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

Unaudited (in thousands of Canadian dollars)	Notes	As at April 30, 2026 $	As at October 31, 2025 $
ASSETS	8		
Cash and cash equivalents		**390,147**	164,920
Cash and cash equivalents in trust or otherwise reserved	3	**193,621**	430,003
Trade and other receivables	4	**148,576**	153,575
Income taxes receivable		**852**	469
Inventories	5	**54,647**	49,653
Prepaid expenses		**50,176**	36,683
Derivative financial instruments		**98,152**	18,251
Current portion of deposits	6	**136,504**	126,223
Current assets		**1,072,675**	979,777
Cash and cash equivalents reserved	3	**37,723**	35,589
Deposits	6	**292,563**	283,193
Deferred tax assets		**283**	370
Property, plant and equipment	7	**1,190,026**	1,254,604
Intangible assets		**20,485**	21,030
Non-current assets		**1,541,080**	1,594,786
		2,613,755	2,574,563
LIABILITIES			
Trade and other payables		**472,931**	376,940
Income taxes payable		**2,204**	2,182
Customer deposits and deferred revenues		**955,055**	823,276
Derivative financial instruments		**93,590**	17,564
Current portion of long-term debt and lease liabilities	8	**168,764**	172,666
Liability related to warrants	9	**18,550**	14,235
Current portion of provision for return conditions	10	**4,559**	1,581
Current liabilities		**1,715,653**	1,408,444
Long-term debt and lease liabilities	8	**1,225,610**	1,375,548
Deferred government grant	8	**191,037**	199,182
Provision for return conditions	10	**197,240**	201,119
Employee benefits liability		**27,042**	26,829
Deferred tax liabilities		**550**	548
Preferred shares	11	**9,532**	7,948
Non-current liabilities		**1,651,011**	1,811,174
NEGATIVE EQUITY			
Share capital	11	**228,386**	227,365
Share-based payment reserve		**16,514**	16,454
Deficit		**(989,658)**	(881,166)
Cumulative exchange differences		**(8,151)**	(7,708)
		(752,909)	(645,055)
		2,613,755	2,574,563

See accompanying notes to the interim unaudited condensed consolidated financial statements

On behalf of the Board,

Daniel Desjardins, Director

Stéphane Lefebvre, Director

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF LOSS

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	Quarters ended April 30 2026 $	 2025 $	Six-month periods ended April 30 2026 $	 2025 $
Revenues	12	**1,027,603**	1,031,073	**1,898,316**	1,860,578
Operating expenses					
Costs of providing tourism services		**376,086**	375,432	**671,149**	674,527
Aircraft fuel		**199,049**	136,487	**319,276**	258,363
Salaries and employee benefits		**152,841**	132,915	**291,492**	260,194
Sales and distribution costs		**81,771**	77,624	**149,227**	141,539
Aircraft maintenance		**69,896**	62,219	**130,080**	124,376
Airport and navigation fees		**52,392**	49,351	**100,233**	96,884
Aircraft rent	8	**1,485**	3,330	**3,012**	6,004
Other airline costs		**65,288**	58,344	**122,383**	110,624
Other		**43,222**	34,442	**82,876**	73,051
Depreciation and amortization		**65,234**	62,680	**127,183**	125,645
Restructuring costs	13	**—**	979	**220**	4,057
		1,107,264	993,803	**1,997,131**	1,875,264
Operating income (loss)		**(79,661)**	37,270	**(98,815)**	(14,686)
Financing costs	8	**23,471**	38,210	**47,859**	77,895
Financing income		**(4,882)**	(7,178)	**(10,054)**	(15,398)
Change in fair value of derivatives		**(23,453)**	92,241	**947**	88,779
Revaluation of liability related to warrants and preferred shares	9, 11	**(388)**	(2,119)	**5,899**	(2,126)
Foreign exchange loss (gain)		**4,153**	(60,999)	**(35,695)**	(13,527)
Gain on asset disposals	7	**—**	—	**—**	(5,183)
Gain on long-term debt extinguishment		**—**	—	**—**	(216)
Loss before income tax expense		**(78,562)**	(22,885)	**(107,771)**	(144,910)
Income taxes (recovery)					
Current		**432**	(5)	**721**	403
Deferred		**—**	4	**—**	103
		432	(1)	**721**	506
Net loss for the period		**(78,994)**	(22,884)	**(108,492)**	(145,416)
Loss per share	11				
Basic		**(1.94)**	(0.58)	**(2.67)**	(3.67)
Diluted		**(1.94)**	(0.58)	**(2.67)**	(3.67)

