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MANAGEMENT'S DISCUSSION AND ANALYSIS

ON FORM 51-102F1

THREE AND NINE MONTHS ENDED

MAY 31, 2026

July 10, 2026

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TABLE OF CONTENTS

INTRODUCTION

This management's discussion and analysis (MD&A) relates to the unaudited interim consolidated financial position, results of operations, comprehensive income (loss) and cash flows as at and for the three and nine months ended May 31, 2026 (Q3 fiscal 2026) of NAV CANADA (also referred to in this MD&A as we, our, us or the Company). It should be read in conjunction with our unaudited interim condensed consolidated financial statements for Q3 fiscal 2026 (Q3 fiscal 2026 financial statements), our audited annual consolidated financial statements and the accompanying notes for the year ended August 31, 2025 (fiscal 2025 financial statements), our fiscal 2025 annual MD&A, as well as our fiscal 2025 Annual Information Form dated October 23, 2025 (fiscal 2025 AIF). Additional information about NAV CANADA, including our Q3 fiscal 2026 and fiscal 2025 financial statements, our fiscal 2025 annual MD&A, and our fiscal 2025 AIF are filed on the System for Electronic Document Analysis and Retrieval + (SEDAR+) at www.sedarplus.ca.

Our financial statements are prepared in Canadian dollars (CDN), in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and are comprised of the accounts of NAV CANADA and its subsidiaries. Our Q3 fiscal 2026 financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*. All information presented has been rounded to the nearest million dollars, unless otherwise indicated. Our Audit & Finance Committee reviewed this MD&A and our Board of Directors (the Board) approved it on July 10, 2026 before it was filed.

Caution Concerning Forward-Looking Information

This MD&A, and in particular, but without limitation, the section "INTRODUCTION – Significant Financial Matters" and "FINANCIAL OUTLOOK" of this MD&A, contain certain statements about NAV CANADA's future expectations. These statements are generally identified by words like "anticipate", "plan", "believe", "intend", "expect", "estimate", "approximate", "forecast" and the like, as well as future or conditional verbs such as "may", "will", "should", "would" and "could", or negative versions thereof. Because forward-looking statements involve future risks and uncertainties, actual results may differ from those expressed or implied in these statements and these differences may be material. Examples of risks and uncertainties the Company faces include geopolitical unrest, terrorist attacks and the threat thereof, war, epidemics or pandemics, government interventions and related travel advisories and restrictions, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), cybersecurity attacks, labour negotiations, arbitrations, workforce recruitment, training and retention, general aviation industry conditions, air traffic levels, the use of telecommunications and ground transportation as alternatives to air travel, capital market and economic conditions, tariffs, trade protection measures, renegotiation of existing trade agreements, the ability to collect customer service charges and reduce operating costs, changes in interest rates, changes in laws, tax changes, adverse regulatory developments or proceedings and lawsuits. Some of these risks and uncertainties are explained under "Risk Factors" in our fiscal 2025 AIF.

The forward-looking statements contained in this MD&A represent our expectations as of July 10, 2026 and are subject to change after this date. Readers of this MD&A are cautioned not to place undue reliance on any forward-looking statement. We disclaim any intention or obligation to update or revise any forward-looking statement included in this document whether as a result of new information, future events or for any other reason, except as required by applicable securities legislation.

Financial Highlights

- Air traffic levels, as measured in weighted charging units (WCUs), which reflect the number of billable flights, aircraft size, and distance flown in Canadian airspace, increased by 1.2% during the first nine months of the year ending August 31, 2026 (fiscal 2026). While traffic remained modestly below budget, performance reflects continued resilience in the operating environment despite ongoing geopolitical uncertainty and weather-related disruptions.

  The impact of these external factors was partially mitigated by the adaptability of global air traffic patterns, including the rerouting of traffic flows and substitution across corridors, which supported overall activity levels. As a result, the effects on WCUs were more moderate than initially anticipated, with growth maintained across the period.

- On May 13, 2026, the Company entered into a definitive securities purchase agreement to sell its investment in preferred interests of Aireon Holdings LLC (together with its wholly owned subsidiary Aireon LLC, "Aireon") through the sale of all issued and outstanding shares of NAV CANADA Satellite, Inc. to a subsidiary of Iridium Communications Inc. for a total consideration of $234 CDN ($170 U.S.). The closing of the transaction is subject to customary closing conditions.

- The Company ended the period with strong liquidity reserves, including a cash balance of $327. This provides financial flexibility to manage through volatility in air traffic levels as well as cost headwinds, operational cost fluctuations, and near-term funding requirements, including upcoming debt maturities.

- The Company repaid the $285 Series 2021-1 General Obligation Notes upon maturity on February 9, 2026.

- The Company's focus continues to be enhancing service delivery through operational training and staffing initiatives and modernization of the Company's infrastructure while continuing to move forward with transformational initiatives.

- We maintained our high ratings and stable outlooks with Moody's Investors Service (Aa2) and Standard & Poor's (AA,AA-).

Our Business

NAV CANADA is the private sector, non-share capital company that operates Canada's civil air navigation system (ANS) throughout Canada. The ANS was acquired from the Government of Canada in 1996 for a purchase price of $1.5 billion. Our services are provided to aircraft owners and operators within Canadian-controlled airspace and include air traffic control, flight information, weather briefings, airport advisories, aeronautical information, and navigation aids.

Our core business is to manage and operate the ANS and related services in a safe, efficient and cost-effective manner. Our mandate covers both Canadian airspace and airspace delegated to Canada under international agreements.

We have captured our mandate in a Shared Purpose statement: Keeping Canada's skies safe: *Shaping the future of air navigation services*. Our Shared Purpose is supported by the following four pillars:

- Safety is at the core – It is integral to everything we do and continues to mature as the industry evolves.
- Innovation is key – We are passionate about modernizing Canada's air navigation system to deliver value to our customers.
- Expertise is the cornerstone – The skill, agility, leadership and collaboration of our people make the difference.

- Partnerships are essential – Our partnerships help the aviation industry improve efficiency and support an environmentally sustainable future.

Financial Strategy and Rate Regulation

Our financial strategy is to fulfil our essential services mandate based on a sound financial foundation, reflected in part through high credit ratings in the financial markets. Maintaining this strong foundation requires a prudent approach that balances the interests of our key stakeholders while complying with our statutory and contractual obligations.

In establishing new customer service charges or revising existing charges, we must follow the charging principles set out in our governing legislation, the *Civil Air Navigation Services Commercialization Act* (ANS Act), which prevents us from setting customer service charges higher than what is needed to meet our financial requirements for the provision of air navigation services. Pursuant to these principles, the Board approves the amount and timing of changes to customer service charges. The Board also approves the Company's annual budget where amounts to be recovered through customer service charges for the ensuing year are determined.

