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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ["MD&A"] provides a review of Transat A.T. Inc.'s operations, performance and financial position for the year ended October 31, 2025, compared with the year ended October 31, 2024, and should be read in conjunction with the audited consolidated financial statements and the accompanying notes. Unless otherwise indicated, the information contained herein is dated as of December 17, 2025. You will find more information about us on Transat's website at www.transat.com and on SEDAR+ at www.sedarplus.ca, including the Attest Reports for the year ended October 31, 2025, and the Annual Information Form.

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

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

The forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, measures taken, planned or contemplated by governments regarding the imposition of tariffs on exports and imports, real or perceived terrorism, outbreaks of epidemics or disease, consumer preferences and consumer habits, consumers' perceptions of the safety of destination services and aviation safety, demographic trends, disruptions to the air traffic control system, the cost of protective, safety and environmental measures, competition, the Corporation's ability to maintain and grow its reputation and brand, the availability of funding in the future for the Corporation including its debt refinancing, the Corporation's ability to repay its debt from internally generated funds or otherwise, the Corporation's ability to adequately mitigate the Pratt & Whitney GTF engine issues, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, cybersecurity risks, changes in legislation, regulatory developments or procedures, pending litigation and third-party lawsuits, the Corporation's ability to reduce operating costs through, among other things, the Elevation program initiatives, the Corporation's ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of the MD&A.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A are based on a number of assumptions relating to economic and market conditions as well as the Corporation's operations, financial position and transactions. Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby the Corporation will be able to meet its obligations with cash on hand, cash flows from operations, drawdowns under existing credit facilities or by other means.
- The outlook whereby, for fiscal year 2026, the Corporation expects a 6% to 8% increase in capacity, measured in available seat-miles, compared to 2025.
- The outlook whereby the initiatives from the Elevation Program are expected to contribute \$100 million to adjusted operating income by mid-2026.

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

2. NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

	As at October 31, 2025	As at October 31, 2024	As at October 31, 2023
(in thousands of dollars)	\$	\$	\$
Long-term debt	200,818	682,295	669,145
Deferred government grant	199,182	120,784	146,634
Liability related to warrants	14,235	8,519	20,816
Lease liabilities	1,347,396	1,465,722	1,221,451
Total debt	1,761,631	2,277,320	2,058,046
Total debt	1,761,631	2,277,320	2,058,046
Cash and cash equivalents	(164,920)	(260,336)	(435,647)
Total net debt	1,596,711	2,016,984	1,622,399

3. FINANCIAL HIGHLIGHTS

	2025	2024	2023	Difference	
(in thousands of Canadian dollars, except per share amounts)	\$	\$	\$	2025 %	2024 %
Consolidated Statements of Income (Loss)					
Revenues	3,398,503	3,283,750	3,048,352	3.5	7.7
Operating income (loss)	9,803	(12,727)	89,733	177.0	(114.2)
Net income (loss) for the year	241,916	(114,030)	(25,292)	312.2	(350.9)
Basic earnings (loss) per share	6.06	(2.94)	(0.66)	306.1	(345.5)
Diluted earnings (loss) per share	5.72	(2.94)	(0.66)	294.6	(345.5)
Adjusted operating income ¹	270,962	203,212	248,944	33.3	(18.4)
Adjusted net loss ¹	(100,650)	(127,676)	(25,863)	21.2	(393.7)
Adjusted net loss per share ¹	(2.42)	(3.29)	(0.68)	26.4	(383.8)
Consolidated Statements of Cash Flows					
Operating activities	156,975	94,673	321,750	65.8	(70.6)
Investing activities	(10,206)	(31,451)	(7,935)	67.5	(296.4)
Financing activities	(243,186)	(240,292)	(203,021)	(1.2)	(18.4)
Effect of exchange rate changes on cash and cash equivalents	1,001	1,759	2,318	(43.1)	(24.1)
Net change in cash and cash equivalents	(95,416)	(175,311)	113,112	45.6	(255.0)
	As at October 31, 2025	As at October 31, 2024	As at October 31, 2023	Difference	
	\$	\$	\$	2025 %	2024 %
Consolidated Statements of Financial Position					
Cash and cash equivalents	164,920	260,336	435,647	(36.7)	(40.2)
Cash and cash equivalents in trust or otherwise reserved (current and non-current)	465,592	484,944	450,752	(4.0)	7.6
	630,512	745,280	886,399	(15.4)	(15.9)
Total assets	2,574,563	2,750,910	2,569,370	(6.4)	7.1
Debt (current and non-current)	200,818	682,295	669,145	(70.6)	2.0
Total debt ¹	1,761,631	2,277,320	2,058,046	(22.6)	10.7
Total net debt ¹	1,596,711	2,016,984	1,622,399	(20.8)	24.3

¹ See the Non-IFRS financial measures section

4. HIGHLIGHTS OF THE FISCAL YEAR

COMPENSATION AGREEMENT

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

SKYTRAX WORLD'S BEST LEISURE AIRLINE AWARD

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

FINANCING

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

SALE AND LEASEBACK TRANSACTIONS

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

ELEVATION OPTIMIZATION PROGRAM

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

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

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

5. OVERVIEW

CORE BUSINESS, VISION AND STRATEGY

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

THE HOLIDAY TRAVEL INDUSTRY

The holiday travel industry consists primarily of air carriers serving holiday travellers, mainly for tourism, vacation or to visit family and friends, as well as tour operators, travel agencies (both in-person and online), destination service companies, hoteliers and airlines. Each of these subsectors includes companies with different operating models.

Strategy

In its 2022-2026 strategic plan, Transat aims to restore and consolidate its profitability, and expand into new markets. This phase must enable the Corporation to leverage those achievements after 2026 to propel Transat toward a new growth phase.