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Unaudited (in thousands of Canadian dollars)	Quarters ended April 30 2026 $	 2025 $	Six-month periods ended April 30 2026 $	 2025 $
Net loss for the period	**(78,994)**	(22,884)	**(108,492)**	(145,416)
Other comprehensive income (loss)				
Items that will be reclassified to net loss				
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	**(204)**	54	**(443)**	(185)
Total other comprehensive income (loss)	**(204)**	54	**(443)**	(185)
Comprehensive loss for the period	**(79,198)**	(22,830)	**(108,935)**	(145,601)

CONSOLIDATED STATEMENTS OF CHANGES IN NEGATIVE EQUITY

Unaudited (in thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Deficit $	Cumulative exchange differences $	Total negative equity $
Balance as at October 31, 2024	225,438	16,283	(1,123,113)	(7,684)	(889,076)
Net loss for the period	—	—	(145,416)	—	(145,416)
Other comprehensive loss	—	—	—	(185)	(185)
Comprehensive loss for the period	—	—	(145,416)	(185)	(145,601)
Issued from treasury	955	—	—	—	955
Share-based payment expense	—	99	—	—	99
Balance as at April 30, 2025	226,393	16,382	(1,268,529)	(7,869)	(1,033,623)
Net income for the period	—	—	387,332	—	387,332
Other comprehensive income	—	—	31	161	192
Comprehensive income for the period	—	—	387,363	161	387,524
Issued from treasury	972	—	—	—	972
Share-based payment expense	—	72	—	—	72
Balance as at October 31, 2025	227,365	16,454	(881,166)	(7,708)	(645,055)
Net loss for the period	—	—	(108,492)	—	(108,492)
Other comprehensive loss	—	—	—	(443)	(443)
Comprehensive loss for the period	—	—	(108,492)	(443)	(108,935)
Issued from treasury	1,021	—	—	—	1,021
Share-based payment expense	—	60	—	—	60
Balance as at April 30, 2026	**228,386**	**16,514**	**(989,658)**	**(8,151)**	**(752,909)**

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Unaudited (in thousands of Canadian dollars)	Notes	Quarters ended April 30 2026 $	Quarters ended April 30 2025 $	Six-month periods ended April 30 2026 $	Six-month periods ended April 30 2025 $
OPERATING ACTIVITIES					
Net loss for the period		**(78,994)**	(22,884)	**(108,492)**	(145,416)
Operating items not involving an outlay (receipt) of cash:					
Compensation received in the form of credits	*12*	**(5,235)**	(19,978)	**(10,315)**	(19,978)
Depreciation and amortization		**65,234**	62,680	**127,183**	125,645
Change in fair value of derivatives		**(23,453)**	92,241	**947**	88,779
Revaluation of liability related to warrants and preferred shares	*9, 11*	**(388)**	(2,119)	**5,899**	(2,126)
Foreign exchange loss (gain)		**4,153**	(60,999)	**(35,695)**	(13,527)
Employee benefits		**489**	477	**978**	954
Share-based payment expense		**34**	50	**60**	99
Capitalized interest on long-term debt and lease liabilities		**—**	2,508	**—**	14,339
Deferred taxes		**—**	4	**—**	103
Gain on asset disposals	*7*	**—**	—	**—**	(5,183)
Gain on long-term debt extinguishment		**—**	—	**—**	(216)
		(38,160)	51,980	**(19,435)**	43,473
Net change in non-cash working capital balances related to operations		**162,078**	164,522	**447,747**	335,460
Net change in provision for return conditions		**5,681**	4,678	**5,046**	10,810
Net change in other assets and liabilities related to operations		**(11,282)**	(13,338)	**(18,644)**	(13,323)
Cash flows related to operating activities		**118,317**	207,842	**414,714**	376,420
INVESTING ACTIVITIES					
Additions to property, plant and equipment and other intangible assets		**(18,964)**	(14,899)	**(32,618)**	(37,780)
Increase in cash and cash equivalents reserved		**(2,134)**	(4,413)	**(2,134)**	(4,413)
Net proceeds from sale and leaseback of assets	*7*	**—**	—	**—**	30,615
Cash flows related to investing activities		**(21,098)**	(19,312)	**(34,752)**	(11,578)
FINANCING ACTIVITIES					
Repayment of lease liabilities	*8*	**(38,109)**	(46,251)	**(74,295)**	(93,434)
Repayment of long-term debt	*8*	**(55,000)**	—	**(80,000)**	—
Proceeds from issuance of shares	*11*	**526**	463	**1,021**	955
Transaction costs		**—**	—	**—**	(1,055)
Cash flows related to financing activities		**(92,583)**	(45,788)	**(153,274)**	(93,534)
Effect of exchange rate changes on cash and cash equivalents		**(1,143)**	514	**(1,461)**	967
Net change in cash and cash equivalents		**3,493**	143,256	**225,227**	272,275
Cash and cash equivalents, beginning of period		**386,654**	389,355	**164,920**	260,336
Cash and cash equivalents, end of period		**390,147**	532,611	**390,147**	532,611
Supplementary information (as reported in operating activities)					
Net income taxes paid		**362**	220	**653**	271
Interest received		**(5,040)**	(7,633)	**(9,844)**	(15,268)
Interest paid		**21,519**	35,620	**44,478**	62,460