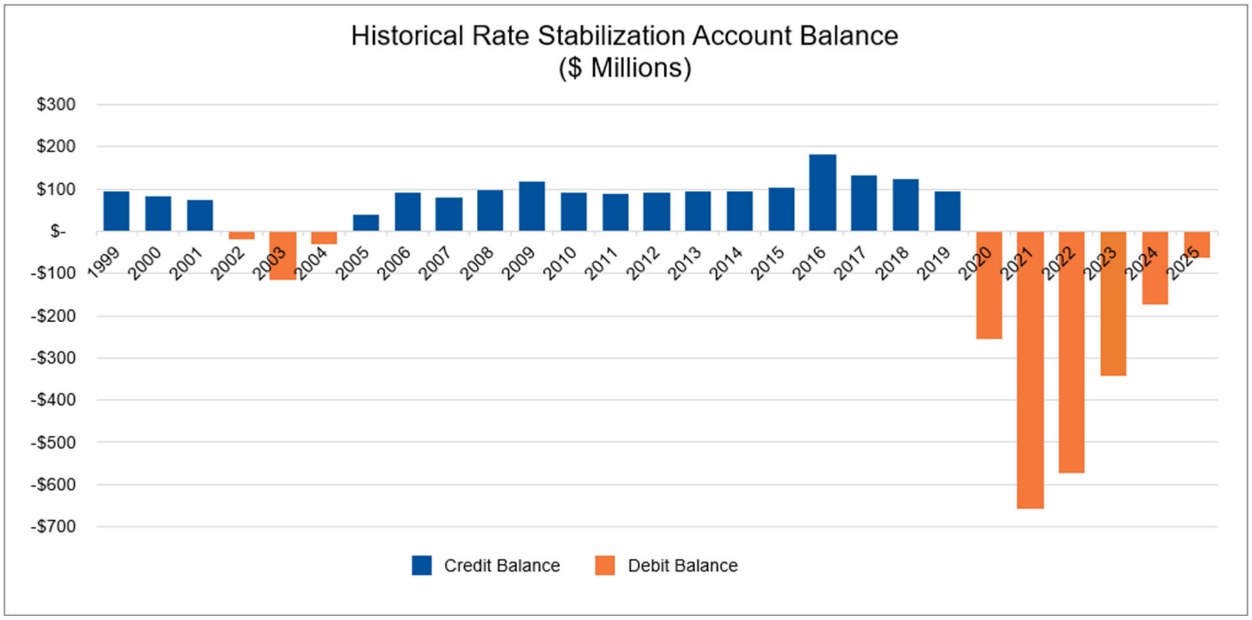
When establishing customer service charge rates, the Company monitors quarterly and considers, among other things:

(a) The statutory requirement to provide air navigation services;
(b) Air traffic results and forecasts;
(c) Financial and operating requirements, including our current and anticipated balance in the rate stabilization account and the extent to which our operating costs are variable and can be contained;
(d) The recovery of pension contributions on a cash basis; and
(e) Updates to our financial forecasts, debt servicing and financial requirements, and resulting financial coverage ratios.

Since actual revenue and expenses will differ from forecasts, a method to accumulate the variances is required so that they may be considered when setting future customer service charge rates. There is also a need to absorb the immediate effect of unpredictable factors – mainly fluctuations in air traffic levels resulting from unforeseen events. We meet these objectives through a "rate stabilization" mechanism.

We adjust our net income (loss) through transfers to or from the rate stabilization account, based on variations from the amounts used when establishing customer service charges. If actual revenues are higher than planned or actual expenses are lower than planned, such excess is reflected as a credit to the rate stabilization account. Conversely, if actual revenues are less than planned or actual expenses are higher than planned, such shortfall is reflected as a debit to the rate stabilization account. A credit balance in the rate stabilization account represents amounts returnable through reductions in future customer service charges, while a debit balance represents amounts recoverable through future customer service charges (see "RESULTS OF OPERATIONS – Movements in Rate Stabilization Account").

The following shows the balance of the rate stabilization account at the end of each fiscal year:



We reflect the impact of rate regulation in our financial statements. As such, the timing of recognition of certain revenue and expenses differs from what would otherwise be expected for companies that are not subject to regulatory statutes governing the level of charges.

For certain transactions where the timing of recognition for rate setting purposes differs from the accounting recognition before applying rate regulated accounting, the Company recognizes regulatory deferral account debits and credits to adjust the accounting recognition to the period in which they will be considered for rate setting. (see "RESULTS OF OPERATIONS – Net Movement in Regulatory Deferral Accounts").

Significant Financial Matters[1]

The following items had significant financial importance to the Company in Q3 fiscal 2026:

1. Air Traffic

During the three months ended May 31, 2026, air traffic levels, as measured in WCUs, remained broadly consistent as compared to the same period in fiscal 2025, although modestly below budget expectations. While performance was influenced by broader economic and geopolitical conditions, traffic levels demonstrated resilience over the period. The impact of these factors was partially mitigated by adaptive changes in air traffic patterns, including rerouting activity and increased cargo volumes, which support overall traffic levels.

During the nine months ended May 31, 2026, air traffic levels increased by approximately 1.2%, as compared to the same periods in fiscal 2025, although modestly below budget expectations. Traffic performance during the first half of the fiscal year was largely stable, with broader economic and geopolitical conditions emerging more prominently toward the latter part of the period. Overall results reflect the impact of seasonal weather disruptions, including winter storms and adverse conditions in

[1] Note: See "INTRODUCTION – Caution Concerning Forward-Looking Information", page 1

Canada and the United States, which contributed to operational variability such as rerouting, delays, and cancellations.

Notwithstanding these factors, air traffic levels demonstrated resilience over the period. The effects of these disruptions were partially mitigated by adaptive changes in traffic patterns, including rerouting activity and regional shifts in demand. Management does not consider these impacts to be structural and expects variability in traffic levels to normalize over time.

Looking ahead, the operating environment remains subject to ongoing volatility and uncertainty, reflecting evolving geopolitical developments and broader global conditions. While these factors may continue to influence air traffic patterns and operating costs, recent performance has demonstrated the resilience and adaptability of the aviation ecosystem, with traffic levels exceeding expectations in the most recent period.

Emerging signs of stabilization, including a potential easing of geopolitical tensions, suggest that near-term pressures may be less pronounced than previously anticipated. However, the duration and sustainability of this improvement remain uncertain, particularly in light of the potential for further external disruptions.

Accordingly, while current trends are encouraging, management continues to monitor conditions closely, recognizing that recent resilience may reflect short-term adjustments in traffic patterns and may not fully offset underlying risks over the longer term.

The outlook for fiscal 2026 reflects year-over-year air traffic decline of 0.1%, which is 1.8% lower than the annual growth reflected in the fiscal 2026 plan as discussed in "FINANCIAL OUTLOOK".

2. Customer Service Charges

On May 22, 2026, the Company announced a proposed revision of its customer service charge rates effective September 1, 2026, increasing overall charges by an average of 1.92%. The proposal is being advanced in the context of a challenging and uncertain operating environment, including geopolitical tensions, energy price volatility and evolving global economic conditions, which have contributed to downward revisions in air traffic forecasts and increased variability in demand.

The Company has adopted a measured, multi-year approach to rate setting, leveraging the rate stabilization account framework to manage the financial impact of variability across economic and business conditions. This approach is designed to smooth effects of fluctuations over time, whether arising from changes in air traffic volumes, cost pressures, inflation, or other external factors, rather than reflecting these movements immediately in customer rates. By addressing a portion of these impacts over multiple periods, the Company supports a less volatile, more balanced, and more predictable rate profile over the long term.

The proposed rates support continued investment in safety, service delivery, and infrastructure renewal, while maintaining disciplined financial management. In applying the service charge principles set out in the ANS Act, the Company is taking a measured and prudent approach, advancing critical investments while managing the timing of cost recovery. This reflects a balanced application of the rate stabilization framework, aligning current operational needs with the objective of maintaining rate stability and predictability over time.