STRATEGIC PLAN AND OBJECTIVES

To that end, Transat is implementing or continuing certain operations:

- Refocus airline operations and redefine the network by ensuring a greater presence at Montréal-Trudeau, Toronto Pearson and in Eastern Canada;
- Develop and implement interline or codeshare partnership and business agreements to expand and strengthen the network through a higher volume of passenger traffic and thereby optimize aircraft fleet;
- Reduce costs through the Elevation program, including streamlining the organization and enhancing agility, particularly by renegotiating some agreements (ground services, aircraft maintenance, etc.), as well as generate additional revenues and optimize technology tools and processes;
- Review and implement any options for improving the capital structure;
- Increase operational efficiency by streamlining the fleet and bringing its average age down, around two types of Airbus aircraft (A330 and A321LR), optimizing aircraft usage, reducing seasonal fluctuations and enhancing revenue management practices.

The Corporation is continuing to rely on and leverage its strengths:

- A recognized and popular leisure travel brand leveraging vacations and family reunions that travellers continue to prioritize;
- A commitment to corporate responsibility since many years that is based on three pillars: planet, people (employees and communities) and sustainable practices;
- Engaged teams with a strong sense of belonging to the Corporation;
- Long-established roots in Québec and promotion of the French language, at the heart of its identity.

For fiscal 2026, as part of its 2022-2026 strategic plan and the implementation of the Elevation program, Transat has set the following objectives and performance drivers:

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

REVIEW OF OBJECTIVES AND ACHIEVEMENTS FOR 2025

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

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

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

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

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

Strengthen crew productivity and improve the network to optimize spending

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

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

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

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

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

Streamline and optimize organizational structure

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

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

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

ABILITY TO DELIVER ON OUR OBJECTIVES

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives.

Our financial resources are as follows:

Cash	Our balances of cash and cash equivalents (not held in trust or otherwise reserved) totalled \$164.9 million as at October 31, 2025.
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Credit facilities	For operational purposes and working capital needs, we can also rely on, among other resources, a \$50.0 million revolving term credit facility maturing on November 1, 2027 and our \$50.0 million Subordinated working capital facility – LEEFF, available under certain conditions, maturing on July 10, 2035. In addition, as described in the Financing section, the Corporation had an agreement with the Government of Canada that allowed it to borrow \$320.0 million in additional liquidity through the LEEFF in the form of a \$175.0 million subordinated financing and a \$145.0 million unsecured debenture. Section 7, Financial Position, Liquidity and Capital Resources, of this MD&A contains more detail on this issue.
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Our non-financial resources include:

Brand	The Corporation continues to strengthen its distinctive brand image and raise its profile.
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Structure	The integrated structure enables us to ensure better quality control over our products and services, and facilitates implementing programs to achieve gains in efficiency.
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Employees	The employees work together in synergy and are committed to ensuring overall customer satisfaction and contributing to improving the Corporation's effectiveness. In addition, we believe that the Corporation has a strong management team.
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Supplier relationships	Since inception, the Corporation has maintained privileged relationships with many local and destination suppliers.
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Transat has the resources it needs to meet its 2026 objectives and continue building on its long-term strategies.

6. CONSOLIDATED OPERATIONS

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

REVENUES

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

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

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

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

OPERATING EXPENSES

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

Costs of providing tourism services

Costs of providing tourism services are incurred by our tour operators. They include primarily hotel room costs as well as transfer and excursion costs. The \$52.7 million (6.3%) increase was mainly due to the higher cost of person-nights compared with 2024 and a weakening of the dollar against the U.S. dollar.

Aircraft fuel

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

Salaries and employee benefits

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

Sales and distribution costs

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

Aircraft maintenance

Aircraft maintenance costs consist mainly of non-capitalizable engine and airframe maintenance expenses incurred by Air Transat for aircraft as well as in connection with the provision for return conditions.

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

Airport and navigation fees

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

Aircraft rent

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

Other airline costs

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

Other

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

Depreciation and amortization

Depreciation and amortization expense includes depreciation and amortization as well as impairment losses relating to property, plant and equipment and intangible assets. Depreciation and amortization expense was up \$34.9 million (15.7%) in fiscal 2025, compared with 2024. This increase was primarily due to the commissioning of three Airbus A330s and four Airbus A321LRs in 2024, as well as six aircraft engine acquisitions.

Restructuring costs

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

Reversal of impairment of the investment in a joint venture

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

Share of net income of a joint venture

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

OPERATING RESULTS

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

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

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

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

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

OTHER EXPENSES AND REVENUES

Financing costs

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

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

Financing income

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

Gain on long-term debt extinguishment

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

Gain on asset disposals

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

During the year ended October 31, 2024, the gain on asset disposals amounted to \$24.9 million. The Corporation recorded, among other items, an \$18.7 million gain on sale and leaseback of assets following the sale and leaseback transactions of three Pratt & Whitney GTF engines. In addition, the Corporation recorded a \$5.8 million gain on disposal of an investment upon closure of the agreement for the sale and purchase of our 50% stake in Desarrollo Transimar, a Mexican company operating a hotel, the Armony Luxury Resort & Spa for US\$15.5 million, [\$20.7 million].

Change in fair value of derivatives

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

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

In 2024, the fair value of derivative financial instruments related to aircraft fuel and foreign currencies decreased by \$23.7 million. This decrease was mainly attributable to the maturing of derivatives related to aircraft fuel and foreign currencies and to lower fuel prices, partially offset by the weakening of the dollar against the U.S. dollar, related to our derivatives.

Revaluation of liability related to warrants and preferred shares

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

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

Foreign exchange loss

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

INCOME TAXES

In fiscal 2020, the Corporation stopped recognizing deferred tax assets and wrote down deferred tax asset balances related to Canadian operations whose recognition could no longer be justified under IFRS Accounting Standards. Accordingly, during the year ended October 31, 2025, no deferred tax assets of Canadian subsidiaries were recognized.