See accompanying notes to the interim unaudited condensed consolidated financial statements

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

Note 1 Corporate information

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

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

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended April 30, 2026 were approved by the Corporation's Board of Directors on June 10, 2026.

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

Note 2 Material accounting policies

Basis of preparation

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

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

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

These interim condensed consolidated financial statements have been prepared on a going concern basis, at historical cost, except for financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and financial assets/liabilities at fair value through other comprehensive income (loss) and measured at fair value. Management's going concern assumption required significant judgment due to the uncertainties as to future changes in aviation fuel prices caused in particular by the conflict in the Middle East; the Corporation's ability to grow and maintain sufficient revenues; its access to additional sources of financing or financial support; and its future ability to meet the financial terms of its existing financing agreements. In this regard, the Corporation is considering participating in the new financial assistance program announced on June 8, 2026 by the Department of Finance Canada and administered by the Canada Enterprise Emergency Funding Corporation (CEEFC): the *Liquidity for Airline Sector Resilience* facility. This facility will offer eligible Canadian airlines experiencing significant financial pressures resulting from elevated aviation fuel costs a loan of up to $150,000.

Future changes in accounting policies

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

In May 2024, the IASB issued narrow-scope amendments to IFRS 9 and IFRS 7. The amendments clarify guidance on the classification of financial assets that include environmental, social and corporate governance linked features; they also clarify the date on which a financial asset or financial liability is derecognized when it is settled using an electronic payment system. The amendments will be applicable for fiscal years beginning on or after January 1, 2026, with earlier adoption permitted. The Corporation is currently assessing the potential impact of these amendments on its consolidated financial statements.

IFRS 18 – *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements,* but will carry forward many requirements from IAS 1. The standard sets out requirements on presentation and disclosures in financial statements. It introduces a defined structure for the statement of income composed of required categories and subtotals. The standard also introduces specific disclosure requirements for management-defined performance measures and a reconciliation between these measures and the most similar subtotal specified in IFRS, which must be disclosed in a single note. IFRS 18 is applicable for fiscal years beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact of IFRS 18 adoption on its consolidated financial statements.

