



Canadian Air Transport
Security Authority

Administration canadienne
de la sûreté du transport aérien

Quarterly Financial Report

For the Three and Nine Months Ended
December 31, 2025



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Management's Narrative Discussion

For The Three and Nine Month Ended December 31, 2025

Management's Narrative Discussion outlines the significant activities and initiatives, risks and financial results of the Canadian Air Transport Security Authority (CATSA) for the three and nine months ended December 31, 2025. This Narrative Discussion should be read in conjunction with CATSA's unaudited condensed interim financial statements for the three and nine months ended December 31, 2025, which have been prepared in accordance with Section 131.1 of the *Financial Administration Act* (FAA) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). This Narrative Discussion should also be read in conjunction with CATSA's *2025 Annual Report*, the *Quarterly Financial Report for the three months ended June 30, 2025*, and the *Quarterly Financial Report for the three and six months ended September 30, 2025*. The information in this report is expressed in thousands of Canadian dollars and is current to February 19, 2026, unless otherwise stated.

Forward-looking statements

Readers are cautioned that this report includes certain forward-looking information and statements. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by CATSA. They involve known and unknown risks, uncertainties and other factors which may cause the actual results and performance of the organization to be materially different from any future results and performance expressed or implied by such forward-looking information.

Materiality

In assessing what information is to be provided in this report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the economic decisions of CATSA's partners.

Corporate Overview

Established on April 1, 2002, CATSA is an agent Crown corporation and is accountable to Parliament through the Minister of Transport. CATSA's mission is to protect the travelling public by providing the highest level of aviation security screening.

CATSA delivers the mandate of security screening at 89 designated airports across the country through a third-party screening contractor model. Playing a pivotal role in Canada's aviation system, CATSA is responsible for the delivery of the following four mandated activities:

- Pre-board Screening (PBS): The screening of all passengers, their carry-on baggage and their belongings prior to their entry to the secure area of an air terminal building.
- Hold Baggage Screening (HBS): The screening of all passengers' checked ("hold") baggage for prohibited items such as explosives, prior to being loaded onto an aircraft.
- Non-passenger Screening (NPS): The screening of non-passengers such as flight personnel, ground crew and service providers, and their belongings (including vehicles and their contents) entering restricted areas at the highest-risk airports.

- **Restricted Area Identity Card (RAIC):** The management of the system that uses iris and fingerprint biometric identifiers to allow authorized non-passengers access to the restricted areas of airports. The final authority that determines access to the restricted areas of an airport is the airport authority.

In addition to its mandated activities, CATSA has an agreement with Transport Canada (TC) to screen cargo at small airports where capacity exists. This program was designed to screen limited amounts of cargo during off-peak periods and involves using existing resources, technology and procedures.

Operating Environment

The Government of Canada collects the Air Travellers Security Charge and funds CATSA through appropriations from the federal Consolidated Revenue Fund for operating expenses and capital expenditures. Budget 2023 included incremental funding of \$1,746 million (net) over three years to continue to protect the public by securing critical elements of the air transportation system. This funding supported mandatory screening of non-passengers and delivering a 95/15 target wait-time service level. In addition, it allowed CATSA to plan for the longer term and enabled CATSA to conduct focused and intentional engagement with industry, the community and government partners, as well as plan investment and deployment of new technology.

Prior to Budget 2023, CATSA has historically relied on annual supplemental funding from the Government of Canada to carry out its mandated activities. This supplemental funding ends in 2025/26, and CATSA requires additional funding in 2026/27 and beyond to deliver its core mandate.

Statistics from CATSA's Boarding Pass Security System, and other data sources, indicate that screened traffic across Canada increased to approximately 17 million passengers for the three months ended December 31, 2025, compared to 16.8 million passengers for the same period in 2024. CATSA works closely with its screening contractors, TC and external partners, to support the aviation industry.

Budget 2025 announced the results of the Comprehensive Expenditure Review (CER) in which CATSA's funding will decrease by a total of \$30.5 million in 2026/27, \$31.8 million in 2027/28, and \$48.9 million in 2028/29 onwards. CATSA will work with TC to implement these reductions, with consideration of the organization's security mandate and core mission to ensure the secure, efficient movement of people and goods across Canada's air transportation network and internationally, contributing to national security.

Cost Recovery Screening Services

In previous years, CATSA provided screening services on a cost recovery basis to certain designated and non-designated airports. In 2025/26, CATSA signed an agreement with Montreal Metropolitan Airport to support the upcoming launch of commercial operations as part of the cost recovery framework established in the CATSA Act.

Risks and Uncertainties

CATSA maintains effective corporate risk management to ensure that risks are identified, assessed and managed appropriately. A full assessment of CATSA's corporate risks, potential impacts and risk mitigations is disclosed in CATSA's *2025 Annual Report*.

Analysis of Financial Results

Condensed Interim Statement of Comprehensive Income (Loss)

The following section provides information on key variances within the Condensed Interim Statement of Comprehensive Income (Loss) for the three and nine months ended December 31, 2025, and December 31, 2024.

