# TRANSAT A.T. INC.
# THIRD QUARTERLY REPORT
**Period ended July 31, 2025**

Investor Relations
Mr. Jean-François Pruneau
Chief Financial Officer

investorrelations@transat.com

**Ticker symbol**
TSX: TRZ

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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 July 31, 2025, compared with the quarter ended July 31, 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 third-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 September 10, 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 July 31, 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 including its debt refinancing, the Corporation's ability to repay its debt from internally generated funds or otherwise, the Corporation's ability to adequately mitigate the Pratt & Whitney GTF engine issues, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, cybersecurity risks, changes in legislation, regulatory developments or procedures, pending litigation and third-party lawsuits, the 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 a 1.0% increase in capacity, measured in available seat-miles, compared to 2024, reflecting a modest reduction in capacity during the fourth quarter.

- The outlook whereby the benefits from the Elevation Program, a comprehensive optimization plan aimed at maximizing long-term profitable growth, are materializing as anticipated and continue to drive results towards generating an adjusted operating income of $100 million by mid-2026.

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

## 2. NON-IFRS FINANCIAL MEASURES

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

Generally, a non-IFRS financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures are important as they provide users of our 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 and preferred shares, gains (losses) on business and/or asset disposals, the effect of changes in discount rates used for accretion of the provision for return conditions, restructuring costs, asset write-offs and impairment, reversal of impairment of the investment in a joint venture, depreciation and amortization, foreign exchange gains (losses), gain on long-term debt extinguishment and other significant unusual items, and by including premiums related to derivatives that matured during the period, we believe this MD&A helps users to better analyze our results, as well as our ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

Starting 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 costs and other significant unusual items, and including premiums related to derivatives that matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted operating income is also used to calculate variable compensation for employees and senior executives. |
| **Adjusted pre-tax income (loss) or adjusted EBT** | Income (loss) before income tax expense before change in fair value of derivatives, revaluation of liability related to warrants and preferred shares, gain on long-term debt extinguishment, gain on business disposals, gain on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, the effect of changes in discount rates used for accretion of the provision for return conditions, restructuring costs, write-off of assets, reversal of impairment of the investment in a joint venture, foreign exchange gain (loss) and other significant unusual items, and including premiums related to derivatives that matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results. |
| **Adjusted net income (loss)** | Net income (loss) before change in fair value of derivatives, revaluation of liability related to warrants and preferred shares, gain on long-term debt extinguishment, gain on business disposals, gain on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, the effect of changes in discount rates used for accretion of the provision for return conditions, restructuring costs, write-off of assets, reversal of impairment of the investment in a joint venture, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums related to derivatives that matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted net income (loss) is also used in calculating the variable compensation of employees and senior executives. |
| **Adjusted net earnings (loss) per share** | Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share. |
| **Total debt** | Long-term debt plus lease liabilities, deferred government grant and liability related to warrants, net of deferred financing costs related to the subordinated debt - LEEFF. Management uses total debt to assess the Corporation's debt level, future cash needs and financial leverage ratio. Management believes this measure is useful in assessing the Corporation's capacity to meet its current and future financial obligations. |
| **Total net debt** | Total debt (described above) less cash and cash equivalents. Total net debt is used to assess the cash position relative to the Corporation's debt level. Management believes this measure is useful in assessing the Corporation's capacity to meet its current and future financial obligations. |

The following tables reconcile the non-IFRS financial measures to the most comparable IFRS financial measures:

| | Quarters ended July 31 | | Nine-month periods ended July 31 | |
|---|---|---|---|---|
| (in thousands of Canadian dollars, except per share amounts) | 2025<br>$ | 2024<br>$ | 2025<br>$ | 2024<br>$ |
| Operating income (loss) | **24,241** | (9,837) | **9,555** | (77,427) |
| Depreciation and amortization | **62,674** | 55,412 | **188,319** | 160,324 |
| Reversal of impairment of the investment in a joint venture | **—** | — | **—** | (3,112) |
| Effect of discount rate changes | **(3,122)** | 6,668 | **3,141** | 4,458 |
| Restructuring costs | **157** | 500 | **4,214** | 2,477 |
| Premiums related to derivatives that matured during the period | **(2,771)** | (4,749) | **(5,634)** | (11,925) |
| **Adjusted operating income** | **81,179** | 47,994 | **199,595** | 74,795 |
| | | | | |
| Income (loss) before income tax expense | **400,578** | (38,315) | **255,668** | (153,378) |
| Reversal of impairment of the investment in a joint venture | **—** | — | **—** | (3,112) |
| Effect of discount rate changes | **(3,122)** | 6,668 | **3,141** | 4,458 |
| Restructuring costs | **157** | 500 | **4,214** | 2,477 |
| Gain on asset disposals | **(14,060)** | (392) | **(19,243)** | (6,176) |
| Change in fair value of derivatives | **(56,637)** | 7,142 | **32,142** | 24,323 |
| Revaluation of liability related to warrants and preferred shares | **5,107** | (12,781) | **2,981** | (7,270) |
| Foreign exchange loss (gain) | **4,869** | 7,205 | **(8,658)** | (6,752) |
| Gain on long-term debt extinguishment | **(345,116)** | — | **(345,332)** | — |
| Premiums related to derivatives that matured during the period | **(2,771)** | (4,749) | **(5,634)** | (11,925) |
| **Adjusted pre-tax loss** | **(10,995)** | (34,722) | **(80,721)** | (157,355) |
| | | | | |
| Net income (loss) | **399,821** | (39,893) | **254,405** | (155,257) |
| Reversal of impairment of the investment in a joint venture | **—** | — | **—** | (3,112) |
| Effect of discount rate changes | **(3,122)** | 6,668 | **3,141** | 4,458 |
| Restructuring costs | **157** | 500 | **4,214** | 2,477 |
| Gain on asset disposals | **(14,060)** | (392) | **(19,243)** | (6,176) |
| Change in fair value of derivatives | **(56,637)** | 7,142 | **32,142** | 24,323 |
| Revaluation of liability related to warrants and preferred shares | **5,107** | (12,781) | **2,981** | (7,270) |
| Foreign exchange loss (gain) | **4,869** | 7,205 | **(8,658)** | (6,752) |
| Gain on long-term debt extinguishment | **(345,116)** | — | **(345,332)** | — |
| Premiums related to derivatives that matured during the period | **(2,771)** | (4,749) | **(5,634)** | (11,925) |
| **Adjusted net loss** | **(11,752)** | (36,300) | **(81,984)** | (159,234) |
| | | | | |
| Adjusted net loss | **(11,752)** | (36,300) | **(81,984)** | (159,234) |
| Adjusted weighted average number of outstanding shares used in computing diluted earnings per share | **42,351** | 38,906 | **40,531** | 38,733 |
| **Adjusted net loss per share** | **(0.28)** | (0.93) | **(2.02)** | (4.11) |

| (in thousands of dollars) | As at July 31, 2025<br>$ | As at October 31, 2024<br>$ |
|---|---|---|
| Long-term debt | **180,427** | 682,295 |
| Deferred government grant | **203,431** | 120,784 |
| Liability related to warrants | **19,022** | 8,519 |
| Lease liabilities | **1,365,159** | 1,465,722 |
| **Total debt** | **1,768,039** | 2,277,320 |
| | | |
| Total debt | **1,768,039** | 2,277,320 |
| Cash and cash equivalents | **(357,153)** | (260,336) |
| **Total net debt** | **1,410,886** | 2,016,984 |

# 3. FINANCIAL HIGHLIGHTS

| | Quarters ended July 31 | | | | Nine-month periods ended July 31 | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of Canadian dollars, except per share amounts) | 2025 $ | 2024 $ | Difference $ | Difference % | 2025 $ | 2024 $ | Difference $ | Difference % |
| **Consolidated Statements of Income (Loss)** | | | | | | | | |
| Revenues | **766,301** | 736,203 | 30,098 | 4.1 | **2,626,879** | 2,494,905 | 131,974 | 5.3 |
| Operating income (loss) | **24,241** | (9,837) | 34,078 | 346.4 | **9,555** | (77,427) | 86,982 | 112.3 |
| Net income (loss) | **399,821** | (39,893) | 439,714 | 1,102.2 | **254,405** | (155,257) | 409,662 | 263.9 |
| Basic earnings (loss) per share | **9.97** | (1.03) | 11.00 | 1,068.0 | **6.40** | (4.01) | 10.41 | 259.6 |
| Diluted earnings (loss) per share | **9.39** | (1.03) | 10.42 | 1,011.7 | **6.22** | (4.01) | 10.23 | 255.1 |
| Adjusted operating income[1] | **81,179** | 47,994 | 33,185 | 69.1 | **199,595** | 74,795 | 124,800 | 166.9 |
| Adjusted net loss[1] | **(11,752)** | (36,300) | 24,548 | 67.6 | **(81,984)** | (159,234) | 77,250 | 48.5 |
| Adjusted net loss per share[1] | **(0.28)** | (0.93) | 0.65 | 69.9 | **(2.02)** | (4.11) | 2.09 | 50.9 |
| **Consolidated Statements of Cash Flows** | | | | | | | | |
| Operating activities | **(104,915)** | (91,137) | (13,778) | (15.1) | **271,505** | 202,781 | 68,724 | 33.9 |
| Investing activities | **31,202** | (29,333) | 60,535 | 206.4 | **19,624** | (89,325) | 108,949 | 122.0 |
| Financing activities | **(100,223)** | (47,646) | (52,577) | (110.3) | **(193,757)** | (188,782) | (4,975) | (2.6) |
| Effect of exchange rate changes on cash and cash equivalents | **(1,522)** | 1,121 | (2,643) | (235.8) | **(555)** | 1,570 | (2,125) | (135.4) |
| Net change in cash and cash equivalents | **(175,458)** | (166,995) | (8,463) | (5.1) | **96,817** | (73,756) | 170,573 | 231.3 |

| | As at July 31, 2025 $ | As at October 31, 2024 $ | Difference $ | Difference % |
|---|---|---|---|---|
| **Consolidated Statements of Financial Position** | | | | |
| Cash and cash equivalents | **357,153** | 260,336 | 96,817 | 37.2 |
| Cash and cash equivalents in trust or otherwise reserved (current and non-current) | **305,463** | 484,944 | (179,481) | (37.0) |
| | **662,616** | 745,280 | (82,664) | (11.1) |
| Total assets | **2,647,863** | 2,750,910 | (103,047) | (3.7) |
| Debt (current and non-current) | **180,427** | 682,295 | (501,868) | (73.6) |
| Total debt[1] | **1,768,039** | 2,277,320 | (509,281) | (22.4) |
| Total net debt[1] | **1,410,886** | 2,016,984 | (606,098) | (30.0) |

[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 2025 Skytrax World Airline Awards, Air Transat is known for its exceptional customer service.

