



**Management's Discussion and Analysis  
of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30,  
2025**

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# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **1. INTRODUCTION AND KEY ASSUMPTIONS**

The following is the Management's Discussion and Analysis ("MD&A") of the condensed consolidated interim financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three and nine month periods ended September 30, 2025. The following also includes a discussion of and comparative operating results for the three and nine month periods ended September 30, 2024.

Cargojet is publicly listed with shares and hybrid debentures traded on the Toronto Stock Exchange ("TSX"). The Company is incorporated in Ontario and domiciled in Canada and the registered office is located at 2281 North Sheridan Way, Mississauga, Ontario, L5K 2S3.

The MD&A was approved by the Board of Directors and authorized for issuance on November 4, 2025. The condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three and nine month periods ended September 30, 2025 and 2024 and with the audited consolidated financial statements of the Company for the years ended December 31, 2024 and 2023.

All amounts in the MD&A are expressed in Canadian dollars unless otherwise noted.

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of the management of the Company. See the MD&A for the three month period and year ended December 31, 2024 dated February 17, 2025 which was filed with SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) for a more complete discussion of the risks affecting the Company's business.

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### **CAUTION CONCERNING FORWARD LOOKING STATEMENTS**

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “project” and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect Cargojet's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Examples of the factors that can affect the results are government regulations, competition, seasonal fluctuations, international trade, climate-change, retention of key personnel, labour relations, terrorist activity, general industry risk and economic sensitivity, the Company's ability to manage growth and profitability, fuel prices, other cost controls and foreign exchange fluctuations, and capability of maintaining its fleet. The risk and uncertainties are detailed in the “Risk Factors” section of the MD&A for the three month period and year ended December 31, 2024 and the Annual Information Form for the fiscal year ended December 31, 2024 (the “AIF”), which were filed with SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Forward looking statements are based on a number of material factors, expectations or assumptions of the Company which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. The statements are based on the following factors: the continued and timely development of infrastructure, continued availability of debt financing and cash flows, future commodity prices, currency, exchange and interest rates, regulatory framework regarding taxes and environmental matters in the jurisdictions in which the Company operates.

This document contains forward-looking statements that reflect management's current expectations related to matters such as future financial performance and liquidity and capital resources of the Company. Specific forward-looking statements in this document include, but are not limited to, statements with respect to:

- Outlook and Strategic Update – Page 6.
- Fleet Overview – Page 9.
- Off-Balance Sheet Arrangements – Page 39.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. The Company cautions that the list of risk factors and uncertainties described in this MD&A and the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained herein represents our expectations as of the date hereof (or as the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

# CARGOJET INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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### 2. FINANCIAL INFORMATION AND OPERATING STATISTICS HIGHLIGHTS

(Unaudited - Canadian dollars in millions, except where indicated)

	Three Month Periods Ended September 30,				Nine Month Periods Ended September 30,			
	2025	2024	Change	%	2025	2024	Change	%
Domestic network, ACMI and charter revenues	\$187.1	\$205.4	(\$18.3)	(8.9%)	\$601.9	\$577.7	\$24.2	4.2%
Fuel surcharge and other revenues	\$40.7	\$44.6	(\$3.9)	(8.7%)	\$124.2	\$145.0	(\$20.8)	(14.3%)
Total revenues excluding warrant amortization	\$227.8	\$250.0	(\$22.2)	(8.9%)	\$726.1	\$722.7	\$3.4	0.5%
Amortization of stock warrant contract assets	(\$7.9)	(\$4.4)	(\$3.5)	79.5%	(\$18.1)	(\$15.1)	(\$3.0)	19.9%
Total revenues	\$219.9	\$245.6	(\$25.7)	(10.5%)	\$708.0	\$707.6	\$0.4	0.1%
Direct expenses	\$190.3	\$183.2	\$7.1	3.9%	\$576.1	\$555.4	\$20.7	3.7%
Gross margin	\$29.6	\$62.4	(\$32.8)	(52.6%)	\$131.9	\$152.2	(\$20.3)	(13.3%)
Gross margin - (%)	13.5%	25.4%	(11.9%)		18.6%	21.5%	(2.9%)	
Selling, general and administrative expenses	\$17.5	\$24.3	(\$6.8)	(28.0%)	\$57.4	\$65.3	(\$7.9)	(12.1%)
Net finance costs and other gains and losses	\$3.0	\$2.2	\$0.8	36.4%	\$14.9	\$27.4	(\$12.5)	(45.6%)
Share of gain in associate	(\$0.6)	(\$0.3)	(\$0.3)	(100.0%)	(\$2.1)	(\$0.9)	(\$1.2)	(133.3%)
Earnings before income taxes	\$9.7	\$36.2	(\$26.5)	(73.2%)	\$61.7	\$60.4	\$1.3	2.2%
Income taxes	\$0.9	\$6.5	(\$5.6)	(86.2%)	\$8.1	\$23.2	(\$15.1)	(65.1%)
Net earnings	\$8.8	\$29.7	(\$20.9)	(70.4%)	\$53.6	\$37.2	\$16.4	44.1%
Adjusted net earnings <sup>(1)</sup>	\$4.9	\$23.6	(\$18.7)	(79.2%)	\$45.9	\$58.9	(\$13.0)	(22.1%)
Earnings per share								
Basic	\$0.58	\$1.85	(\$1.27)	(68.6%)	\$3.50	\$2.27	\$1.23	54.2%
Diluted	\$0.58	\$1.78	(\$1.20)	(67.4%)	\$3.46	\$2.27	\$1.19	52.4%
Adjusted <sup>(1)</sup>	\$0.32	\$1.48	(\$1.16)	(78.4%)	\$3.00	\$3.59	(\$0.59)	(16.4%)
Adjusted EBITDA <sup>(1)</sup>	\$70.4	\$82.2	(\$11.8)	(14.4%)	\$231.4	\$239.7	(\$8.3)	(3.5%)
Adjusted EBITDA margin <sup>(1)</sup> - (%)	32.0%	33.5%	(1.5%)		32.7%	33.9%	(1.2%)	
Net cash from operating activities	\$112.1	\$96.2	\$15.9	16.5%	\$204.9	\$225.0	(\$20.1)	(8.9%)
Free cash flow <sup>(1)</sup>	\$152.4	\$47.8	\$104.6	218.8%	\$34.0	\$217.0	(\$183.0)	(84.3%)
Operating statistics <sup>(2)</sup>								
Operating days <sup>(3)</sup>	49	49	-	-	148	149	(1)	(0.7%)
Average domestic network revenue per operating day <sup>(4)</sup>	2.03	1.91	0.12	6.3%	2.07	1.83	0.24	13.1%
Block hours <sup>(5)</sup>	15,861	18,928	(3,067)	(16.2%)	49,046	53,866	(4,820)	(8.9%)
B757-200	16	17	(1.0)		16	17	(1.0)	
B767-200	3	3	-		3	3	-	
B767-300	22	21	1.0		22	21	1.0	
Cargo operating fleet	41	41	-	0.0%	41	41	-	0.0%
Head count	1,838	1,892	(54)	(2.9%)	1,838	1,892	(54)	(2.9%)

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1. Non-GAAP measures. See "Non-GAAP Financial Measures" section.
2. The definitions for the Operating statistics included in this table are provided in the notes below.
3. Operating days refer to the days on which the full domestic network air cargo network is in operation. The Company's domestic network air cargo network operates primarily from Monday to Thursday with a reduced network operating on Friday, weekends and on certain weekdays that are adjacent to certain statutory holidays.
4. Average domestic network revenue per operating day refers to total domestic network revenues earned by the Company per operating day.
5. Block hours refer to the total duration of a flight from the time the aircraft releases its brakes when it initially moves from the airport parking area prior to flight, to the time the brakes are set when it arrives at the airport parking area after the completion of the flight.

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### **3. OUTLOOK AND STRATEGIC UPDATE**

Note: See Caution Concerning Forward Looking Statements, page 3.

Against the backdrop of an increasingly complex and uncertain air cargo landscape, Cargojet entered the back half of 2025 with diversified revenue streams, a focus on disciplined cost management, and a resilient operating model anchored by high-quality, long-term agreements with major customers. As a result, Cargojet expects to continue to deliver strong EBITDA margin performance in the short-term despite the headwinds of geopolitical uncertainty and disruption of historical trading norms, while being well-positioned to take advantage of market realignment in the longer-term.

In Q3, Cargojet's Domestic network revenue growth remained robust at 6% year-over-year, demonstrating the value of the Company's diversified revenue model as ACMI and Charter revenues were down year-over-year impacted by global trade uncertainty and changing demand patterns. Cargojet expects volatility in trading patterns to persist in the near-term, but continues to monitor the marketplace for emerging trade agreements and longer-term realignment for new opportunities.

Cargojet's focus on cost discipline allowed the business to deliver Q3 Adjusted EBITDA margin of 32%, demonstrating management's ability to scale costs in line with revenues in the current period of trade disruption. Management continues to identify opportunities to optimize its cost structure, and expects to continue to deliver strong margin performance in the near-term.

In the quarter, Cargojet renewed long-term agreements with two key strategic partners, Amazon and DHL, until 2029 and 2033 respectively, with options to extend both agreements even further into the 2030s. These agreements enable long-term stability of Cargojet's business model and provide opportunities for growth with those customers.

Fleet flexibility and prudent capital allocation remain priorities for Cargojet. During the quarter, the Company sold one B767-300 aircraft and leased one 757-200 aircraft to a third party, reducing its overall fleet size to 41. In the fourth quarter of 2025, Cargojet expects to take delivery of one B767-300 aircraft from conversion and to complete the sale of one further B767-300 aircraft, resulting in no net change to the overall fleet size. On October 9, 2025, Cargojet completed the redemption of the \$115 million aggregate principal amount outstanding on its 5.25% senior unsecured debentures due June 30, 2026 using a portion of the proceeds of the offering of its 4.599% senior unsecured notes which closed on June 30, 2025, lowering overall interest costs.

The Company remains disciplined in its capital allocation framework, prioritizing:

1. Sustained dividend growth;
2. Pursuit of accretive growth opportunities;
3. Opportunistic execution of its share buyback program; and
4. Maintaining a Net Debt to Adjusted EBITDA leverage ratio of 1.5x to 2.5x over the long term

Management remains confident in its ability to navigate near-term uncertainties while delivering long-term value to shareholders, supported by a resilient operating model.

1. See Caution Concerning Forward Looking Statements, page 3. See "Non-GAAP Financial Measures" section.



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### **4. RECENT EVENTS**

#### DHL Consolidated Charter (CCA) and Warrants Agreement

On August 6, 2025, the Company amended this agreement under which both parties agreed to cancel all vested and unvested outstanding warrants and issued a new warrant certificate dated August 6, 2025 to DHL and its affiliates to purchase up to an aggregate of 1,000,000 variable voting shares at an exercise price of \$93.61 representing 6.4% of the Company's equity on a fully diluted basis. The parties also agreed to extend the term of the current CCA to provide air transportation services on ACMI basis (by providing aircraft, crew, maintenance and insurance) for DHL's global network for an additional six years after its expiry on March 28, 2027, with a renewal option for two additional terms of two years. Under the revised warrant agreement, Existing Business Warrant Shares represent 1.6% and Growth Business Warrant Shares represent 3.2% of the aggregate of the currently issued and outstanding voting shares of the Company. Existing Business Warrant Shares, when fully vested, will give DHL a right to purchase up to an aggregate of 250,000 shares and Growth Business Warrant Shares will give a right to purchase an aggregate of 500,000 shares. The exercise price of both Existing and Growth Warrant Shares is \$93.61 per voting share. 250,000 warrant shares or 1.6% of Warrant Shares vested immediately upon the execution of the agreement. Vesting of warrants is tied to the revenue generated by DHL aggregated to an amount specified in the agreement of up to \$3.2 billion in business volume during the term. Existing and Growth Warrant Shares are exercisable in accordance with their terms through August 6, 2033.