The proposal is subject to a mandatory 60-day engagement period under the ANS Act that expires on the close of business on July 24, 2026. Input received during the engagement period will be considered by NAV CANADA's management and Board prior to a final decision on the proposal.

3. Investment in Preferred Interests of Aireon

On May 13, 2026, the Company entered into a definitive securities purchase agreement to sell its investment in preferred interests of Aireon, through the sale of all issued and outstanding shares of NAV CANADA Satellite, Inc., to a subsidiary of Iridium Communications Inc. for total consideration of $170 U.S. The closing of the transaction is subject to customary closing conditions.

The purchase price, net of transaction costs, is receivable in two equal tranches, with 50% payable at closing and the remaining 50% payable on the one-year anniversary of closing.

As at May 31, 2026, the Company measured its investment in the preferred interests of Aireon at fair value of $234 CDN ($170 U.S.) (August 31, 2025 – $241 CDN ($175 U.S.)). The fair value measurement was based on the agreed transaction price pursuant to the definitive securities purchase agreement. The fair value measurement is classified within Level 3 of the fair value hierarchy, as the investment is not traded in an active market; however, the agreed transaction price represents the most relevant observable input available for determining fair value as at May 31, 2026.

The Company recognized a change in fair value of the investment in preferred interests of $17 CDN ($12 U.S.) and $7 CDN ($5 U.S.), respectively, during the three and nine months ended May 31, 2026, within other finance expense in the financial statements and is offset by regulatory adjustments included in the net movement of regulatory deferral accounts.

The Company continues to defer the excess of the fair value over the original cost of the investment, as well as related foreign exchange impacts in the regulatory deferral accounts, until such time as all proceeds are received. Receipt of the final tranche of the proceeds is expected in the year ending August 31, 2027.

The sale of the Company's outstanding equity of NAV CANADA Satellite, Inc. was completed on July 2, 2026 and the first installment was received.

4. Rate Stabilization Account

The rate stabilization account had a debit balance (representing a shortfall) of $98 at May 31, 2026. During the nine months ended May 31, 2026, the rate stabilization account debit balance increased by $38, driven mainly by the planned shortfall of $44 offset by net favourable variances from planned results of $6. The outlook for fiscal 2026 reflects a reduction in the rate stabilization account of $21, which is $13 below the recovery reflected in the 2026 fiscal plan as discussed in "FINANCIAL OUTLOOK". Rate stabilization adjustments are described under "RESULTS OF OPERATIONS – Movements in Rate Stabilization Account".

5. Financing Activities

On February 9, 2026, the Company repaid the $285 Series 0.937% 2021-1 General Obligation Notes upon maturity, reducing the Company's long-term debt balance to $1,840, including $16 classified as current.

(millions of Canadian dollars)

RESULTS OF OPERATIONS

Revenue

The following table provides a summary of revenue by category. Our fiscal 2025 AIF and the notes to our fiscal 2025 financial statements provide more information about the different categories of our customer service charges.

Three months ended May 31	2026	2025	$ Change
Enroute	**$ 217**	$ 217	$ -
Terminal	**199**	198	1
Daily / annual / quarterly	**15**	15	-
North Atlantic and international communication	**26**	27	(1)
Total customer service charges	**457**	457	-
Other [(1)]	**7**	9	(2)
	$ 464	$ 466	$ (2)

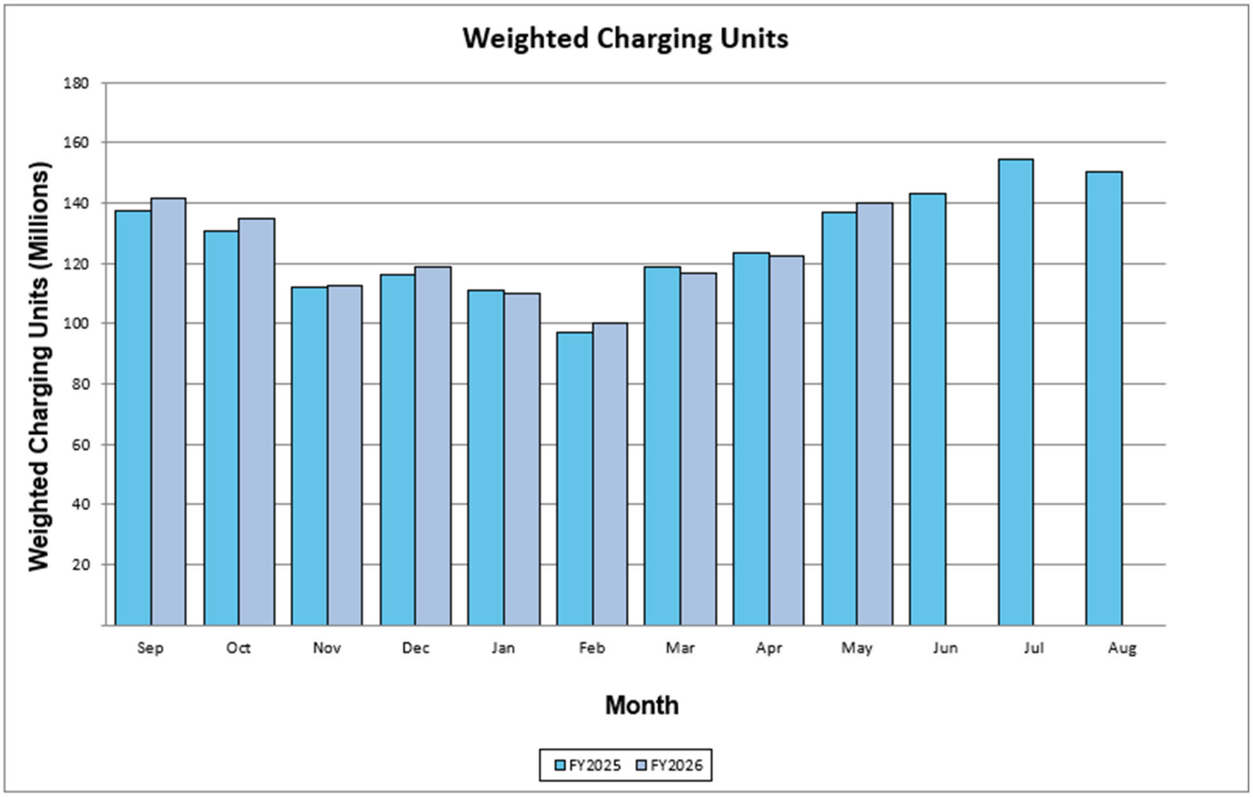
Nine months ended May 31	2026	2025	$ Change
Enroute	**$ 626**	$ 606	$ 20
Terminal	**579**	568	11
Daily / annual / quarterly	**44**	40	4
North Atlantic and international communication	**77**	75	2
Total customer service charges	**1,326**	1,289	37
Other [(1)]	**18**	22	(4)
	$ 1,344	$ 1,311	$ 33

(1) Other revenue consists of service and development contracts, the sale of civil aeronautical publications and miscellaneous revenue.

Revenue from customer service charges during the three months ended May 31, 2026 remained consistent compared to the same period in fiscal 2025. During the nine months ended May 31, 2026, revenue from customer service charges increased by $37 compared to the same period in fiscal 2025. The increase in revenue mainly reflects higher air traffic levels of 1.2% and the average 3.73% increase of customer service charges effective January 1, 2025.