Note 3 Cash and cash equivalents in trust or otherwise reserved

As at April 30, 2026, cash and cash equivalents in trust or otherwise reserved included $160,101 [$396,652 as at October 31, 2025] in funds received from customers, primarily Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included an amount of $71,243, of which $37,723 was recorded as non-current assets [$68,940 as at October 31, 2025, $35,589 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 4 Trade and other receivables

	As at April 30, 2026	**As at October 31, 2025**
	$	**$**
Credit card processor receivables	**50,426**	54,082
Government receivables	**33,621**	41,673
Trade receivables	**16,560**	7,943
Cash receivable from lessors	**13,257**	19,579
Other receivables	**34,712**	30,298
	148,576	153,575

Note 5 Inventories

	As at April 30, 2026	**As at October 31, 2025**
	$	**$**
Spare parts and supplies	**49,683**	44,172
Fuel	**4,964**	5,481
	54,647	49,653

Note 6 Deposits

	As at April 30, 2026	**As at October 31, 2025**
	$	**$**
Maintenance deposits with lessors	**242,416**	232,258
Deposits with credit card processors	**122,682**	113,652
Deposits on leased aircraft and engines	**52,038**	52,768
Deposits with suppliers	**11,931**	10,738
	429,067	409,416
Less current portion	**136,504**	126,223
	292,563	283,193

Note 7 Property, plant and equipment

	Leasehold improvements Fleet	Aircraft equipment	Office furniture and equipment	Land, building and leasehold improvements	Right of use Fleet	Right of use Real estate and other	Total
	$	$	$	$	$	$	$
Cost							
Balance as at October 31, 2025	108,067	158,362	41,164	18,515	2,206,252	113,730	2,646,090
Additions	—	6,272	1,699	74	51,630	945	60,620
Disposals	—	—	—	—	(25,861)	—	(25,861)
Write-offs	(2,411)	(1,273)	—	—	(6,457)	(658)	(10,799)
Exchange difference	—	—	22	35	—	(26)	31
Balance as at April 30, 2026	105,656	163,361	42,885	18,624	2,225,564	113,991	2,670,081
Accumulated depreciation							
Balance as at October 31, 2025	86,041	91,684	34,386	13,124	1,085,712	80,539	1,391,486
Depreciation	6,058	8,862	1,588	319	105,269	3,095	125,191
Disposals	—	—	—	—	(25,861)	—	(25,861)
Write-offs	(2,411)	(1,273)	—	—	(6,457)	(658)	(10,799)
Exchange difference	—	—	26	19	—	(7)	38
Balance as at April 30, 2026	89,688	99,273	36,000	13,462	1,158,663	82,969	1,480,055
Net book value as at April 30, 2026	15,968	64,088	6,885	5,162	1,066,901	31,022	1,190,026

Property, plant and equipment related to the fleet

During the quarter ended April 30, 2026, the Corporation returned one Airbus A330 to the lessor upon expiry of the lease. This return resulted in disposals of property, plant and equipment and accumulated depreciation balances of $25,861. The carrying amount of assets related to this aircraft was fully depreciated as at April 30, 2026.

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

Note 8 Long-term debt and lease liabilities

The following table details the maturities and weighted average interest rates related to long-term debt and lease liabilities as at April 30, 2026 and October 31, 2025.

	Final maturity	Weighted average effective interest rate	As at April 30, 2026	As at October 31, 2025
		%	$	$
Long-term debt				
Subordinated debt - LEEFF	**2035**	**14.89**	**69,681**	66,052
Unsecured debenture - LEEFF	**2035**	**17.32**	**59,281**	54,766
Subordinated working capital facility - LEEFF	**2035**	**7.00**	**—**	30,000
Revolving credit facility	**2028**	**7.07**	**—**	50,000
Long-term debt		**16.01**	**128,962**	200,818
Lease liabilities				
Fleet	**2026-2036**	**6.41**	**1,227,187**	1,307,596
Real estate and other	**2026-2037**	**5.45**	**38,225**	39,800
Lease liabilities		**6.38**	**1,265,412**	1,347,396
Total long-term debt and lease liabilities		**7.27**	**1,394,374**	1,548,214
Current portion of long-term debt			**—**	(25,000)
Current portion of lease liabilities			**(168,764)**	(147,666)
Current portion of long-term debt and lease liabilities			**(168,764)**	(172,666)
Long-term debt and lease liabilities			**1,225,610**	1,375,548

Funding from the Government of Canada

The Corporation has entered into credit agreements with the Canada Enterprise Emergency Funding Corporation (CEEFC) totalling $333,735. These agreements include subordinated debt of $175,000 granted under the Large Employer Emergency Financing Facility (LEEFF), as well as an unsecured debenture in the amount of $158,735. In addition to these credit agreements, the Corporation was also granted a $75,000 subordinated working capital facility under certain conditions.