#### Financial Liability

During the period ended September 30, 2025, the Company sold two of its recently acquired B767-300 aircraft to a financial institution and simultaneously leased them back. Each aircraft is leased for a period of five years from the delivery date. At the end of the respective leases, the Company has an option to buy back the aircraft at an agreed price in Canadian Dollars. As a result of the sales transactions, net proceeds of \$103.5 million were realized net of a transaction cost of \$0.1 million. Due to buyback options embedded in the respective leases, control of the assets was not transferred and as a result the requirements of IFRS 15 to be accounted for as an asset sales. Therefore, the transaction was classified as failed sales and leaseback transaction. The Company continues to recognize the assets as is without recognizing any gain or loss on the transfer of assets and recognized a financial liability equal to the transfer proceeds net of transaction costs. This liability is accounted for under IFRS 9. The assets continued to be depreciated over their useful life.

#### Share buyback

On November 11, 2024, the Company renewed its normal course issuer bid (the "NCIB"). The NCIB allows the Company to repurchase, at its discretion, up to 1,500,000 Voting Shares in the open market, subject to the standard terms and limitations. The NCIB will terminate on November 10, 2025. Under the NCIB, other than purchases made under block purchase exemptions, Cargojet may purchase up to the daily limit, as approved by TSX, on the TSX during any trading day, which represents approximately 25% of the average daily trading volume, as calculated in accordance with TSX rules.

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During the nine month period ended September 30, 2025, the Company purchased for cancellation an aggregate of 704,533 Voting Shares under the NCIB for a total cost of \$73.0 million, including \$1.4 million share buyback tax. A corresponding amount of \$73.0 million was recorded in shareholder's equity, including \$26.3 million under shareholders' capital and \$46.7 million under retained earnings. This was offset by reversal of the automatic share purchase plan ("ASPP") liability of \$33.4 million provided at year ended December 31, 2024, out of which, \$11.9 million was reversed under shareholders' capital, \$20.8 million under retained earnings, and \$0.7 million under share buyback tax. Accordingly, shareholders' equity decreased by a net amount of \$14.4 million.

From time to time, the Company participates in ASPP with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB programs. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

As at September 30, 2025, no repurchase obligation was recognized under the ASPP (December 31, 2024 - \$33.4 million).

### **Debenture Redemption**

On August 27, 2025, the Board of Directors of the Company authorized the redemption of all the outstanding 5.25% convertible debentures on October 9, 2025, in accordance with the provisions of the indenture dated November 6, 2018. On October 9, 2025, the Company completed the redemption in full of all its outstanding 5.25% senior unsecured hybrid debenture of \$115. It paid the principal and unpaid interest thereon up to but excluding the redemption date in cash to the holders of the 5.25% debentures.

### **Changes in Key Personnel**

Subsequent to September 30, 2025, Cargojet announced the upcoming retirement of Co-CEO and Founding Partner Jamie B. Porteous, effective December 31, 2025. Jamie will be available to the company as Strategic Advisor until December 31, 2026, continuing to guide key relationships and support the Cargojet team. Concurrently, Cargojet announced that Pauline Dhillon will assume the role of Chief Executive Officer, effective January 1, 2026. Pauline has held roles of increasing responsibility at Cargojet, including Vice-President, Corporate Marketing & Government Affairs, Chief Corporate Officer, and, more recently, Co-CEO.

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#### 5. FLEET OVERVIEW

Note: See Caution Concerning Forward-Looking Statements, page 3.

The table below sets forth the Company's cargo operating fleet as at December 31, 2024 and September 30, 2025 as well as the Company's planned operating fleet for the years ending December 31, 2025, 2026 and 2027:

Aircraft Type		Leased or  Owned	Average  Age	Number of Aircraft in Service					Maximum  Payload  (lbs.)	Range  (miles)
				Actual		Plan				
				December 31,	Septem ber 30,	December 31,				
				2024	2025	2025	2026	2027		
B767-300	Freighter	Leased	29	4	6	7	7	7	125,000	6,000
B767-300	Freighter	Owned	30	17	16	16	17	17	125,000	6,000
B767-200	Freighter	Owned	22	2	2	2	2	2	100,000	5,000
B767-200	Freighter	Leased	38	1	1	1	-	-	100,000	5,000
B757-200	Freighter	Owned	30	17	16	16	16	16	80,000	3,900
Total Aircraft				41	41	42	42	42		

The Company took delivery of two B767-300 owned aircraft under conversion during the second quarter of 2025 and has inducted them into its operational fleet. A third B767-300 aircraft remains under conversion and is expected to be delivered in the fourth quarter of 2025.

In addition, the Company completed the purchase of a factory-manufactured freighter and has inducted it in the operational fleet in the third quarter of 2025. To support ongoing operational needs, the lease of one B767-200 aircraft has been extended through March 2026. In August 2025, the Company signed a purchase and sale agreement for the sale of two B767-300 aircraft. It successfully closed the sale of one aircraft in the third quarter of 2025 and expects to close the sale of the second aircraft in the fourth quarter of 2025. These aircraft are excluded from the table above. The Company signed a letter of intent in June 2025 to purchase a fully converted B767-300 aircraft and expects its delivery in the first quarter of 2026. During third quarter, the Company leased one B757-200 aircraft to a third party, which is also excluded from the table above.

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### **6. CORPORATE OVERVIEW**

The Company is Canada's leading provider of time sensitive domestic network air cargo services. Its main air cargo business is comprised of the following:

- Operating a domestic network air cargo co-load network between sixteen major Canadian cities;
- Providing dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada, North America, South America and Europe; and
- Operating scheduled and ad hoc international routes for multiple cargo customers between USA and Bermuda, between Canada and Europe; between Canada and Asia; and between Canada and Mexico.

The Company operates its business across North America transporting time sensitive air cargo each business night utilizing its fleet of all-cargo aircraft. The Company's domestic network air cargo co-load network consolidates cargo received from customers and transports such cargo to the appropriate destination in a timely and safe manner. The Company continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

#### **Revenues**

The Company's revenues are generated from its domestic network air cargo service between 16 major Canadian cities each business night. Most customers pre-purchase a guaranteed space and weight allocation on the Company's network and a corresponding guaranteed daily revenue amount is paid to the Company for this space and weight allocation. Remaining capacity is sold on an ad hoc basis to contract and non-contract customers. Although a significant portion of domestic network revenues are fixed due to guaranteed customer allocations, Cargojet's revenues will generally rise and fall with the overall level of customer volume typically expressed in pounds.

- Revenues and shipping volumes from the Company's domestic network air cargo service are generally seasonal. Customer demand is highest in the fourth quarter of each year primarily due to the increase in retail activity during the holiday season in December. The Company's domestic network air cargo service operates primarily from Monday to Thursday with a reduced network operating on Friday, weekends and on certain weekdays that are adjacent to certain statutory holidays. The Company defines the term "operating day" to refer to the days on which the full domestic network air cargo network is in operation. Typically, each fiscal year will have between 197 and 199 operating days depending on the timing of certain statutory holidays and leap years. The variance in number of operating days between quarters and year over year will have an impact on comparative quarterly revenues. The Company also provides services to customers on a crew, maintenance and insurance basis ("CMI"). As these services are integrated with the domestic network, the revenues from CMI services are included in domestic network revenues.

The Company also generates revenue from a variety of other primarily air cargo services:

- The Company provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This helps to support lower demand legs and provides a revenue opportunity with little or no incremental cost as the flights are operating on regular schedules.

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- The Company provides dedicated aircraft to customers on an ad hoc and scheduled basis typically in the daytime and on weekends for cargo and passenger charters. Ad hoc flights for cargo and passengers are sold under a one-time agreement while scheduled flights are sold under longer-term agreements. The ad hoc charter business for cargo targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America, to the Caribbean and to Europe. The ad hoc charter business for passenger flights mostly operates within Canada and between Canada and the USA. Scheduled charter business provides dedicated aircraft for recurring flights as required by the customer for cargo and passenger charters. Ad hoc and scheduled flights are sold either on an "all-in" basis or on an ACMI basis:
  - Under an all-in ad hoc or scheduled charter agreement, the customer will pay a single, all-inclusive fixed amount per flight. All costs of the flight including fuel, navigation fees and landing fees are borne by the Company and recognized in its financial statements as direct expenses.
  - Under an ACMI ad hoc or scheduled charter agreement, the customer is responsible for all commercial activities and the Company is paid a fixed amount to operate the flight priced as a rate per block hour (see definition of "block hours" in Expenses on page 11). Variable flight costs such as fuel, navigation fees and landing fees are borne by the customer.
- The Company operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain variable surcharges for uncontrollable costs (including ability to pass through increases in fuel costs) guaranteed volume minimums and CPI-based annual price increases.

### **Expenses**

Direct expenses consist of fixed and variable expenses that are largely driven by the size of the Company's aircraft fleet and the volume of flight activity required by the level of customer demand. Fixed costs include aircraft lease costs; building lease costs; salaries for full-time employees in maintenance, flight operations and commercial operations, depreciation and amortization and insurance. Variable costs that are directly related to the volume of flight activity include fuel expense, navigation fees, landing fees and variable aircraft lease reserves related to engines, auxiliary power units and landing gear.

Flight activity is measured in "block time" and is expressed in "block hours". Block time represents the total duration of a flight from the time the aircraft releases its brakes when it initially moves from the airport parking area prior to flight to the time the brakes are set when it arrives at the airport parking area after the completion of the flight.

Administrative expenses are primarily costs associated with executive and corporate management and the overhead of the Company's business that include functions such as load scheduling, flight operations coordination, aircraft maintenance planning and engineering, client relations, administration, accounting, human resources and information systems. Administrative expenses include management bonuses, legal, audit and other consulting fees, bank charges and data and communication expenses.

