date of the agreement and the unsecured credit facility - travel credits, with a carrying amount of $245,302 [notional value of $353,300], will be subject to a restructuring resulting from the issuance of an unsecured debenture - LEEFF in the amount of $158,735 and the issuance of 9,934,617 convertible preferred shares in the amount of $16,265. In addition, the expiry date of the 13,000,000 warrants outstanding would be extended from April 26, 2031 to April 26, 2035. The agreement also stipulates that the Corporation must repay its subordinated debt - LEEFF in the amount of $41,400 as well as 50% of its $50,000 revolving term credit agreement by November 1, 2026. This debt restructuring is expected to result in a gain on debt forgiveness, estimated to date at approximately $370,000.

The subordinated debt - LEEFF in the amount of $175,000 and a term of 10 years will bear interest at a rate of 1.22% per annum for the first three years and 3.0% per annum thereafter. The facility will be secured by a second mortgage on all assets of the Corporation and its subsidiaries that are borrowers under the facility, including Air Transat Inc.

The unsecured debenture – LEEFF in the amount of $158,735 and a term of 10 years will be interest-free during the first five years and will bear interest at 7.0% after the fifth anniversary of its issuance, increasing by 1.0% per annum thereafter to a maximum of 12.0%. It will be repayable at any time and at least annually from the fifth anniversary in amounts equal to no less than 10.0% of the principal amount plus accrued interest. In addition, prepayments may be required under certain conditions..

The preferred shares will be convertible into Class B Voting Shares after the second anniversary of the closing date of the transaction, will be entitled to the same dividend as any dividend declared on the Class A Voting Shares and Class B Voting Shares and will be redeemable under certain conditions.

The transaction is subject to the entering into of definitive agreements and also approval from the Toronto Stock Exchange is required for the preferred share component.

Assuming that the Corporation and CEEFC are able to finalize the definitive agreements and obtain the necessary approvals within the anticipated timeframe, the transaction is expected to close in the third quarter of the 2025 calendar year.

The Corporation is currently assessing the various accounting impacts of this debt restructuring on its consolidated financial statements.

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