For fiscal 2025, the income tax expense amounted to \$2.4 million, compared with \$5.0 million in 2024. The income tax expense was higher in 2024, mainly due to the use of tax losses in Canada to offset the gain resulting from the repatriation of funds from the sale of our investment in a hotel for which a portion of the tax losses used was recognized in comprehensive loss in 2024. The Corporation has been subject to the OECD Pillar Two global minimum tax regime since November 1, 2024 after the global minimum tax became effective in Canada during the third quarter of 2024. .

NET INCOME (LOSS) AND ADJUSTED NET LOSS

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

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

SELECTED QUARTERLY FINANCIAL INFORMATION

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

The improvement in our operating results for the first three quarters of fiscal 2025 compared with 2024 was primarily due to increased airline unit revenues, constrained by increased competition in the transatlantic market due to a shift in competitors' transatlantic market supply, combined with higher traffic, the financial compensation received in 2025 from the original equipment manufacturer of the GTF engines and lower fuel prices, partially offset by revenue management inefficiencies related to issues with the Pratt & Whitney GTF engines and economic conditions. In addition, the deterioration in our operating results for the fourth quarter of fiscal 2025 compared with 2024, resulted from the decrease in the financial compensation from the original equipment manufacturer of the GTF engines, an increase in aircraft maintenance costs and salaries and employee benefits. As a result, the following quarterly financial information may vary significantly from quarter to quarter.

Selected unaudited quarterly financial information								
(in thousands of dollars, except per share data)	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	785,498	973,204	736,203	788,845	829,505	1,031,073	766,301	771,624
Operating income (loss)	(52,429)	(15,161)	(9,837)	64,700	(51,956)	37,270	24,241	248
Net income (loss)	(60,977)	(54,387)	(39,893)	41,227	(122,532)	(22,884)	399,821	(12,489)
Basic earnings (loss) per share	(1.58)	(1.40)	(1.03)	1.05	(3.10)	(0.58)	9.97	(0.31)
Diluted earnings (loss) per share	(1.58)	(1.40)	(1.03)	1.05	(3.10)	(0.58)	9.39	(0.52)
Adjusted operating income (loss) ¹	(3,349)	30,150	47,994	128,417	19,969	98,446	81,179	71,367
Adjusted net income (loss) ¹	(76,066)	(46,868)	(36,300)	31,558	(74,968)	4,735	(11,752)	(18,666)
Adjusted net earnings (loss) per share ¹	(1.97)	(1.21)	(0.93)	0.81	(1.90)	0.12	(0.28)	(0.42)

¹ See the Non-IFRS financial measures section

FOURTH-QUARTER HIGHLIGHTS

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

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

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

7. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

CONSOLIDATED FINANCIAL POSITION

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

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

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

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

CASH FLOWS

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

Operating activities

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

Investing activities

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

Financing activities

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

FINANCING

Funding from the Government of Canada

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

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

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

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

Subordinated debt – LEEFF

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

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

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

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

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

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

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

As at October 31, 2025 and 2024, a total of 13,000,000 warrants had vested under the drawdowns on the Subordinated debt – LEEFF and no warrants had been exercised.

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

- a maximum of 10,032,045 warrants could be exercised through the issuance of shares;
- 2,967,955 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Unsecured debenture – LEEFF

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

On August 14, 2025, following the sale and leaseback transactions entered into on July 29, 2025, and at the request of the CEEFC,, the Corporation made a mandatory principal prepayment of \$13.7 million on its unsecured debenture. As at October 31, 2025, the principal balance payable amounted to \$145.0 million [nil as at October 31, 2024]. As at October 31, 2025, the carrying amount of the unsecured debenture stood at \$54.8 million, [nil as at October 31, 2024], and an amount of \$90.2 million [nil as at October 31, 2024] was also recognized as a deferred government grant related to this debenture. During the year ended October 31, 2025, proceeds from government grants of \$3.1 million [nil during the year ended October 31, 2024] were recorded as a reduction of financing costs.

Subordinated working capital facility – LEEFF

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

Unsecured credit facility – Travel credits

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

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

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

Secured debt – LEEFF

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

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

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

Other credit facilities

Revolving credit facility

On July 10, 2025, as part of the restructuring of its long-term debt, the Corporation committed to repay by January 15, 2026 an amount of \$25.0 million from its \$50.0 million revolving term credit agreement for the purpose of its operations. On September 5, 2025, the Corporation renegotiated its agreement primarily to extend the maturity date to November 1, 2027. Prior to that, on January 31, 2025, the Corporation renegotiated its revolving term credit facility agreement, mainly to extend the maturity date to November 1, 2026 (previously February 1, 2026). This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at the Adjusted Term CORRA rate or SOFR (Secured Overnight Financing Rate) rate in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at October 31, 2025, the financial ratios and covenants were met. As at October 31, 2025 and October 31, 2024, the credit facility was fully drawn down. On November 21, 2025, the revolving term credit facility agreement was amended to modify certain financial conditions.

Off-balance sheet arrangements

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

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

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

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

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

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

The Corporation has a \$74.0 million annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at October 31, 2025, \$68.8 million was drawn down under the facility [\$69.6 million as at October 31, 2024], of which \$35.6 million [\$31.2 million as at October 31, 2024] to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

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

As at October 31, 2025, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, increased by \$12.8 million compared with October 31, 2024. This increase resulted primarily from the weakening of the dollar against the U.S. dollar, partially offset by the impact of lower interest rates on future rents.

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

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

Debt

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

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

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

Outstanding shares

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

As at December 12, 2025, there were a total of 40,561,223 voting shares outstanding.