# 5. HIGHLIGHTS OF THE QUARTER

## FINANCING

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

## SALE AND LEASEBACK TRANSACTIONS

On July 29, 2025, the Corporation completed two sale and leaseback transactions for two Pratt & Whitney GTF engines. The transactions, valued at US$44.6 million [$61.5 million], enabled the Corporation to increase its liquidity while continuing to use the spare engines as needed for its A321LR aircraft. On August 14, 2025, in accordance with its financing agreements and at the request of the CEEFC, the Corporation used $30.0 million of proceeds from the transactions to make a $13.7 million mandatory principal prepayment on its Unsecured debenture – LEEFF and redeem 6,243,026 Series 4 Preferred Shares for $16.3 million. The balance proceeds of the transaction were used to fund the Corporation's operations.

## SKYTRAX WORLD'S BEST LEISURE AIRLINE AWARD

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

## 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 is progressing and the benefits are materializing as anticipated and continue to trend towards generating an adjusted operating income of $100 million by mid-2026. 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 July 31 | | | | Nine-month periods ended July 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | Difference | Difference | 2025 | 2024 | Difference | Difference |
| (in thousands of dollars) | $ | $ | $ | % | $ | $ | $ | % |
| **Revenues** | **766,301** | 736,203 | 30,098 | 4.1 | **2,626,879** | 2,494,905 | 131,974 | 5.3 |
| **Operating expenses** | | | | | | | | |
| Costs of providing tourism services | **113,481** | 100,947 | 12,534 | 12.4 | **788,008** | 737,039 | 50,969 | 6.9 |
| Aircraft fuel | **159,280** | 181,642 | (22,362) | (12.3) | **417,643** | 467,635 | (49,992) | (10.7) |
| Salaries and employee benefits | **141,313** | 129,888 | 11,425 | 8.8 | **401,507** | 393,001 | 8,506 | 2.2 |
| Sales and distribution costs | **49,004** | 46,062 | 2,942 | 6.4 | **190,543** | 186,158 | 4,385 | 2.4 |
| Aircraft maintenance | **63,500** | 69,155 | (5,655) | (8.2) | **187,876** | 164,315 | 23,561 | 14.3 |
| Airport and navigation fees | **61,226** | 58,069 | 3,157 | 5.4 | **158,110** | 152,425 | 5,685 | 3.7 |
| Aircraft rent | **13** | 390 | (377) | (96.7) | **6,017** | 11,791 | (5,774) | (49.0) |
| Other airline costs | **67,049** | 74,649 | (7,600) | (10.2) | **177,673** | 208,353 | (30,680) | (14.7) |
| Other | **24,363** | 29,326 | (4,963) | (16.9) | **97,414** | 92,056 | 5,358 | 5.8 |
| Depreciation and amortization | **62,674** | 55,412 | 7,262 | 13.1 | **188,319** | 160,324 | 27,995 | 17.5 |
| Restructuring costs | **157** | 500 | (343) | (68.6) | **4,214** | 2,477 | 1,737 | 70.1 |
| 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 |
| | **742,060** | 746,040 | (3,980) | (0.5) | **2,617,324** | 2,572,332 | 44,992 | 1.7 |
| **Operating income (loss)** | **24,241** | (9,837) | 34,078 | 346.4 | **9,555** | (77,427) | 86,982 | 112.3 |
| Financing costs | **34,726** | 36,188 | (1,462) | (4.0) | **112,621** | 106,542 | 6,079 | 5.7 |
| Financing income | **(5,226)** | (8,884) | 3,658 | 41.2 | **(20,624)** | (34,716) | 14,092 | 40.6 |
| Gain on long-term debt extinguishment | **(345,116)** | — | (345,116) | 100.0 | **(345,332)** | — | (345,332) | 100.0 |
| Gain on asset disposals | **(14,060)** | (392) | (13,668) | (3,486.7) | **(19,243)** | (6,176) | (13,067) | (211.6) |
| Change in fair value of derivatives | **(56,637)** | 7,142 | (63,779) | (893.0) | **32,142** | 24,323 | 7,819 | 32.1 |
| Revaluation of liability related to warrants and preferred shares | **5,107** | (12,781) | 17,888 | 140.0 | **2,981** | (7,270) | 10,251 | 141.0 |
| Foreign exchange loss (gain) | **4,869** | 7,205 | (2,336) | (32.4) | **(8,658)** | (6,752) | (1,906) | (28.2) |
| **Income (loss) before income tax expense** | **400,578** | (38,315) | 438,893 | 1,145.5 | **255,668** | (153,378) | 409,046 | 266.7 |
| **Income taxes** | | | | | | | | |
| Current | **757** | 796 | (39) | (4.9) | **1,160** | 1,849 | (689) | (37.3) |
| Deferred | **—** | 782 | (782) | (100.0) | **103** | 30 | 73 | 243.3 |
| | **757** | 1,578 | (821) | (52.0) | **1,263** | 1,879 | (616) | (32.8) |
| **Net income (loss) for the period** | **399,821** | (39,893) | 439,714 | 1,102.2 | **254,405** | (155,257) | 409,662 | 263.9 |

## REVENUES

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

For the quarter ended July 31, 2025, our revenues were up $30.1 million (4.1%), compared with 2024. This growth was primarily driven by a 1.0% 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 2.4% compared with 2024, while the capacity for transatlantic routes, the main market during the period, increased by 4.2%. Airline unit revenues, expressed in revenue per passenger-mile (or yield), were up 2.6%. However, revenue growth was constrained by increased competition in the transatlantic market due to a shift in competitors' transatlantic market supply, revenue management inefficiencies related to Pratt & Whitney's GTF engines and economic conditions. Across all our markets, the Corporation reported a load factor of 85.0% compared with 86.2% in 2024. In addition, following the agreement entered into with the original equipment manufacturer of the GTF engines in the second quarter of 2025, we recorded a financial compensation of $7.0 million in revenues.

For the nine-month period ended July 31, 2025, revenues were up $132.0 million (5.3%), compared with 2024. Overall, traffic, expressed in revenue-passenger miles, was 1.2% higher than for the corresponding period of 2024. Our airline unit revenues, expressed in revenue per passenger-mile (or yield) were up 2.2%. However, revenue growth was constrained by increased competition in the transatlantic market due to a shift in competitors' transatlantic market supply, revenue management inefficiencies related to Pratt & Whitney's GTF engines and economic conditions. Across all our markets, the Corporation reported a load factor of 83.6% compared with 84.3% in 2024. For the nine-month period, across the entire network, the capacity offered increased by 1.9% compared with 2024. In addition, following the agreement entered into with the original equipment manufacturer of the GTF engines in the second quarter of 2025, we recorded a financial compensation of $27.0 million in revenues.

## OPERATING EXPENSES

Total operating expenses were down $4.0 million (0.5%) for the quarter, compared with 2024. This decrease resulted mainly from lower aircraft fuel expenditure, partially offset by the weakening of the dollar against the U.S. dollar and higher costs related to expanded capacity. For the nine-month period, total operating expenses were up $45.0 million (1.7%), compared with 2024. This increase was mainly attributable to the weakening of the dollar against the U.S. dollar, higher costs of providing tourism services and expanded capacity compared with the corresponding period 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 $12.5 million (12.4%) for the quarter and $51.0 million (6.9%) for the nine-month period. These increases were mainly due to the higher cost of person-nights compared with 2024 and a weakening of the dollar against the U.S. dollar and, for the quarter, a rise in the number of person-nights sold.

### Aircraft fuel

Aircraft fuel expense decreased by $22.4 million (12.3%) for the quarter. This decrease was mainly attributable from a 14.4% drop in fuel prices denominated in U.S. dollars, partially offset by the weakening of the dollar against the U.S. dollar compared with the corresponding period of 2024.

For the nine-month period, aircraft fuel expense decreased by $50.0 million (10.7%). This decrease was mainly attributable to a 15.8% drop in fuel prices denominated in U.S. dollars, partially offset by the weakening of the dollar against the U.S. dollar and the higher volume of litres consumed due to increased capacity compared with the corresponding period of 2024.

### Salaries and employee benefits

Salaries and employee benefits increased by $11.4 million (8.8%) for the quarter and $8.5 million (2.2%) for the nine-month period, compared with 2024. These increases were primarily driven by expanded operating capacity compared with the corresponding periods in 2024, growth in annual salaries and higher variable compensation plan costs.

## Sales and distribution costs

Sales and distribution costs increased by $2.9 million (6.4%) during the quarter, compared with 2024. This increase resulted primarily from higher business volume and marketing expenses.

Sales and distribution costs increased by $4.4 million (2.4%) for the nine-month period, compared with 2024. This increase was mainly driven by higher business volume.

## Aircraft maintenance

Aircraft maintenance costs consist mainly of non-capitalizable engine and airframe maintenance expenses incurred by Air Transat for aircraft as well as in connection with the provision for return conditions. These costs were down $5.7 million (8.2%) for the quarter, compared with 2024. This decrease resulted mainly from less maintenance work performed under manufacturers' maintenance plans, compared with 2024.