Air Traffic

As discussed in "INTRODUCTION – Significant Financial Matters", air traffic levels (as measured in WCUs) increased by 1.2% during the nine months ended May 31, 2026 compared to the same period of fiscal 2025 as illustrated below.



Future air traffic levels may be influenced by numerous factors, including rates of economic growth or decline, tariffs, trade protection measures, renegotiation of existing trade agreements, changing air passenger demand or willingness to fly, aircraft capacity utilization levels, fuel costs, changes in air carrier operations and behaviours, general aviation industry conditions, air carrier competition, airline restructurings and insolvencies, terrorist activities, geopolitical unrest, war, government interventions, travel restrictions and closings of borders to air travel, climate change and environmental factors (including weather systems and other natural phenomena, and factors arising from man-made sources), demographic patterns and epidemics or pandemics.

(millions of Canadian dollars)

Operating Expenses

Three months ended May 31	2026	2025	$ Change
Salaries and benefits	**$ 343**	$ 320	$ 23
Technical services	**53**	46	7
Facilities and maintenance	**18**	17	1
Depreciation and amortization	**35**	33	2
Other	**23**	27	(4)
	$ 472	$ 443	$ 29

Nine months ended May 31	2026	2025	$ Change
Salaries and benefits	$ **989**	$ 933	$ 56
Technical services	**154**	142	12
Facilities and maintenance	**51**	48	3
Depreciation and amortization	**101**	102	(1)
Other	**74**	69	5
	$ **1,369**	$ 1,294	$ 75

Salaries and benefits expense during the three and nine months ended May 31, 2026 increased by $23 and $56, respectively, compared to the same periods in fiscal 2025. The increase reflects higher salary and wage levels and increases in staffing levels to support safe and resilient operations. The Company has implemented targeted operational readiness measures, including enhanced staffing capacity, focused incentive programs, and initiatives to maximize air traffic controller coverage during peak operating periods, resulting in costs that are higher than originally budgeted. This is partially offset by higher labour allocations to capital projects and lower pension costs driven by an increase in the discount rate.

Approximately 85% of our workforce is unionized under eight collective agreements.

The Company has an arbitrated collective agreement in place with the Canadian Federal Pilots Association (1% of our represented workforce), for the five-year period ending April 30, 2027, and a ratified collective agreement in place with the Public Service Alliance of Canada (6% of our represented workforce), for the five-year period ending December 31, 2028.

Technical services expense during the three and nine months ended May 31, 2026 increased by $7 and $12, respectively, compared to the same periods in fiscal 2025, primarily due to higher satellite surveillance costs, software subscriptions and support required for ongoing systems maintenance and development.

Other operating expenses during the three months ended May 31, 2026 decreased by $4 compared to the same period in fiscal 2025, primarily due to lower professional fees. Other operating expenses during nine months ended May 31, 2026 increased by $5 compared to the same period in fiscal 2025, primarily due to higher travel-related costs, including transportation and accommodation.

Other (Income) and Expenses

Three months ended May 31	2026	2025	$ Change
Finance income	**$ (3)**	$ (6)	$ (3)
Net interest expense relating to employee benefits	**5**	8	3
Other finance expense	**34**	28	(6)
Other (gains) and losses	**(3)**	12	15
	$ 33	$ 42	$ 9

(millions of Canadian dollars)

Nine months ended May 31	2026	2025	$ Change
Finance income	**$ (14)**	$ (30)	$ (16)
Net interest expense relating to employee benefits	**11**	24	13
Other finance expense	**60**	55	(5)
Other (gains) and losses	**(1)**	(3)	(2)
	$ 56	$ 46	$ (10)

Finance income decreased by $3 and $16 during the three and nine months ended May 31, 2026, respectively, primarily due to the changes in fair value of the Company's investment in Aireon as compared to the same periods in fiscal 2025, and lower interest income as a result of the decline in cash balances and lower interest rates earned on interest-bearing cash balances.

Net interest expense relating to employee benefits decreased by $3 and $13 during the three and nine months ended May 31, 2026, respectively, primarily due to a 20-basis point increase in discount rates at August 31, 2025 compared to August 31, 2024.

Other finance expense increased by $6 and $5 during the three and nine months ended May 31, 2026, respectively, primarily due to the changes in fair value of the Company's investment in Aireon.

Other gains and losses increased by $15 during the three months ended May 31, 2026 as compared to the same periods in fiscal 2025, primarily due to the impact of changes in the exchange rate between the Canadian dollar and U.S. dollar on the investment in Aireon. Other gains and losses decreased by $2 during the nine months ended May 31, 2026, as compared to the same period in fiscal 2025, primarily due to the fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar on the investment in Aireon.

Movements in Rate Stabilization Account

Our rate stabilization mechanism and accounting are described at the beginning of this MD&A and in notes 1 and 7 of our fiscal 2025 financial statements. The table below shows the net movements in the rate stabilization account.

Three months ended May 31	2026	2025	$ Change
Debit balance, beginning of period	**$ (89)**	$ (186)	$ 97
Variances from planned results:			
Revenue (lower) higher than planned	**(3)**	11	(14)
Operating expenses lower than planned	**13**	15	(2)
Other net expenses higher than planned	**(10)**	(22)	12
Net movement in other regulatory deferral accounts	**9**	26	(17)
Total variances from planned results	**9**	30	(21)
Initial approved adjustment [(1)]	**(18)**	(12)	(6)
Net movement recorded in net income (loss)	**(9)**	18	(27)
Debit balance, end of period	**$ (98)**	$ (168)	$ 70

(1) To achieve breakeven results of operations after the application of rate regulated accounting, the Board approved a planned surplus, representing a reduction of the rate stabilization account debit balance (representing a shortfall), together with the Company's annual budget. The planned quarterly change in the rate stabilization account is aligned with the planned quarterly results, which may fluctuate resulting in either an addition to or a reduction of the account.

The rate stabilization account debit balance increased by $9 during the three months ended May 31, 2026 primarily due to:

(millions of Canadian dollars)

- the planned adjustment of $18, representing the anticipated net loss for the three months ended May 31, 2026, per the fiscal 2026 budget;
- higher than planned net other income of $10, due to the change in fair value of the investment in Aireon; and
- lower than planned revenue of $3, due to lower than anticipated air traffic levels and technology sales and services.

partially offset by:

- lower than planned operating expenses of $13, primarily due to lower professional services as well as lower travel expenses; and
- higher than planned net movement in other regulatory deferral accounts of $9, mainly driven by higher regulatory adjustments related to the change in fair value of the investment in Aireon and accounting pension current service costs.

Nine months ended May 31	2026	2025	$ Change
Debit balance, beginning of period	**$ (60)**	$ (175)	$ 115
Variances from planned results:			
Revenue lower than planned	**(16)**	6	(22)
Operating expenses lower than planned	**32**	51	(19)
Other net expenses lower than planned	**6**	11	(5)
Net movement in other regulatory deferral accounts	**(16)**	7	(23)
Total variances from planned results	**6**	75	(69)
Initial approved adjustment [1]	**(44)**	(68)	24
Net movement recorded in net income (loss)	**(38)**	7	(45)
Debit balance, end of period	**$ (98)**	$ **(168)**	$ 70

[1] To achieve breakeven results of operations after the application of rate regulated accounting, the Board approved a planned surplus, representing a reduction of the rate stabilization account debit balance (representing a shortfall), together with the Company's annual budget. The planned quarterly change in the rate stabilization account is aligned with the planned quarterly results, which may fluctuate resulting in either an addition to or a reduction of the account.