Under these agreements, the Corporation has made certain commitments, in particular with respect to:

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

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

Subordinated debt - LEEFF

An amount of $175,000, in the form of subordinated debt maturing on July 10, 2035. The agreement bears interest at 1.22% until July 10, 2028, at which time it increases to 3.0% until maturity. Mandatory prepayments may be required by the CEEFC as a result of certain events, including, but not limited to, sale and leaseback transactions, asset sales and share issuances. The Corporation would then have to repay an amount equivalent to 50% of the amounts received. In addition, mandatory prepayments may be required until July 10, 2030 in the event that cash flows generated and cash balances exceed certain thresholds. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at April 30, 2026, the financial covenants were met. The credit facility includes prepayment options, which are 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 loss under Change in fair value of derivatives. As at April 30, 2026, the fair value of the prepayment options was nil.

As at April 30, 2026 and as at October 31, 2025, the credit facility was fully drawn down, and the carrying amount stood at $69,681 as at April 30, 2026 [$66,052 as at October 31, 2025]. As at April 30, 2026, an amount of $105,318 was also recognized as a deferred government grant related to the Subordinated debt – LEEFF [$108,948 as at October 31, 2025]. During the six-month period ended April 30, 2026, an amount of $3,630 [nil for the six-month period ended April 30, 2025] was recognized as proceeds from government grants as a reduction of financing costs.

Unsecured debenture – LEEFF

An initial amount of $158,735, in the form of an unsecured debenture, maturing on July 10, 2035, bearing no interest for the first five years and bearing interest at a rate of 7.0% as of July 11, 2030, increasing by 1.0% per annum thereafter, and repayable as of July 10, 2030 by annual principal payments of $15,873. Mandatory prepayments may be required by the CEEFC as a result of certain events, including, but not limited to, sale and leaseback transactions, asset sales and share issuances. The Corporation would then have to repay an amount equivalent to 50% of the amounts received. In addition, mandatory prepayments may be required until July 10, 2030 in the event that cash flows generated and cash balances exceed certain thresholds. In the event of a change of control, the unsecured debenture becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to comply with certain financial covenants. As at April 30, 2026, the financial covenants were met.

As at April 30, 2026, the principal balance payable amounted to $145,000 [$145,000 as at October 31, 2025]. As at April 30, 2026, the carrying amount of the unsecured debenture stood at $59,281, [$54,766 as at October 31, 2025], and an amount of $85,719 [$90,234 as at October 31, 2025] was also recognized as a deferred government grant related to this debenture. During the six-month period ended April 30, 2026, an amount of $4,515 [nil for the six-month period ended April 30, 2025] was recognized as proceeds from government grants as a reduction of financing costs.

Subordinated working capital facility – LEEFF

The Corporation has a $75,000 second-ranking subordinated working capital facility agreement for its operations.The agreement expires on July 10, 2035 and becomes immediately due and payable in the event of a change in control. Drawdowns may be made up to the cumulative mandatory prepayments made on the Subordinated debt – LEEFF and unsecured debenture, up to the Series 4 Preferred Share redemptions, and up to certain cash thresholds. Repayments become due under certain financial conditions and cash thresholds. The agreement bears interest at the rate of 7.0% until July 10, 2026 and thereafter at the 3-month CORRA rate plus a premium of 4.5% determined on each anniversary date. On February 13, 2026, the Corporation repaid the $30,000 balance on its subordinated working capital facility. The facility remains available for future drawdowns. As at April 30, 2026, the financial covenants were met and the facility was undrawn.

Other credit facilities

Revolving term credit facility

The Corporation has a $25,000 revolving term credit facility for its operations, maturing on November 1, 2027. The revolving term credit facility agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The facility is secured by a first ranking movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at the Adjusted Term CORRA rate or SOFR (Secured Overnight Financing Rate) rate in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. On April 30, 2026, the agreement was amended to modify certain financial conditions. As at April 30, 2026, the financial ratios and covenants were met. During the six-month period ended April 30, 2026, the Corporation repaid $50,000 on its facility, reducing the balance drawn down to nil as at April 30, 2026 [$50,000 as at October 31, 2025].