For the nine-month period ended July 31, 2025, these costs were up $23.6 million (14.3%), compared with 2024. This increase is primarily from the addition of seven aircraft to our fleet during the previous fiscal year and the recent sale and leaseback transactions for six Pratt & Whitney GTF engines, partially offset by less maintenance work performed under manufacturers' maintenance plans compared with 2024.

## Airport and navigation fees

Airport and navigation fees consist mainly of fees charged by airports and air traffic control entities. These fees increased by $3.2 million (5.4%) for the quarter and $5.7 million (3.7%) for the nine-month period, compared with 2024. These increases resulted mainly from the greater capacity deployed compared with 2024 and from higher prices.

## Aircraft rent

Aircraft rent refers to variable aircraft rent and rent under short-term leases. These costs decreased by $0.4 million (96.7%) during the quarter and $5.8 million (49.0%) for the nine-month period, compared with 2024. These decreases were primarily due to a lower average number of aircraft under short-term leases in 2025, compared with the corresponding periods of 2024.

## Other airline costs

Other airline costs consist mainly of handling, crew, catering costs and other costs related to airline operations. Other airline costs were down $7.6 million (10.2%) for the quarter and $30.7 million (14.7%) for the nine-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

For the third quarter of 2025, other costs declined $5.0 million (16.9%) compared with 2024. This decrease was primarily due to lower professional fees compared with 2024.

For the nine-month period, other costs were up $5.4 million (5.8%) compared with 2024. This increase resulted mainly from costs incurred related to our Elevation optimization program compared with 2024.

## Depreciation and amortization

Depreciation and amortization expense includes depreciation and amortization as well as impairment losses relating to property, plant and equipment and intangible assets. Depreciation and amortization expense was up $7.3 million (13.1%) for the third quarter and $28.0 million (17.5%) for the nine-month period, compared with 2024. These increases were primarily due to the commissioning of three Airbus A330s and four Airbus A321LRs in 2024, as well as aircraft engine acquisitions.

### Restructuring costs

Restructuring costs are employee termination benefits related to the changes in organizational structure. For the quarter ended July 31, 2025, restructuring costs included an expense for employee termination benefits of $0.2 million, compared with the quarter ended July 31, 2024, which included employee relocation costs of $0.5 million. For the nine-month period ended July 31, 2025, restructuring costs included an expense for employee termination benefits of $4.2 million, compared with 2024, which included an expense for employee termination benefits of $1.8 million and employee relocation costs of $0.6 million.

### Reversal of impairment of the investment in a joint venture

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

### Share of net income of a joint venture

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

## OPERATING RESULTS

Given the above, we reported operating income of $24.2 million for the third quarter, compared with an operating loss of $9.8 million in 2024. For the nine-month period, we reported an operating income of $9.6 million, compared with an operating loss of $77.4 million in 2024.

The improvement in our operating results for the quarter and nine-month period was primarily due 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 $81.2 million, compared with $48.0 million in 2024. For the nine-month period, the Corporation reported adjusted income of $199.6 million, compared with $74.8 million in 2024.

## OTHER EXPENSES AND REVENUES

### Financing costs

Financing costs include interest on lease liabilities and long-term debt, and other interest, standby fees, arrangement fees as well as financial expenses, net of proceeds from deferred government grant. Financing costs were down $1.5 million (4.0%) for the third quarter, compared with 2024. This decrease resulted mainly from lower interest on long-term debt following the Corporation's debt restructuring.

For the nine-month period ended July 31, 2025, financing costs were up $6.1 million (5.7%), compared with 2024. This increase resulted from the rise in lease liabilities, due mainly to the addition of seven new aircraft leases in 2024 and aircraft engines, partially offset by lower interest on long-term debt following the Corporation's debt restructuring.

### Financing income

Financing income was down $3.7 million (41.2%) during the third quarter and $14.1 million (40.6%) for the nine-month period, compared with 2024, due to lower interest rates and a decline in average cash and cash equivalents balances.

## Gain on long-term debt extinguishment

During the quarter ended July 31, 2025, the Corporation completed the restructuring of its debt contracted with the CEEFC through the LEEFF. As a result of this restructuring, the Corporation recorded a $345.1 million gain on long-term debt extinguishment. See the Financing section for more details.

## Gain on asset disposals

During the quarter ended July 31, 2025, the Corporation recognized a $14.1 million gain on sale and leaseback of assets following two sale and leaseback transactions for two Pratt & Whitney GTF engines. During the nine-month period ended July 31, 2025, the Corporation recognized a $19.2 million gain on sale and leaseback of assets following three sale and leaseback transactions for three Pratt & Whitney GTF engines.

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.

## 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 ended July 31, 2025, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies was up $56.6 million. This increase resulted primarily from a weakening of the dollar against the U.S. dollar during the quarter as well as the rise in fuel prices related to our derivative contracts.

During the nine-month period ended July 31, 2025, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by $32.1 million. The decline resulted primarily from a strengthening of the dollar against the U.S. dollar during the period, partially offset by higher fuel prices related to our derivative contracts.

## Revaluation of liability related to warrants and preferred shares

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

For the quarter ended July 31, 2025, the fair value of warrants and preferred shares was up $5.1 million. For the nine-month period, the fair value of warrants and preferred shares increased by $3.0 million. These increases were mainly driven by the rise in the closing share price from $1.76 to $2.50 from October 31, 2024 to July 31, 2025 and the extension of the expiration date of the warrants.

## Foreign exchange loss (gain)

During the quarter, the Corporation recognized a foreign exchange loss of $4.9 million, compared with $7.2 million in 2024. For the quarter, the foreign exchange loss resulted mainly from the unfavourable exchange effect on lease liabilities related to aircraft, following a weakening of the dollar against the U.S. dollar.

For the nine-month period, the Corporation recorded a foreign exchange gain of $8.7 million, compared with $6.8 million in 2024. For the nine-month period, the gain mainly resulted from the favourable exchange effect on lease liabilities related to aircraft, following a strengthening of the dollar against the U.S. dollar.

## INCOME TAXES

Income tax expense amounted to $0.8 million for the third quarter of 2025, compared with an income tax expense of $1.6 million for the corresponding quarter of last year. For the nine-month period, the income tax expense amounted to $1.3 million, compared with $1.9 million in 2024.

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 nine-month period ended July 31, 2025, no deferred tax assets of Canadian subsidiaries were recognized.

## NET INCOME (LOSS) AND ADJUSTED NET LOSS

Considering the items discussed in the Consolidated Operations section, net income for the third quarter of 2025 was $399.8 million, or basic earnings per share of $9.97 and diluted earnings per share of $9.39 per share, compared with a net loss of $39.9 million, or $1.03 per share (basic and diluted), during the corresponding quarter of last year. For the third quarter of 2025, the weighted average number of outstanding shares used to compute basic earnings per share was 40,083,000 (42,351,000 for diluted earnings per share), compared with 38,906,000 (basic and diluted) for the corresponding quarter of 2024.

For the nine-month period, net income amounted to $254.4 million, or basic earnings per share of $6.40 and diluted earnings per share of $6.22 per share, compared with a net loss of $155.3 million, or $4.01 per share (basic and diluted), for the corresponding period of last year. For the nine-month period, the weighted average number of outstanding shares used to compute basic earnings per share was 39,767,000 (40,531,000 for diluted earnings per share), compared with 38,733,000 (basic and diluted) for the corresponding period of 2024.

For the quarter and nine-month period ended July 31, 2025, the Corporation reported an adjusted net loss of $11.8 million ($0.28 per share) and $82.0 million ($2.02 per share), respectively, compared with adjusted an adjusted net loss of $36.3 million ($0.93 per share) of $159.2 million ($4.11 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) and summer 2025 (Q3) compared with 2024 resulted primarily from increased airline unit revenues, combined with higher traffic, the financial compensation from the original equipment manufacturer of the GTF engines and lower fuel prices. 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) | Q4-2023<br>$ | Q1-2024<br>$ | Q2-2024<br>$ | Q3-2024<br>$ | Q4-2024<br>$ | Q1-2025<br>$ | Q2-2025<br>$ | Q3-2025<br>$ |
|---|---|---|---|---|---|---|---|---|
| Revenues | 764,467 | 785,498 | 973,204 | 736,203 | **788,845** | **829,505** | **1,031,073** | **766,301** |
| Operating income (loss) | 44,721 | (52,429) | (15,161) | (9,837) | **64,700** | **(51,956)** | **37,270** | **24,241** |
| Net income (loss) | 3,195 | (60,977) | (54,387) | (39,893) | **41,227** | **(122,532)** | **(22,884)** | **399,821** |
| Basic earnings (loss) per share | 0.08 | (1.58) | (1.40) | (1.03) | **1.05** | **(3.10)** | **(0.58)** | **9.97** |
| Diluted earnings (loss) per share | 0.08 | (1.58) | (1.40) | (1.03) | **1.05** | **(3.10)** | **(0.58)** | **9.39** |
| Adjusted operating income (loss)[1] | 80,097 | (3,349) | 30,150 | 47,994 | **128,417** | **19,969** | **98,446** | **81,179** |
| Adjusted net income (loss)[1] | 6,766 | (76,066) | (46,868) | (36,300) | **31,558** | **(74,968)** | **4,735** | **(11,752)** |
| Adjusted net earnings (loss) per share[1] | 0.18 | (1.97) | (1.21) | (0.93) | **0.81** | **(1.90)** | **0.12** | **(0.28)** |

[1] See the Non-IFRS financial measures section

# 7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

## CONSOLIDATED FINANCIAL POSITION

As at July 31, 2025, cash and cash equivalents totalled $357.2 million compared with $260.3 million as at October 31, 2024. Cash and cash equivalents in trust or otherwise reserved amounted to $305.5 million at the end of the third quarter of 2025, compared with $484.9 million as at October 31, 2024. The Corporation's statement of financial position reflected $448.9 million in negative working capital, for a ratio of 0.70, compared with $261.1 million in negative working capital and a ratio of 0.81 as at October 31, 2024.