Key Financial Highlights - Condensed Interim Statement of Comprehensive Income (Loss)								
(Thousands of Canadian dollars)	Three months ended December 31				Nine months ended December 31			
(Unaudited)	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Expenses¹								
Screening services and other related costs	\$ 226,991	\$ 213,546	\$ 13,445	6.3%	\$ 678,875	\$ 623,828	\$ 55,047	8.8%
Equipment operating and maintenance	12,413	12,103	310	2.6%	38,593	38,761	(168)	(0.4%)
Program support and corporate services	29,706	28,023	1,683	6.0%	83,448	80,067	3,381	4.2%
Depreciation and amortization	14,807	13,094	1,713	13.1%	42,966	37,259	5,707	15.3%
Total expenses	283,917	266,766	17,151	6.4%	843,882	779,915	63,967	8.2%
Other expenses (income)	533	(756)	1,289	171%	1,620	(501)	2,121	423%
Financial performance before revenue and government funding	284,450	266,010	18,440	6.9%	845,502	779,414	66,088	8.5%
Revenue	534	721	(187)	(25.9%)	1,787	2,607	(820)	(31.5%)
Government funding								
Parliamentary appropriations for operating expenses	265,806	250,639	15,167	6.1%	790,620	733,369	57,251	7.8%
Amortization of deferred government funding related to capital expenditures	14,074	12,746	1,328	10.4%	40,607	35,515	5,092	14.3%
Parliamentary appropriations for lease payments	979	804	175	21.8%	2,907	2,382	525	22.0%
Total government funding	280,859	264,189	16,670	6.3%	834,134	771,266	62,868	8.2%
Financial performance	\$ (3,057)	\$ (1,100)	\$ (1,957)	(178%)	\$ (9,581)	\$ (5,541)	\$ (4,040)	(72.9%)
Other comprehensive income	4,830	5,799	(969)	(16.7%)	32,459	9,710	22,749	234.3%
Total comprehensive income (loss)	\$ 1,773	\$ 4,699	\$ (2,926)	(62.3%)	\$ 22,878	\$ 4,169	\$ 18,709	448.8%

¹ The Condensed Interim Statement of Comprehensive Income (Loss) presents operating expenses by program activity, whereas operating expenses above are presented by major expense type, as disclosed in note 11 of the unaudited condensed interim financial statements for the three and nine months ended December 31, 2025.

Screening Services and Other Related Costs

Screening services and other related costs increased by \$13,445 (6.3%) and by \$55,047 (8.8%) for the three and nine months ended December 31, 2025, respectively, compared to the same periods in 2024. The increases are mainly attributable to annual billing rate increases of \$9,012 and \$35,056, respectively, and changes to the non-passenger screening program totaling \$2,143 and \$7,670, respectively. The increase for the nine months ended December 31, 2025, is also attributable to the deployment of bilingual facilitators to elevate the client experience and ensure that screening procedures uphold the dignity of all travelers, including those with accessibility needs, totaling \$7,138.

Program Support and Corporate Services

Program support and corporate services increased by \$1,683 (6.0%) and by \$3,381 (4.2%) for the three and nine months ended December 31, 2025, respectively, compared to the same periods in 2024. The

increases are mainly due to higher employee-related costs due, in part, to costs related to workforce reductions under the CER.

Depreciation and Amortization

Depreciation and amortization increased by \$1,713 (13.1%) and by \$5,707 (15.3%) for the three and nine months ended December 31, 2025, respectively, compared to the same periods in 2024. The increases are primarily attributable to new equipment deployments and the change in estimated useful lives of some of CATSA's screening equipment.

Other Expenses (Income)

Other expenses increased by \$1,289 (171%) and by \$2,121 (423%) for the three and nine months ended December 31, 2025, respectively, compared to the same periods in 2024. The change is primarily due to net losses on the fair value of derivative financial instruments.

Government Funding

The Government of Canada collects the Air Travellers Security Charge and funds CATSA through appropriations from the federal Consolidated Revenue Fund for operating expenses and capital expenditures. Payments for CATSA's leases that are capitalized under IFRS 16 are funded through capital appropriations.

Parliamentary appropriations for operating expenses

Parliamentary appropriations for operating expenses increased by \$15,167 (6.1%) and by \$57,251 (7.8%) for the three and nine months ended December 31, 2025, respectively, compared to the same periods in 2024. The increases are primarily attributable to increased spending on screening services and other related costs, as discussed above.

Amortization of deferred government funding related to capital expenditures

Amortization of deferred government funding related to capital expenditures increased by \$1,328 (10.4%) and by \$5,092 (14.3%) for the three and nine months ended December 31, 2025, respectively, compared to the same periods in 2024. The increases are primarily attributable to higher depreciation and amortization expenses, as discussed above.

Parliamentary appropriations for lease payments

CATSA's lease payments are typically made in the same month the appropriations are received, therefore there is no deferred funding associated with these appropriations.

Other Comprehensive Income

Other comprehensive income is comprised of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets.

Other comprehensive income of \$4,830 for the three months ended December 31, 2025, was primarily attributable to a remeasurement gain \$4,897 on the defined benefit liability arising from a 10-basis point increase in the discount rate between September 30, 2025, and December 31, 2025.

Other comprehensive income of \$5,799 for the three months ended December 31, 2024, was primarily attributable to a remeasurement gain of \$4,626 on the defined benefit liability arising from a 10-basis point increase in the discount rate between September 30, 2024, and December 31, 2024. It was also attributable to a remeasurement gain of \$1,173 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions.

Other comprehensive income of \$32,459 for the nine months ended December 31, 2025, was primarily attributable to a remeasurement gain of \$17,624 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. It was also attributable to a remeasurement gain of \$14,835 on the defined benefit liability arising from a 30-basis point increase in the discount rate between March 31, 2025, and December 31, 2025.

Other comprehensive income of \$9,710 for the nine months ended December 31, 2024, was attributable to a remeasurement gain of \$13,815 resulting from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions. This was partially offset by a remeasurement loss of \$4,105 on the defined benefit liability arising from a 10-basis point decrease in the discount rate between March 31, 2024, and December 31, 2024.

For more information, refer to note 8 of the unaudited condensed interim financial statements.

Condensed Interim Statement of Financial Position

The following section provides information on key variances within the Condensed Interim Statement of Financial Position as at December 31, 2025, compared to March 31, 2025.