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

Stock options

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

Warrants

As at October 31, 2025, and as at December 12, 2025, a total of 13,000,000 warrants was issued. As at October 31, 2025, and as at December 12, 2025, a total of 13,000,000 warrants had vested following drawdowns on the credit facility and no warrants had been exercised.

8. OTHER

FLEET

As at October 31, 2025, Air Transat's permanent fleet consisted of sixteen Airbus A330s (332, 345 or 363 seats), nineteen Airbus A321LRs (199 seats) of which five were grounded due to GTF engine problems, and eight Airbus A321neos (199 seats).

LITIGATION

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

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

9. ACCOUNTING

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and judgments about the future. We periodically review these estimates, which are based on historical experience, changes in the business environment and other factors, including expectations of future events, that management considers reasonable under the circumstances. Our estimates involve judgments we make based on the information available to us. However, accounting estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

This discussion addresses only those estimates that we consider important based on the degree of uncertainty and the likelihood of a material impact if we had used different estimates. There are many other areas in which we use estimates about uncertain matters.

Impairment of non-financial assets

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

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

As at October 31, 2025 and 2024, the Corporation determined that that there was no indication that an asset may be impaired.

Provision for return conditions

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

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

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

Liability related to warrants

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation's liabilities. As at the issuance date, the liability related to warrants, totalling \$51.3 million, was valued using the Black-Scholes model.

The liability related to warrants is remeasured at the end of each period at fair value through profit or loss. It is classified in Level 3 of the fair value hierarchy. At each reporting date, the fair value of the liability related to warrants is determined using the Black-Scholes model, which uses significant inputs that are not based on observable market data, hence the classification in Level 3.

Taxes

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

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

FINANCIAL INSTRUMENTS

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

Foreign exchange risk management

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

The Corporation can document certain foreign exchange derivatives as hedging instruments and, if applicable, regularly demonstrates that these instruments are sufficiently effective to continue using hedge accounting. These foreign exchange derivatives are designated as cash flow hedges.

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

Management of fuel price risk

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

The derivative financial instruments used for fuel purchases are measured at fair value at the end of each period, and the unrealized gains or losses arising from remeasurement are recorded and reported under Change in fair value of derivatives in the consolidated statement of income (loss). When realized, at maturity of fuel-related derivative financial instruments, any gains or losses are reclassified to Aircraft fuel.

Credit and counterparty risk

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

Trade accounts receivable included under Trade and other receivables in the consolidated statement of financial position totalled \$7.9 million as at October 31, 2025 (\$14.3 million as at October 31, 2024). Trade accounts receivable consist of balances receivable from a large number of customers, including travel agencies. Trade accounts receivable result from the sale of vacation packages to individuals through travel agencies and the sale of seats to tour operators dispersed over a wide geographic area. No customer represented more than 10% of total accounts receivable as at October 31, 2025 and 2024. As at October 31, 2025, approximately 8% (approximately 20% as at October 31, 2024) of accounts receivable were over 90 days past due, whereas approximately 85% (approximately 73% as at October 31, 2024) were current, that is, under 30 days. Historically, the Corporation has not incurred any significant losses in respect of its trade receivables. Therefore, the allowance for doubtful accounts at the end of each period and the change recorded for each period is insignificant.

As at October 31, 2025, the balance receivable and deposits from credit card processors totalled \$54.1 million and \$113.7 million, respectively (\$41.9 million and \$114.8 million, respectively, as at October 31, 2024). The credit risk for these receivables is negligible.

Under the terms of its aircraft and engine leases, the Corporation makes deposits when aircraft and engines are commissioned, particularly as collateral for remaining lease payments. These deposits totalled \$52.8 million as at October 31, 2025 (\$50.9 million as at October 31, 2024), and are returned as leases expire. The Corporation is also required to pay cash security deposits to lessors over the lease term to guarantee the serviceable condition of aircraft. Cash security deposits with lessors are generally returned to the Corporation upon receipt of documented proof that the related maintenance has been performed by the Corporation. As at October 31, 2025, the cash security deposits with lessors that have been claimed totalled \$19.6 million (\$40.1 million as at October 31, 2024) and are included in Trade and other receivables. Historically, the Corporation has not written off any significant amount of deposits and claims for cash security deposits with aircraft and engine lessors. The credit risk for these receivables is negligible.

Pursuant to certain agreements entered into with its service providers, the Corporation makes deposits. These deposits totalled \$10.7 million as at October 31, 2025 (\$9.9 million as at October 31, 2024). These deposits are offset by purchases from suppliers. Risk arises from the fact that these suppliers might not be able to honour their obligations by providing the required services. The Corporation strives to minimize its exposure by limiting deposits to recognized and reputable suppliers in its active markets. These deposits are spread across a large number of suppliers and, historically, the Corporation has not been required to write off a considerable amount for its deposits with suppliers.

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

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

Liquidity risk

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

Interest rate risk

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

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

CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, which amends IAS 1, *Presentation of Financial Statements*. The amendments aim to clarify how an entity classifies its debt instruments and other financial liabilities with uncertain settlement dates as current or non-current in particular circumstances. On October 31, 2022, the IASB published amendments to *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments aim to improve the information an entity provides when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Corporation adopted these amendments on November 1, 2024, and they had no impact on the Corporation's consolidated statement of financial position.

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

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

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

IFRS 18 – Presentation and Disclosure in Financial Statements

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

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

10. RISKS AND UNCERTAINTIES

This section provides an overview of the general risks as well as specific risks to which Transat and its subsidiaries are exposed, and which are likely to have a significant impact on the Corporation's financial position, operating results and activities.

This section does not purport to cover all contingencies or to describe all factors that are likely to affect the Corporation or its activities. Moreover, the risks and uncertainties described may or may not materialize, and may develop differently or have consequences other than those contemplated in this MD&A. Additional risks and uncertainties not currently known to the Corporation or that are currently considered immaterial could also materialize in the future and adversely affect the Corporation.