Total assets decreased by $103.0 million (3.7%), from $2,750.9 million as at October 31, 2024 to $2,647.9 million as at July 31, 2025. The decrease is detailed in the financial position table provided below. Equity increased by $255.9 million from negative equity of $889.1 million as at October 31, 2024, to $633.2 million as at July 31, 2025. The increase resulted primarily from $254.4 million in net income.

| (in thousands of dollars) | As at July 31, 2025 $ | As at October 31, 2024 $ | Difference $ | Main reasons for significant differences |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **357,153** | 260,336 | 96,817 | See the Cash flows section |
| Cash and cash equivalents in trust or otherwise reserved | **305,463** | 484,944 | (179,481) | Seasonal nature of operations |
| Trade and other receivables | **139,498** | 151,190 | (11,692) | Decrease in cash receivable from lessors, offset by higher amounts receivable from credit card processors |
| Income taxes receivable | **152** | 504 | (352) | No significant difference |
| Inventories | **47,250** | 40,212 | 7,038 | Increase in inventory of aircraft parts |
| Prepaid expenses | **48,805** | 31,359 | 17,446 | Increase in prepayments to suppliers due to seasonal nature of operations |
| Deposits | **431,075** | 367,185 | 63,890 | Increase in deposits with credit card processors and in maintenance deposits with lessors |
| Deferred tax assets | **488** | 588 | (100) | No significant difference |
| Property, plant and equipment | **1,276,032** | 1,378,871 | (102,839) | Depreciation for the period, partially offset by acquisitions |
| Intangible assets | **18,950** | 13,058 | 5,892 | Acquisitions, partially offset by amortization for the period |
| Derivative financial instruments | **22,997** | 22,663 | 334 | No significant difference |

| (in thousands of dollars) | As at July 31, 2025 $ | As at October 31, 2024 $ | Difference $ | Main reasons for significant differences |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Trade and other payables | **412,258** | 363,889 | 48,369 | Seasonal nature of operations and increased business volume |
| Income taxes payable | **1,316** | 1,632 | (316) | No significant difference |
| Customer deposits and deferred revenues | **821,543** | 781,156 | 40,387 | Seasonal nature of operations and increased business volume |
| Derivative financial instruments | **40,181** | 15,835 | 24,346 | Unfavourable change in foreign currency derivatives, offset by a favourable change in fuel-related derivatives contracted |
| Long-term debt and lease liabilities | **1,545,586** | 2,148,017 | (602,431) | Restructuring of long-term debt and principal repayments, partially offset by higher lease liabilities |
| Provision for return conditions | **185,174** | 174,368 | 10,806 | Increase mainly related to the passage of time |
| Liability related to warrants | **19,022** | 8,519 | 10,503 | Increase in fair value during the period due to changes in the Corporation's share price price and long-term debt restructuring |
| Deferred government grant | **203,431** | 120,784 | 82,647 | Increase due to long-term debt restructuring |
| Employee benefits liability | **26,574** | 25,305 | 1,269 | No significant difference |
| Deferred tax liabilities | **491** | 481 | 10 | No significant difference |
| Preferred shares | **25,438** | — | 25,438 | Issuance during the period and increase in fair value during the period due to changes in the share price |
| **Equity** | | | | |
| Share capital | **226,917** | 225,438 | 1,479 | Shares issued from treasury |
| Share-based payment reserve | **16,431** | 16,283 | 148 | Share-based payment expense |
| Deficit | **(868,708)** | (1,123,113) | 254,405 | Net income |
| Cumulative exchange differences | **(7,791)** | (7,684) | (107) | Foreign exchange loss on the translation of the financial statements of foreign subsidiaries |

## CASH FLOWS

| | Quarters ended July 31 | | | Nine-month periods ended July 31 | | |
|---|---|---|---|---|---|---|
| | **2025** | **2024** | **Difference** | **2025** | **2024** | **Difference** |
| (in thousands of dollars) | **$** | **$** | **$** | **$** | **$** | **$** |
| Cash flows related to operating activities | **(104,915)** | (91,137) | (13,778) | **271,505** | 202,781 | 68,724 |
| Cash flows related to investing activities | **31,202** | (29,333) | 60,535 | **19,624** | (89,325) | 108,949 |
| Cash flows related to financing activities | **(100,223)** | (47,646) | (52,577) | **(193,757)** | (188,782) | (4,975) |
| Effect of exchange rate changes on cash | **(1,522)** | 1,121 | (2,643) | **(555)** | 1,570 | (2,125) |
| **Net change in cash and cash equivalents** | **(175,458)** | (166,995) | (8,463) | **96,817** | (73,756) | 170,573 |

### Operating activities

Operating activities used cash flows of $104.9 million during the third quarter, compared with $91.1 million in 2024. This decrease of $13.8 million in cash flows generated by operating activities resulted from a $28.2 million decrease in cash flows generated by the net change in non-cash working capital balances related to operations and an $11.0 million decrease in the net change in provision for return conditions, partially offset by a $23.9 million increase in net income before operating items not involving an outlay (receipt) of cash.

Cash flows generated from operating activities amounted to $271.5 million for the nine-month period compared with $202.8 million in 2024. The $68.7 million increase in cash flows generated by operating activities resulted from a $55.0 million increase in net income before operating items not involving an outlay (receipt) of cash, a $11.3 million increase in cash flows generated by the net change in non-cash working capital balances related to operations, a $9.5 million increase in the net change in other operating assets and liabilities, partially offset by a $7.0 million decrease in the net change in provision for return conditions.

### Investing activities

Cash flows generated by investing activities amounted to $31.2 million for the third quarter, up $60.5 million from cash flows used of $29.3 million in 2024. For the nine-month period, cash flows generated by investing activities amounted to $19.6 million, up $108.9 million from cash flows used of $89.3 million in 2024. For the quarter and the nine-month period ended July 31, 2025, additions to property, plant and equipment and intangible assets amounted to $30.2 million and $68.0 million, respectively, and consisted primarily of aircraft maintenance and spare parts, compared with $30.0 million and $109.0 million, respectively in 2024. During the nine-month period of 2025, the Corporation also completed sale and leaseback transactions for three Pratt & Whitney GTF engines for a total of $92.1 million, including two engines during the third quarter for a total of $61.5 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 third quarter, cash flows used in financing activities amounted to $100.2 million, up $52.6 million from $47.6 million in 2024. The Corporation made repayments on its lease liabilities amounting to $48.4 million compared with $48.3 million in 2024. As part of its debt restructuring, the Corporation fully repaid the $41.4 million principal balance of its Secured financing – LEEFF. It also incurred $10.9 million in transaction costs in connection with its debt restructuring.

For the nine-month period, financing activities used $193.8 million in cash flows, compared with $188.8 million in 2024. The Corporation made repayments on its lease liabilities amounting to $141.9 million compared with $133.3 million in 2024. The Corporation also fully repaid the $41.4 million principal balance of its Secured financing – LEEFF and incurred $12.0 million in transaction costs, mainly in connection with its debt restructuring. During the first nine months of 2024, the Corporation made repayments on its credit facilities totalling $57.0 million.

## FINANCING

### Funding from the Government of Canada

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

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

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

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

#### Secured debt – LEEFF

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

On January 31, 2025, the Corporation renegotiated its Secured debt – LEEFF agreement 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 was secured by a first-ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bore interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) (previously at the bankers' acceptance rate) plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility was to become immediately due and payable. Under the terms of the agreement, the Corporation was required to meet certain financial ratios and covenants. During the the nine-month period ended July 31, 2024, the Corporation made an $11.0 million repayment. As October 31, 2024, the credit facility was fully drawn down, and the carrying amount stood at $41.4 million.

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

#### Subordinated debt - LEEFF

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

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

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

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

As at July 31, 2025 and October 31, 2024, the credit facility was fully drawn down and its carrying amount stood at $64.4 million as at July 31, 2025 [$359.6 million as at October 31, 2024]. As at July 31, 2025, an amount of $110.7 million was also recognized as a deferred government grant related to the Subordinated debt – LEEFF. During the nine-month period ended July 31, 2025, an amount of $0.4 million was recognized as proceeds from government grants as a reduction of financing costs.

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

The number of shares issuable upon exercise of the warrants may not exceed 25.0% of the current number of issued and outstanding shares, nor may it result in the holder owning 19.9% or more of the outstanding shares upon exercise of the warrants. In the event of exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price. Lastly, in the event that the Subordinated debt – LEEFF is repaid in full by its maturity, Transat will have the right to redeem all of the warrants for a consideration equal to their fair market value. The warrants will not be transferable prior to the expiry of the period giving rise to the exercise of such redemption right. In addition, the holder of the warrants will benefit from registration rights to facilitate the sale of the underlying shares and the warrants themselves (once the transfer restriction has been lifted).

As at July 31, 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 9,985,149 warrants could be exercised through the issuance of shares;
- 3,014,851 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 – Travel credits

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

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

The $353.3 million unsecured credit facility related to travel credits was to mature on April 29, 2028 and bore interest at 1.22%. In the event the Secured debt – LEEFF and the Subordinated debt – LEEFF had not been repaid, this credit facility was to become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders. As at October 31, 2024, the credit facility was fully drawn down, and the carrying amount of the credit facility stood at $231.3 million. An amount of $120.8 million was also recognized as a deferred government grant related to these drawdowns. During the nine-month period ended July 31, 2025, an amount of $20.0 million was recognized as proceeds from government grants as a reduction of financing costs.

## Unsecured debenture – LEEFF

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

As at July 31, 2025, the carrying amount of the credit facility stood at $66.0 million, and an amount of $92.7 million was also recognized as a deferred government grant related to this debenture. During the nine-month period ended July 31, 2025, an amount of $0.6 million was recognized as proceeds from government grants as a reduction of financing costs.