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#### 7. RESULT OF OPERATIONS AND SUPPLEMENTARY FINANCIAL INFORMATION

(Unaudited - Canadian dollars in millions, except where indicated or per share amounts)

	Three Month Periods Ended September 30,		Nine Month Periods Ended September 30,	
	2025	2024	2025	2024
REVENUES	<b>\$219.9</b>	\$245.6	<b>\$708.0</b>	\$707.6
DIRECT EXPENSES	<b>190.3</b>	183.2	<b>576.1</b>	555.4
GROSS MARGIN	<b>29.6</b>	62.4	<b>131.9</b>	152.2
Selling, general and administrative expenses	<b>17.5</b>	24.3	<b>57.4</b>	65.3
Fair value (increase) decrease on stock warrant	<b>(13.5)</b>	(10.9)	<b>(36.2)</b>	20.6
Loss (gain) on swap derivative	<b>1.6</b>	1.1	<b>8.9</b>	(21.5)
Finance costs	<b>14.3</b>	12.7	<b>38.0</b>	43.2
Other loss (gain), net	<b>0.6</b>	(0.7)	<b>4.2</b>	(14.9)
Share of gain in associate	<b>(0.6)</b>	(0.3)	<b>(2.1)</b>	(0.9)
EARNINGS BEFORE INCOME TAXES	<b>9.7</b>	36.2	<b>61.7</b>	60.4
Provision for income taxes				
Deferred	<b>0.9</b>	6.5	<b>8.1</b>	23.2
NET EARNINGS AND COMPREHENSIVE INCOME	<b>\$8.8</b>	\$29.7	<b>\$53.6</b>	\$37.2
NET EARNINGS PER SHARE				
- Basic	<b>\$0.58</b>	\$1.85	<b>\$3.50</b>	\$2.27
- Diluted	<b>\$0.58</b>	\$1.78	<b>\$3.46</b>	\$2.27
Average number of shares - basic (in thousands of shares)	<b>15,087</b>	16,025	<b>15,278</b>	16,366
Average number of shares - diluted (in thousands of shares)	<b>16,468</b>	18,179	<b>16,608</b>	16,366

# CARGOJET INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

### 8. REVIEW OF OPERATIONS FOR THE THREE MONTH PERIODS

(Unaudited - Canadian dollars in millions except where indicated)

	Three Month Periods Ended September 30,		CHANGE	
	2025	2024	\$	%
Domestic network revenues	\$99.6	\$93.7	\$5.9	6.3%
ACMI revenues	54.6	70.2	(15.6)	(22.2%)
All-in charter revenues	32.9	41.5	(8.6)	(20.7%)
Total domestic network, ACMI and charter revenues	187.1	205.4	(18.3)	(8.9%)
Fuel surcharge and other revenues	40.7	44.6	(3.9)	(8.7%)
Amortization of stock warrant contract assets	(7.9)	(4.4)	(3.5)	79.5%
<b>Total revenues</b>	<b>219.9</b>	<b>245.6</b>	<b>(25.7)</b>	<b>(10.5%)</b>
Operating days	49	49	-	-
<b>Average domestic network revenue per operating day <sup>(1)</sup></b>	<b>2.03</b>	<b>1.91</b>	<b>0.12</b>	<b>6.3%</b>
<b>Direct expenses</b>				
Fuel costs	48.6	53.6	(5.0)	(9.3%)
Depreciation	41.3	31.2	10.1	32.4%
Aircraft cost	6.1	4.7	1.4	29.8%
Heavy maintenance amortization	6.4	4.5	1.9	42.2%
Maintenance cost	19.5	17.9	1.6	8.9%
Crew costs	26.8	29.6	(2.8)	(9.5%)
Ground services	21.9	21.0	0.9	4.3%
Airport services	8.7	9.9	(1.2)	(12.1%)
Navigation and insurance	11.0	10.8	0.2	1.9%
<b>Total direct expenses</b>	<b>190.3</b>	<b>183.2</b>	<b>7.1</b>	<b>3.9%</b>
<b>Gross margin</b>	<b>29.6</b>	<b>62.4</b>	<b>(32.8)</b>	<b>(52.6%)</b>
<b>Gross margin %</b>	<b>13.5%</b>	<b>25.4%</b>	<b>(11.9%)</b>	
<b>Selling, general and administrative expenses</b>				
Selling, general and administrative costs excluding depreciation	17.0	23.8	(6.8)	(28.6%)
Depreciation	0.5	0.5	-	0.0%
<b>Total selling, general and administrative expenses</b>	<b>17.5</b>	<b>24.3</b>	<b>(6.8)</b>	<b>(28.0%)</b>
<b>Net finance costs and other gains and losses</b>				
Fair value decrease on stock warrants	(13.5)	(10.9)	(2.6)	(23.9%)
Loss on swap derivative	1.6	1.1	0.5	45.5%
Finance costs	14.3	12.7	1.6	12.6%
Other loss (gain), net	0.6	(0.7)	1.3	185.7%
<b>Total net finance costs and other gains and losses</b>	<b>3.0</b>	<b>2.2</b>	<b>0.8</b>	<b>36.4%</b>
Share of gain in associate	(0.6)	(0.3)	(0.3)	100.0%
<b>Earnings before income taxes</b>	<b>9.7</b>	<b>36.2</b>	<b>(26.5)</b>	<b>(73.2%)</b>
Income taxes - deferred	0.9	6.5	(5.6)	(86.2%)
<b>Net earnings</b>	<b>\$8.8</b>	<b>\$29.7</b>	<b>\$(20.9)</b>	<b>(70.4%)</b>
<b>Earnings per share - \$</b>				
Basic	0.58	1.85	(1.27)	(68.6%)
Diluted	0.58	1.78	(1.20)	(67.4%)

<sup>(1)</sup> Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **HIGHLIGHTS FOR THE THREE MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND 2024**

- Revenue from domestic network, ACMI and all-in charter for the three month period ended September 30, 2025 was \$187.1 million compared to \$205.4 million for the same period in 2024, representing a decrease of \$18.3 million or 8.9%. Total revenue for the three month period ended September 30, 2025 was \$219.9 million compared to \$245.6 million for the same period in 2024, representing a decrease of \$25.7 million or 10.5%.
- Average domestic network revenues<sup>(1)</sup> for the three month period ended September 30, 2025 was \$2.03 million per operating day compared to \$1.91 million for the same period in 2024.
- Net earnings for the three month period ended September 30, 2025 was \$8.8 million compared to \$29.7 million for the same period in 2024, a decrease of \$20.9 million.
- Adjusted EBITDA<sup>(2)</sup> for the three month period ended September 30, 2025 was \$70.4 million compared to \$82.2 million for the same period in 2024, a decrease of \$11.8 million or 14.4%.
- Cash generated from operating activities was \$112.1 million for the three month period ended September 30, 2025 compared to \$96.2 million for the same period in 2024, an increase of \$15.9 million.
- Free Cash Flow<sup>(2)</sup> was an inflow of \$152.4 million for the three month period ended September 30, 2025 compared to an inflow of \$47.8 million for the same period in 2024.
- Earning per diluted share for the three month period ended September 30, 2025 was \$0.58 compared to earning per diluted share of \$1.78 for the same period in 2024, a decrease of \$1.20.
- Adjusted EPS<sup>(2)</sup> for the three month period ended September 30, 2025 was \$0.32 compared to \$1.48 for the same period in 2024, a decrease of \$1.16.

<sup>(1)</sup> Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

<sup>(2)</sup> Non-GAAP measures. See "Non-GAAP Financial Measures" section.



# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **Revenue**

Total revenue for the three month period ended September 30, 2025 was \$219.9 million, compared to \$245.6 million for the same period in 2024, representing a decrease of \$25.7 million or 10.5%. The decrease in total revenues drove a decrease in the gross margin to 13.5% in 2025 from 25.4% in 2024. The decrease in revenue is primarily due to a decrease of \$18.3 million in domestic network, ACMI and charter revenue, an increase of \$3.5 million in amortization of stock warrant contract assets, and a decrease of \$3.9 million in fuel surcharge and other revenue, compared to the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in revenue.

Revenue related to the domestic network business for the three month period ended September 30, 2025 was \$99.6 million compared to \$93.7 million for the same period in 2024, an increase of \$5.9 million or 6.3%. The increase was due primarily to an increase in e-commerce and B2B volumes during the period, and consumer price index increases for contractual customers. The Company has relied on periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes, where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI revenues for the three month period ended September 30, 2025 were \$54.6 million compared to \$70.2 million for the same period in 2024, a decrease of \$15.6 million or 22.2%. The decrease was primarily due to the redeployment of aircraft from long distance routes of Asia and Europe to certain South American routes.

All-in charter revenues for the three month period ended September 30, 2025 were \$32.9 million compared to \$41.5 million for the same period in 2024, a decrease of \$8.6 million or 20.7%. The decrease in revenue was primarily due to the reductions in year-over-year frequency of scheduled charter services between China and Canada, as well as a decrease in ad hoc charters.

Fuel surcharge and other revenues primarily consist of fuel surcharges and other cost pass-through revenues, aircraft lease revenue, hangar rental revenue, maintenance revenue for aircraft line maintenance services provided to other airlines and ground handling services provided to customers. Fuel surcharge and other revenues were \$40.7 million for the three month period ended September 30, 2025 compared to \$44.6 million for the same period in 2024, representing a decrease of \$3.9 million or 8.7%. The decrease is primarily due to a decrease of \$5.3 million in fuel surcharges and other cost pass-through revenues, partially offset by an increase of \$0.6 million in other revenue. Fuel surcharges passed on to customers are based on the index published by Statistics Canada which lag current market rates by two months.

Amortization of stock warrant contract asset, a charge against revenue, was \$7.9 million for the three month period ended September 30, 2025 compared to \$4.4 million for the same period in 2024, an increase of \$3.5 million or 79.5%. Amortization is proportional to paid qualified spend during the period.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **Direct Expenses**

Total direct expenses were \$190.3 million for the three month period ended September 30, 2025 compared to \$183.2 million for the same period in 2024, representing an increase of \$7.1 million or 3.9%. See below for separate discussion of the notable components of the year-over-year change in direct expenses.

Fuel costs were \$48.6 million for the three month period ended September 30, 2025 compared to \$53.6 million for the same period in 2024. The \$5.0 million or 9.3% decrease in fuel costs was due primarily to a decrease in fuel pass-through costs incurred with providing CMI and ACMI services. Any changes in fuel costs experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges or ad hoc rates.

Depreciation expense was \$41.3 million for the three month period ended September 30, 2025 compared to \$31.2 million for the same period in 2024, an increase of \$10.1 million or 32.4%. The increase is due primarily to the addition of aircraft, engines, facilities and other assets.

Aircraft costs were \$6.1 million for the three month period ended September 30, 2025 compared to \$4.7 million for the same period in 2024, representing an increase of \$1.4 million or 29.8%. The increase was primarily due to an increase in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were \$6.4 million for the three month period ended September 30, 2025 compared to \$4.5 million for the same period in 2024, representing an increase of \$1.9 million or 42.2% due to the timing of heavy maintenance checks. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The heavy maintenance component of newly acquired aircraft is also deferred and amortized until the next scheduled event.

Maintenance costs were \$19.5 million for the three month period ended September 30, 2025 compared to \$17.9 million for the same period in 2024, representing an increase of \$1.6 million or 8.9%. This increase was due to increase in fleet size, periodic line maintenance and the hiring of additional maintenance personnel.

Crew costs including salaries, training and positioning were \$26.8 million for the three month period ended September 30, 2025 compared to \$29.6 million for the same period in 2024, representing a decrease of \$2.8 million or 9.5%. The decrease was primarily related to an adjustment in share-based crew incentives costs due to changes in the Company's share price and lower overtime costs in the current quarter compared to 2024.

Ground services costs were \$21.9 million for the three month period ended September 30, 2025 compared to \$21.0 million for the same period in 2024, representing an increase of \$0.9 million or 4.3%. This increase was due primarily to increase in payroll costs, and in ground handling costs.

Airport services costs were \$8.7 million for the three month period ended September 30, 2025 compared to \$9.9 million for the same period in 2024, representing a decrease of \$1.2 million or 12.1%. The decrease was primarily due to decrease in landing costs due to lower charter activities and lower deicing costs due to the timing of seasonal adjustment.

## **CARGOJET INC.**

# **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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Navigation and insurance were \$11.0 million for the three month period ended September 30, 2025 compared to \$10.8 million for the same period in 2024, representing an increase of \$0.2 million or 1.9%. The increase was primarily due to increase in insurance costs due to increase in fleet size and insurance rates partially offset by lower navigation charges due to lower charter activities.