Revolving credit facility – Letters of credit

The Corporation has a $74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under the Revolving credit facility agreement – Letters of credit, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at April 30, 2026, $71,137 had been drawn down under the facility [$68,834 as at October 31, 2025], $37,723 of which was used to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the periods ended April 30, 2026 and 2025, is detailed as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Interest expense on lease liabilities	**20,407**	22,462	**41,402**	45,084
Interest expense on long-term debt	**1,080**	14,324	**2,954**	29,281
Accretion on provision for return conditions	**1,489**	1,281	**2,836**	2,583
Other interest and costs	**495**	143	**667**	947
Financing costs	**23,471**	38,210	**47,859**	77,895

Rent expense

Rent expense for the periods ended April 30, 2026 and 2025, is detailed as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Variable lease payments	**1,485**	1,743	**3,012**	3,683
Short-term leases	**—**	1,587	**—**	2,321
Aircraft rent	**1,485**	3,330	**3,012**	6,004
Variable lease payments	**—**	2	**—**	96
Short-term leases	**300**	1,971	**859**	3,294
Low value leases and variable lease payments	**55**	62	**125**	129
	1,840	5,365	**3,996**	9,523

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the six-month period ended April 30, 2026:

	Cash flows	Non-cash changes	Total
	$	$	$
Balance as at October 31, 2025			**1,347,396**
Repayments	**(74,295)**	**—**	**(74,295)**
New lease liabilities (new contracts and amendments)	**—**	**29,441**	**29,441**
Exchange difference	**—**	**(37,130)**	**(37,130)**
Balance as at April 30, 2026	**(74,295)**	**(7,689)**	**1,265,412**

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at April 30, 2026 is detailed as follows. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.3609 as at April 30, 2026:

Year ending October 31	2026	2027	2028	2029	2030	2031 and up	Total
	$	$	$	$	$	$	$
Long-term debt obligations	**1,070**	**2,135**	**2,661**	**5,250**	**21,124**	**371,470**	**403,710**
Fleet	123,455	249,070	234,713	213,771	193,919	538,979	**1,553,907**
Real estate and other	3,515	8,466	4,549	5,279	5,085	20,420	**47,314**
Lease liabilities	**126,970**	**257,536**	**239,262**	**219,050**	**199,004**	**559,399**	**1,601,221**
Total	**128,040**	**259,671**	**241,923**	**224,300**	**220,128**	**930,869**	**2,004,931**

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

Note 9 Liability related to warrants

In the context of the initial financing arrangement related to the Subordinated debt – LEEFF *[Note 8]*, on April 29, 2021, the Corporation issued to the Government of Canada a total of 13,000,000 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of $4.50 per share, and that are exercisable prior to July 10, 2035. On July 10, 2025, as part of the Corporation's debt restructuring, the maturity date of the 13,000,000 existing warrants was extended to July 10, 2035. The Corporation measured the fair value of the warrants at the debt restructuring date, using the original and revised terms, and recognized the resulting $5,182 fair value loss as a loss on long-term debt extinguishment during the fiscal year ended October 31, 2025.

The number of shares issuable upon exercise of the warrants may not exceed 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 April 30, 2026 and October 31, 2025, a total of 13,000,000 warrants had vested under the drawdowns under the Subordinated debt - LEEFF and no warrants had been exercised.

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

- a maximum of 10,149,374 warrants could be exercised through the issuance of shares;
- 2,850,626 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Moreover, the parties may, by mutual agreement, exercise the 10,149,374 warrants for a settlement in cash. To the extent that Transat shares are listed on a public market, the Corporation could also choose to settle the exercise of these 10,149,374 warrants on a net share basis, that is, by issuing shares based on the difference between Transat's share market price and the exercise price of warrants.

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

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

	Six-month period ended April 30, 2026	Year ended October 31, 2025
	$	$
Opening balance	**14,235**	8,519
Revaluation of liability related to warrants	**4,315**	534
Loss on long-term debt extinguishment	**—**	5,182
Closing balance	**18,550**	14,235

To remeasure the liability related to warrants, classified in Level 3, the Corporation used a Black-Scholes valuation model. As at April 30, 2026, the primary unobservable input used in the model was expected volatility, which was estimated at 56.1%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of $862 in the liability related to warrants as at April 30, 2026.