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025, and at the request of the CEEFC, the Corporation made a mandatory principal prepayment of $13.7 million on its unsecured debenture.

## Subordinated working capital facility – LEEFF

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

On August 20, 2025, following a $13.7 million mandatory principal prepayment of its unsecured debenture and the redemption of 6,243,026 Series 4 Preferred Shares amounting to $16.3 million, the Corporation drew down $30.0 million from its subordinated working capital facility.

## Other credit facilities

### Revolving credit facility

On July 10, 2025, as part of the restructuring of its long-term debt, the Corporation committed to repay by January 15, 2026 an amount of $25.0 million from its $50.0 million revolving term credit agreement for the purpose of its operations. Prior to that, on January 31, 2025, the Corporation renegotiated its revolving credit facility agreement, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at 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 July 31, 2025, the financial ratios and covenants were met. As at July 31, 2025 and October 31, 2024, the credit facility was fully drawn down.

On September 5, 2025, the Company renegotiated its agreement primarily to extend the maturity date to November 1, 2027.

## Off-balance sheet arrangements

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

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

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

Off-balance sheet arrangements that can be estimated, excluding agreements with suppliers and other obligations, amounted to approximately $455.8 million as at July 31, 2025 ($462.6 million as at October 31, 2024) and are detailed as follows:

| **OFF-BALANCE SHEET ARRANGEMENTS** | **As at July 31, 2025** | **As at October 31, 2024** |
|---|---|---|
| (in thousands of dollars) | **$** | **$** |
| **Guarantees** | | |
| Irrevocable letters of credit | **4,114** | 1,721 |
| Collateral security contracts | **3,518** | 1,153 |
| **Leases** | | |
| Lease obligations | **448,197** | 459,748 |
| | **455,829** | 462,622 |

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

The Corporation has a $74.0 million annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at July 31, 2025, $69.1 million had been drawn down under the facility [$69.6 million as at October 31, 2024], of which $35.6 million [$31.2 million as at October 31, 2024] to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits from which £1.1 million ($1.9 million) has been drawn down.

As at July 31, 2025, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, declined by $6.8 million compared with October 31, 2024. This decrease resulted primarily from the impact of lower interest rates on future rents and the strengthening of the dollar against the U.S. dollar.

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

### Debt

The Corporation reported $180.4 million in long-term debt and $1,365.2 million in lease liabilities in the consolidated statement of financial position.

The Corporation's total debt stood at $1,768.0 million as at July 31, 2025, down $509.3 million from October 31, 2024. This decrease was primarily due to lower long-term debt following the Corporation's debt restructuring and repayments of lease liabilities.

Total net debt decreased by $606.1 million from $2,017.0 million as at October 31, 2024 to $1,410.9 million as at July 31, 2025. The decline in total net debt resulted from lower total debt primarily due to the Corporation's debt restructuring.

### Outstanding shares

As at July 31, 2025, the Corporation had four authorized classes of shares: an unlimited number of Class A Variable Voting Shares, an unlimited number of Class B Voting Shares and an unlimited number of preferred shares and 9,934,617 Series 4 Preferred Shares. The preferred shares are non-voting and issuable in series, with each series including the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

As at September 5, 2025, there were a total of 40,317,659 voting shares outstanding.

As at September 5, 2025, there were a total of 3,691,591 Series 4 Preferred Shares [9,934,617 as at July 31, 2025], non-voting, bearing dividends at the same amount and at the same time as any dividend declared on the Class A Variable Voting Shares and Class B Voting Shares, redeemable at the Corporation's option at a price per share equal to the higher of $1.64 per share and the fair value of the Class B Voting Shares, redeemable at the holder's option upon a change of control and convertible into Class B Voting Shares at the holder's option, insofar as the holder shall not hold more than 19.9% of the Class B Voting Shares outstanding as a result of the conversion.

### Stock options

As at September 5, 2025, a total of 300,000 stock options was outstanding, 183,334 of which were exercisable.

### Warrants

As at July 31, 2025, and as at September 5, 2025, a total of 13,000,000 warrants was issued. As at July 31, 2025, and as at September 5, 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 July 31, 2025, Air Transat's permanent fleet consisted of sixteen Airbus A330s (332, 345 or 363 seats), nineteen Airbus A321LRs (199 seats), of which six were grounded due to GTF engine problems, and eight Airbus A321ceos (199 seats).

### LITIGATION

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

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

# 9. ACCOUNTING

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 July 31, 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 July 31, 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 fourth quarter, are 1.2 percentage points lower compared to the same date in fiscal 2024, while airline unit revenues, expressed as yield, are 3.1% higher than they were at this time last year, although currently trending downward.

For fiscal 2025, the Corporation expects a 1.0% increase in capacity, measured in available seat-miles, compared to 2024, reflecting a modest reduction in capacity during the fourth quarter.

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

| Unaudited<br>(in thousands of Canadian dollars) | Notes | As at July 31, 2025<br>$ | As at October 31, 2024<br>$ |
|---|---|---|---|
| **ASSETS** | 8 | | |
| Cash and cash equivalents | | **357,153** | 260,336 |
| Cash and cash equivalents in trust or otherwise reserved | 3 | **269,874** | 453,768 |
| Trade and other receivables | 4 | **139,498** | 151,190 |
| Income taxes receivable | | **152** | 504 |
| Inventories | 5 | **47,250** | 40,212 |
| Prepaid expenses | | **48,805** | 31,359 |
| Derivative financial instruments | | **22,997** | 22,663 |
| Current portion of deposits | 6 | **167,741** | 126,798 |
| **Current assets** | | **1,053,470** | 1,086,830 |
| Cash and cash equivalents reserved | 3 | **35,589** | 31,176 |
| Deposits | 6 | **263,334** | 240,387 |
| Deferred tax assets | | **488** | 588 |
| Property, plant and equipment | 7 | **1,276,032** | 1,378,871 |
| Intangible assets | | **18,950** | 13,058 |
| **Non-current assets** | | **1,594,393** | 1,664,080 |
| | | **2,647,863** | 2,750,910 |
| **LIABILITIES** | | | |
| Trade and other payables | | **412,258** | 363,889 |
| Income taxes payable | | **1,316** | 1,632 |
| Customer deposits and deferred revenues | | **821,543** | 781,156 |
| Derivative financial instruments | | **40,181** | 15,835 |
| Current portion of long-term debt and lease liabilities | 8 | **191,809** | 176,920 |
| Current portion of preferred shares | 11 | **16,265** | — |
| Liability related to warrants | 9 | **19,022** | 8,519 |
| **Current liabilities** | | **1,502,394** | 1,347,951 |
| Long-term debt and lease liabilities | 8 | **1,353,777** | 1,971,097 |
| Deferred government grant | 8 | **203,431** | 120,784 |
| Provision for return conditions | 10 | **185,174** | 174,368 |
| Employee benefits liability | | **26,574** | 25,305 |
| Deferred tax liabilities | | **491** | 481 |
| Preferred shares | 11 | **9,173** | — |
| **Non-current liabilities** | | **1,778,620** | 2,292,035 |
| **NEGATIVE EQUITY** | | | |
| Share capital | 11 | **226,917** | 225,438 |
| Share-based payment reserve | | **16,431** | 16,283 |
| Deficit | | **(868,708)** | (1,123,113) |
| Cumulative exchange differences | | **(7,791)** | (7,684) |
| | | **(633,151)** | (889,076) |
| | | **2,647,863** | 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 INCOME (LOSS)

| Unaudited<br>(in thousands of Canadian dollars, except per share amounts) | Notes | Quarters ended July 31<br>2025<br>$ | <br>2024<br>$ | Nine-month periods ended July 31<br>2025<br>$ | <br>2024<br>$ |
|---|---|---|---|---|---|
| **Revenues** | *12* | **766,301** | 736,203 | **2,626,879** | 2,494,905 |
| **Operating expenses** | | | | | |
| Costs of providing tourism services | | **113,481** | 100,947 | **788,008** | 737,039 |
| Aircraft fuel | | **159,280** | 181,642 | **417,643** | 467,635 |
| Salaries and employee benefits | | **141,313** | 129,888 | **401,507** | 393,001 |
| Sales and distribution costs | | **49,004** | 46,062 | **190,543** | 186,158 |
| Aircraft maintenance | | **63,500** | 69,155 | **187,876** | 164,315 |
| Airport and navigation fees | | **61,226** | 58,069 | **158,110** | 152,425 |
| Aircraft rent | *8* | **13** | 390 | **6,017** | 11,791 |
| Other airline costs | | **67,049** | 74,649 | **177,673** | 208,353 |
| Other | | **24,363** | 29,326 | **97,414** | 92,056 |
| Depreciation and amortization | | **62,674** | 55,412 | **188,319** | 160,324 |
| Restructuring costs | *13* | **157** | 500 | **4,214** | 2,477 |
| Reversal of impairment of the investment in a joint venture | | **—** | — | **—** | (3,112) |
| Share of net income of a joint venture | | **—** | — | **—** | (130) |
| | | **742,060** | 746,040 | **2,617,324** | 2,572,332 |
| **Operating income (loss)** | | **24,241** | (9,837) | **9,555** | (77,427) |
| Financing costs | *8* | **34,726** | 36,188 | **112,621** | 106,542 |
| Financing income | | **(5,226)** | (8,884) | **(20,624)** | (34,716) |
| Gain on long-term debt extinguishment | *8, 9* | **(345,116)** | — | **(345,332)** | — |
| Gain on asset disposals | *14* | **(14,060)** | (392) | **(19,243)** | (6,176) |
| Change in fair value of derivatives | | **(56,637)** | 7,142 | **32,142** | 24,323 |
| Revaluation of liability related to warrants and preferred shares | *9, 11* | **5,107** | (12,781) | **2,981** | (7,270) |
| Foreign exchange loss (gain) | | **4,869** | 7,205 | **(8,658)** | (6,752) |
| **Income (loss) before income tax expense** | | **400,578** | (38,315) | **255,668** | (153,378) |
| **Income taxes** | | | | | |
| Current | | **757** | 796 | **1,160** | 1,849 |
| Deferred | | **—** | 782 | **103** | 30 |
| | | **757** | 1,578 | **1,263** | 1,879 |
| **Net income (loss) for the period** | | **399,821** | (39,893) | **254,405** | (155,257) |
| Earnings (loss) per share | *11* | | | | |
| Basic | | **9.97** | (1.03) | **6.40** | (4.01) |
| Diluted | | **9.39** | (1.03) | **6.22** | (4.01) |