### **Selling, General and Administrative Expenses**

Selling, general and administrative ("SG&A") expenses for the three month period ended September 30, 2025 were \$17.5 million compared to \$24.3 million for the same period in 2024. This decrease was primarily due to \$4.4 million decrease in incentives due to timing and valuation adjustment of share-based compensation due to change in the Company's share price, a \$0.4 million increase in realized foreign exchange gain, and a \$2.0 million decrease in other SG&A expenses.

### **Net Finance Costs and Other Gains and Losses**

Net finance costs and other gains and losses for the three month period ended September 30, 2025 were a net loss of \$3.0 million compared to a net loss of \$2.2 million for the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in net finance costs and other gains and losses.

#### **Fair value adjustment on stock warrant**

Fair value adjustment on stock warrant for the three month period ended September 30, 2025 was a gain of \$13.5 million compared to a gain of \$10.9 million for the same period in 2024. The change in the fair value adjustment of stock warrant was primarily due to the change in the Company's share price.

#### **Loss on swap derivatives**

Loss on swap derivatives for the three month period ended September 30, 2025 was \$1.6 million compared to loss of \$1.1 million for the same period in 2024. The change was primarily due to the change in the Company's share price.

#### **Finance costs**

Finance costs for the three month period ended September 30, 2025 were \$14.3 million compared to \$12.7 million for the same period in 2024, representing an increase of \$1.6 million or 12.6%. The increase was primarily due to the increase in financial liabilities and new debenture.

#### **Other loss (gain), net**

Other loss, net for the three month period ended September 30, 2025 was \$0.6 million, which consists of \$0.6 million unrealized foreign exchange loss.

Other gain, net for the three month period ended September 30, 2024 was \$0.7 million, which consists of a \$0.1 million gain on disposal of property, plant, and equipment and a \$0.6 million unrealized foreign exchange gain.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### Share of gain in associate

Share of gain in associate for the three month period ended September 30, 2025 was \$0.6 million (2024 - gain of \$0.3 million) represents the Company's share of gain or loss from investment in an associate.

### Net Earnings

Net earnings for the three month period ended September 30, 2025 was \$8.8 million compared to net earnings of \$29.7 million for the same period in 2024, a decrease of \$20.9 million or 70.4%. The decrease in net earnings was primarily due to gross margin decrease of \$32.8 million, a \$0.8 million decrease in net finance costs and other gains and losses, and a decrease of \$5.6 million in tax provision.

### Current Income Taxes

No provision for current income taxes was made for the three month periods ended September 30, 2025 and 2024, due to the current income tax losses and carry forward of losses from prior years.

### Deferred Income Taxes

The deferred income taxes for the three month period ended September 30, 2025 was a provision of \$0.9 million compared to \$6.5 million for the same period in 2024. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

### Adjusted EBITDA<sup>(1)</sup>

Adjusted EBITDA for the three month period ended September 30, 2025 was \$70.4 million compared to \$82.2 million for the same period in 2024. The decrease in Adjusted EBITDA of \$11.8 million is primarily due to a decrease of \$25.7 million in revenues and an increase of \$4.9 million in direct costs excluding depreciation and amortization.

## **9. QUARTERLY DIVIDENDS**

Total dividends declared for the three month period ended September 30, 2025 were \$5.3 million or \$0.3500 per share. In comparison, total dividends declared for the three month period ended September 30, 2024 were \$5.6 million or \$0.3500 per share.

(1) Non-GAAP measure. See "Non-GAAP Financial Measures" section.

## CARGOJET INC.

### Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share
		\$		\$
September 19, 2025	October 03, 2025	5,280,559	15,087,310	0.3500
		5,280,559		

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
June 20, 2024	July 05, 2024	-	16,151,201	0.3146	5,081,168
September 20, 2024	October 04, 2024	5,551,638	15,861,823	0.3500	-
		5,551,638			5,081,168

## 10. LIQUIDITY AND CAPITAL RESOURCES

### Quarterly Cash Flow Movements

Cash generated by operating activities after net changes in non-cash working capital balances was \$112.1 million for the three month period ended September 30, 2025 (2024 - \$96.2 million). The \$15.9 million increase in cash generated was due primarily to changes in non-cash working capital items.

Cash used in investing activities during the three month period ended September 30, 2025 was \$98.9 million and was comprised of property, plant and equipment purchases of \$67.5 million and note receivable of \$35.7 million on assets held for sale. Cash generated by investing activities during the three month period ended September 30, 2024 was \$46.2 million and was comprised of property, plant and equipment additions of \$52.2 million.

Cash used in financing activities during the three month period ended September 30, 2025 was \$14.5 million and was comprised of repayment of borrowings of \$102.9 million and dividend payment of \$5.3, partially offset by proceeds from financial liability of \$103.5. Cash used in financing activities during the three month period ended September 30, 2024 was \$47.9 million and was comprised of repayment of obligations under lease liabilities of \$9.3 million, share buyback of \$38.0 million, and dividends paid to shareholders of \$5.0 million, partially offset by proceeds from borrowings of \$4.4 million.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **Free Cash Flow<sup>(1)</sup>**

Free cash flow was an inflow of \$152.4 million for the three month period ended September 30, 2025 compared to an inflow of \$47.8 million for the same period in 2024, higher by \$104.7 or 218.8% primarily due to proceeds from financial liability.

(1) Non-GAAP measure. See "Non-GAAP Financial Measures" section.

### **Quarterly Liquidity Risk Management**

The Company manages its liquidity needs through its balance of cash, cash from operations and its available borrowing capacity under its revolving operating credit facility (the "Credit Facility"). Liquidity needs are primarily related to meeting its financial liabilities, capital commitments, ongoing operations, contractual and other obligations. The Company manages its liquidity risk by preparing cash flow forecasts for a minimum period of at least twelve months after each reporting period, including under various scenarios. As at September 30, 2025, the Company had \$3.7 million in cash and \$502.6 million available in available borrowing capacity under the Credit Facility. The undrawn amount under the delayed-draw term facility (the "DDTL Facility") expired on January 22, 2024, and the Company had no unused borrowing capacity left under the DDTL Facility. As at September 30, 2025, \$303.6 million of borrowings were outstanding under the DDTL Facility.

The Company considers that its current cash balance, the cash from operations and its available borrowing capacity under the Credit Facility is sufficient to support its operations, meets capital asset requirements and its liquidity needs. As at September 30, 2025, the Company was in compliance with all covenants.

The Credit Facility is subject to customary terms and conditions for borrowers of this nature, including, namely, limits on incurring additional indebtedness, granting liens, selling assets, or making investments without the consent of the Lenders, and certain restrictions on the Company's ability to pay dividends. The Credit Facility is also subject to the maintenance of a minimum fixed charge coverage ratio and a total adjusted leverage ratio.

### **Capital Expenditures**

The property, plant and equipment additions of \$67.5 million in the three month period ended September 30, 2025 were primarily comprised of additions to property, plant and equipment under development and rotatable spare parts. Out of \$67.5 million capital expenditures, \$45.5 million was due to maintenance capital expenditure<sup>(1)</sup> and \$22.0 million was due to growth capital expenditure<sup>(1)</sup>.

The property, plant and equipment additions of \$52.2 million in the three month period ended September 30, 2024 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotatable spares. Out of \$52.2 million capital expenditures, \$29.7 million was due to maintenance capital expenditure<sup>(1)</sup> and \$22.5 million was due to growth capital expenditure<sup>(1)</sup>.

(1) Non-GAAP measure. See "Non-GAAP Financial Measures" section.

# CARGOJET INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

### 11. REVIEW OF OPERATIONS FOR THE NINE MONTH PERIODS

(Unaudited - Canadian dollars in millions except where indicated)

	Nine Month Periods Ended September 30,		CHANGE	
	2025 (unaudited)	2024 (unaudited)	\$	%
Domestic network revenues	\$306.7	\$273.1	\$33.6	12.3%
ACMI revenues	176.5	210.4	(33.9)	(16.1%)
All-in charter revenues	118.7	94.2	24.5	26.0%
Total domestic network, ACMI and charter revenues	601.9	577.7	24.2	4.2%
Fuel surcharge and other revenues	124.2	145.0	(20.8)	(14.3%)
Amortization of stock warrant contract assets	(18.1)	(15.1)	(3.0)	19.9%
<b>Total revenues</b>	<b>708.0</b>	<b>707.6</b>	<b>0.4</b>	<b>0.1%</b>
Operating days	148	149	(1)	(0.7%)
<b>Average domestic network revenue per operating day <sup>(1)</sup></b>	<b>2.07</b>	<b>1.83</b>	<b>0.24</b>	<b>13.1%</b>
<b>Direct expenses</b>				
Fuel costs	155.0	155.8	(0.8)	(0.5%)
Depreciation	116.6	108.9	7.7	7.1%
Aircraft cost	16.0	12.3	3.7	30.1%
Heavy maintenance amortization	17.2	13.2	4.0	30.3%
Maintenance cost	60.9	57.7	3.2	5.5%
Crew costs	78.4	83.5	(5.1)	(6.1%)
Ground services	65.5	60.3	5.2	8.6%
Airport services	32.3	31.2	1.1	3.5%
Navigation and insurance	34.2	32.5	1.7	5.2%
<b>Total direct expenses</b>	<b>576.1</b>	<b>555.4</b>	<b>20.7</b>	<b>3.7%</b>
<b>Gross margin</b>	<b>131.9</b>	<b>152.2</b>	<b>(20.3)</b>	<b>(13.3%)</b>
<b>Gross margin %</b>	<b>18.6%</b>	<b>21.5%</b>	<b>(2.9%)</b>	
<b>Selling, general and administrative expenses</b>				
Selling general and administrative costs	56.0	63.9	(7.9)	(12.4%)
Depreciation	1.4	1.4	-	-
<b>Total selling, general and administrative expenses</b>	<b>57.4</b>	<b>65.3</b>	<b>(7.9)</b>	<b>(12.1%)</b>
<b>Net finance costs and other gains and losses</b>				
Fair value (decrease) increase on stock warrants	(36.2)	20.6	(56.8)	(275.7%)
Loss (gain) on swap derivative	8.9	(21.5)	30.4	141.4%
Finance costs	38.0	43.2	(5.2)	(12.0%)
Other loss (gain), net	4.2	(14.9)	19.1	128.2%
<b>Total net finance costs and other gains and losses</b>	<b>14.9</b>	<b>27.4</b>	<b>(12.5)</b>	<b>(45.6%)</b>
Share of gain in associate	(2.1)	(0.9)	(1.2)	(133.3%)
<b>Earnings before income taxes</b>	<b>61.7</b>	<b>60.4</b>	<b>1.3</b>	<b>2.2%</b>
Income taxes-deferred	8.1	23.2	(15.1)	(65.1%)
<b>Net earnings</b>	<b>\$53.6</b>	<b>\$37.2</b>	<b>\$16.4</b>	<b>44.1%</b>
<b>Earnings per share - \$</b>				
Basic	3.50	2.27	1.23	54.2%
Diluted	3.46	2.27	1.19	52.4%

(1) Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

## **CARGOJET INC.**

# **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **HIGHLIGHTS FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND 2024**

- Revenue from domestic network, ACMI and all-in charter for the nine month period ended September 30, 2025 was \$601.9 million compared to \$577.7 million for the same period in 2024, representing an increase of \$24.2 million or 4.2%. Total revenue for the nine month period ended September 30, 2025 was \$708.0 million compared to \$707.6 million for the same period in 2024, representing an increase of \$0.4 million or 0.1%.
- Average domestic network revenues<sup>(1)</sup> for the nine month period ended September 30, 2025 was \$2.07 million per operating day compared to \$1.83 million for the same period in 2024, representing an increase of \$0.24 million per operating day or 13.1%.
- Net earnings for the nine month period ended September 30, 2025 was \$53.6 million compared to \$37.2 million for the same period in 2024.
- Adjusted EBITDA <sup>(2)</sup> for the nine month period ended September 30, 2025 was \$231.4 million compared to \$239.7 million for the same period in 2024, representing a decrease of \$8.3 million or 3.5%.
- Cash generated from operating activities was \$204.9 million for the nine month period ended September 30, 2025 compared to \$225.0 million for the same period in 2024, representing a decrease of \$20.1 million or 8.9%.
- Free Cash Flow <sup>(2)</sup> was an inflow of \$34.0 million for the nine month period ended September 30, 2025 compared to an inflow of \$217.0 million for the same period in 2024, representing a decrease of \$183.0 million.
- Diluted EPS for the nine month period ended September 30, 2025 was \$3.46 compared to \$2.27 for the same period in 2024.
- Adjusted EPS <sup>(2)</sup> for the nine month period ended September 30, 2025 was \$3.00 compared to \$3.59 for the same period in 2024.