RISK GOVERNANCE

To improve its risk management capacities, the Corporation has set up a framework for identifying, assessing and managing its various risk exposures, including those applicable to its industry. This framework is based on the following principles:

- Promote a culture of risk awareness across the Corporation and in subsidiaries; and
- Integrate risk management into strategic, financial and operating objectives.

For each risk, an owner has been designated as accountable for designing and implementing measures to mitigate the consequences of risks for which they are responsible, and/or limit the likelihood of these risks materializing. This owner is the first line of defence from a risk management standpoint. The Corporation's support services, namely the Finance, Legal Affairs, IT Security and Human Resources functions, constitute a second line of defence by helping design and carry out complementary risk mitigating actions. Lastly, the Internal Audit department of the Corporation is the third line of defence to provide independent assurance on the effectiveness and efficiency of controls over these mitigating actions.

An ongoing risk management process forms an integral part of the Corporation's governance and includes a quarterly assessment of risk exposures for the Corporation and its subsidiaries, under the oversight of the Audit Committee (financial risks), the Human Resources and Compensation Committee (human resource risks) and the Risk Management and Corporate Responsibility Committee (strategic and operational risks).

Managing these risks is also shared between members of the Corporation's management and the members of the Board of Directors using consistent mapping and language in order to eliminate a silo approach to risk management. As a result of constantly evolving economic and socio-political environments, all risks to which the Corporation is exposed were reassessed in detail by the Corporation's officers during the year. As part of this essential process, risks were reprioritized based on their level of probability of occurrence and their quantitative and qualitative impact on the Corporation's business. These risks were then categorized according to the impact they may have on the Corporation, its strategic plan or its operations. The outcome of this annual exercise comprised a total of 26 risks, rated in order of significance: eight high-priority risks, six priority risks, nine moderate risks and three low risks. These risks were then grouped according to the subject matter and the owner for ease of reference and to ensure that mitigation measures are properly applied as set out in the following paragraphs.

KEY RISKS

An overview of each of the key risk categories is provided below, along with a description of the main measures to reduce the occurrence and mitigate, where possible, the potential impact of these risks on the Corporation's business objectives. Although insurance coverage is purchased for some of these risks, and operational mitigating actions are in place, there can be no assurance that these actions would effectively reduce the Corporation's and its subsidiaries' risk exposures. If the risks discussed in this report were to materialize, they could, individually or in the aggregate, adversely affect the Corporation's financial position, cash flows, ability to achieve its strategic and operational objectives and/or reputation, and as well as investors' and other stakeholders' expectations, and market prices of our shares.

FINANCIAL RISKS

The Corporation's debt levels, including its lease liabilities, are very high. The Corporation could face difficulties in refinancing its debt and therefore meeting its future financing needs. Despite its debt restructuring completed in the past fiscal year, the Corporation continues to review all options to optimize its capital structure. As its debt matures, the Corporation may not have access to sources of financing or acceptable financing terms. Although the Corporation has regularly succeeded in extending its financing agreement maturity dates, restructuring the debt that it contracted through the LEEFF and setting up lines of credit, there can be no assurance that it will be able to obtain new extensions or that it will have the necessary liquidity to meet its obligations.

The Corporation's current credit facilities are, and may in the future be, subject to compliance with certain financial ratios and covenants. There can be no assurance that the Corporation will meet these financial ratios and covenants and that it will be able to use its current credit facilities or secure additional financing. Financial market conditions could limit access to credit and raise borrowing costs, hampering access to additional financing under satisfactory terms and conditions. Accordingly, the Corporation's business, financial position and operating results could be adversely affected.

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

In addition, the Corporation must renew its service contracts with credit card processors in the normal course of business. These agreements are renewed or replaced under market conditions prevailing at the time of their expiry, which could result in more onerous borrowing and operating terms and conditions for the Corporation or an inability to renew or replace such contracts.

Credit card processors also require reserves, drawn from the Corporation's cash resources, in connection with transactions processed for customer reservations. These reserves usually vary depending on the seasonal nature of operations and the specific terms of the contracts with credit card processors. Credit card processors may also require a higher level of reserves based on their assessment of the outlook for the Corporation's business environment or financial position. An increase in these reserves could adversely affect the Corporation's business, available liquidity, financial position and operating results.

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

In the normal course of business, the Corporation receives customer deposits and advance payments. If funds from advance payments were to diminish or be unavailable to pay its suppliers, the Corporation would be required to secure alternative capital funding. There can be no assurance that additional funding would be available under terms and conditions suitable to the Corporation, which could have a significant adverse effect on its financial position and business. In accordance with its investment policy, the Corporation is required to invest these deposits and advance payments exclusively in investment-grade securities. Any failure of these investment securities to perform at historical levels could reduce the Corporation's interest income. In addition, the Corporation is exposed to the risk that the financial institutions with which it holds securities or enters into agreements would be unable to honour their obligations.

Transat is particularly exposed to fluctuations in fuel costs. Although the Corporation has implemented a fuel price hedging program, there can be no assurance that it would be able to pass along any increase in fuel prices by raising its fares, or that any such fare increase would offset higher fuel costs, which could in turn adversely affect its business, financial position and operating results.

Transat is exposed, due to its many arrangements with foreign-based suppliers, to fluctuations in exchange rates mainly concerning the U.S. dollar, the euro and the pound sterling against the Canadian dollar. These exchange rate fluctuations could increase its operating costs or decrease its revenues.

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

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

In processing customer credit card information, the Corporation must comply with the regulatory requirements of our credit card processors. Failure to comply with certain financial ratios or certain rules regarding deposits or bank card data security may result in penalties or in the suspension of service by credit card processors. Credit card processors have already taken mitigation measures such as withholding funds until the service is re-established. Any inability to use credit cards could have a significant adverse effect on the Corporation's bookings and, in turn, on its financial position and operating results.