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

| Unaudited<br>(in thousands of Canadian dollars) | Quarters ended July 31<br>2025<br>$ | <br>2024<br>$ | Nine-month periods ended July 31<br>2025<br>$ | <br>2024<br>$ |
|---|---|---|---|---|
| **Net income (loss) for the period** | **399,821** | (39,893) | **254,405** | (155,257) |
| **Other comprehensive income (loss)** | | | | |
| **Items that will be reclassified to net income (loss)** | | | | |
| Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries | **78** | 903 | **(107)** | 1,364 |
| Total other comprehensive income (loss) | **78** | 903 | **(107)** | 1,364 |
| **Comprehensive income (loss) for the period** | **399,899** | (38,990) | **254,298** | (153,893) |

## CONSOLIDATED STATEMENTS OF CHANGES IN NEGATIVE EQUITY

| Unaudited<br>(in thousands of Canadian dollars) | Share capital<br>$ | Share-based payment reserve<br>$ | Deficit<br>$ | Cumulative exchange differences<br>$ | Total negative equity<br>$ |
|---|---|---|---|---|---|
| **Balance as at October 31, 2023** | 223,450 | 16,329 | (1,008,452) | (10,366) | (779,039) |
| Net loss for the period | — | — | (155,257) | — | (155,257) |
| Other comprehensive income | — | — | — | 1,364 | 1,364 |
| Comprehensive income (loss) for the period | — | — | (155,257) | 1,364 | (153,893) |
| Issued from treasury | 1,516 | — | — | — | 1,516 |
| Reversal of share-based payment expense | — | (96) | — | — | (96) |
| **Balance as at July 31, 2024** | **224,966** | **16,233** | **(1,163,709)** | **(9,002)** | **(931,512)** |
| Net income for the period | — | — | 41,227 | — | 41,227 |
| Other comprehensive income (loss) | — | — | (631) | 1,318 | 687 |
| Comprehensive income for the period | — | — | 40,596 | 1,318 | 41,914 |
| Issued from treasury | 472 | — | — | — | 472 |
| Share-based payment expense | — | 50 | — | — | 50 |
| **Balance as at October 31, 2024** | 225,438 | 16,283 | (1,123,113) | (7,684) | (889,076) |
| Net income for the period | — | — | 254,405 | — | 254,405 |
| Other comprehensive loss | — | — | — | (107) | (107) |
| Comprehensive income (loss) for the period | — | — | 254,405 | (107) | 254,298 |
| Issued from treasury | 1,479 | — | — | — | 1,479 |
| Share-based payment expense | — | 148 | — | — | 148 |
| **Balance as at July 31, 2025** | **226,917** | **16,431** | **(868,708)** | **(7,791)** | **(633,151)** |

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

| Unaudited<br>(in thousands of Canadian dollars) | Notes | Quarters ended July 31<br>2025<br>$ | <br>2024<br>$ | Nine-month periods ended July 31<br>2025<br>$ | <br>2024<br>$ |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Net income (loss) for the period | | **399,821** | (39,893) | **254,405** | (155,257) |
| Operating items not involving an outlay (receipt) of cash: | | | | | |
| Compensation received in the form of credits | 12 | **(6,978)** | — | **(26,956)** | — |
| Depreciation and amortization | 7 | **62,674** | 55,412 | **188,319** | 160,324 |
| Gain on long-term debt extinguishment | 8 | **(345,116)** | — | **(345,332)** | — |
| Gain on asset disposals | 14 | **(14,060)** | (392) | **(19,243)** | (6,176) |
| Change in fair value of derivatives | | **(56,637)** | 7,142 | **32,142** | 24,323 |
| Revaluation of liability related to warrants and preferred shares | 9, 11 | **5,107** | (12,781) | **2,981** | (7,270) |
| Foreign exchange loss (gain) | | **4,869** | 7,205 | **(8,658)** | (6,752) |
| Capitalized interest on long-term debt and lease liabilities | | **2,150** | 11,275 | **16,489** | 33,031 |
| Employee benefits | | **1,252** | 465 | **2,206** | 2,672 |
| Share-based payment expense (reversal) | | **49** | 49 | **148** | (96) |
| Deferred taxes | | **—** | 782 | **103** | 30 |
| Reversal of impairment of the investment in a joint venture | | **—** | — | **—** | (3,112) |
| Share of net income of a joint venture | | **—** | — | **—** | (130) |
| | | **53,131** | 29,264 | **96,604** | 41,587 |
| Net change in non-cash working capital balances related to operations | | **(146,889)** | (118,642) | **188,571** | 177,282 |
| Net change in provision for return conditions | | **1,293** | 12,304 | **12,103** | 19,144 |
| Net change in other assets and liabilities related to operations | | **(12,450)** | (14,063) | **(25,773)** | (35,232) |
| **Cash flows related to operating activities** | | **(104,915)** | (91,137) | **271,505** | 202,781 |
| **INVESTING ACTIVITIES** | | | | | |
| Additions to property, plant and equipment and other intangible assets | | **(30,248)** | (29,975) | **(68,028)** | (108,955) |
| Increase in cash and cash equivalents reserved | | **—** | — | **(4,413)** | (1,426) |
| Net proceeds from sale and leaseback of assets | 7 | **61,450** | — | **92,065** | — |
| Consideration received for an investment disposal, net of transaction costs | | **—** | — | **—** | 20,414 |
| Proceeds from disposal of assets | 14 | **—** | 642 | **—** | 642 |
| **Cash flows related to investing activities** | | **31,202** | (29,333) | **19,624** | (89,325) |
| **FINANCING ACTIVITIES** | | | | | |
| Repayment of lease liabilities | 8 | **(48,421)** | (48,250) | **(141,855)** | (133,298) |
| Repayment of long-term debt | 8 | **(41,400)** | — | **(41,400)** | (57,000) |
| Proceeds from issuance of shares | 11 | **524** | 604 | **1,479** | 1,516 |
| Transaction costs | 8 | **(10,926)** | — | **(11,981)** | — |
| **Cash flows related to financing activities** | | **(100,223)** | (47,646) | **(193,757)** | (188,782) |
| Effect of exchange rate changes on cash and cash equivalents | | **(1,522)** | 1,121 | **(555)** | 1,570 |
| **Net change in cash and cash equivalents** | | **(175,458)** | (166,995) | **96,817** | (73,756) |
| Cash and cash equivalents, beginning of period | | **532,611** | 528,886 | **260,336** | 435,647 |
| **Cash and cash equivalents, end of period** | | **357,153** | 361,891 | **357,153** | 361,891 |
| Net income taxes paid (recovered) | | **652** | (183) | **923** | (553) |
| Interest received | | **(5,658)** | (9,382) | **(20,926)** | (35,259) |
| Interest paid | | **34,823** | 23,035 | **97,283** | 67,276 |

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

## Note 1 Corporate information

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

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

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended July 31, 2025 were approved by the Corporation's Board of Directors on September 10, 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 July 31, 2025, cash and cash equivalents in trust or otherwise reserved included $234,427 [$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 $71,036, 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 July 31, 2025 | As at October 31, 2024 |
|---|---|---|
| | $ | $ |
| Credit card processor receivables | **47,613** | 41,904 |
| Government receivables | **29,307** | 28,176 |
| Cash receivable from lessors | **20,805** | 40,139 |
| Trade receivables | **11,796** | 14,330 |
| Other receivables | **29,977** | 26,641 |
| | **139,498** | 151,190 |

## Note 5 Inventories

| | As at July 31, 2025 | As at October 31, 2024 |
|---|---|---|
| | $ | $ |
| Spare parts and supplies | **42,763** | 35,599 |
| Fuel | **4,487** | 4,613 |
| | **47,250** | 40,212 |

## Note 6 Deposits

| | As at July 31, 2025 | As at October 31, 2024 |
|---|---|---|
| | $ | $ |
| Maintenance deposits with lessors | **214,082** | 191,527 |
| Deposits with credit card processors | **154,690** | 114,806 |
| Deposits on leased aircraft and engines | **51,745** | 50,937 |
| Deposits with suppliers | **10,558** | 9,915 |
| | **431,075** | 367,185 |
| Less current portion | **167,741** | 126,798 |
| | **263,334** | 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 | 582 | 46,718 | 2,248 | 35 | 86,858 | 3,080 | 139,521 |
| Disposals | — | (56,989) | — | (30) | — | — | (57,019) |
| Write-offs | — | (704) | (80) | — | (3,878) | (3,380) | (8,042) |
| Exchange difference | — | — | (17) | (26) | — | 3 | (40) |
| **Balance as at July 31, 2025** | **108,067** | **159,555** | **41,648** | **18,543** | **2,191,267** | **113,602** | **2,632,682** |
| ***Accumulated depreciation*** | | | | | | | |
| **Balance as at October 31, 2024** | **78,459** | **82,380** | **33,269** | **12,518** | **894,563** | **78,202** | **1,179,391** |
| Depreciation | 5,701 | 11,649 | 2,453 | 482 | 161,248 | 4,239 | 185,772 |
| Disposals | — | (457) | — | — | — | — | (457) |
| Write-offs | — | (704) | (80) | — | (3,878) | (3,380) | (8,042) |
| Exchange difference | — | — | (15) | (14) | — | 15 | (14) |
| **Balance as at July 31, 2025** | **84,160** | **92,868** | **35,627** | **12,986** | **1,051,933** | **79,076** | **1,356,650** |
| **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 July 31, 2025** | **23,907** | **66,687** | **6,021** | **5,557** | **1,139,334** | **34,526** | **1,276,032** |

### Property, plant and equipment related to the fleet

During the quarter ended July 31, 2025, the Corporation acquired two Pratt & Whitney GTF spare engines under sale and leaseback transactions. The Corporation also entered into a sale and leaseback transaction in the first quarter for an engine that it already owned. The Corporation measured the right-of-use assets resulting from the sale and leaseback transactions in proportion to the previous carrying amounts of the assets to which the Corporation retains the right of use. Accordingly, the Corporation recognized a gain on the sale and leaseback of assets of $19,243 *[Note 14]*, which represents the excess of the proceeds from disposal over the lease liability and the change in assets related to the transactions. Total proceeds received amounted to $92,065, and the Corporation recorded right-of-use assets of $25,983 and lease liabilities of $42,273, while the carrying amount of the engines sold was $56,532. The spare engines will continue to be operated under the 5- and 10-year leases entered into under this sale and leaseback transactions.