Note 10 Provision for return conditions

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

	Six-month period ended April 30, 2026	Year ended October 31, 2025
	$	**$**
Opening balance	**202,700**	174,368
Additional provisions	**12,255**	24,081
Unused amounts reversed	**—**	(8,030)
Effect of discount rate changes	**(10,045)**	5,908
Accretion	**2,836**	5,297
Foreign exchange (gain) loss	**(5,947)**	1,076
Closing balance	**201,799**	202,700
Current provisions	**4,559**	1,581
Non-current provisions	**197,240**	201,119
Closing balance	**201,799**	202,700

The provision for return conditions relates to contractual obligations to return leased aircraft and engines at the end of the leases under predetermined maintenance conditions. Provisions for return conditions include actual costs of work and estimates of the inflation of those costs and of the forecasted aircraft and engine utilization. The provision for return conditions applies to leases that expire from 2026 to 2036 with an average remaining term of 5.4 years.

Note 11 Equity

Authorized share capital

Class A Variable Voting Shares

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

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

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

Class B Voting Shares

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

Preferred shares

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

Series 4 Preferred Shares

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

Issued and outstanding share capital

Voting shares

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

	Number of shares	$
Balance as at October 31, 2024	39,266,191	225,438
Issued from treasury	1,114,050	1,927
Balance as at October 31, 2025	40,380,241	227,365
Issued from treasury	472,266	1,021
Balance as at April 30, 2026	**40,852,507**	**228,386**

As at April 30, 2026, the number of Class A Shares and Class B Shares stood at 2,098,996 and 38,753,511, respectively [2,691,056 and 37,689,185, respectively, as at October 31, 2025].

Preferred shares

As the Series 4 Preferred Shares are redeemable at the holder's option, they are recognized as a derivative financial liability of the Corporation. The Series 4 Preferred Shares are accounted for as a debt host contract at amortized cost with an embedded conversion option recognized at each period-end at fair value through profit or loss and are classified in Level 1 in the fair value hierarchy.

As at April 30, 2026, the fair value of the 3,691,591 Series 4 Preferred Shares was estimated to be $9,532 based on a price per share of $2.58, being the five-day volume weighted average price (VWAP) of the Corporation's Class B Voting Shares and Class A Variable Voting Shares on the Toronto Stock Exchange on that date.

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

	Number of shares	Weighted average price ($)	$
Balance as at October 31, 2024	—	—	—
Preferred shares issued	9,934,617	2.80	**27,778**
Preferred shares redeemed	(6,243,026)	2.60	**(16,265)**
Revaluation of liability related to preferred shares			**(3,565)**
Balance as at October 31, 2025	**3,691,591**	**2.15**	**7,948**
Revaluation of liability related to preferred shares			**1,584**
Balance as at April 30, 2026	**3,691,591**	**2.58**	**9,532**

Stock option plan

	Number of options	Weighted average price ($)
Balance as at October 31, 2025	300,000	3.96
Granted	120,000	2.58
Balance as at April 30, 2026	**420,000**	**3.56**
Options exercisable as at April 30, 2026	**266,667**	**3.96**

Warrants

No warrants were exercised during the quarter and six-month period ended April 30, 2026. Accordingly, the Corporation did not issue any shares related to the exercise of warrants *[Note 9]*.

Loss per share

Basic and diluted loss per share were calculated as follows:

	Quarters ended April 30		Six-month periods ended April 30	
(in thousands of dollars, except per share data)	**2026 $**	**2025 $**	**2026 $**	**2025 $**
NUMERATOR				
Net loss used in computing basic loss per share	**(78,994)**	(22,884)	**(108,492)**	(145,416)
Effect of deemed conversion of warrants and preferred shares	**(388)**	(2,119)	**5,899**	(2,126)
Less anti-dilutive impact	**388**	2,119	**(5,899)**	2,126
Net loss used in computing diluted loss per share	**(78,994)**	(22,884)	**(108,492)**	(145,416)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	**40,763**	39,752	**40,652**	39,607
Effect of potential dilutive securities				
Preferred shares	**—**	—	**—**	—
Stock options	**—**	—	**—**	—
Warrants	**—**	—	**—**	—
Adjusted weighted average number of outstanding shares used in computing diluted loss per share	**40,763**	39,752	**40,652**	39,607
Loss per share				
Basic	**(1.94)**	(0.58)	**(2.67)**	(3.67)
Diluted	**(1.94)**	(0.58)	**(2.67)**	(3.67)