Key Financial Highlights - Condensed Interim Statement of Financial Position

(Thousands of Canadian dollars) (Unaudited)	December 31, 2025		March 31, 2025		\$ Change	% Change
Current assets	\$	199,162	\$	210,820	\$ (11,658)	(5.5%)
Non-current assets		522,920		476,565	46,355	9.7%
Total assets	\$	722,082	\$	687,385	\$ 34,697	5.0%
Current liabilities	\$	210,490	\$	213,684	\$ (3,194)	(1.5%)
Non-current liabilities		447,457		432,444	15,013	3.5%
Total liabilities	\$	657,947	\$	646,128	\$ 11,819	1.8%

Assets

Current assets decreased by \$11,658 (5.5%) primarily due to the following:

- Decrease in cash of \$76,997 mainly due to the timing of funds received from the Government of Canada;
- Decrease in inventory of \$2,336 primarily due to the net usage of uniforms;
- Decrease in prepaids of \$2,116 due to the impact of amortization, less additions; and
- Increase in trade and other receivables of \$70,576 due to an increase in parliamentary appropriations receivable, partially offset by a decrease in screening services – other receivable and recoverable sales taxes.

Non-current assets increased by \$46,355 (9.7%) primarily due to the following:

- Increase in employee benefits of \$29,322 relating to CATSA's Registered Pension Plan and Supplementary Retirement Plan;
- Increase in property and equipment and intangible assets of \$19,687 mainly due to acquisitions totaling \$60,392, partially offset by depreciation and amortization totaling \$40,477; and
- Decrease in right-of-use assets of \$2,595 mainly due to depreciation.

Liabilities

Current liabilities decreased by \$3,194 (1.5%) primarily due to the following:

- Decrease in deferred government funding related to operating expenditures of \$4,452 due to a reduction in inventories and prepaids, as discussed above; and
- Increase in trade and other payables of \$1,145 due to the timing of disbursements associated with obligations outstanding with suppliers.

Non-current liabilities increased by \$15,013 (3.5%) primarily due to the following:

- Increase in the deferred government funding related to capital expenditures of \$17,219 due to parliamentary appropriations used to fund capital expenditures of \$57,826 exceeding amortization of deferred government funding related to capital expenditures of \$40,607; and
- Decrease in the non-current portion of lease liabilities of \$2,528 mainly due to ongoing lease payments.

Financial Performance Against Corporate Plan

CATSA's operations are funded by parliamentary appropriations from the Government of Canada, as reflected in CATSA's *Summary of the 2025/26 to 2029/30 Corporate Plan*.

Parliamentary Appropriations Used

Appropriations used are reported on a near-cash accrual basis of accounting.

Operating Expenditures

The table below serves to reconcile financial performance reported under International Financial Reporting Standards (IFRS) and operating appropriations used.

Reconciliation of Financial Performance to Operating Appropriations Used				
(Thousands of Canadian dollars)	Three months ended		Nine months ended	
(Unaudited)	December 31		December 31	
	2025	2024	2025	2024
Financial performance before revenue and government funding	\$ 284,450	\$ 266,010	\$ 845,502	\$ 779,414
Revenue	(534)	(721)	(1,787)	(2,607)
Financial performance before government funding	283,916	265,289	843,715	776,807
Cost recovery adjustment ¹	(268)	-	(268)	-
Non-cash items				
Depreciation and amortization	(14,807)	(13,094)	(42,966)	(37,259)
Employee cost accruals ²	(1,497)	(1,462)	(4,665)	(4,742)
Employee benefits expense ³	(825)	(684)	(2,953)	(1,697)
Non-cash loss on foreign exchange recognized in financial performance	(240)	(29)	(500)	(47)
Change in fair value of financial instruments at fair value through profit and loss	(203)	1,145	(1,053)	1,177
Non-cash finance costs related to leases	(153)	(166)	(481)	(510)
Spare parts expense funded from capital	(59)	(360)	(122)	(360)
Loss on disposal of property and equipment	(58)	-	(39)	-
Write-off of property and equipment and intangible assets	-	-	(48)	-
Appropriations used for operating expenses	\$ 265,806	\$ 250,639	\$ 790,620	\$ 733,369
Other items affecting funding				
Net change in prepaids and inventories ⁴	(332)	1,144	(4,452)	(3,944)
Total operating appropriations used	\$ 265,474	\$ 251,783	\$ 786,168	\$ 729,425

¹ Montreal Metropolitan Airport (MET) services are provided on a cost-recovery basis. Operating expenses incurred are not funded by appropriations, creating a reconciling item.

² Employee cost accruals are accounting adjustments to record variable pay and accrued vacation used and incurred to December 31, 2025. These costs are only recorded for near-cash accrual purposes at year-end, creating a reconciling item during interim periods.

³ Employee benefits expense is accounted for in the Condensed Interim Statement of Comprehensive Income (Loss) in accordance with IFRS. The reconciling item above represents the difference between cash payments for employee benefits and the accounting expense under IFRS.

⁴ Prepaids and inventories funded through operating appropriations are expensed as the benefit is derived from the asset by CATSA. They are funded by appropriations when purchased, creating a reconciling item.

Capital Expenditures

The table below serves to reconcile capital expenditures reported under IFRS and capital appropriations used.

Reconciliation of Capital Expenditures to Capital Appropriations Used				
(Thousands of Canadian dollars)	Three months ended		Nine months ended	
(Unaudited)	December 31		December 31	
	2025	2024	2025	2024
Explosives Detection Systems (EDS)	\$ 26,116	\$ 8,222	\$ 56,630	\$ 33,134
Non-Explosives Detection Systems (Non-EDS)	1,629	1,656	3,762	3,453
Lease payments	979	804	2,907	2,382
Total capital expenditures	\$ 28,724	\$ 10,682	\$ 63,299	\$ 38,969
Cost recovery adjustment ¹	(2,498)	-	(2,908)	-
Non-cash adjustment on foreign exchange	239	-	361	17
Proceeds on disposal of property and equipment	-	-	(19)	-
Total capital appropriations used	\$ 26,465	\$ 10,682	\$ 60,733	\$ 38,986

¹ Equipment purchased for Montreal Metropolitan Airport (MET) is provided on a cost-recovery basis. Capital expenditures incurred are not funded by appropriations, creating a reconciling item.