## Note 8 Long-term debt and lease liabilities

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

| | Final maturity | Weighted average effective interest rate | As at July 31, 2025 | As at October 31, 2024 |
|---|---|---|---|---|
| | | % | $ | $ |
| **Long-term debt** | | | | |
| Secured debt - LEEFF | **2025** | **7.50** | **—** | 41,400 |
| Subordinated debt - LEEFF | **2035** | **14.89** | **64,425** | 359,556 |
| Unsecured credit facility - Travel credits | **2025** | **14.00** | **—** | 231,339 |
| Unsecured debenture - LEEFF | **2035** | **17.32** | **66,002** | — |
| Subordinated working capital facility - LEEFF | **2035** | **7.00** | **—** | — |
| Revolving credit facility | **2027** | **7.55** | **50,000** | 50,000 |
| **Long-term debt** | | **13.74** | **180,427** | 682,295 |
| **Lease liabilities** | | | | |
| Fleet | **2025-2036** | **6.42** | **1,324,249** | 1,425,144 |
| Real estate and other | **2025-2037** | **5.48** | **40,910** | 40,578 |
| **Lease liabilities** | | **6.39** | **1,365,159** | 1,465,722 |
| **Total long-term debt and lease liabilities** | | **7.25** | **1,545,586** | 2,148,017 |
| Current portion of long-term debt and lease liabilities | | | **(191,809)** | (176,920) |
| **Long-term debt and lease liabilities** | | | **1,353,777** | 1,971,097 |

### Funding from the Government of Canada

On July 10, 2025, the Corporation completed its debt restructuring with the Canada Enterprise Emergency Funding Corporation ("CEEFC") under the Large Employer Emergency Financing Facility ("LEEFF"). Under this restructuring, the Secured debt – LEEFF was fully repaid, the terms of the Subordinated debt – LEEFF were amended, the Unsecured credit facility - Travel credits was converted into an unsecured debenture and Series 4 Preferred Shares *[see Note 11],* and the terms of the warrants were amended *[see Note 9]*. The CEEFC also granted the Corporation a subordinated revolving term credit agreement under certain conditions.

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

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

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

## Secured debt – LEEFF

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

On January 31, 2025, the Corporation renegotiated its Secured debt – LEEFF agreement 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 was secured by a first-ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and bore interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) (previously at the bankers' acceptance rate) plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility was to become immediately due and payable. Under the terms of the agreement, the Corporation was required to meet certain financial ratios and covenants. During the the nine-month period ended July 31, 2024, the Corporation made an $11,000 repayment. As October 31, 2024, the credit facility was fully drawn down, and the carrying amount stood at $41,400.

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

## Subordinated debt – LEEFF

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

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

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

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

As at July 31, 2025 and October 31, 2024, the credit facility was fully drawn down and its carrying amount stood at $64,425 as at July 31, 2025 [$359,556 as at October 31, 2024]. As at July 31, 2025, an amount of $110,698 was also recognized as a deferred government grant related to the Subordinated debt – LEEFF. During the nine-month period ended July 31, 2025, an amount of $390 was recognized as proceeds from government grants as a reduction of financing costs.

## Unsecured credit facility – Travel credits

On July 10, 2025, as part of its debt restructuring, the Corporation's $353,300 unsecured credit facility related to travel credits, which was contracted to provide refunds to travellers who were scheduled to depart on or after February 1, 2020 and for whom travel credits were issued as a result of COVID-19, was fully converted into an unsecured debenture amounting to $158,735 and 9,934,617 Series 4 Preferred Shares with a value of $16,265 *[see Note 11]*.

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

The $353,300 unsecured credit facility related to travel credits was to mature on April 29, 2028 and bore interest at 1.22%. In the event the Secured debt – LEEFF and the Subordinated debt – LEEFF had not been repaid, this credit facility was to become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders. As at October 31, 2024, the credit facility was fully drawn down, and the carrying amount of the credit facility stood at $231,339. An amount of $120,784 was also recognized as a deferred government grant related to these drawdowns.

During the nine-month period ended July 31, 2025, an amount of $19,996 was recognized as proceeds from government grants as a reduction of financing costs.

## Unsecured debenture – LEEFF

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

As at July 31, 2025, the carrying amount of the credit facility stood at $66,002, and an amount of $92,733 was also recognized as a deferred government grant related to this debenture. During the nine-month period ended July 31, 2025, an amount of $604 was recognized as proceeds from government grants as a reduction of financing costs.

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025 *[see Note 7]*, and at the request of the CEEFC, the Corporation made a mandatory principal prepayment of $13 735 on its unsecured debenture.

## Subordinated working capital facility – LEEFF

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

On August 20, 2025, following a $13,735 mandatory principal prepayment of its unsecured debenture and the redemption of 6,243,026 Series 4 Preferred Shares amounting to $16,265, the Corporation drew down $30,000 from its subordinated working capital facility.

## Other credit facilities

### Revolving credit facility

On July 10, 2025, as part of the restructuring of its long-term debt, the Corporation committed to repay by January 15, 2026 an amount of $25,000 from its its $50,000 revolving term credit agreement for the purpose of its operations. Prior to that, on January 31, 2025, the Corporation renegotiated its revolving credit facility agreement, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at 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 July 31, 2025, the financial ratios and covenants were met. As at July 31, 2025 and October 31, 2024, the credit facility was fully drawn down.

On September 5, 2025, the Company renegotiated its agreement primarily to extend the maturity date to November 1, 2027.

### Revolving credit facility agreement – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at July 31, 2025, $69,101 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 July 31, 2025 and 2024, is detailed as follows:

| | Quarters ended July 31 | | Nine-month periods ended July 31 | |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| | **$** | **$** | **$** | **$** |
| Interest expense on lease liabilities | **21,294** | 19,718 | **66,378** | 54,412 |
| Interest expense on long-term debt | **11,903** | 14,169 | **41,184** | 45,140 |
| Accretion on provision for return conditions | **1,280** | 1,792 | **3,863** | 5,214 |
| Other interest | **249** | 509 | **1,196** | 1,776 |
| **Financing costs** | **34,726** | 36,188 | **112,621** | 106,542 |

## Rent expense

Rent expense for the periods ended July 31, 2025 and 2024, is detailed as follows:

| | | Quarters ended July 31 | | Nine-month periods ended July 31 |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| | **$** | **$** | **$** | **$** |
| Variable lease payments | **13** | 12 | **3,696** | 5,771 |
| Short-term leases | **—** | 378 | **2,321** | 6,020 |
| **Aircraft rent** | **13** | 390 | **6,017** | 11,791 |
| Variable lease payments | **—** | 18 | **96** | 291 |
| Short-term leases | **2,508** | 1,968 | **5,802** | 6,357 |
| Low value leases | **60** | 80 | **189** | 239 |
| | **2,581** | 2,456 | **12,104** | 18,678 |

## Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the nine-month period ended July 31, 2025:

| | Cash flows | Non-cash changes | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance as at October 31, 2024** | | | **1,465,722** |
| Repayments | **(141,855)** | **—** | **(141,855)** |
| New lease liabilities (new contracts and amendments) | **—** | **65,422** | **65,422** |
| Interest portion of deferred rent payments | **—** | **399** | **399** |
| Offset of rent payments | **—** | **(16,126)** | **(16,126)** |
| Exchange difference | **—** | **(8,403)** | **(8,403)** |
| **Balance as at July 31, 2025** | **(141,855)** | **41,292** | **1,365,159** |

## Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at July 31, 2025 is detailed as follows. Interest on long-term debt only includes interest payable as at July 31, 2025. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.3845 as at July 31, 2025:

| Year ending October 31 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 and up | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Long-term debt obligations** | **13,735** | **25,000** | **25,000** | **—** | **—** | **116,692** | **180,427** |
| Fleet | 43,510 | 248,219 | 241,823 | 228,981 | 207,675 | 735,616 | **1,705,824** |
| Real estate and other | 1,829 | 6,760 | 8,169 | 4,431 | 5,194 | 25,077 | **51,460** |
| **Lease liabilities** | **45,339** | **254,979** | **249,992** | **233,412** | **212,869** | **760,693** | **1,757,284** |
| **Total** | **59,074** | **279,979** | **274,992** | **233,412** | **212,869** | **877,385** | **1,937,711** |

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 and preferred shares

On July 10, 2025, as part of its debt restructuring *[see Note 8]*, the maturity date of the 13,000,000 existing warrants held by the CEEFC was extended to July 10, 2035 (previously April 29, 2031). The Corporation measured the fair value of the warrants at the debt restructuring date, using the original and revised terms and recognized the resulting $5,182 fair value loss as a reduction of the gain on long-term debt extinguishment.