<sup>(1)</sup> Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

<sup>(2)</sup> Non-GAAP measures. See "Non-GAAP Financial Measures" section.



## **CARGOJET INC.**

# **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **Revenue**

Total revenue for the nine month period ended September 30, 2025 was \$708.0 million, compared to \$707.6 million for the same period in 2024, representing an increase of \$0.4 million or 0.1%. The increase in revenue is primarily due to an increase of \$24.2 million in domestic network, ACMI and charter revenue, partially offset by an increase of \$3.0 million in amortization of stock warrant contract assets and a decrease of \$20.8 million in fuel surcharge and other revenues, compared to the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in revenue.

Revenue related to the domestic network business for the nine month period ended September 30, 2025 was \$306.7 million compared to \$273.1 million for the same period in 2024, an increase of \$33.6 million or 12.3%. The increase was due primarily to an increase in e-commerce and B2B volumes during the period, and consumer price index increases for contractual customers. The Company has relied on periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes, where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI revenues for the nine month period ended September 30, 2025 were \$176.5 million compared to \$210.4 million for the same period in 2024, a decrease of \$33.9 million or 16.1%. The decrease was primarily due to the redeployment of aircraft from long distance routes of Asia and Europe to certain South American routes.

All-in charter revenues for the nine month period ended September 30, 2025 were \$118.7 million compared to \$94.2 million for the same period in 2024, an increase of \$24.5 million or 26.0%. The increase in revenue was primarily due to the scheduled charter services between China and Canada that started from the second quarter of 2024, as well as an increase in ad hoc charters.

Fuel surcharge and other revenues primarily consist of fuel surcharges and other cost pass-through revenues, aircraft lease revenue, hangar rental revenue, maintenance revenue for aircraft line maintenance services provided to other airlines and ground handling services provided to customers. Fuel surcharge and other revenues were \$124.2 million for the nine month period ended September 30, 2025 compared to \$145.0 million for the same period in 2024, representing a decrease of \$20.8 million or 14.3%. The decrease is primarily due to a decrease of \$18.5 million in fuel surcharges and other cost pass-through revenues to ACMI customers and a decrease of \$2.6 million in other revenue. Fuel surcharges passed on to customers are based on the index published by Statistics Canada which lag current market rates by two months.

Amortization of stock warrant contract asset, a charge against revenue, was \$18.1 million for the nine month period ended September 30, 2025 compared to \$15.1 million for the same period in 2024, an increase of \$3.0 million or 19.9%. Amortization is proportional to paid qualified spend during the period.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

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### **Direct Expenses**

Total direct expenses were \$576.1 million for the nine month period ended September 30, 2025 compared to \$555.4 million for the same period in 2024, representing an increase of \$20.7 million or 3.7%. See below for separate discussion of the notable components of the year-over-year change in direct expenses.

Fuel costs were \$155.0 million for the nine month period ended September 30, 2025 compared to \$155.8 million for the same period in 2024. The \$0.8 million or 0.5% decrease in fuel costs was due primarily to a 9% decrease in fuel prices, partially offset by an increase in fuel pass-through costs incurred with providing CMI and ACMI services. Any changes in fuel costs experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges or ad hoc rates.

Depreciation expense was \$116.6 million for the nine month period ended September 30, 2025 compared to \$108.9 million for the same period in 2024, an increase of \$7.7 million or 7.1%. The increase is primarily due to the addition of aircraft, engines, facilities and other assets.

Aircraft costs were \$16.0 million for the nine month period ended September 30, 2025 compared to \$12.3 million for the same period in 2024, representing an increase of \$3.7 million or 30.1%. The increase was primarily due to an increase in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were \$17.2 million for the nine month period ended September 30, 2025 compared to \$13.2 million for the same period in 2024, representing an increase of \$4.0 million or 30.3% due to the timing of heavy maintenance checks. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The heavy maintenance component of newly acquired aircraft is also deferred and amortized until the next scheduled event.

Maintenance costs were \$60.9 million for the nine month period ended September 30, 2025 compared to \$57.7 million for the same period in 2024, representing an increase of \$3.2 million or 5.5%. This increase was due to increase in fleet size, periodic line maintenance and the hiring of additional maintenance personnel.

Crew costs including salaries, training and positioning were \$78.4 million for the nine month period ended September 30, 2025 compared to \$83.5 million for the same period in 2024, representing a decrease of \$5.1 million or 6.1%. The decrease was primarily related to an adjustment in share-based crew incentives costs due to changes in the Company's share price and lower crew training and overtime costs in the current period compared to 2024.

Ground services costs were \$65.5 million for the nine month period ended September 30, 2025 compared to \$60.3 million for the same period in 2024, representing an increase of \$5.2 million or 8.6%. This increase was due primarily to increase in payroll costs, and in ground handling costs.

Airport services costs were \$32.3 million for the nine month period ended September 30, 2025 compared to \$31.2 million for the same period in 2024, representing an increase of \$1.1 million or 3.5%.

## **CARGOJET INC.**

# **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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Navigation and insurance were \$34.2 million for the nine month period ended September 30, 2025 compared to \$32.5 million for the same period in 2024, representing an increase of \$1.7 million or 5.2%. This increase was primarily due to increased navigation costs related to scheduled charters.

### **Selling, General and Administrative Expenses**

SG&A expenses for the nine month period ended September 30, 2025 were \$57.4 million compared to \$65.3 million for the same period in 2024, representing a decrease of \$7.9 million or 12.1%. This decrease was primarily due to \$7.2 million decrease in salaries and benefits, a \$1.2 million increase in realized foreign exchange gain, partially offset by a \$0.5 million increase in other SG&A expenses.

### **Net Finance Costs and Other Gains and Losses**

Net finance costs and other gains and losses for the nine month period ended September 30, 2025 were a net cost of \$14.9 million compared to a net cost of \$27.4 million for the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in net finance costs and other gains and losses.

#### **Fair value adjustment on stock warrant**

Fair value adjustment on stock warrant for the nine month period ended September 30, 2025 was a gain of \$36.2 million compared to a loss of \$20.6 million for the same period in 2024. The change in the fair value adjustment of stock warrant was primarily due to the change in the Company's share price.

#### **Gain or loss on swap derivatives**

Loss on swap derivatives for the nine month period ended September 30, 2025 was \$8.9 million compared to gain of \$21.5 million for the same period in 2024. The change was primarily due to the change in the Company's share price.

#### **Finance costs**

Finance costs for the nine month period ended September 30, 2025 were \$38.0 million compared to \$43.2 million for the same period in 2024, representing a decrease of \$5.2 million or 12.0%. The decrease was primarily due to decrease in the interest rate compared to 2024.

#### **Other loss (gain), net**

Other loss, net for the nine month period ended September 30, 2025 was \$4.2 million, which consists of a \$7.0 fair value write-down of assets held for sale, partially offset by \$1.9 million unrealized foreign exchange gain and a \$0.9 million gain on disposal of property, plant and equipment.

Other gain, net for the nine month period ended September 30, 2024 was \$14.9 million, which consists of a \$17.4 million net gain on disposal of property, plant, and equipment, a \$1.4 million loss on unrealized foreign exchange, and a \$1.1 million impairment on property, plant and equipment.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### Share of gain in associate

Share of gain in associate for the nine month period ended September 30, 2025 was \$2.1 million (2024 - gain of \$0.9 million) represents the company's share of gain or loss from investment in an associate.

### **Net Earnings**

Net earnings for the nine month period ended September 30, 2025 was \$53.6 million compared to \$37.2 million for the same period in 2024, an increase of \$16.4 million or 44.1%. The increase in net earnings was primarily due to \$12.5 million decrease in net finance costs and other gains and losses, a decrease of \$15.1 million in tax provision, and \$7.9 million decrease in SG&A expenses, partially offset by a decrease in gross margin of \$20.3 million.

### **Current Income Taxes**

No provision for current income taxes was made for the nine month period ended September 30, 2025 and 2024, due to the current income tax losses and carry forward of losses from prior years.

### **Deferred Income Taxes**

The deferred income taxes for the nine month period ended September 30, 2025 was a provision of \$8.1 million compared to \$23.2 million for the same period in 2024. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

### **Adjusted EBITDA<sup>(1)</sup>**

Adjusted EBITDA for the nine month period ended September 30, 2025 was \$231.4 million compared to \$239.7 million for the same period in 2024. The decrease in Adjusted EBITDA of \$8.3 million is primarily due to a decrease in gross margin of \$20.3 million, partially offset by a decrease of \$7.9 million in SG&A expenses.

## **12. PERIOD TO DATE DIVIDENDS**

Total dividends declared for the nine month period ended September 30, 2025 were \$16.0 million or \$1.0500 per share. In comparison, total dividends declared for the nine month period ended September 30, 2024 were \$15.8 million or \$0.9792 per share.

(1) Non-GAAP measure. See "Non-GAAP Financial Measures" section.

## CARGOJET INC.

### Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
March 20, 2025	April 04, 2025	5,431,622	15,518,921	0.3500	5,431,622
June 20, 2025	July 04, 2025	5,280,559	15,087,310	0.3500	5,280,559
September 19, 2025	October 03, 2025	5,280,559	15,087,310	0.3500	-
		15,992,740	45,693,541	1.0500	10,712,181

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
December 20, 2023	January 05, 2024	-	16,922,495	-	5,323,817
March 20, 2024	April 05, 2024	5,202,478	16,536,803	0.3146	5,202,478
June 20, 2024	July 05, 2024	5,081,168	16,151,201	0.3146	5,081,168
September 20, 2024	October 04, 2024	5,551,638	15,861,823	0.3500	
		15,835,284		0.9792	15,607,463

### 13. PERIOD TO DATE LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flow Movements

Cash generated by operating activities after net changes in non-cash working capital balances was \$204.9 million for the nine month period ended September 30, 2025 (2024 - \$225.0 million). The \$20.1 million decrease in cash generated was due primarily to changes in non-cash working capital items.