The rate stabilization account debit balance increased by $38 during nine months ended May 31, 2026 primarily due to:

- the planned adjustment of $44, representing the anticipated net loss for the nine months ended May 31, 2026, per the fiscal 2026 budget;
- lower than planned net movement in other regulatory deferral accounts of $16, mainly driven by lower regulatory adjustments related to the accounting pension current service costs, and the change in fair value of the investment in Aireon;
- lower than planned revenue of $16, primarily due to lower than anticipated air traffic levels and technology sales and services; and

partially offset by:

- lower than planned operating expenses of $32, mainly due to lower professional services as well as lower travel expenses;
- lower than planned other net expenses of $6, primarily due to lower than planned accounting pension current service costs.

(millions of Canadian dollars)

Net Movement in Regulatory Deferral Accounts

The net movement in regulatory deferral accounts represents regulatory accounting adjustments, including the rate stabilization mechanism, to adjust the accounting recognition of certain transactions to the periods in which they will be considered for rate setting.

Three months ended May 31	2026	2025	$ Change
Rate stabilization account [(1)]	**$ 9**	$ (18)	$ 27
Other regulatory deferral accounts			
Employee benefit pension costs	**11**	18	(7)
Other employee benefits	**-**	(2)	2
Investment in Aireon, before tax	**15**	21	(6)
Cloud computing arrangements	**7**	3	4
Asset impairment	**(2)**	(2)	-
Other	**1**	(1)	2
	$ 41	$ 19	$ 22

Nine months ended May 31	2026	2025	$ Change
Rate stabilization account [(1)]	**$ 38**	$ (7)	$ 45
Other regulatory deferral accounts			
Employee benefit pension costs	**30**	48	(18)
Other employee benefits	**(2)**	(4)	2
Investment in Aireon, before tax	**8**	(11)	19
Cloud computing arrangements	**13**	11	2
Asset impairment	**(6)**	(7)	1
Other	**-**	(1)	1
	$ 81	$ 29	$ 52

(1) The movements in the rate stabilization account are detailed in the table above under "RESULTS OF OPERATIONS – Movements in Rate Stabilization Account".

The change in the net movement of employee benefit pension costs deferrals, which represents the adjustment required to reflect the pension cash contributions to be recovered through rate setting, is largely due to relative changes to discount rates used for pension accounting and going concern funding purposes.

The change in regulatory adjustments related to the investment in Aireon are to offset the change in fair value recorded in the three and nine months ended May 31, 2026 and the impact of foreign exchange between the Canadian and U.S. dollar compared to the same periods in fiscal 2025.

(millions of Canadian dollars)

FINANCIAL AND CAPITAL MANAGEMENT

Our fiscal 2025 annual MD&A explains how we manage our cash and capital resources. There have been no changes in that approach for the three and nine months ended May 31, 2026.

Investment in Capital Expenditures and Cloud Computing Arrangements

During the nine months ended May 31, 2026, the Company continued to fund capital expenditures and expenses related to cloud computing investments through strong operating cash flows, reflecting the underlying resilience of its business model and disciplined financial management. Looking ahead, the Company retains financial flexibility to draw on existing cash reserves or access debt capital markets, as needed, to support future investment requirements.

Capital deployment during the period totaled $221 for traditional capital expenditures and $19 in cloud computing arrangements, underscoring the Company's ongoing commitment to modernizing its technology and infrastructure. Investment activity remained focused on core priorities with $50 directed towards infrastructure delivery and $32 towards deployment services. In addition, $43 was invested in the Company's Trajectory-Based Operations (TBO) programs alongside a range of targeted initiatives designed to enhance operational performance, elevate service delivery, and strengthen the Company's long standing safety foundation.

Cash Flows

Three months ended May 31	2026	2025	$ Change
Cash flows from (used in)			
Operating	**$ 29**	$ 66	$ (37)
Investing	**(80)**	(39)	(41)
Financing	**(17)**	(17)	-
Cash flows (used in) from operating, investing and financing activities	**(68)**	10	(78)
Effect of foreign exchange on cash and cash equivalents	**2**	1	1
(Decrease) increase in cash and cash equivalents	**(66)**	11	(77)
Cash and cash equivalents, beginning of period	**393**	664	(271)
Cash and cash equivalents, end of period	**$ 327**	$ 675	$ (348)
Free cash flow (non-GAAP financial measure) [(1)]			
Cash flows from (used in):			
Operations	**$ 29**	$ 66	$ (37)
Capital expenditures	**(87)**	(60)	(27)
Government grants received	**7**	21	(14)
Payment of lease liabilities	**(1)**	(1)	-
Free cash flow	**$ (52)**	$ 26	$ (78)

(millions of Canadian dollars)

Nine months ended May 31	2026	2025	$ Change
Cash flows from (used in)			
Operating	**$ 83**	$ 169	$ (86)
Investing	**(197)**	(127)	(70)
Financing	**(303)**	(18)	(285)
Cash flows (used in) from operating, investing and financing activities	**(417)**	24	(441)
Effect of foreign exchange on cash and cash equivalents	**2**	4	(2)
(Decrease) increase in cash and cash equivalents	**(415)**	28	(443)
Cash and cash equivalents, beginning of period	**742**	647	95
Cash and cash equivalents, end of period	**$ 327**	$ 675	$ (348)
Free cash flow (non-GAAP financial measure) [(1)]			
Cash flows from (used in):			
Operations	**$ 83**	$ 169	$ (86)
Capital expenditures	**(212)**	(152)	(60)
Government grants received	**15**	25	(10)
Payment of lease liabilities	**(2)**	(2)	-
Free cash flow	**$ (116)**	$ 40	$ (156)

(1) Free cash flow is a non-GAAP financial measure. The Company defines free cash flow as cash generated from operations, less capital expenditures (net of government grants received), investments in Aireon, principal payments of lease liabilities and income tax payments. Management places importance on this indicator as it assists in measuring the impact of its investment program on the Company's financial resources and provides users with a more stable indication of the Company's ability to meet its debt obligations and continue to invest in the ANS.

Lower net cash inflows from operations for the three months ended May 31, 2026 were primarily due to lower customer service charges receipts and higher payments to employees and suppliers. Lower net cash inflows from operations for the nine months ended May 31, 2026 were primarily due to higher payments to employees and suppliers, reflecting changes in working capital, as well as lower receipts related to other revenue, partially offset by higher customer service charges receipts.

Higher cash outflows used in investing activities for the three and nine months ended May 31, 2026 were reflecting higher capital expenditures.

During the nine months ended May 31, 2026 the Company invested $202 in capital (total cash outflows of $212 including payments related to capital investments in August fiscal 2025, excluding capitalized interest of $5) compared to $152 for the same periods in fiscal 2025 (total cash outflows of $152, excluding capitalized interest of $3). Investments were made to progress on key strategic initiatives, facility replacements or refurbishment, equipment upgrades and replacements and operational and business system enhancements.

Higher cash outflows used in financing activities for the nine months ended May 31, 2026 was due to the repayment of the $285 Series 2021-1 General Obligation Notes upon maturity on February 9, 2026.

(millions of Canadian dollars)

Liquidity and Financing Strategy

As at May 31, 2026, we had total liquidity of $1,263. We are exposed to refinancing risk with respect to our bond and note maturities, including the $16 annual amortizing payment due on the Series 97-2 amortizing revenue bonds. We mitigate this risk by maintaining committed credit facilities in an amount sufficient to meet our refinancing needs in the event of temporary capital market disruptions or lack of access to the market for any reason.