In addition, it is at times difficult to foresee how certain Canadian or international tax laws will be interpreted by the appropriate tax authorities. Subsequent to interpretation of these laws by the different authorities, the Corporation may have to review its own interpretations of tax laws, which in turn could adversely affect its results and financial position.

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

Lastly, the travel industry in general and the Corporation in particular depend on seasonal business. As a result, the Corporation's quarterly operating results are subject to fluctuations. In its view, comparisons of the Corporation's operating results between quarters or between six-month periods are not necessarily meaningful and should not be relied on as indicators of future performance.

CYBER ATTACK RISK

In connection with its operations, the Corporation gathers, uses and retains over a fixed period of time large amounts of customer data for commercial, marketing and other purposes in its various computer systems. This data is stored and processed in our facilities and in third-party facilities, including in third-party cloud-based environments. The integrity and protection of the data of our customers, employees and business, as well as the continued operation of our systems and other third-party service providers, are essential to our operations. Security and privacy regulations and contractual obligations are increasingly demanding and have onerous penalties for non-compliance.

Despite the Corporation's efforts to protect against unauthorized access to its systems and sensitive information, due to the scope and complexity of their information technology structure, its reliance on third parties to support and protect its structure and data, and a constantly evolving cyber threat environment, the Corporations' systems and those of third parties it relies on are subject to disruptions, failures, unauthorized access, cyber terrorism, employee errors, negligence, fraud or other misuse. In addition, because hackers are highly sophisticated in gaining unauthorized access to sensitive information, the Corporation might not detect a breach for a long time, if at all.

Such events, whether accidental or intentional, could result in the theft, unauthorized access or disclosure, loss, misuse or unlawful use of customer data that could damage the Corporation's reputation, disrupt its services or result in business loss, as well as repair and other costs, fines, investigations, legal actions or proceedings. As a result, future incidents could have a material adverse effect on the Corporation, including its business, financial position, liquidity and operating results.

HUMAN RESOURCE RISKS

The Corporation's ability to carry out its strategic plan is dependent on the experience of its key executives and employees and their knowledge of the tourism, travel and airline industries. The Corporation's current financial situation and Elevation program implementation could generate some employee uncertainty. This could adversely affect talent retention and recruiting. The Corporation's current employee headcount is sufficient to support its operations, reducing the need to attract talent. However, retention may prove challenging in the current environment. As a result, the loss of key personnel or difficulties in hiring employees could adversely affect the Corporation's business and operating results.

Labour costs are a significant component of the Corporation's operating expenses. These costs are becoming increasingly significant due to recent substantial wage increases for unionized staff, following the renewal of the most recent collective agreements (flight attendants and flight dispatchers), the upcoming implementation of a new collective agreement for passenger service agents and ground services employees, and the forthcoming renewal of the pilots' collective agreement. There can be no assurance that Transat will be able to maintain these costs at levels that will not adversely affect its operations, results of operations or financial condition.

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

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

KEY SUPPLIES AND SUPPLIER RISKS

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

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

The recent problem with the manufacture of Pratt & Whitney GTF engines for the Airbus 320 series raises concerns for the Corporation, which owns this type of aircraft. This problem affects all airlines that operate this type of aircraft with the same engine, resulting in numerous and lengthy inspection and maintenance operations, and will continue to do so over the coming years, grounding some of the Corporation's aircraft. For the Corporation, these issues are expected to result in up to five of the nineteen A321LRs currently in operation being grounded, which could affect its ability to operate and jeopardize its flight operations.

The Corporation also relies on certain suppliers for its information system security and maintenance. See the Technological Risks section.

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

Any decline in the quality of travel products or services provided by the Corporation's suppliers, or any traveller perceptions of such a decline, could adversely affect the Corporation's reputation. Any loss of contracts, changes to the Corporation's pricing agreements including widespread increases in these prices resulting from current economic factors, access restrictions to travel suppliers' products and services or adverse shifts in public opinion regarding certain travel suppliers resulting in lower demand for their products and services could significantly affect the Corporation's results.

ESG RISKS

The market and travellers are increasingly requiring that a listed corporation, such as Transat, be recognized as a socially responsible organization and that it adheres to environmental, social and governance ("ESG") criteria, i.e., factors that have an impact on the environment, that are related to the social involvement of the Corporation and that are related to the way the Corporation runs its business and governs itself.

In this respect, over the years, the Corporation has adopted multiple measures related to these areas, particularly its agreement with the SAF+ Consortium for the production of sustainable aviation fuel, its new fleet of more efficient, energy-saving Airbus A321LR aircraft, its carbon credit purchase program, its involvement with Canadian and destination communities, its approach to managing human resources, in particular DEI (Diversity, Equity, Inclusion), corporate governance and many others. Despite these initiatives, it is possible that, in the eyes of current and future clients, certain organizations, institutions or shareholders, the Corporation may not fully meet the definition of a socially responsible organization, which could also tarnish the Corporation's reputation.

COMPETITION RISKS

Transat operates in an industry in which competition has always been intense. Some of them are larger, with strong brand name recognition and an established presence in specific geographic areas, substantial financial resources, and preferred relationships with travel suppliers. The Corporation also faces competition from travel suppliers selling directly to travellers at very competitive prices. The Corporation could thus be unable to compete successfully against existing or potential competitors, and increased competition could have a material adverse effect on its operations, prospects, revenues and profit margin.