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 since the debt restructuring that occurred on July 10, 2025, prior to July 10, 2035 (previously prior to April 29, 2031), 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. Lastly, in the event that the Subordinated debt – LEEFF is repaid in full by its maturity, Transat will have the right to redeem all of the warrants for a consideration equal to their fair market value. The warrants will not be transferable prior to the expiry of the period giving rise to the exercise of such redemption right. In addition, the holder of the warrants will benefit from registration rights to facilitate the sale of the underlying shares and the warrants themselves (once the transfer restriction has been lifted).

As at July 31, 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 9,985,149 warrants could be exercised through the issuance of shares;
- 3,014,851 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 9,985,149 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 9,985,149 warrants on a net share basis, that is, by issuing shares based on the difference between Transat’s share market price and the exercise price of warrants.

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation’s liabilities. The liability related to warrants is remeasured at the end of each period at fair value through net income. It is classified at Level 3 in the fair value hierarchy. The fair value of the liability related to warrants is determined using the Black-Scholes valuation model, which uses significant data not based on observable market data, hence their classification in Level 3.

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

| | **Nine-month period ended July 31, 2025** | **Year ended October 31, 2024** |
|---|---|---|
| | **$** | **$** |
| **Opening balance** | **8,519** | 20,816 |
| Revaluation of liability related to warrants | **5,321** | (12,297) |
| Loss on long-term debt extinguishment | **5,182** | — |
| **Closing balance** | **19,022** | 8,519 |

To remeasure the liability related to warrants, classified in Level 3, the Corporation used a Black-Scholes valuation model. As at July 31, 2025, the primary unobservable input used in the model was expected volatility, which was estimated at 57.0%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of $854 in the liability related to warrants as at July 31, 2025.

## Note 10 Provision for return conditions

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

| | Nine-month period ended July 31, 2025 | Year ended October 31, 2024 |
|---|---|---|
| | $ | $ |
| **Opening balance** | **174,368** | 177,832 |
| Additional provisions | **13,129** | 26,604 |
| Effect of discount rate changes | **3,141** | 9,589 |
| Unused amounts reversed | **(8,030)** | (4,878) |
| Changes in estimates | **—** | (41,715) |
| Accretion | **3,863** | 6,804 |
| Foreign exchange (gain) loss | **(1,297)** | 132 |
| **Closing balance** | **185,174** | 174,368 |

The provision for return conditions relates to contractual obligations to return leased aircraft and engines at the end of the leases under predetermined maintenance conditions. Provisions for return conditions include actual costs of work and estimates of the inflation of those costs and of the forecasted aircraft and engine utilization. The provision for return conditions applies to leases that expire between 2025 and 2036 with an average remaining term of 5.7 years.

## Note 11 Equity

### Authorized share capital

#### Class A Variable Voting Shares

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

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

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

### Class B Voting Shares

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

### Preferred shares

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

### Series 4 Preferred Shares

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

## Issued and outstanding share capital

### Voting shares

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

| | Number of shares | $ |
|---|---|---|
| **Balance as at October 31, 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 | 925,288 | 1,479 |
| **Balance as at July 31, 2025** | **40,191,479** | **226,917** |

As at July 31, 2025, the number of Class A Shares and Class B Shares stood at 1,764,184 and 38,427,295, respectively [1,521,678 and 37,744,513, respectively, as at October 31, 2024].

### Preferred shares

As part of the debt restructuring transaction *[see Note 8]*, specifically in the context of the conversion of the unsecured credit facility related to travel credits, the Corporation issued 9,934,617 Series 4 Preferred Shares with a value of $16,265 or $1.64 per share, reflecting the five-day volume weighted average price (VWAP) of the Corporation's Class B Voting Shares and Class A Variable Voting Shares on the Toronto Stock Exchange on the date prior to the announcement of the agreement in principle with the CEEFC on June 5, 2025.

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

As at July 31, 2025, the fair value of the 9,934,617 Series 4 Preferred Shares was estimated to be $25,438 based on a price per share of 2.56 $, being the five-day volume weighted average price (VWAP) of the Corporation's Class B Voting Shares and Class A Variable Voting Shares on the Toronto Stock Exchange on that date.

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

| | Number of shares | Weighted average price ($) | $ |
|---|---|---|---|
| Opening balance | 9 934 617 | 2.80 | 27,778 |
| Revaluation of liability related to preferred shares | | | (2,340) |
| **Balance as at July 31, 2025** | **9 934 617** | **2.56** | **25,438** |
| Current portion of preferred shares | | | 16,265 |
| Preferred shares | | | 9,173 |

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025 *[see Note 7]* and at the request of the CEEFC, the Corporation redeemed 6,243,026 Series 4 Preferred Shares for a total amount of $16,265 or $2.60 per share. Following this redemption, no other Series 4 Preferred Shares may be purchased at the holder's option.

## Stock option plan

| | Number of options | Weighted average price ($) |
|---|---|---|
| Balance as at October 31, 2024 | 369,702 | 5.13 |
| Expired | (69,702) | 10.17 |
| **Balance as at July 31, 2025** | **300,000** | **3.96** |
| **Options exercisable as at July 31, 2025** | **183,334** | **4.13** |

## Warrants

No warrants were exercised during the quarter and nine-month period ended July 31, 2025. Accordingly, the Corporation did not issue any shares related to the exercise of warrants *[Note 9]*.

## Earnings (loss) per share

Basic and diluted loss per share were calculated as follows:

| | | Quarters ended July 31 | | Nine-month periods ended July 31 |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| (in thousands of dollars, except per share data) | **$** | **$** | **$** | **$** |
| **NUMERATOR** | | | | |
| Net income (loss) used in computing basic earnings (loss) per share | **399,821** | (39,893) | **254,405** | (155,257) |
| Effect of deemed conversion of warrants and preferred shares | **5,107** | (12,781) | **2,981** | (7,270) |
| Less anti-dilutive impact | **(7,447)** | 12,781 | **(5,321)** | 7,270 |
| Net income (loss) used in computing diluted earnings (loss) per share | **397,481** | (39,893) | **252,065** | (155,257) |
| **DENOMINATOR** | | | | |
| Adjusted weighted average number of outstanding shares | **40,083** | 38,906 | **39,767** | 38,733 |
| **Effect of potential dilutive securities** | | | | |
| Preferred shares | **2,268** | — | **764** | — |
| Adjusted weighted average number of outstanding shares used in computing diluted loss per share | **42,351** | 38,906 | **40,531** | 38,733 |
| **Earnings (loss) per share** | | | | |
| Basic | **9.97** | (1.03) | **6.40** | (4.01) |
| Diluted | **9.39** | (1.03) | **6.22** | (4.01) |

For the quarter and nine-month period ended July 31, 2025, a total of 300,000 outstanding stock options and the 9,985,149 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 [375,904 and 375,904 stock options for the quarter and nine-month period ended July 31, 2025, respectively, and 9,687,900 warrants for the quarter and nine-month period ended July 31, 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 July 31 | | Nine-month periods ended July 31 |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| | **$** | **$** | **$** | **$** |
| **Customers** | | | | |
| Americas | **225,840** | 210,400 | **1,806,463** | 1,744,618 |
| Transatlantic | **527,915** | 520,375 | **772,564** | 732,387 |
| **Other** | **12,546** | 5,428 | **47,852** | 17,900 |
| **Total revenues** | **766,301** | 736,203 | **2,626,879** | 2,494,905 |

During the nine-month period ended July 31, a financial compensation agreement was entered into with the original equipment manufacturer of the GTF engines and an amount of $26,956 [$6,978 for the quarter ended July 31, 2025], in the form of credits, was recognized in accordance with this agreement.

## Note 13 Restructuring costs

| | | Quarters ended July 31 | | Nine-month periods ended July 31 |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| | **$** | **$** | **$** | **$** |
| **Restructuring costs** | | | | |
| Severance | **157** | — | **4,214** | 1,848 |
| Staff relocation costs | **—** | 500 | **—** | 629 |
| | **157** | 500 | **4,214** | 2,477 |

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

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

| | Nine-month period ended July 31, 2025 | Year ended October 31, 2024 |
|---|---|---|
| | **$** | **$** |
| **Opening balance** | **1,030** | 1,151 |
| Additional provision | **4,214** | 2,522 |
| Utilization of provision | **(4,255)** | (2,643) |
| **Closing balance** | **989** | 1,030 |

## Note 14 Gain on asset disposals

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

| | Quarters ended July 31 | | Nine-month periods ended July 31 | |
|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** |
| | **$** | **$** | **$** | **$** |
| **Gain on asset disposals** | | | | |
| Gain on sale and leaseback of assets *[Note 7]* | **(14,060)** | — | **(19,243)** | — |
| Gain on disposal of an investment | **—** | — | **—** | (5,784) |
| Gain on asset disposals – other | **—** | (392) | **—** | (392) |
| | **(14,060)** | (392) | **(19,243)** | (6,176) |

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

## Note 15 Commitments and contingencies

### Leases and other commitments

As at July 31, 2025, the Corporation was party to agreements to lease four Airbus A321XLRs to be delivered in 2027 and 2028. The Corporation also has leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations under various contracts with suppliers, particularly in connection with information technology service contracts, undertaken in the normal course of business. The following table sets out the minimum payments due under leases of aircraft to be delivered over the next few years and under leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations:

| Year ending October 31 | **2025** | **2026** | **2027** | **2028** | **2029** | **2030 and up** | **Total** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Leases (aircraft and other) | 463 | 537 | 10,780 | 37,266 | 37,266 | 361,885 | **448,197** |
| Purchase obligations | 12,739 | 18,274 | 17,272 | 6,785 | 3,864 | — | **58,934** |
| | **13,202** | **18,811** | **28,052** | **44,051** | **41,130** | **361,885** | **507,131** |

### 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 July 31, 2025, the total amount of these guarantees unsecured by deposits totalled $3,518. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 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.

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