Appropriations Used Compared to Corporate Plan

Parliamentary appropriations used for operating expenditures for the nine months ended December 31, 2025, are lower than planned. This is primarily due to delays in the introduction of Transport Canada's amendments to security measures relating to CATSA's non-passenger screening program. The remaining operating expenditures are largely in line with the operating budget in CATSA's approved *Summary of the 2025/26 to 2029/30 Corporate Plan* for the nine months ended December 31, 2025.

Parliamentary appropriations used for capital expenditures for the nine months ended December 31, 2025, are lower than planned. This is due to delays in capital spending associated with various EDS projects, resulting mainly from changes in airport project plans.

CATSA is on track to meet the organization's operating goals and objectives for the current year as outlined in CATSA's approved *Summary of the 2025/26 to 2029/30 Corporate Plan*.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these unaudited condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, and The Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report*, and for such internal controls as management determines are necessary to enable the preparation of the unaudited condensed interim financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the unaudited condensed interim financial statements.

Based on our knowledge, these unaudited condensed interim financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of CATSA, as at the date of and for the periods presented in the unaudited condensed interim financial statements.



Neil Parry
Interim President and Chief Executive Officer

Ottawa, Canada
February 19, 2026



Nancy Fitchett, CPA, CA
Vice-President, Corporate Affairs and
Chief Financial Officer

Ottawa, Canada
February 19, 2026

Condensed Interim Financial Statements of

Canadian Air Transport Security Authority

December 31, 2025

(Unaudited)

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Financial Position

(In thousands of Canadian dollars)	December 31, 2025	March 31, 2025
Assets		
Current assets		
Cash	\$ 25,218	\$ 102,215
Trade and other receivables (note 4)	150,947	80,371
Inventories	16,440	18,776
Prepays	6,487	8,603
Derivative financial assets	70	855
	199,162	210,820
Non-current assets		
Property and equipment (note 5)	403,487	382,154
Intangible assets (note 6)	11,233	12,879
Right-of-use assets (note 7)	14,069	16,664
Employee benefits asset (note 8)	94,131	64,809
Derivative financial assets	-	59
	522,920	476,565
Total assets	\$ 722,082	\$ 687,385
Liabilities and Equity		
Current liabilities		
Trade and other payables	\$ 184,094	\$ 182,949
Holdbacks	31	35
Lease liabilities (note 7)	3,248	3,263
Deferred government funding related to operating expenses (note 10)	22,927	27,379
Derivative financial liabilities	190	58
	210,490	213,684
Non-current liabilities		
Lease liabilities (note 7)	13,210	15,738
Deferred government funding related to capital expenditures (note 10)	406,909	389,690
Employee benefits liability (note 8)	22,261	22,445
Deferred revenue - screening services - other	5,000	4,571
Derivative financial liabilities	77	-
	447,457	432,444
Equity		
Accumulated surplus	64,135	41,257
Total liabilities and equity	\$ 722,082	\$ 687,385

Contingencies (note 9) and contractual commitments (note 13)

The accompanying notes are an integral part of these condensed interim financial statements.

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Comprehensive Income (Loss)

(In thousands of Canadian dollars)	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Expenses				
Pre-Board Screening	\$ 175,285	\$ 169,372	\$ 529,227	\$ 496,220
Hold Baggage Screening	47,535	42,916	139,953	125,821
Non-Passenger Screening	42,791	37,854	125,318	111,269
Restricted Area Identity Card Program	970	1,120	3,028	3,570
Corporate services	17,336	15,504	46,356	43,035
Total expenses (note 11)	283,917	266,766	843,882	779,915
Other expenses (income)				
Net loss (gain) on fair value of derivative financial instruments	203	(1,145)	1,053	(1,177)
Finance costs	154	167	491	516
Foreign exchange loss (gain)	118	222	(11)	160
Loss on disposal of property and equipment	58	-	39	-
Write-off of property and equipment and intangible assets	-	-	48	-
Total other expenses (income)	533	(756)	1,620	(501)
Financial performance before revenue and government funding	284,450	266,010	845,502	779,414
Revenue				
Finance income	510	707	1,720	2,566
Miscellaneous income	24	14	67	41
Total revenue	534	721	1,787	2,607
Government funding				
Parliamentary appropriations for operating expenses	265,806	250,639	790,620	733,369
Amortization of deferred government funding related to capital expenditures	14,074	12,746	40,607	35,515
Parliamentary appropriations for lease payments	979	804	2,907	2,382
Total government funding (note 10)	280,859	264,189	834,134	771,266
Financial performance	\$ (3,057)	\$ (1,100)	\$ (9,581)	\$ (5,541)
Other comprehensive income				
Item that will not be reclassified to financial performance				
Remeasurement of defined benefit plans (note 8)	4,830	5,799	32,459	9,710
Total comprehensive income (loss)	\$ 1,773	\$ 4,699	\$ 22,878	\$ 4,169

The accompanying notes are an integral part of these condensed interim financial statements.