For the quarter and six-month period ended April 30, 2026, the 420,000 outstanding stock options and the 10,149,374 vested warrants that are exercisable through the issuance of shares were excluded from the calculation since their exercise price exceeded the average share price for the period [369,702 stock options and 9,906,353 warrants for the quarter and six-month period ended April 30, 2025]. For the quarter and six-month period ended April 30, 2026, the 3,691,591 Series 4 Preferred Shares were also excluded from the calculation due to their anti-dilutive impact.

Note 12 Additional disclosure on revenue and expenses

Breakdown of revenues from contracts with customers

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation operates mainly in the Americas, and serves two main markets that also represent its two main product lines: the transatlantic market and the Americas market, which includes the sun routes. Revenues from contracts with customers is broken down as follows:

	Quarters ended April 30		Six-month periods ended April 30	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Customers				
Americas	**860,209**	877,678	**1,591,582**	1,580,623
Transatlantic	**150,349**	124,459	**271,887**	244,649
Other	**17,045**	28,936	**34,847**	35,306
Total revenues	**1,027,603**	1,031,073	**1,898,316**	1,860,578

In accordance with the financial compensation agreement entered into during the fiscal year ended October 31, 2025 with the original equipment manufacturer of the GTF engines, the Corporation recognized an amount of $5,235 for the quarter ended April 30, 2026 and $10,315 for the six-month period ended April 30, 2026 [$19,978 for the quarter and six-month period ended April 30, 2025].

Note 13 Restructuring costs

	Quarters ended April 30		Six-month periods ended April 30	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Restructuring costs				
Severance	**—**	979	**220**	4,057
	—	979	**220**	4,057

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

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

	Six-month period ended April 30, 2026	Year ended October 31, 2025
	$	**$**
Opening balance	**2,084**	1,030
Additional provision	**220**	5,663
Utilization of provision	**(1,846)**	(4,609)
Closing balance	**458**	2,084

Note 14 Commitments and contingencies

Leases and other commitments

As at April 30, 2026, the Corporation was party to agreements to lease four Airbus A321XLRs to be delivered in 2027 and 2028. The Corporation also has leases with a term of less than 12 months and/or for low-value assets, as well as purchase obligations under various contracts with suppliers, particularly in connection with information technology service contracts, undertaken in the normal course of business. The following table sets out the minimum payments due under leases of aircraft to be delivered over the next few years and under leases with a term of less than 12 months and/or for low-value assets, as well as purchase obligations:

Year ending October 31	2026	2027	2028	2029	2030	2031 and up	Total
	$	$	$	$	$	$	$
Leases (aircraft and other)	—	11,049	37,926	37,926	37,926	330,289	**455,116**
Purchase obligations	14,111	19,136	8,538	5,104	3,228	2,672	**52,789**
	14,111	**30,185**	**46,464**	**43,030**	**41,154**	**332,961**	**507,905**

Litigation

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

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

Other

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

Note 15 Guarantees

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

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

Notes 4, 12, 15 and 22 to the consolidated financial statements for the year ended October 31, 2025 provide information about some of these agreements. The following constitutes additional disclosure.

Leases

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

Collateral security contracts

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

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, as required by regulatory agencies, for the performance of the obligations included in mandates of its customers during the term of the licences granted to the Corporation for its travel agent and wholesaler operations in the Province of Quebec. These agreements typically cover a one-year period and are renewable annually. As at April 30, 2026, the total amount of these guarantees unsecured by deposits totalled $3,498. Historically, the Corporation has not made any significant payments under such agreements. As at April 30, 2026, no amounts had been accrued with respect to the above-mentioned agreements.

Note 16 Segment disclosures

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

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