The table below shows our long-term debt, liquidity and investment profile.

	May 31 2026	August 31 2025
LONG-TERM DEBT		
Bonds and notes payable		
Under the Master Trust Indenture	**$ 223**	$ 239
Under the General Obligation Indenture	**1,625**	1,910
	1,848	2,149
Adjusted for deferred financing costs	**(8)**	(9)
Total bonds and notes payable	**1,840**	2,140
Less: current portion of long-term debt	**(16)**	(301)
Total long-term debt	**$ 1,824**	$ 1,839
LIQUIDITY		
Cash and cash equivalents	**$ 327**	$ 742
Debt service reserve fund	**86**	84
Undrawn committed borrowing capacity	**850**	850
Total Liquidity	**$ 1,263**	$ 1,676

The Company has a revolving credit facility with a syndicate of Canadian financial institutions and separate letter of credit facilities for pension obligations. The credit facilities are utilized as follows:

As at May 31	2026
Credit facilities for general purposes:	
Credit facility with a syndicate of Canadian financial institutions - undrawn (1), (2)	**$ 850**
Less: Operations and maintenance reserve allocation (3)	**(390)**
Available for unrestricted use	**$ 460**
Credit facilities for pension obligations:	
Letter of credit facilities for pension obligations (4)	**$ 820**
Less: Outstanding letters of credit for pension obligations (4)	**(714)**
Undrawn committed letter of credit facilities	**$ 106**

(1) The Company's credit facility with a syndicate of Canadian financial institutions comprises two equal tranches maturing on March 26, 2029 and March 26, 2031, respectively. The maturity dates for both tranches were extended by one year during the nine months ended May 31, 2026. The credit facility agreement provides for loans at varying rates of interest based on certain benchmark interest rates, specifically the Canadian prime rate and the Canadian Overnight Repo Rate Average (CORRA) rate, and on the Company's credit rating at the time of drawdown. The Company is required to pay commitment fees, which are dependent on the Company's credit rating.

(millions of Canadian dollars)

(2) An allocation of $25 with a Canadian financial institution has been made under the $850 committed credit facility.

(3) The operations and maintenance reserve may be used to pay operating and maintenance expenses, if required.

(4) The letter of credit facilities for pension obligations are comprised of four facilities with Canadian financial institutions totalling $820 as at May 31, 2026 (August 31, 2025 - $860). During the nine months ended May 31, 2026, all four letter of credit facilities were extended by one year, whereby $450 will mature on December 31, 2026 and $370 will mature on December 31, 2027, unless extended. As at May 31, 2026, $670 was drawn for solvency funding (August 31, 2025 - $670) for the registered pension plan and $44 for supplemental retirement arrangements (August 31, 2025 - $44).

Contractual Obligations and Commitments

The following information about our contractual obligations and other commitments summarizes certain aspects of our liquidity and capital resource requirements.

Contractual Obligations

A breakdown of contractual obligations as at May 31, 2026, and for the next five fiscal years and thereafter is presented in the following table. Total contractual obligations exclude commitments for goods and services in the ordinary course of business.

	Remaining payments – for years ending August 31						
	Total	**2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**
Derivative liabilities	**$ 2**	$ 1	$ 1	$ -	$ -	$ -	$ -
Long-term debt (including current portion) (1), (2)	**1,848**	-	223	-	-	300	1,325
Interest payments (2)	**1,028**	9	65	48	48	48	810
Capital commitments (3)	**230**	134	62	14	11	7	2
Lease liability	**51**	1	3	3	3	3	38
Related party loan (4)	**15**	15	-	-	-	-	-
Total contractual obligations	**$ 3,174**	$ 160	$ 354	$ 65	$ 62	$ 358	$ 2,175

(1) Payments represent principal of $1,848. The Company may choose to repay a portion of these maturities with available cash and/or may increase the size of a re-financing to generate additional liquidity or for other purposes, and/or may choose to redeem in whole or in part an issue in advance of its scheduled maturity.

(2) Further details on interest rates and maturity dates on long-term debt are provided in note 12 of the fiscal 2025 financial statements.

(3) The Company has commitments for the acquisition of property, plant and equipment and intangible assets amounting to $230 as at May 31, 2026 (August 31, 2025 - $238).

(4) The Company has an agreement with Aireon to provide a subordinated loan up to a total of $15 CDN ($11 U.S.) through the earlier of October 10, 2028, or the date on which Aireon's senior credit facility is paid in full and terminated or refinanced. Upon closing of the transaction, as described in note 7 of the Q3 fiscal 2026 financial statements, the subordinated loan commitment will be terminated.

(millions of Canadian dollars)

The Company's letters of credit are discussed under "FINANCIAL AND CAPITAL MANAGEMENT – Liquidity and Financing Strategy".

Registered Pension Plan

The Company continues to meet the funding requirements of its defined benefit registered pension plan, the NAV CANADA Pension Plan (NCPP), in accordance with the regulations of the Office of the Superintendent of Financial Institutions (OSFI).

The latest actuarial valuation of the NCPP (for funding purposes) was performed as at January 1, 2026 and filed with OSFI in June 2026. The actuarial valuation reported a going concern surplus of $1,466 (January 1, 2025 – $1,436).

The regulations governing the funding of federally regulated pension plans include a solvency test, which assumes a plan is terminated as at the valuation date. When applicable, the Company has the option of meeting pension solvency funding requirements with letters of credit or cash contributions, with the maximum letters of credit based on 15% of solvency liabilities. As permitted by regulations, the Company can elect to reduce the outstanding letters of credit by the statutory solvency excess, which includes a three-year averaging period. The actuarial valuation for solvency purposes performed as at January 1, 2026 reported a statutory solvency excess of $0 (January 1, 2025 – excess of $0, reflecting the election to reduce the letters of credit by $384 (January 1, 2025 - $100).

Once the valuation report is filed, pension contributions are based on the January 1, 2026 actuarial valuation. The Company has the option of meeting its pension solvency funding requirements with letters of credit or cash contributions, with the maximum letters of credit based on 15% of solvency liabilities. At January 1, 2026, outstanding letters of credit of $670 represented 9.2% of solvency liabilities (January 1, 2025 - $795 and 10.6%) before the election and $285 representing 3.9% of solvency liabilities (January 1, 2025 - $695 and 9.3%) after the election. These letters of credit are considered an asset of the NCPP in determining the statutory solvency deficiency shown above.

Capital Management

The Company views capital as the sum of its issued long-term debt, retained earnings and accumulated other comprehensive income, regulatory deferral accounts and balances under certain employee benefit plans, as depicted in the following table. This definition of capital is used by management and may not be comparable to measures presented by other companies. Management's approach and objectives when managing capital remain unchanged from those described in our fiscal 2025 annual MD&A.

	May 31 2026	August 31 2025
Bonds and notes payable	**$ 1,840**	$ 2,140
Equity:		
Retained earnings	**28**	28
Regulatory deferral accounts:		
Debit balances	**(1,139)**	(1,072)
Credit balances	**925**	939
Employee benefits:		
Assets for funded pension benefits	**(14)**	(44)
Liability for accumulating sick leave	**22**	22
Total capital	**$ 1,662**	$ 2,013

Financial Risk Management

The Company is exposed to several risks as a result of holding financial instruments, including interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. See note 14 to the fiscal 2025 financial statements for information on our financial instruments, including the exposure to and how we manage each of these risks as well as sensitivity analysis. Further discussion on liquidity risk is included under the heading "FINANCIAL AND CAPITAL MANAGEMENT – Liquidity and Financing Strategy".