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Changes in Equity

(In thousands of Canadian dollars)

For the three months ended December 31: Accumulated surplus

Balance, September 30, 2025	\$ 62,362
Financial performance	(3,057)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 8)	4,830

Balance, December 31, 2025	\$ 64,135
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Balance, September 30, 2024	\$ 36,371
Financial performance	(1,100)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 8)	5,799

Balance, December 31, 2024	\$ 41,070
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For the nine months ended December 31: Accumulated surplus

Balance, March 31, 2025	\$ 41,257
Financial performance	(9,581)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 8)	32,459

Balance, December 31, 2025	\$ 64,135
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Balance, March 31, 2024	\$ 36,901
Financial performance	(5,541)
Item that will not be reclassified to financial performance	
Remeasurement of defined benefit plans (note 8)	9,710

Balance, December 31, 2024	\$ 41,070
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The accompanying notes are an integral part of these condensed interim financial statements.

Canadian Air Transport Security Authority

(Unaudited)

Condensed Interim Statement of Cash Flows

(In thousands of Canadian dollars)

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Cash flows provided by (used in)				
Operating activities				
Financial performance	\$ (3,057)	\$ (1,100)	\$ (9,581)	\$ (5,541)
Items not involving cash				
Depreciation and amortization (note 11)	14,807	13,094	42,966	37,259
Change in net employee benefits asset/liability	825	684	2,953	1,697
Change in fair value of financial instruments at fair value through profit and loss	203	(1,145)	1,053	(1,177)
Other non-cash transactions	59	360	122	360
Loss on disposal of property and equipment	58	-	39	-
Amortization of deferred government funding related to capital expenditures (note 10)	(14,074)	(12,746)	(40,607)	(35,515)
Write-off of property and equipment and intangible assets	-	-	48	-
Net change in working capital balances (note 15)	(18,327)	(34,334)	(89,025)	(16,579)
	(19,506)	(35,187)	(92,032)	(19,496)
Investing activities				
Parliamentary appropriations received for capital funding (note 10)	33,021	10,196	64,731	38,474
Purchase of property and equipment	(18,771)	(11,532)	(47,150)	(22,959)
Purchase of intangible assets	(35)	(110)	(109)	(770)
	14,215	(1,446)	17,472	14,745
Financing activities				
Lease principal payments	(825)	(639)	(2,437)	(1,873)
	(825)	(639)	(2,437)	(1,873)
Decrease in cash	(6,116)	(37,272)	(76,997)	(6,624)
Cash, beginning of period	31,334	40,603	102,215	9,955
Cash, end of period	\$ 25,218	\$ 3,331	\$ 25,218	\$ 3,331

The accompanying notes are an integral part of these condensed interim financial statements.

Canadian Air Transport Security Authority

Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
(In thousands of Canadian dollars)
(Unaudited)

1. Corporate information

CATSA is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* and is an agent of His Majesty in right of Canada. CATSA's mandate is to provide effective and efficient screening of persons who access aircraft or restricted areas through screening points, the property in their possession or control and the belongings or baggage that they give to an air carrier for transport.

CATSA is funded by parliamentary appropriations and accountable to Parliament through the Minister of Transport. In 2025/26, CATSA signed an agreement with Montreal Metropolitan Airport to support the upcoming launch of commercial operations as part of the cost recovery framework established in the *CATSA Act*.

In January 2026, P.C. 2026-0009 was issued pursuant to section 89 of the FAA, which directs CATSA to align its policies, guidelines and practices with the *Buy Canadian Procurement Policy Framework* and the policy instruments issued under section 6 of that framework, in a manner that is consistent with its mandate. CATSA will align its policies, guidelines and practices by April 1, 2026.

These condensed interim financial statements have been authorized for issuance by the Board of Directors on February 19, 2026.

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with Section 131.1 of the *Financial Administration Act* and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) and approved by the Accounting Standards Board of Canada.

Section 131.1 of the *Financial Administration Act* requires that most parent Crown corporations prepare and make public quarterly financial reports in compliance with the Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report*. These condensed interim financial statements have not been audited or reviewed by CATSA's external auditor.

As permitted by IAS 34, these interim financial statements are presented on a condensed basis and therefore do not include all necessary disclosures to conform, in all material respects, with IFRS disclosure requirements applicable to annual financial statements. These condensed interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements. Accordingly, they should be read in conjunction with CATSA's audited annual financial statements for the year ended March 31, 2025.

These condensed interim financial statements were prepared under the historical cost convention, except as required or permitted by IFRS and as indicated in note 3 of CATSA's audited annual financial statements for the year ended March 31, 2025. Historical cost is generally based on the fair value of the consideration given up in exchange for goods and services at the transaction date.

3. Summary of material accounting policy information

Material accounting policy information used in these condensed interim financial statements are disclosed in note 3 of CATSA's audited annual financial statements for the year ended March 31, 2025.

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Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
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4. Trade and other receivables

Trade and other receivables are comprised of:

	December 31, 2025	March 31, 2025
Parliamentary appropriations	\$ 136,901	\$ 59,665
GST and HST recoverable	10,350	12,248
PST recoverable	3,652	3,204
Screening services - other	44	5,254
	\$ 150,947	\$ 80,371

Screening services – other, relates to Montreal Metropolitan Airport (MET) services that are provided on a cost-recovery basis.