In addition, traveller needs dictate the evolution of the industry in which the Corporation operates. In recent years, travellers have demanded greater value, better product selection and personalized service, all at competitive prices. Widespread adoption of the Internet makes it easier for travellers to access information on travel products and services directly from suppliers, thus bypassing not only tour operators such as Transat, but also retail travel agents through whom the Corporation generates a portion of its revenues. The Corporation's available seat capacity and person-nights are also influenced by market forces, which challenge its business model in some respects. The Corporation's inability to rapidly meet those expectations in a proactive manner could adversely impact its competitive positioning while reducing profitability of its products.

Further, given that the Corporation relies to some extent on retail travel agencies for access to travellers and revenues, any consumer shift away from travel agencies and toward direct purchases from travel suppliers could affect its business.

These competitive pressures could adversely affect the Corporation's revenues and profit margins, as it would likely have to match competitors' prices. The Corporation's performance in all of the countries in which it operates will depend on its continued ability to offer quality products at competitive prices.

ECONOMIC AND GENERAL RISKS

The holiday travel industry is sensitive to global, national, regional and local economic conditions. Economic factors such as a significant downturn in the economy, a recession or a decline in consumer purchasing power or the employment rate in North America, Europe or key international markets could have a negative impact on the Corporation's business and operating results by affecting demand for its products and services.

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

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

In addition to the foregoing factors, the Corporation's operating results could also be adversely affected by factors beyond its control, particularly socio-political instability in Eastern Europe, namely the war in Ukraine, the Israel-Palestine conflict, any measures taken, anticipated or potentially contemplated by foreign governments to impose export and import tariffs, extreme weather conditions, climate-related or geological disasters, terrorism whether actual or apprehended, new epidemics or disease outbreaks, consumer preferences and spending patterns, consumer perceptions of destination-based service and airline safety, demographic trends, disruptions to air traffic control systems, and costs of safety, security and environmental measures. Furthermore, the Corporation's revenues are sensitive to events affecting domestic and international air travel as well as the level of car rentals and hotel reservations.

REPUTATION RISKS

All the risks discussed in this section have an impact on the Corporation's reputation. If mitigation measures are not sufficient and a risk materializes, the Corporation's reputation may be harmed. In addition, the ability to maintain favourable relationships with its existing customers and attract new customers greatly depends on Transat's service offering and its reputation. While the Corporation has implemented sound governance practices, including a code of ethics and a supplier code of conduct, and developed certain mechanisms over the years to prevent any reputational damage, there can be no assurance that Transat will continue to enjoy a good reputation or that events beyond its control, such as a cyberattack or a class action suit, will not damage its reputation. Any reputational damage or impairment for the Corporation may have a material adverse effect on its business, outlook, financial position and operating results.

AVIATION RISKS

To carry on business or extend its outreach, the Corporation requires access to aircraft that are largely operated by its subsidiary Air Transat. This fleet consists of aircraft that is leased, at times under renewable leases, with varying renewal dates and conditions. If the Corporation were unable to renew its leases for long-term or seasonal leasing, secure timely access to appropriate aircraft under adequate conditions or retire certain aircraft as anticipated, such an outcome could adversely affect the Corporation, its operating results and its financial position.

The Corporation's focus on two types of Airbus aircraft (A321 and A330) could result in significant downtime for part of its fleet if mechanical problems arise or if the regulator releases any mandatory inspection or maintenance directives applicable to its types of aircraft. The Pratt & Whitney GTF engine issue, discussed above in the key supplies and supplier risks section, is currently affecting the Corporation. If the Corporation's operations are disrupted due to aircraft unavailability, the loss of associated revenues could have an adverse impact on its business, financial position and operating results.

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

The Corporation also requires access to airport facilities in its source markets and multiple destinations. In particular, the Corporation must have access to takeoff and landing slots and gates under conditions that allow it to be competitive. Any difficulty in securing such access or disruptions in airport operations caused by labour conflicts or other factors could adversely affect the Corporation's business, operating results and financial position.

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

TECHNOLOGICAL RISKS

Transat relies heavily on various information and telecommunication technologies to operate its business, increase its revenues and reduce its operating expenses. The Corporation's business depends on its ability to manage reservation systems, including handling high telephone call volumes on a daily basis, monitor product profitability and inventory, adjust prices quickly, access and protect information, distribute its products to retail travel agents and other travel intermediaries, and stave off information system intrusions. Fast-paced technological change and growing demand for web-based or mobile reservations could require higher-than-anticipated capital expenditures to improve customer service, which could adversely affect the Corporation's business, operating results and financial position.

In addition to the cyber attacks discussed previously, these technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of third-party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunication systems failures, power failures, computer viruses, computer hacking, unauthorized or fraudulent users, and other operational and security issues. Exploiting system vulnerabilities is increasingly sophisticated and commonplace, and requires constant management of and developments in security measures. While Transat continues to invest in initiatives, including security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly or in a timely manner. Any systems failures or outages for the Corporation, or its suppliers, could have a material adverse effect on the Corporation's business, customer relationships, operating results and financial position, and damage its reputation.

A number of the information technology systems used by the Corporation depend on third-party providers, such as Softvoyage, Datalex and Radixx. Those suppliers sell more external solutions (through partnerships or cloud services) requiring additional control measures. If these providers were to become incapable of maintaining or improving efficient technology solutions in a profitable and timely manner, the Corporation could be unable to react effectively to information security attacks, obtain new systems to keep up with growth in its customer base or support new products. Such outcomes could generate additional expenses, which could adversely affect the Corporation's business, operating results and financial position.

REGULATORY RISKS

The Corporation is highly dependent on the legislation and regulatory standards that govern the various aspects of its operations. In particular, these relate to airline safety, consumer rights, permits, licensing, intellectual property rights, privacy, competition, pricing and the environment. Any change in the measures in effect introduced by government authorities with jurisdiction over the Corporation's operations, including the granting and timing of certain government approvals or licences, the adoption of regulations impacting customer service standards (such as new passenger security standards), the adoption of more stringent noise restrictions or curfews, and the adoption of provincial regulations impacting the operations of retail and wholesale travel agencies could adversely affect the Corporation's business and operating results.