Cash used in investing activities during the nine month period ended September 30, 2025 was \$310.1 million and was comprised of property, plant and equipment purchases of \$279.9 million and note receivable of \$35.7 million on assets held for sales, partially offset by proceeds from disposal of \$5.5 million. Cash used in investing activities during the nine month period ended September 30, 2024 was \$5.8 million and was comprised of property, plant and equipment additions of \$113.1 million, partially offset by proceeds from the disposal of property, plant and equipment of \$105.1 million and repayment of long-term loans receivable \$2.2.

Cash inflow in financing activities during the nine month period ended September 30, 2025 was \$107.4 million and was comprised of proceeds from issuance of debentures of \$248.9 million and proceeds from financial liability of \$103.5 million, partially offset by share buyback of \$71.8, repayment of borrowings of \$137.1, and dividends paid to shareholders of \$10.7 million. Cash used in financing activities during the nine month period ended September 30, 2024 was \$244.3 million and was comprised of repayment of borrowings of \$83.4 million, the repayment of obligations under finance lease of \$23.5 million, share buyback of \$121.9 million, and dividends paid to shareholders of \$15.5 million.

# **CARGOJET INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the Three and Nine Month Periods Ended September 30, 2025**

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### **Free Cash Flow<sup>(1)</sup>**

Free cash flow was an inflow of \$34.0 million for the nine month period ended September 30, 2025 compared to an inflow of \$217.0 million for the same period in 2024. The decrease in free cash flow was due primarily to higher capital expenditures.

### **Capital Expenditures**

The property, plant and equipment additions of \$279.9 million in the nine month period ended September 30, 2025 were primarily comprised of additions to property, plant and equipment under development and rotatable spare parts. Out of \$279.9 million capital expenditures, \$174.0 million was due to maintenance capital expenditure<sup>(1)</sup> and \$105.9 million was due to growth capital expenditure<sup>(1)</sup>.

The property, plant and equipment additions of \$113.1 million in the nine month period ended September 30, 2024 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotatable spares. Out of \$113.1 million capital expenditures, \$53.9 million was due to maintenance capital expenditure<sup>(1)</sup> and \$59.2 million was due to growth capital expenditure<sup>(1)</sup>.

## **14. NON-GAAP FINANCIAL MEASURES**

Below is a description of the non-GAAP financial measures and ratios referenced in this MD&A. Non-GAAP financial measures and ratios do not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other issuers.

Management believes that the non-GAAP financial measures provide a more consistent basis to compare the performance of the Company between the periods and improve comparability between other companies including other airlines. They provide additional information to users of the MD&A to enhance their understanding of the Company's financial performance. These measures are also used by the Company to guide its decisions on dividend policy, to set financial targets for its management incentive plans and to monitor the Company's compliance with its debt covenants. Investors are cautioned that the non-GAAP financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of the Company's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

### **EBITDA and Adjusted EBITDA**

"EBITDA" is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is calculated as net income or loss excluding the following: depreciation of property, plant and equipment, interest and provision for current and deferred income taxes. EBITDA is a measure of the Company's operating profitability and by definition excludes certain items as detailed above.

(1) Non-GAAP measure. See "Non-GAAP Financial Measures" section.

## CARGOJET INC.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

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"Adjusted EBITDA" is defined as EBITDA excluding the following: share-based compensation, gain or loss on disposal of property, plant and equipment and assets held for sale, fair value write-down of assets held for sale and property, plant and equipment, fair value increase or decrease on stock warrant, amortization of stock warrant contract assets, gain or loss on fair value or settlement of swap derivatives, unrealized foreign exchange gains or losses, gains or losses on settlement of debts, share of gain or loss in associate, and provision for employee pension. Adjusted EBITDA is a measure of the Company's operating profitability and excludes certain items as detailed below. Management views these items as non-cash or non-operating.

The underlying reasons for exclusion of each item are as follows:

**Depreciation of property, plant and equipment** - as a non-cash item, depreciation has no impact on the determination of Adjusted EBITDA.

**Interest** - interest is a function of the Company's treasury/financing activities and represents a different class of expense than those included in Adjusted EBITDA.

**Provision for deferred income taxes** - the calculation of deferred income taxes is a function of temporary differences between the financial reporting and the tax basis of balance sheet items for calculating tax expense and is separate from the daily operations of the Company.

**Provision for current income taxes** - the provision for current income taxes is a non-operating item and represents a different class of expense than those included in Adjusted EBITDA.

**Share-based compensation** - expense arising from the grant of stock-based awards to employees is excluded as the amount of such expenses in any specific period may not directly correlate to the underlying performance of business operations and such expenses can vary significantly between periods as a result of the timing of grants of new stock-based awards, valuation methodologies and market sentiments. Additionally, excluding stock-based compensation from Adjusted EBITDA assists management and investors in making meaningful comparisons with the Company's operating performance between the periods and the operating performance of other companies that may use different forms of employee compensation or different valuation methodologies for their stock-based compensation.

**Gain or loss on disposal of property, plant and equipment and assets held for sale** - the gain or loss arising from the disposal of property, plant and equipment is a non-cash item and has no impact on the determination of Adjusted EBITDA.

**Fair value write-down of assets held for sale and property, plant and equipment** - the fair value write-down of assets held for sale and property, plant and equipment is a non-cash item and has no impact on the determination of Adjusted EBITDA.

**Fair value increase or decrease on stock warrant** - the fair value increase or decrease from the valuation of stock warrant is a non-cash item and has no impact on the determination of Adjusted EBITDA.

**Amortization of stock warrant contract asset** - amortization of stock warrant contract asset represents a non-cash item and is excluded from Adjusted EBITDA.

## CARGOJET INC.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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**Gain or loss on fair value or settlement of swap derivatives related to financing arrangement** - the gain or loss arising from the fair value of total return swap or its settlement related to a financing arrangement is a function of the Company's treasury/financing activities and has no impact on the determination of Adjusted EBITDA.

**Gain or loss on fair value or settlement of swap derivatives related to share-based compensation** - the gain or loss arising from the fair value of total return swap or its settlement related to share-based compensation is excluded from Adjusted EBITDA measure. Swaps are used by the Company to offset its exposure on share-based compensation. The Company is exposed to market price fluctuation in its share price which is the asset underlying the swaps. This item is excluded as the amount of income or expense in any specific period may not directly correlate to the underlying performance of business operations and as such this income or expenses can vary significantly between periods as a result of the fluctuation in the share price. Additionally, excluding income or expense from swaps from Adjusted EBITDA assists management and investors in making meaningful comparisons between Company's operating performance between the periods and the operating performance of other companies that may or may not use swaps.

**Unrealized foreign exchange gain or loss** - the unrealized gain or loss arising from the valuation of the foreign exchange balances at the period-end is a non-cash item and has no impact on the determination of Adjusted EBITDA.

**Gain and loss on extinguishment of debts** - The loss on extinguishment of long-term debts including borrowings and lease liabilities is a function of the Company's treasury/financing activities and represents a different loss of expense than those included in Adjusted EBITDA.

**Share of gain or loss in associate** - is a different class of income or expense than those included in EBITDA.

**Employee pension** – the provision for employee pension represents a different class of expense than those included in EBITDA.

"Adjusted EBITDA margin" is defined as Adjusted EBITDA as a percentage of revenue. Adjusted EBITDA margin is commonly used in the airline industry and is used by the Company as a means to measure the operating margin excluding certain items as described above.

Reconciliation of net earnings, which is the most directly comparable GAAP measure, to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin is presented in the table below:



# CARGOJET INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

(Unaudited - Canadian dollars in millions, except where indicated)	Three Month Periods Ended		Nine Month Periods Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
<b>Calculation of EBITDA and Adjusted EBITDA</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net earnings	8.8	29.7	53.6	37.2
Add:				
Interest	14.3	12.7	38.0	43.2
Provision of deferred taxes	0.9	6.5	8.1	23.2
Depreciation of property, plant and equipment	48.2	36.3	135.2	123.6
<b>EBITDA</b>	<b>72.2</b>	<b>85.2</b>	<b>234.9</b>	<b>227.2</b>
Add:				
Share-based compensation	2.1	3.4	3.3	14.1
Gain on disposal of property, plant and equipment	-	(0.1)	(0.9)	(17.4)
Fair value write-down of assets held for sale and property, plant and equipment	-	-	7.0	1.1
Fair value adjustment on warrant valuation and amortization of stock warrant contract assets	(5.5)	(6.5)	(18.0)	35.7
Loss (gain) on swap derivative	1.6	1.1	8.9	(21.5)
Unrealized foreign exchange loss (gain)	0.6	(0.6)	(1.9)	1.4
Share of gain in associate	(0.6)	(0.3)	(2.1)	(0.9)
Employee pension	-	-	0.2	-
<b>Adjusted EBITDA</b>	<b>70.4</b>	<b>82.2</b>	<b>231.4</b>	<b>239.7</b>
Revenue	219.9	245.6	708.0	707.6
<b>Adjusted EBITDA margin</b>	<b>32.0%</b>	<b>33.5%</b>	<b>32.7%</b>	<b>33.9%</b>

# CARGOJET INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Nine Month Periods Ended September 30, 2025

### Free Cash Flow

Cargojet uses Free Cash Flow as a measure to evaluate its financial strength and performance of its business, indicating the amount of cash the Company can generate from operations after capital expenditures.

"Free Cash Flow" is defined as cash flows from operating activities less purchases of property, plant and equipment plus proceeds from disposals of property, plant and equipment and assets held for sale, and insurance proceeds related to these assets.

**Maintenance Capital Expenditures** - These are defined as any fixed assets acquired during a reporting period to maintain the Company's aircraft fleet and other assets at the level required to continue operating the existing business. They also include any capital expenditure required to extend the operational life of the fleet including heavy maintenance. Maintenance capital expenditures exclude any capital expenditures that result in new and additional capacity required to grow operational revenue and cash flows.

**Growth Capital Expenditure** - These are discretionary investments of the Company to increase capacity, geographic reach and to acquire more customers with a purpose to grow operational revenue, profits and cash flows.

Reconciliation of Free Cash Flow to cash generated from operating activities, which is the most directly comparable GAAP measure is presented in the table below.

(Unaudited - Canadian dollars in millions)	Three Month Periods Ended September 30,		Nine Month Periods Ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
<b>Calculation of Free Cash Flow</b>				
Net cash from operating activities	112.1	96.2	204.9	225.0
Purchase of property, plant and equipment <sup>(1)</sup>	(67.5)	(52.2)	(279.9)	(113.1)
Proceeds from disposal of property, plant and equipment and assets held for sale	107.8	3.8	109.0	105.1
<b>Free cash flow</b>	<b>152.4</b>	<b>47.8</b>	<b>34.0</b>	<b>217.0</b>

(1) Purchase of property, plant and equipment consists of the following

(Unaudited - Canadian dollars in millions)	Three Month Periods Ended September 30,		Nine Month Periods Ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Maintenance capital expenditures	45.5	29.7	174.0	53.9
Growth capital expenditures	22.0	22.5	105.9	59.2
<b>Purchase of property, plant and equipment</b>	<b>67.5</b>	<b>52.2</b>	<b>279.9</b>	<b>113.1</b>

# CARGOJET INC.

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### Adjusted Net Earnings and Adjusted Net Earnings Per Share

"Adjusted net earnings" and "Adjusted net earnings per share" ("Adjusted EPS") are used to assess the overall financial performance of its business. Prior to the third quarter of 2024, adjusted net earnings and adjusted EPS are defined as net earnings and net earnings per basic share excluding fair value write-down of assets held for sale and property, plant and equipment, fair value increase or decrease on stock warrant, amortization of stock warrant contract assets, gain or loss on swap derivatives, and unrealized foreign exchange gain or loss. These items are excluded as they may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. In the third quarter of 2024, the Company updated the definition to further exclude the tax impact of the adjustments where applicable as the net earnings and net earnings per share are also after-tax. Wherever presented, prior periods adjusted net earnings and Adjusted EPS are updated accordingly.