5. Property and equipment

A reconciliation of property and equipment is as follows:

	PBS Equipment	HBS Equipment	NPS Equipment	RAIC Equipment	Computer, Electronic & Other Equipment	Leasehold Improve- ments	Work-in- progress	Total
Cost as at April 1, 2025	\$ 184,491	\$ 675,386	\$ 22,273	\$ 4,261	\$ 27,806	\$ 7,788	\$ 40,234	\$ 962,239
Additions	22,005	2,045	(68)	23	1,515	36	34,719	60,275
Disposals/ Write-offs	(3,645)	(1,387)	(149)	-	(936)	(83)	(48)	(6,248)
Transfers	9,749	11,900	162	768	3,178	-	(25,757)	-
Cost as at December 31, 2025	\$ 212,600	\$ 687,944	\$ 22,218	\$ 5,052	\$ 31,563	\$ 7,741	\$ 49,148	\$ 1,016,266
Accumulated depreciation as at April 1, 2025	\$ 113,158	\$ 421,994	\$ 17,627	\$ 1,732	\$ 19,842	\$ 5,732	\$ -	\$ 580,085
Depreciation	8,842	25,291	565	597	2,872	547	-	38,714
Disposals/ Write-offs	(3,483)	(1,369)	(149)	-	(936)	(83)	-	(6,020)
Accumulated depreciation as at December 31, 2025	\$ 118,517	\$ 445,916	\$ 18,043	\$ 2,329	\$ 21,778	\$ 6,196	\$ -	\$ 612,779
Carrying amounts as at December 31, 2025	\$ 94,083	\$ 242,028	\$ 4,175	\$ 2,723	\$ 9,785	\$ 1,545	\$ 49,148	\$ 403,487

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Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
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6. Intangible assets

A reconciliation of intangible assets is as follows:

	Externally acquired software	Internally developed software	Under develop- ment	Total
Cost as at April 1, 2025	\$ 13,906	\$ 17,217	\$ 612	\$ 31,735
Additions	-	(4)	121	117
Write-offs	(719)	(417)	-	(1,136)
Transfers	-	612	(612)	-
Cost as at December 31, 2025	\$ 13,187	\$ 17,408	\$ 121	\$ 30,716
Accumulated amortization as at April 1, 2025	\$ 7,783	\$ 11,073	\$ -	\$ 18,856
Amortization	704	1,059	-	1,763
Write-offs	(719)	(417)	-	(1,136)
Accumulated amortization as at December 31, 2025	\$ 7,768	\$ 11,715	\$ -	\$ 19,483
Carrying amounts as at December 31, 2025	\$ 5,419	\$ 5,693	\$ 121	\$ 11,233

7. Leases

Right-of-use assets

A reconciliation of right-of-use assets is as follows:

	Office space	Data centres	Total
Balance, April 1, 2025	\$ 16,192	\$ 472	\$ 16,664
Additions	100	-	100
Decreases	(206)	-	(206)
Depreciation	(2,331)	(158)	(2,489)
Balance, December 31, 2025	\$ 13,755	\$ 314	\$ 14,069

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Lease liabilities

CATSA has included extension options in the measurement of its lease liabilities when it is reasonably certain to exercise the extension option.

A reconciliation of lease liabilities is as follows:

	December 31, 2025	March 31, 2025
Balance, beginning of period	\$ 19,001	\$ 19,197
Additions	100	2,667
Finance costs	470	674
Lease payments (note 10)	(2,907)	(3,242)
Decreases	(206)	(307)
Foreign exchange revaluation	-	12
Balance, end of period	\$ 16,458	\$ 19,001

Balance, end of period		
Current	\$ 3,248	\$ 3,263
Non-current	13,210	15,738

CATSA recognized the following expenses not included in the measurement of the lease liabilities as follows:

	Three months ended December 31		Nine months ended December 31	
	2025	2024	2025	2024
Variable lease payments ¹	\$ 510	\$ 512	\$ 1,500	\$ 1,524
Short-term leases	15	146	28	450
Low value leases	19	11	33	36
Other lease costs (note 11)	\$ 544	\$ 669	\$ 1,561	\$ 2,010

¹ Variable lease payments include operating costs, property taxes, insurance, and other service-related costs.

For the three and nine months ended December 31, 2025, CATSA recognized a total cash outflow for leases of \$1,523 (2024 - \$1,473) and \$4,468 (2024 - \$4,392), respectively.

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The following table presents the undiscounted cash flows for contractual lease obligations:

	December 31, 2025	March 31, 2025
Less than one year	\$ 6,267	\$ 5,957
One to five years	6,969	10,257
Greater than five years	282	471
	\$ 13,518	\$ 16,685

8. Employee benefits

Employee benefits asset and liability

Employee benefits asset and liability recognized and presented in the Condensed Interim Statement of Financial Position are detailed as follows:

	December 31, 2025	March 31, 2025
Employee benefits asset		
Registered pension plan (RPP)	\$ 91,064	\$ 63,391
Supplementary retirement plan (SRP)	3,067	1,418
	94,131	64,809
Employee benefits liability		
Other defined benefits plan (ODBP)	(22,261)	(22,445)
	(22,261)	(22,445)
Employee benefits - net asset	\$ 71,870	\$ 42,364

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Employee benefits costs

The elements of employee benefits costs are as follows:

	For the three months ended December 31							
	RPP		SRP		ODBP		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Defined benefit cost recognized in financial performance								
Current service cost	\$ 1,327	\$ 1,299	\$ 36	\$ 31	\$ 157	\$ 132	\$ 1,520	\$ 1,462
Administration costs	81	82	6	6	-	-	87	88
Interest cost on defined benefit obligation	2,882	2,751	104	90	275	230	3,261	3,071
Interest income on plan assets	(3,563)	(3,357)	(121)	(111)	-	-	(3,684)	(3,468)
	\$ 727	\$ 775	\$ 25	\$ 16	\$ 432	\$ 362	\$ 1,184	\$ 1,153

Remeasurement of defined benefit plans recognized in other comprehensive income

Return on plan assets excluding interest income	\$ (194)	\$ 1,089	\$ 127	\$ 84	\$ -	\$ -	\$ (67)	\$ 1,173
Actuarial gains	4,335	4,143	149	132	413	351	4,897	4,626
	\$ 4,141	\$ 5,232	\$ 276	\$ 216	\$ 413	\$ 351	\$ 4,830	\$ 5,799