Any adoption of new regulatory frameworks or amendments to existing legislation or regulations and tax policy changes could bear on the Corporation's business and adversely affect its operating results, particularly as regards income taxes, consumption taxes, hotel room taxes, car rental taxes, airline taxes and airport fees. Amendments to passenger protection regulations in Canada or in other jurisdictions in which the Corporation operates, including in particular compensation, service and refund requirements in the event of flight disruptions, could adversely affect the Corporation's operating results and financial position.

With a view to combatting climate change, the Corporation is subject to various regulations. The Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") covers international flights between member states. The Corporation is also subject to the EU Emissions Trading Scheme ("EU-ETS") and to the UK Emissions Trading Scheme ("UK-ETS"). The environmental impact of land-based activities (aircraft maintenance and mobile equipment to support airport operations at YUL and YYZ) is governed by a number of federal, provincial and municipal laws and regulations. Any adoption of amendments to these regulations or new regulations could adversely affect the Corporation's operating results and financial position.

In the course of its business, the Corporation is exposed to passenger claims and legal proceedings in the event of a violation of regulatory requirements or failure to provide services. Should these claims be found to be justified, they could result in financial compensation or fines, which could adversely affect the Corporation's operating results, financial position and reputation.

INSURANCE COVERAGE RISKS

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

The Corporation holds and maintains in full force insurance policies for amounts in accordance with airline industry standards and in compliance with applicable statutory requirements and the Corporation's covenants under its aircraft lease agreements. The Corporation's liability insurance for its airline operations covers liability related to damages resulting from injury or death of passengers, as well as to damage suffered by third parties. The limit for any single event is US\$1.25 billion with the exception of war risk bodily injury/property damage to third parties excluding passengers where the limit is US\$250 million for any single event in the aggregate. The Corporation holds and maintains in full force additional insurance for war risk bodily injury/property damage to third parties excluding passengers covering the excess of US\$250 million up to the limit of US\$1.0 billion for any single event in the aggregate.

The Corporation also has directors' and officers' liability insurance and professional liability insurance to pay the amounts the Corporation may be required to disburse in connection with lawsuits involving directors and officers, as well as the Corporation.

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

Although the Corporation has never faced a liability claim for which it did not have adequate insurance coverage, there can be no assurance that its coverage will be sufficient to cover larger claims or that the insurer concerned will be solvent at the time of any covered loss. In addition, there can be no assurance that the Corporation will be able to obtain adequate insurance at an acceptable cost in the future. Any increase in insurance costs or reduction in insurance coverage could have a material adverse effect on the Corporation's business, operating results and financial position.

11. CONTROLS AND PROCEDURES

The implementation of the Canadian Securities Administrators National Instrument 52-109 represents a continuous improvement process, which has prompted the Corporation to formalize existing processes and control measures and introduce new ones. Transat has chosen to make this a corporate-wide project, which will result in operational improvements and better management.

In accordance with this instrument, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures ["DC&P"] and the design and effectiveness of internal control over financial reporting ["ICFR"].

The President and Chief Executive Officer and the Chief Financial Officer have designed DC&P or caused them to be designed under their supervision to provide reasonable assurance that material information relating to the Corporation has been made known to them and that information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the prescribed time periods under securities legislation.

Also, the President and Chief Executive Officer and the Chief Financial Officer have designed ICFR or have caused it to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for financial reporting purposes in accordance with IFRS.

EVALUATION OF DC&P AND ICFR

An evaluation of the design and operating effectiveness of DC&P and ICFR was carried out under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. This evaluation consisted of a review of documentation, audits and other procedures that management considered appropriate in the circumstances. Among other things, the evaluation took into consideration the Corporate Disclosure Policy, the code of professional ethics, the sub-certification process and the operation of the Corporation's Disclosure Committee.

Based on this evaluation and using the criteria set by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (COSO-Framework 2013) and in connection with the preparation of its year-end financial statements, the two certifying officers concluded that the design of DC&P and ICFR were effective as at October 31, 2025.

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

12. KEY INDICATORS

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

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

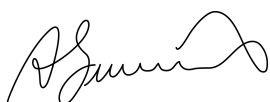
MANAGEMENT'S REPORT

The consolidated financial statements and MD&A of Transat A.T. Inc., and all other information in the financial report, are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board. The MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. Management's responsibility in these respects includes the selection of appropriate accounting principles as well as the exercise of sound judgment in establishing reasonable and fair estimates in accordance with IFRS and the requirements of the Canadian Securities Administrators, and which are adequate in the circumstances. The financial information presented throughout the MD&A and elsewhere in this Annual Report is consistent with that appearing in the consolidated financial statements.

The Corporation and its affiliated companies have set up accounting and internal control systems designed to provide reasonable assurance that the Corporation's assets are safeguarded against loss or unauthorized use and that its books of account may be relied upon for the preparation of consolidated financial statements and the MD&A.

The Board of Directors is responsible for the financial information presented in the consolidated financial statements and the MD&A, primarily through its Audit Committee. The Audit Committee, which is appointed by the Board of Directors and comprised entirely of independent and financially literate directors, reviews the annual consolidated financial statements and the MD&A and recommends their approval to the Board of Directors. The Audit Committee is also responsible for analyzing, on an ongoing basis, the results of the audits by the external auditors, the accounting methods and policies used as well as the internal control systems set up by the Corporation. These consolidated financial statements have been audited by Ernst & Young LLP. Their report on the consolidated financial statements appears on the next page.



Annick Guérard
President and Chief Executive Officer



Jean-François Pruneau
Chief Financial Officer

December 17, 2025