Reconciliation of adjusted net earnings and adjusted net earnings per share to GAAP net earnings is presented in the table below

(Unaudited - Canadian dollars in millions, except where indicated)	Three Month Periods Ended		Nine Month Periods Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
<b>Calculation of Adjusted Earnings and Adjusted EPS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net earnings</b>	8.8	29.7	53.6	37.2
Add:				
Fair value write-down of assets held for sale and property, plant and equipment	-	-	7.0	1.1
Fair value adjustment on stock warrant and amortization of stock warrant contract assets	(5.5)	(6.5)	(18.0)	35.7
Loss (gain) on swap derivative	1.6	1.1	8.9	(21.5)
Unrealized foreign exchange loss (gain)	0.6	(0.6)	(1.9)	1.4
Tax impact on items listed above	(0.6)	(0.1)	(3.7)	5.0
<b>Adjusted net earnings</b>	<b>4.9</b>	<b>23.6</b>	<b>45.9</b>	<b>58.9</b>
<b>Weighted average number of shares - basic (in millions of shares)</b>	<b>15.1</b>	<b>16.0</b>	<b>15.3</b>	<b>16.4</b>
<b>Adjusted EPS</b>	<b>0.32</b>	<b>1.48</b>	<b>3.00</b>	<b>3.59</b>

### Return on Invested Capital

"Return on Invested Capital" ("ROIC") is defined as net operating income after tax, divided by the average invested capital. Net operating income after tax is calculated as the trailing twelve months ("TTM") of operating income, after tax using the statutory tax rate of the Company. Average invested capital is calculated as the total of equity, debentures, borrowings, non-current lease liabilities, net of cash, property, plant and equipment under development (See Note 5 in Financial Statements on Property Plant and Equipment) and assets held for sale, averaged between the beginning and ending balance over the TTM period. Invested capital related to property, plant and equipment under development and assets held for sale are not used in generating revenue, therefore, excluded from the invested capital calculation.

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Management believes ROIC is a useful measure in the efficiency in the use of funds. The Company has a performance share unit plan (the "PSU Plan"), which is linked to ROIC. The ROIC is used to measure the performance factor for the achievement of the PSU plan.

(Unaudited - Canadian dollars in million, except where indicated)

	TTM Periods Ended September 30,	
	2025	2024
<b>Calculation of Return on Invested Capital</b>		
	\$	\$
<b>Gross margin</b>	<b>205.5</b>	168.8
Selling, general and administrative expenses	82.7	88.4
<b>Operating income</b>	<b>122.8</b>	80.4
Taxes @ 26.5%	32.5	21.3
<b>Net operating profit after tax ("NOPAT")</b>	<b>90.3</b>	59.1
<b>Invested capital, end of period</b>		
Equity	735.5	712.3
Debentures	362.8	227.6
Borrowings	401.0	370.5
Non-current lease liabilities	168.0	85.0
Cash	(3.7)	(6.7)
Property, plant and equipment under development	(69.5)	(100.0)
Assets held for sale	(30.7)	-
	<b>1,563.4</b>	<b>1,288.7</b>
<b>Invested capital, beginning of period</b>		
Equity	712.3	889.5
Debentures	227.6	311.6
Borrowings	370.5	357.7
Non-current lease liabilities	85.0	103.7
Cash	(6.7)	(42.8)
Property, plant and equipment under development	(100.0)	(215.7)
Assets held for sale	0.0	(9.30)
	<b>1,288.7</b>	<b>1,394.7</b>
<b>Average invested capital</b>	<b>1,426.1</b>	<b>1,341.7</b>
<b>Return on invested capital <sup>(1)</sup></b>	<b>6.3%</b>	<b>4.4%</b>

<sup>(1)</sup> ROIC excluding one-time adjustment of \$29.5 million in warrant asset amortization was 6.0% for the TTM year ended September 30, 2024.

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### Net Debt to Adjusted EBITDA Leverage Ratio

"Net Debt to Adjusted EBITDA Leverage Ratio" (or "Leverage Ratio") is obtained by dividing Net Debt by Adjusted EBITDA and is a measure of the Company's ability to meet its financial obligations. Net Debt is a metric obtained by subtracting cash from debt and lease liabilities and is used to monitor the Corporation's financial leverage.

Calculation of Net Debt to Adjusted EBITDA Leverage Ratio and reconciliation to the most directly comparable GAAP measures is presented in the table below.

(Unaudited - Canadian dollars in millions, except where indicated)

	September 30, 2025	December 31, 2024
<b>Calculation of Net Debt to Adjusted EBITDA Leverage ratio</b>		
	\$	\$
Borrowing	401.0	538.1
Debentures	362.8	113.5
Lease and financial liabilities	193.2	103.5
Total	957.0	755.1
Less: Cash	(3.7)	(1.5)
<b>Net debt</b>	<b>953.3</b>	<b>753.6</b>
<b>Adjusted EBITDA (TTM period)</b>	<b>323.2</b>	<b>331.4</b>
<b>Net debt to adjusted EBITDA leverage ratio</b>	<b>2.9</b>	<b>2.3</b>

## 15. FINANCIAL CONDITION

The following is a comparison of the financial position of the Company as at September 30, 2025 to the financial position of the Company as at December 31, 2024:

### Trade and Other Receivables

Trade and other receivables as of September 30, 2025 amounted to \$82.9 million compared to \$103.0 million as at December 31, 2024. The decrease of \$20.1 million was primarily due to the timing of cash collections from customers. The quality of the Company's net receivable balances and its current collections, in management's opinion, remains excellent.

### Property, Plant and Equipment

As at September 30, 2025, property, plant and equipment were \$1,727.1 million compared to \$1,651.1 million as at December 31, 2024. The \$76.0 million net increase in property, plant and equipment was due to net addition of \$274.4 million in property plant and equipment, partially offset by depreciation of \$135.2 million.

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### Trade and Other Payables

Trade and other payables as at September 30, 2025 were \$100.1 million compared to \$143.9 million as at December 31, 2024. The decrease of \$43.8 million was primarily due to the \$33.4 million recognized for voting shares repurchased under ASPP as at December 31, 2024 and cleared in the first quarter of 2025 and timing of the supplier payments.

### Lease Liabilities

The lease liabilities are in respect of the lease of two B767-300, one B767-200 aircraft, hangars and warehouses. Total leases including the current portion were \$90.8 million as at September 30, 2025 compared to \$103.5 million as at December 31, 2024. The change was due to the scheduled monthly repayments made during the nine month period ended September 30, 2025.

## 16. SUMMARY OF CONTRACTUAL OBLIGATIONS

As at September 30, 2025 (Canadian dollars in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Borrowings and debentures	114.2	-	649.6	-	763.8
Lease and financial liabilities	25.2	23.9	135.1	9.0	193.2
Derivative financial instruments	29.6	-	-	-	29.6
Interest on leases	9.7	8.2	17.4	1.0	36.3
Interest on debentures	19.0	12.0	35.0	-	66.0
Trade and other payables	100.1	-	-	-	100.1
Share-based compensation	3.0	17.1	7.5	1.7	29.3
Dividends payable	5.3	-	-	-	5.3
	306.1	61.2	844.6	11.7	1,223.6

## 17. QUARTERLY FINANCIAL DATA

(Unaudited - Canadian dollars in millions, except per share amounts)

	Three Month Periods Ended							
	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2024
Revenues	219.9	\$238.2	\$249.9	\$293.2	\$245.6	\$230.8	\$231.2	\$221.9
Net earnings (loss)	8.8	(3.2)	48.0	71.2	29.7	(25.0)	32.5	(34.9)
Adjusted net earnings <sup>(1)</sup>	4.9	15.7	25.3	27.2	23.6	7.1	28.3	5.8
Earnings (loss) per Share								
- Basic	0.58	(0.21)	3.07	4.49	1.85	(1.53)	1.94	(2.04)
- Diluted	0.58	(0.21)	2.87	4.28	1.78	(1.53)	1.84	(2.04)
- Adjusted <sup>(1)</sup>	0.32	1.02	1.62	1.71	1.48	0.43	1.69	0.34
Adjusted EBITDA <sup>(1)</sup>	70.4	80.2	80.8	91.7	82.2	79.1	78.4	81.6

(1) Non-GAAP measures. See "Non-Financial GAAP Measures" section

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### **18. FINANCIAL INSTRUMENTS**

#### **Total Return Swap**

The Company has a total return swap agreement with a financial institution to manage its exposure related to options to be issued under the Stock Option Plan for certain employees and DSUs to be issued under the long-term incentive plan for its existing pilots. The Company also has an additional total return swap agreement with a financial institution to manage its exposure related to the warrants to be issued under the stock warrant agreement with DHL.

The Company did not designate the total return swap agreements as a hedging instrument for accounting purposes.

Under the agreements, the Company pays interest based on CORRA on the total value of the notional equity amount of \$81.6 million, which is equal to the total cost of the underlying shares. At the settlement of the total return swap agreements, the Company will receive or remit the net difference between the total value of the notional equity amount and the total proceeds of sale of the underlying shares.

As at September 30, 2025, the fair value measurement of the 5,736 and 567,934 underlying shares under the swap agreements in effect was a liability of \$29.6 million (December 31, 2024 - liability of \$20.7 million). The fair value adjustment for the three and nine month periods ended September 30, 2025 was \$nil and a loss of \$0.1 million respectively for the 5,736 share units (2024 - loss of \$1.1 million and a gain of \$4.4 million respectively for the 234,300 share units), and loss of \$1.6 million and a loss of \$8.9 million for the 567,934 share units (2024 - loss of \$1.4 million and gain of \$15.7 million respectively for the 796,800 share units).

The fair value of the total return swap is classified as level 3 under the fair value hierarchy and is determined by using the mark to market method provided by the financial institutions. An increase of 20% in the share price will result in a gain of \$10.6 million and a decrease of 20% in the share price will result in a loss of the same amount.

#### **Fair Values**

As at September 30, 2025, the fair value of the 5.25% hybrid debentures due June 30, 2026 was approximately \$109.6 million (December 31, 2024 - \$110.4 million). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 7.0%. The discount rate is determined by using the government of Canada's benchmark bond rate adjusted for the Company's specific credit risk. The debentures are categorized as Level 3 under the fair value hierarchy. An increase or decrease of 10% in the discount rate used for valuation of the debentures will decrease or increase the fair value by \$0.6 million respectively.

The fair value of the performance share units due March 15, 2026, March 15, 2027 and March 15, 2028 are classified as Level 3 financial liabilities. As at September 30, 2025, the performance share units due March 15, 2026, March 15, 2027, and March 15, 2028, were valued at \$2.6 million, \$3.3 million and \$5.2 million respectively (December 31, 2024 - March 15, 2026, at \$3.5 million and March 15, 2027, at \$4.7 million). The Company used an option pricing model utilizing Monte Carlo simulation to value the TSR-PSUs and analytically valued the ROIC-PSUs at inception and on subsequent valuation dates. The discount rate was determined by using the Canadian deposit and swap rates adjusted for the Company's specific credit risk. Other significant inputs consisted of historical volatility and dividend rates.