	For the nine months ended December 31							
	RPP		SRP		ODBP		Total	
	2025	2024	2025	2024	2025	2024	2025	2024

Defined benefit cost recognized in financial performance

Current service cost	\$ 3,979	\$ 3,897	\$ 108	\$ 93	\$ 472	\$ 396	\$ 4,559	\$ 4,386
Administration costs	243	244	18	18	-	-	261	262
Interest cost on defined benefit obligation	8,646	8,253	312	271	823	691	9,781	9,215
Interest income on plan assets	(10,689)	(10,071)	(361)	(332)	-	-	(11,050)	(10,403)
	\$ 2,179	\$ 2,323	\$ 77	\$ 50	\$ 1,295	\$ 1,087	\$ 3,551	\$ 3,460

Remeasurement of defined benefit plans recognized in other comprehensive income

Return on plan assets excluding interest income	\$ 16,733	\$ 13,492	\$ 891	\$ 323	\$ -	\$ -	\$ 17,624	\$ 13,815
Actuarial gains (losses)	13,119	(3,626)	457	(132)	1,259	(347)	14,835	(4,105)
	\$ 29,852	\$ 9,866	\$ 1,348	\$ 191	\$ 1,259	\$ (347)	\$ 32,459	\$ 9,710

For the three and nine months ended December 31, 2025, CATSA recognized an expense of \$479 (2024 - \$430) and \$1,239 (2024 - \$1,087), respectively, in relation to the defined contribution component of the RPP.

Significant actuarial assumptions

Assumptions used to measure the defined benefit plan assets and liabilities are reviewed and, as necessary, revised at each reporting period. This typically includes reviewing the discount rates and actual rate of return on the plan assets against rates previously estimated, to reflect the current assumptions and

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circumstances. Changes to actuarial assumptions result in remeasurement gains and/or losses recognized in other comprehensive (loss) income.

For the three months ended December 31, 2025, remeasurement gains of \$4,830 resulted from an increase in the discount rate of 10 basis points (from 5.00% at September 30, 2025, to 5.10% at December 31, 2025).

For the three months ended December 31, 2024, remeasurement gains of \$5,799 resulted from an increase in the discount rate of 10 basis points (from 4.70% at September 30, 2024 to 4.80% at December 31, 2024). The gains also resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (1.71% actual versus 1.23% expected).

For the nine months ended December 31, 2025, remeasurement gains of \$32,459 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (9.22% actual versus 3.60% expected). The gains also resulted from an increase in the discount rate of 30 basis points (from 4.80% at March 31, 2025 to 5.10% at December 31, 2025).

For the nine months ended December 31, 2024, remeasurement gains of \$9,710 resulted from a higher actual rate of return on plan assets than the rate used in CATSA's assumptions for the RPP (8.80% actual versus 3.68% expected). This was partially offset by a decrease in the discount rate of 10 basis points (from 4.90% at March 31, 2024 to 4.80% at December 31, 2024).

Employer contributions

Employer contributions paid to the defined benefit plans are as follows:

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Employer contributions				
RPP	\$ -	\$ -	\$ -	\$ 1,083
SRP	288	398	378	473
ODBP	71	71	220	207
	\$ 359	\$ 469	\$ 598	\$ 1,763

Starting July 1, 2024, the Canada Revenue Agency (CRA), in accordance with the *Income Tax Act*, required that CATSA take a forced employer contribution holiday for the defined benefit component of the RPP. For the year ending March 31, 2026, the total employer contributions to CATSA's defined benefit plans for the SRP and ODBP components, are estimated to be \$921.

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Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
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9. Provisions and contingencies

Several claims, audits and legal proceedings have been asserted or instituted against CATSA. By nature, these amounts are subject to many uncertainties and the outcome of the individual matters is not always predictable. As at December 31, 2025, none of the above are expected, individually or in the aggregate, to have a material adverse effect on the financial statements.

Provisions

During the nine months ended December 31, 2025, there were no provisions recorded.

Contingencies – Decommissioning costs

During the nine months ended December 31, 2025, there have been no material changes to contingencies related to decommissioning costs. For a description of CATSA's decommissioning costs, refer to note 9 of CATSA's audited annual financial statements for the year ended March 31, 2025.

10. Government funding

Government funding

Parliamentary appropriations approved for the fiscal year and amounts used by CATSA during the nine months ended December 31 are as follows:

	2025	2024
Parliamentary appropriations approved for the fiscal year	\$ 1,215,469	\$ 1,210,835
Parliamentary appropriations used to date to fund operating expenses	(786,168)	(729,425)
Parliamentary appropriations used to date to fund capital expenditures and lease payments	(60,733)	(38,986)
Unused parliamentary appropriations	\$ 368,568	\$ 442,424

The following table reconciles parliamentary appropriations for operating expenses that were received and receivable with the amount of appropriations used:

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Parliamentary appropriations received	\$ 257,000	\$ 157,000	\$ 702,027	\$ 573,807
Amounts received related to prior periods	(121,694)	(171,642)	(46,027)	(110,807)
Parliamentary appropriations receivable	130,168	266,425	130,168	266,425
Parliamentary appropriations used to fund operating expenses	\$ 265,474	\$ 251,783	\$ 786,168	\$ 729,425

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Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
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The following table reconciles parliamentary appropriations for capital expenditures and lease payments that were received and receivable with the amount of appropriations used:

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Parliamentary appropriations received	\$ 33,021	\$ 10,196	\$ 64,731	\$ 38,474
Amounts receivable related to prior periods	(14,268)	(8,304)	(13,638)	(9,856)
Parliamentary appropriations receivable	6,733	7,986	6,733	7,986
Parliamentary appropriations used to fund capital expenditures	25,486	9,878	57,826	36,604
Parliamentary appropriations used to fund lease payments (note 7)	979	804	2,907	2,382
Parliamentary appropriations used to fund capital expenditures and lease payments	\$ 26,465	\$ 10,682	\$ 60,733	\$ 38,986