The following risks may also impact the Company's cash and capital resources:

Air Traffic Levels

Our air traffic risk and strategy to mitigate the risk remains unchanged from that disclosed in our fiscal 2025 annual MD&A.

Insurance

Our aviation liability insurance program was renewed on November 15, 2025. This insurance provides broad coverage for our ANS liabilities to third parties. The Company also carries other lines of insurance at levels deemed appropriate by management for the nature of our business. The cost of this insurance is not material to the Company.

The Company is contractually obligated to indemnify the Government of Canada for any loss suffered by or claimed against it which is covered by the Company's aviation operations liability insurance.

Legal Proceedings

The Company is party to certain legal proceedings in the ordinary course of its business. Management does not expect the outcome of any of these proceedings to have a material adverse effect on the consolidated financial position or results of operations of the Company.

Credit Ratings

The Company's debt obligations have been assigned the following credit ratings and outlooks:

Rating Agency	Senior Debt	General Obligation Notes	Outlook
Moody's Investors Service (Moody's)	Aa2	Aa2	Stable
Standard & Poor's (S&P)	AA	AA-	Stable

On September 18, 2025, S&P reaffirmed the Company's AA long-term issuer credit and senior secured debt ratings, and its AA- subordinated debt rating with a stable outlook. The stable outlook reflects S&P's expectation that projected growth in air traffic activity will support revenue generation and allow NAV CANADA to maintain strong debt service coverage (DSC) and a debt burden of less than 10.0x earnings before interest, depreciation and amortization (EBIDA) in the next two fiscal years.

(millions of Canadian dollars)

QUARTERLY RESULTS

Quarterly Financial Information (unaudited)

Due to seasonal and other fluctuations in air traffic and given that our costs are predominantly fixed, our quarterly financial results may fluctuate after the application of rate regulated accounting.

	Three months ended			
	Q3 May 31 2026	Q2 February 28 2026	Q1 November 30 2025	Q4 August 31 2025
Revenue	$ 464	$ 405	$ 475	$ 545
Operating expenses	472	457	440	442
Other (income) and expenses	33	21	2	(7)
Net income (loss) before net movement in regulatory deferral accounts	(41)	(73)	33	110
Net movement in regulatory deferral accounts				
Rate stabilization adjustments	9	60	(31)	(105)
Other regulatory deferral account adjustments	32	13	(2)	(5)
	41	73	(33)	(110)
Net income (loss) after net movement in regulatory deferral accounts (1)	$ -	$ -	$ -	$ -

	Three months ended			
	Q3 May 31 2025	Q2 February 28 2025	Q1 November 30 2024	Q4 August 31 2024
Revenue	$ 466	$ 396	$ 449	$ 510
Operating expenses	443	423	428	404
Other (income) and expenses	42	8	(4)	20
Net income (loss) before net movement in regulatory deferral accounts	(19)	(35)	25	86
Net movement in regulatory deferral accounts				
Rate stabilization adjustments	(18)	34	(23)	(45)
Other regulatory deferral account adjustments	37	1	(2)	6
	19	35	(25)	(39)
Net income (loss) after net movement in regulatory deferral accounts (1)	$ -	$ -	$ -	$ 47

(1) Prior to fiscal 2025, planned annual recovery was reflected evenly across the four quarters, leading to fluctuations in retained earnings during the year due to differences between the planned quarterly results and the smoothed quarterly rate stabilization account recovery. Beginning in fiscal 2025, the planned quarterly change in the rate stabilization account is aligned with the planned quarterly results, eliminating fluctuations in retained earnings during the year.

FINANCIAL OUTLOOK[2]

The operating environment continues to reflect elevated levels of volatility and uncertainty, driven by evolving geopolitical developments, energy price dynamics, and broader global economic conditions. These factors have the potential to influence air traffic patterns and the Company's cost base through changes in travel demand, airline operating economics, and system-wide costs. Notwithstanding this uncertainty, recent operating results have demonstrated the resilience of the aviation ecosystem, including adaptive changes in traffic flows and routing patterns that have supported activity levels, with performance in the most recent period exceeding expectations. Emerging signs of stabilization, including easing geopolitical tensions, suggest that near-term pressures may be moderating. However, the duration and sustainability of these improvements remain uncertain, as the operating environment continues to evolve and remains susceptible to further external disruptions.

As the Company moves through the final quarter of fiscal 2026, focus has shifted to disciplined execution, strengthening operational resilience, maintaining cost control, and advancing targeted investments that support service delivery and modernization. Management continues to prioritize process simplification and governance enhancements to improve efficiency and consistency across the organization, while maintaining a measured approach to rebuilding the Rate Stabilization Account (RSA) and supporting long-term financial resilience.

The Company continues to advance its service delivery and workforce initiatives, building on progress achieved to date while addressing localized operational pressures. Targeted actions including accelerated training, optimized scheduling, and focused retention initiatives, are being deployed to support capacity and performance in specific facilities. While challenges persist in certain areas, the overall trajectory reflects continued improvement supported by sustained investment in workforce stability and operational capability.

Air traffic levels, as measured in WCUs, are now expected to decline modestly in fiscal 2026 as compared to the 1.7% growth assumed in the fiscal 2026 budget, reflecting both ongoing external uncertainty and the observed resilience in traffic patterns. While variability is expected to persist, recent trends indicate that the impact of geopolitical and economic factors has been partially mitigated through adaptation across the aviation network.

Operating and capital expenditures are expected to remain broadly in line with plan, reflecting labour-related pressures, inflation, and continued targeted investment in service delivery. Operating cash flows are expected to remain sufficient to meet operational requirements, while planned capital expenditures will be supported through refinancing activities, enabling continued investment while maintaining prudent financial management.

In light of the current environment, the Company will continue to take a balanced and measured approach to managing the RSA, remaining on track to recover the pandemic-related shortfall while supporting a gradual and sustainable rebuild of financial resilience. This approach reflects the need to maintain service delivery and cost recovery objectives, while recognizing the ongoing uncertainty and evolving nature of the external environment.

[2] Note: See "INTRODUCTION – Caution Concerning Forward-Looking Information", page 1

(millions of Canadian dollars)

Presented below are the Company's current projected annual results for fiscal 2026 compared to fiscal 2026 budget results:

	Forecast Fiscal 2026	Budget Fiscal 2026	Actual Fiscal 2025
Results of operations (before rate stabilization)			
Customer service charges	**$ 1,846**	$ 1,880	$ 1,828
Other revenue	**27**	34	28
	$ 1,873	$ 1,914	$ 1,856
Operating expenses and other (income) and expenses, including other regulatory adjustments	**1,877**	1,880	1,744
Net income (loss) before rate stabilization adjustments	**$ (4)**	$ 34	$ 112
Air traffic levels (year-over-year growth)	**(0.1%)**	1.7%	3.3%
Rate stabilization account debit balance	**$ (65)**	$ (26)	$ (60)
Investment in capital and regulatory assets (1)	**$ 336**	$ 337	$ 235
Cash, cash equivalents at end of fiscal year	**$ 395**	$ 317	$ 742

(1) Investment in capital and regulatory assets is presented net of $20 of government funding under the NTCF (fiscal 2025 - $29).