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The fair value of the warrant obligations was \$45.8 million as at September 30, 2025 (December 31, 2024 - \$62.9 million). On August 6, 2025, the Company renewed its strategic agreement with DHL Network Operations (USA) Inc. until March 31, 2033. In addition, to align interests and strengthen the long-term strategic relationship, Cargojet terminated the warrants to acquire 1,645,000 voting shares issued to DHL in March 2022 and issued new warrants on August 6, 2025, to acquire up to 1,000,000 of the Company's outstanding voting shares. Under IFRS 15.21, the modification was treated as continuation of the existing contract and not a separate contract. The fair value of the new warrants was determined on August 6, 2025, and the change in value of \$19.1 million was added to the warrant obligations with corresponding adjustment to the value of the contract asset. (Reference: note 4.B Stock Warrants - DHL). The warrants including Amazon warrants were revalued as at September 30, 2025. The revaluation resulted in a gain of \$36.2 million for the nine month period ended September 30, 2025 (2024 - loss of \$20.6 million). The warrants were classified as Level 3 derivative liabilities that are valued using an American option pricing model utilizing Monte Carlo simulation. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. Significant unobservable inputs for the Amazon warrant obligation include volatility of the Company's common shares of 32.2% for tranche I and forecasted revenues from Amazon associated with this arrangement utilized to predict future vesting events. Other inputs include a risk-free rate of 2.4% and a dividend yield of 1.1%. Significant unobservable inputs for the DHL warrant obligation include volatility of the Company's common shares of 37.4% for tranche I and 37.4% for tranche II and forecasted revenues from DHL associated with this arrangement utilized to predict future vesting events. Other inputs include a risk free rate of 2.8% and a dividend yield of 1.3%.

A significant increase in the volatility of the Company's common shares in isolation may result in a significantly higher fair value measurement. Changes in the values of the derivative liabilities were recorded in fair value increase or decrease on stock warrant on the Company's Condensed Consolidated Interim Statements of Earnings and Comprehensive Income. A significant change to the timing of forecasted revenues may change the vesting dates. Changes to the vesting dates will not significantly affect the fair value of the warrant obligations, provided the total number of warrants vested in the vesting period remains the same. A significant change to the total forecasted revenues may result in significant change to the total number of warrants vested during the vesting period and the fair value measurement of warrant obligation.

For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of the Amazon warrants will increase by \$0.9 million and decrease by \$0.9 million. For every increase or decrease of the total forecasted revenue by 20% with all other factors remaining the same, the estimated fair value of Amazon warrants will increase or decrease by \$1.3 million.

For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of the DHL warrants will increase by \$3.0 million and decrease by \$3.0 million. For every increase or decrease of the total forecasted revenue by 20% with all other factors remaining the same, the estimated fair value of DHL warrants will increase by \$0.3 million or decrease by \$8.5 million.

The fair value of borrowings approximates their carrying value.



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The fair values of all other financial assets and liabilities approximate their carrying values given the short-term nature of these items. The fair values of the interest rate swap are the estimated amounts the issuer would receive or pay to terminate the agreement at the reporting date. Unrealized gains on derivatives are recorded as derivative instrument assets and unrealized losses are recorded as derivative instrument liabilities in the Condensed Consolidated Interim Balance Sheets.

## **19. OFF-BALANCE SHEET ARRANGEMENTS**

Note: See Caution Concerning Forward Looking Statements, page 3.

The Company's primary off-balance sheet arrangements are as follows:

(a) The Company has provided indemnities under lease agreements for the use of various operating facilities and leased aircraft. Under the terms of these agreements, the Company agrees to indemnify the lessors of aircraft and facilities for various items including, but not limited to, all liabilities, losses, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnities have been provided to all directors and officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(d) The Company participates in six Fuel Facility Corporations ("FFC") along with other airlines that contract for fuel services at various major airports in Canada. Each FFC operates on a cost recovery basis. The purpose of the FFC is to own and finance the system that distributes fuel to the contracting airlines, including leasing the required land rights. The aggregate debt of these FFC and any liabilities of environmental remediation costs are not considered part of the financial statements of the Company and are not consolidated. The airlines that participate in FFC guarantee on a pro-rata basis of the share of the debt based on system usage. The Company views the potential for losses in respect of the FFC as remote.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

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(e) The Company has provided irrevocable standby letters of credit totaling approximately \$1.1 million as at September 30, 2025. The other guarantees are provided to financial institutions as security for its corporate credit cards, and to a number of vendors as a security for the Company's ongoing leases and purchases.

## **20. RELATED PARTY TRANSACTIONS**

### Head Office

The Company entered into a lease agreement in February 2017 with respect to a 62,000 square feet head office and warehouse area that is indirectly and beneficially owned by one of the Company's executive officers and directors. The lease will expire in 2032. The basic rent is subject to revision every five years at a predetermined rate per the terms of the lease.

During the nine month period ended September 30, 2025, the Company made lease payments of \$0.8 million (2024 - \$0.8 million), out of which \$0.5 million (2024 - \$0.4 million) was adjusted towards principal payments against the liability and \$0.3 million (2024 - \$0.4 million) was recorded as related interest cost. The Company also paid utilities, taxes, maintenance, insurance and other related costs for the leased premises. As at September 30, 2025, the Company had a liability of \$6.6 million (December 31, 2024 - \$7.1 million) due under the lease.

### Investment in Associate

The Company acquired an investment in Avia in August 2019. See Note 6, Investment in Associate. 21 Air, which is wholly owned by Avia, is one of the vendors of the Company and provides charter services to the Company.

The Company also leased two Boeing 767-200 aircraft to 21 Air in October 2019 and January 2021 respectively. In 2024, both leases were extended to May 2027.

## **21. RISK FACTORS**

### Risks Related to the Business

A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the MD&A for the three months and year ended December 31, 2024 dated February 17, 2025 which was filed with SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

The Company faces new risks arising from recently imposed tariffs by the United States and subsequent retaliatory tariffs by several other countries on certain goods and services, which may adversely impact our operations and financial performance. These tariffs, introduced by United States, could increase the cost of imported materials, disrupt supply chains and international trade, and reduce demand for our services in affected markets. While we are actively exploring mitigation strategies, such as diversifying suppliers and optimizing pricing, the evolving trade environment may lead to increased costs and reduced profitability, the extent of which remains uncertain.

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#### **22. OUTSTANDING SHARE DATA**

The Company's common and variable voting shares are listed under the symbol "CJT" and hybrid debentures are listed under the symbol "CJT.DB.F" on the TSX. The Company completed the necessary searches through broker intermediaries. The following table sets out the shares of the Company outstanding as of September 30, 2025:

<b>Capital</b>	<b>Authorized/ Principal</b>	<b>Outstanding number of shares</b>
Common Voting Shares	Unlimited	14,067,516
Variable Voting Shares	Unlimited	1,020,255
Total Common and Variable Voting Shares		15,087,771

#### **Exemptive Relief from Take-Over Bid and Early Warning Rules**

On May 1, 2019, the Company received an exemption to treat its variable voting shares and common shares as a single class for the purposes of applicable take-over bid requirements and early warning reporting requirements contained under Canadian securities laws. The securities regulatory authorities in each of the provinces of Canada granted exemptive relief (the "Decision") from: (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20 per cent or more of the outstanding variable voting shares and common shares of the Company on a combined basis; (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer who acquires or holds beneficial ownership of, or control or direction over, 10 per cent or more of the outstanding variable voting shares and common shares of the Company on a combined basis (or five per cent in the case of acquisitions during a take-over bid or an issuer bid); and (iii) applicable alternative monthly reporting requirements, as contained under Canadian securities laws, such that eligible institutional investors may meet the eligibility criteria for alternative monthly reporting by calculating its security holdings using (A) a denominator comprised of all outstanding common shares and variable voting shares on a combined basis, and (B) a numerator including all of the common shares and variable voting shares owned or controlled by the eligible institutional investor. A copy of the Decision is available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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The Decision takes into account that the Company's dual class shareholding structure was implemented solely to ensure compliance with the foreign ownership requirements of the *Canada Transportation Act* (the "CTA"). An investor does not control or choose which class of shares it acquires and holds. The class of shares ultimately available to an investor is solely a function of the investor's status as a Canadian or non-Canadian (as defined in the CTA). Due to the relatively small number of outstanding variable voting shares, absent the Decision, it may have been more difficult for non-Canadian investors to acquire variable voting shares in the ordinary course without the apprehension of inadvertently triggering the take-over bid rules or early warning requirements. The Decision considered the fact that the variable voting shares and common shares have identical terms except for the foreign ownership voting limitations applicable in the case of the variable voting shares.

## **23. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, the Company's management is required to make judgments, estimates and assumptions that may affect the reported amount of the assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of the current events and actions that the Company may undertake in the future, actual results may differ from these estimates. Reported amounts which require management to make significant estimates and assumptions include impairment and depreciation of property, plant and equipment, lease liabilities, deferred taxes, and stock warrant obligations. These items are discussed below.

### **Key sources of estimation uncertainty**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

#### ***Impairment of property, plant and equipment***

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. To determine the recoverable amount of the CGU, management is required to estimate its fair value by evaluating expected future cash flow using an appropriate growth rate, margins, and a suitable discount rate to calculate the value in use.

## **CARGOJET INC.**

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### *Depreciation of property, plant and equipment*

Amounts recorded for depreciation of property, plant and equipment are based on estimates including economic life of the assets and residual values of the asset at the end of its economic life. The actual economic life of the assets and residual values are assessed at reporting period end taking into account factors such as actual utilization and maintenance and service protocols.

### *Lease Liabilities*

The recognition of lease liabilities and the associated right of use assets requires estimation related to discount rate used for discounting the lease payments and for determination of lease period where judgement is required to determine whether it is reasonably certain that option to renew the lease will be exercised (or not exercised).

### *Deferred taxes*

Deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period and assesses recoverability using forecasts that are based on the actual operating results and the expected future performance based on management's estimates and assumptions of revenue growth and development. The deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### *Stock warrants*

The Company's accounting for warrants issued to Amazon and DHL are determined in accordance with the financial reporting guidance for financial instruments and revenue recognition. The initial fair value of the warrants issued to a customer are recognized as a contract asset and liability respectively. The contract asset is amortized against revenues in proportion to the payments to date over the total forecasted payments specified in the agreement. Unexercised warrants are remeasured to fair value at each reporting period, resulting in a gain or loss. The valuation involves assumption and estimates including the vesting of shares driven by the forecasted payments specified in the stock warrant agreements, and future share price volatility. The estimate of forecasted payments is based on management's judgment of business activities in the future. Due to the long-term nature of the warrants, such estimates are subject to significant uncertainty.

## **24. INFORMATION DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Disclosure controls and procedures within the Company are designed to provide reasonable assurance that appropriate and timely decisions are made regarding public disclosure. This is accomplished through the establishment of systems that identify and communicate relevant information to persons responsible for preparing public disclosure items, in accordance with the Disclosure Policy adopted by the Board of Directors of the Company.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

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An evaluation of the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting, as defined under the rules of the Canadian Securities Administrators, was conducted as at December 31, 2024 by management. Based on this evaluation, the Co-Chief Executive Officers and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal controls over financial reporting of the Company are effective. This MD&A was reviewed by the Disclosure Officers of the Company (individuals authorized to communicate with the public about information concerning the Company), the Audit Committee and the Board of Directors of the Company, all of whom approved it prior to its publication.