Deferred government funding

A reconciliation of the deferred government funding liability is as follows:

	December 31, 2025	March 31, 2025
Deferred government funding related to operating expenses		
Balance, beginning of period	\$ 27,379	\$ 22,968
Parliamentary appropriations used to fund operating expenses	786,168	1,006,527
Parliamentary appropriations for operating expenses recognized in financial performance	(790,620)	(1,002,116)
Balance, end of period	\$ 22,927	\$ 27,379
Deferred government funding related to capital expenditures		
Balance, beginning of period	\$ 389,690	\$ 368,994
Parliamentary appropriations used to fund capital expenditures	57,826	68,897
Amortization of deferred government funding related to capital expenditures recognized in financial performance	(40,607)	(48,201)
Balance, end of period	\$ 406,909	\$ 389,690
Total deferred government funding, end of period	\$ 429,836	\$ 417,069

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Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
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11. Expenses

The Condensed Interim Statement of Comprehensive Income (Loss) presents operating expenses by program activity. The following table presents operating expenses by major expense type:

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Screening services and other related costs				
Payments to screening contractors	\$ 222,800	\$209,073	\$ 667,323	\$ 611,781
Uniforms and other screening costs	2,256	2,886	7,073	7,615
Trace and consumables	1,935	1,587	4,479	4,432
	226,991	213,546	678,875	623,828
Equipment operating and maintenance				
Equipment maintenance and spare parts	11,865	11,454	36,759	36,799
Training and certification	308	343	1,127	1,176
RAIC	240	306	707	786
	12,413	12,103	38,593	38,761
Program support and corporate services				
Employee costs	23,320	20,014	66,168	58,925
Office and computer expenses	3,309	3,444	8,265	8,264
Professional services and other business related costs ¹	1,506	1,868	4,100	4,804
Other administrative costs ²	783	1,795	2,544	5,393
Other lease costs (note 7)	544	669	1,561	2,010
Communications and public awareness	244	233	810	671
	29,706	28,023	83,448	80,067
Depreciation and amortization				
Depreciation of property and equipment (note 5)	13,403	11,842	38,714	33,489
Depreciation of right-of-use assets (note 7)	819	685	2,489	2,033
Amortization of intangible assets (note 6)	585	567	1,763	1,737
	14,807	13,094	42,966	37,259
	\$ 283,917	\$266,766	\$ 843,882	\$ 779,915

¹ Other business related costs include travel expenses, conference fees, membership and association fees, and meeting expenses.

² Other administrative costs include insurance, network and telephone expenses, and facilities maintenance.

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12. Fair values of financial instruments

Derivative financial instruments are recorded at fair value in the Condensed Interim Statement of Financial Position. The fair values of CATSA's derivative financial instruments approximate their carrying amount due to the nature of the instruments.

CATSA's derivative financial instruments are categorized as Level 2, based on observable inputs other than quoted prices. There were no transfers between levels during the nine months ended December 31, 2025, or the year ended March 31, 2025.

13. Contractual commitments

During the three and nine months ended December 31, 2025, there have been no material changes to CATSA's contractual commitments, other than the usage against contracts relating to Payments to screening contractors, as well as Equipment Maintenance & Spare Parts and activity relating to Property and Equipment and Intangible Assets.

For a description of CATSA's contractual commitments, refer to note 13 of CATSA's audited annual financial statements for the year ended March 31, 2025.

14. Related party transactions

CATSA had the following transactions with related parties:

Government of Canada, its agencies and other Crown corporations

CATSA is wholly owned by the Government of Canada and is under common control with other Government of Canada departments, agencies and Crown corporations. CATSA enters into transactions with these entities in the normal course of operations. These related party transactions are based on normal trade terms applicable to all individuals and corporations.

CATSA's primary source of funding is parliamentary appropriations received from the Government of Canada, as disclosed in note 10. Parliamentary appropriations receivable is included in trade and other receivables and disclosed in note 4.

Transactions with CATSA's post-employment benefit plans

Transactions with the RPP, SRP and ODBP are conducted in the normal course of business. The transactions with CATSA's post-employment benefit plans consist of contributions as disclosed in note 8.

No other transactions were made during the three and nine month periods.

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Notes to the Condensed Interim Financial Statements for the three and nine months ended December 31, 2025
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15. Supplementary cash flow information

The following table presents the net change in working capital balances:

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
Trade and other receivables ¹	\$ (12,590)	\$ (94,449)	\$ (77,481)	\$ (155,054)
Inventories	14	(1,797)	2,336	(58)
Prepays	318	653	2,116	4,002
Trade and other payables ²	(5,778)	60,115	(11,585)	138,475
Deferred government funding related to operating expenses	(332)	1,144	(4,452)	(3,944)
Deferred revenue - screening services – other ³	41	-	41	-
	\$ (18,327)	\$ (34,334)	\$ (89,025)	\$ (16,579)

¹ For the three and nine months ended December 31, 2025, the change in trade and other receivables excludes amounts of \$7,535 (2024 – \$318) and \$6,905 (2024 – \$1,870), respectively, in relation to government funding related to capital expenditures, as these amounts relate to investing activities.

² For the three and nine months ended December 31, 2025, the change in trade and other payables excludes amounts of \$8,543 (2024 – \$1,814) and \$12,730 (2024 – \$12,939), respectively, in relation to the acquisition of property and equipment and intangible assets, as these amounts relate to investing activities.

³ The change in Deferred Revenue excludes an amount of \$388 (2024 – \$Nil) in relation to the acquisition of property and equipment, as the amount relates to investing activities.