Revenue

Our outlook for revenue in fiscal 2026 reflects a decrease of $41 when compared to the budgeted revenue of $1,914 as disclosed in our fiscal 2025 annual MD&A. The outlook for customer service charges for fiscal 2026 is $34 below the plan due to the anticipated impact of recent geopolitical developments. The outlook for other revenue is $7 lower than the plan due to lower projected revenue from technology sales and services contracts.

Revenue from customer service charges in fiscal 2026 is expected to increase by $18 compared to fiscal 2025, which reflects a forecasted marginal change in air traffic levels, as measured in WCUs.

In our Q2 fiscal 2026 MD&A, we had disclosed anticipated revenue from customer service charges of $1,850 for fiscal 2026, representing a marginal year-over-year increase. The decrease of $4 is due to the anticipated impact of recent geopolitical developments.

Operating Expenses and Other (Income) and Expenses

Operating expenses and other (income) and expenses, including other regulatory adjustments, before rate stabilization are expected to decrease by $3 in fiscal 2026 as compared to the budget, primarily driven by lower professional fees resulting from project delays, reduced investment in regulatory assets, and lower travel and relocation costs. These cost savings were partially offset by higher compensation costs, reflecting higher wage and staffing levels.

Operating expenses and other (income) and expenses, including other regulatory adjustments, before rate stabilization are expected to increase by $136 in fiscal 2026 as compared to fiscal 2025, primarily driven by higher compensation costs, reflecting higher wage and staffing levels as well as higher other operating expenses, as we continue to invest in a growing workforce and the modernization of our infrastructure to support service delivery and transformation initiatives.

In our Q2 fiscal 2026 MD&A, we disclosed anticipated operating expenses and other (income) and expenses, including other regulatory adjustments, before rate stabilization of $1,876 for fiscal 2026, which is relatively consistent with the most recent forecast.

Rate Stabilization Account

The Company projects that the rate stabilization account will remain relatively steady at a debit or shortfall balance of $65 as at August 31, 2026. This represents a smaller reduction in the debit balance of $39 as compared to the budget, primarily driven by lower customer service charges and lower other revenue from technology sales and service contracts.

In our Q2 fiscal 2026 MD&A, we disclosed an anticipated rate stabilization account debit balance of $59 as at August 31, 2026. The smaller reduction in the debit balance of $6 is primarily driven by additional targeted operational readiness measures and lower anticipated revenue from customer service charges.

Cash Flows

The Company's cash and cash equivalents are expected to be $395 as at August 31, 2026. Net cash outflow of $347 is projected, reflecting debt repayments, increased payments to employees and suppliers and higher capital expenditures. This represents a positive variance of $78 as compared to the budget, primarily due to anticipated cash receipts.

In our Q2 fiscal 2026 MD&A, we disclosed an anticipated cash and cash equivalents balance of $396 as at August 31, 2026, which is relatively consistent with the most recent forecast.

Long term strategic initiatives and modernization program

The Company continues to advance a comprehensive multi-year program of operational and infrastructure modernization aimed at supporting long-term traffic growth, enhancing system resilience, and maintaining world class safety performance. These initiatives are designed to address increasing demand on Canada's air navigation system, evolving customer expectations for efficiency and predictability, and the need to renew critical infrastructure approaching obsolescence or the end of its service life.

Over the 2026–2031 planning horizon, the Company is progressing a portfolio of strategic programs that collectively transform how airspace is managed and how services are delivered. Key initiatives include the implementation of TBO to improve predictability and optimize routing, deployment of digital aerodrome technologies to modernize service delivery at airports, and development of frameworks to support the safe integration of remotely piloted aircraft systems. These initiatives are underpinned by continued investments in communications, surveillance, navigation and weather infrastructure to ensure operational reliability, scalability and resilience.

In parallel, the Company is investing in enabling capabilities that strengthen operational performance and organizational capacity. These include the modernization of aeronautical information systems and expanded training capacity to address industry wide staffing challenges. Together, these efforts enhance decision-making through improved data and analytics, while ensuring the Company has the capacity and capabilities required to meet future demand.

Given the multi-year nature of these programs, implementation timelines and scope will continue to evolve in response to operational requirements, regulatory developments, and broader economic and geopolitical conditions.

(millions of Canadian dollars)

ADDITIONAL INFORMATION

Earnings and Cash Flow Coverage

Earnings coverage ratio and cash flow coverage are non-GAAP ratios and do not have any standardized meaning prescribed by IFRS Accounting Standards. The earnings coverage ratio and cash flow coverage are provided pursuant to and in compliance with National Instrument 44-102 Shelf Distributions of the Canadian Securities Administrators. The Company calculates the earnings coverage ratio on the basis of earnings before interest expense on financial liabilities at amortized cost (interest expense) divided by interest expense. Cash flow coverage is calculated on the basis of earnings (after rate stabilization) before interest expense, depreciation and amortization divided by interest expense. Under the Income Tax Act (Canada), NAV CANADA, excluding its subsidiaries, is not subject to income taxes and accordingly, no deduction for income taxes has been made. After the application of rate regulated accounting, the provision for income taxes related to our taxable subsidiaries is not significant.

During a fiscal year, quarterly revenue from customer service charges will reflect seasonal or other fluctuations in the airline industry and therefore our net results vary from quarter to quarter. Our mandate to operate on essentially a financial breakeven basis, after the application of rate regulated accounting, results in a planned earnings coverage ratio – calculated on the basis of earnings before interest divided by interest expense – that is close to one-to-one. However, the seasonal nature of our revenue may result in an earnings coverage ratio of less or more than one-to-one for any interim period.

The table below shows the details relating to the Company's earnings coverage ratio and cash flow coverage:

Twelve months ended May 31		2026		2025
Net earnings	$	-	$	15
Interest costs		69		73
Consolidated earnings [1] before interest	$	69	$	88
Depreciation and amortization expense	$	135	$	142
Consolidated earnings [1] before interest and depreciation	$	204	$	230
Earnings coverage ratio		**1.00**		1.21
Cash flow coverage ratio		**2.98**		3.15

(1) Consolidated earnings are presented after rate stabilization.

Related Party Transactions

The Company's related parties include its key management personnel, subsidiaries and associates and registered pension plan for its employees. The transactions with these related parties are not materially different from what was reported in the fiscal 2025 annual MD&A.

Accounting Policies

Material accounting policies applied in the Q3 fiscal 2026 financial statements are consistent with those disclosed in note 3 of the fiscal 2025 financial statements.

Future Accounting Pronouncements

Future accounting pronouncements issued during Q3 fiscal 2026 are disclosed in note 2 (g) of the Q3 fiscal 2026 financial statements.

Critical Accounting Estimates and Judgments

The preparation of our Q3 fiscal 2026 financial statements requires management to make estimates and judgments about the future.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal actual results.

Critical judgments and key sources of estimation uncertainty are consistent with those disclosed in note 2 (d) of the fiscal 2025 financial statements.

The Company's critical accounting estimates and judgments applied in the preparation of the Company's Q3 fiscal 2026 financial statements are consistent with those applied and disclosed in our fiscal 2025 financial statements and as described in the fiscal 2025 annual MD&A.

INTERNAL CONTROLS AND PROCEDURES

There have been no changes to the Company's internal control over financial reporting (ICFR) during the three months ended May 31, 2026 that have materially affected or are reasonably likely to materially affect the Company's ICFR.