

Consolidated Financial Statements of



**For the years ended December 31, 2024 and 2023**

(expressed in millions of Canadian dollars)

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## Independent auditor's report

To the Shareholders of Cargojet Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cargojet Inc. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2024 and 2023;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of stock warrant obligations

*Refer to Note 2 – Summary of Material Accounting Policies, Note 6 – Stock Warrants and Note 27 – Financial Instruments to the consolidated financial statements.*

On August 23, 2019 and on March 28, 2022, the Company entered into stock warrant agreements with Amazon and DHL, respectively. Under the agreement with Amazon, the Company issued warrants to Amazon for the opportunity to purchase variable voting shares that will vest in two tranches based on the achievement of commercial milestones related to Amazon's business with the Company. Under the agreement with DHL, the Company issued warrants to DHL for the opportunity to purchase variable voting shares that will vest based on the achievement of commercial milestones related to DHL's existing business with the Company and on achievement of growth targets. Upon the execution of each agreement, 0.4 million warrant shares vested immediately. The Company determined that the warrants are derivative instruments and should be classified as liabilities under stock warrant obligations. The financial instruments are initially recorded at fair value and are then revalued at each reporting date.

Our approach to addressing the matter included the following procedures, among others:

- Professionals with specialized skill and knowledge in the field of valuation assisted 1) in developing an independent point estimate of the value of stock warrant obligations based on data provided by management and inputs obtained or estimated independently, such as volatility of the Company's common shares, and 2) in performing sensitivity analysis over unobservable inputs, including volatility of the Company's common shares and forecasted revenues from Amazon and DHL.
- Evaluated the reasonableness of forecasted revenues from Amazon and DHL by considering the Company's historical growth in revenue from Amazon and DHL and their affiliates associated with these agreements and industry projections.
- Compared the independent point estimate to management's estimate to evaluate the reasonableness of the valuation of stock warrant obligations.
- Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant assumptions related to volatility of the Company's common shares and forecasted revenues from Amazon and DHL.



#### Key audit matter

#### How our audit addressed the key audit matter

The fair value of the stock warrant obligations was revalued as at December 31, 2024 to \$28.7 million and \$34.2 million for Amazon and DHL, respectively. This resulted in gains of \$24.1 million and \$23.1 million related to Amazon and DHL, respectively, for the year then ended. The Company classified the stock warrant obligations as level 3 derivative liabilities that were valued using an American option pricing model utilizing Monte Carlo simulation on initial measurement date and as of December 31, 2024. There is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Significant unobservable inputs used in the valuation models included volatility of the Company's common shares and forecasted revenues from Amazon and DHL and their affiliates associated with these agreements (forecasted revenues from Amazon and DHL) utilized to predict future vesting events.

We considered this a key audit matter due to the significant judgment applied by management in determining the fair value of the stock warrant obligations and the complexity of the valuation models, which includes significant unobservable inputs including volatility of the Company's common shares and forecasted revenues from Amazon and DHL. This led to a high degree of auditor subjectivity and judgment in performing procedures relating to the valuation of stock warrant obligations. The audit effort involved the use of professionals with specialized skill and knowledge.



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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Edyta Jewula.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 17, 2025



# CARGOJET INC.

## Consolidated Balance Sheets

As at December 31, 2024 and December 31, 2023

(Canadian dollars in millions)

|   | Note | December 31,<br>2024 | December 31,<br>2023 |
|---|------|----------------------|----------------------|
|   |      | \$                   | \$                   |
| <b>ASSETS</b>                                     |      |                      |                      |
| <b>CURRENT ASSETS</b>                             |      |                      |                      |
| Cash  |      | 1.5                  | 31.8                 |
| Trade and other receivables                       | 4    | 103.0                | 119.1                |
| Inventories                                       | 3    | 2.5                  | 2.6                  |
| Prepaid expenses and deposits                     |      | 8.0                  | 8.6                  |
| Income taxes recoverable                          |      | 0.1                  | 0.1                  |
| Assets held for sale                              | 8    | -                    | 115.9                |
| <b>Total current assets</b>                       |      | <b>115.1</b>         | <b>278.1</b>         |
| <b>NON-CURRENT ASSETS</b>                         |      |                      |                      |
| Property, plant and equipment                     | 8,14 | 1,651.1              | 1,567.0              |
| Investment in associate                           | 9    | 7.7                  | 7.3                  |
| Long-term loans receivable                        | 9    | 0.6                  | 2.9                  |
| Goodwill  | 5    | 48.3                 | 48.3                 |
| Intangible assets                                 | 7    | 2.0                  | 2.0                  |
| Prepaid expenses and deposits                     |      | 6.0                  | 6.3                  |
| Contract assets                                   | 4,6  | 94.9                 | 119.0                |
| Deferred income taxes                             | 16   | -                    | 5.4                  |
| <b>Total assets</b>                               |      | <b>1,925.7</b>       | <b>2,036.3</b>       |
| <b>LIABILITIES</b>                                |      |                      |                      |
| <b>CURRENT LIABILITIES</b>                        |      |                      |                      |
| Trade and other payables                          | 11   | 142.6                | 147.0                |
| Lease liabilities                                 | 14   | 19.1                 | 22.9                 |
| Borrowings  | 13   | 15.2                 | -                    |
| Dividends payable                                 | 21   | -                    | 5.3                  |
| Derivative financial instruments                  | 27   | 20.7                 | 11.1                 |
| <b>Total current liabilities</b>                  |      | <b>197.6</b>         | <b>186.3</b>         |
| <b>NON-CURRENT LIABILITIES</b>                    |      |                      |                      |
| Borrowings  | 13   | 522.9                | 453.9                |
| Lease liabilities                                 | 14   | 84.4                 | 96.2                 |
| Stock warrant obligations                         | 6    | 62.9                 | 110.1                |
| Trade and other payables                          | 11   | 1.3                  | 3.0                  |
| Debentures  | 15   | 113.5                | 226.2                |
| Deferred income taxes                             | 16   | 178.7                | 154.8                |
| Share-based compensation                          | 12   | 26.7                 | 21.3                 |
| <b>Total liabilities</b>                          |      | <b>1,188.0</b>       | <b>1,251.8</b>       |
| <b>Total shareholders' equity</b>                 |      | <b>737.7</b>         | <b>784.5</b>         |
| <b>Total liabilities and shareholders' equity</b> |      | <b>1,925.7</b>       | <b>2,036.3</b>       |

The accompanying notes are an integral component of these consolidated financial statements.

# CARGOJET INC.

## Consolidated Statements of Earnings and Comprehensive Income for the years ended December 31, 2024 and 2023

(Canadian dollars in millions except per share data)

|  | Note | 2024    | 2023   |
|--|------|---------|--------|
|  |      | \$      | \$     |
| REVENUES                                     | 4    | 1,000.8 | 877.5  |
| DIRECT EXPENSES                              | 17   | 775.0   | 739.4  |
| GROSS MARGIN                                 |      | 225.8   | 138.1  |
| Selling, general and administrative expenses | 18   | 90.6    | 70.5   |
| Fair value decrease on stock warrant         | 6    | (47.2)  | (44.7) |
| Gain on swap derivative                      | 27   | (3.3)   | (2.7)  |
| Finance costs                                | 19   | 56.8    | 56.8   |
| Other (gain) loss, net                       | 20   | (8.4)   | 6.4    |
| Share of (gain) loss in associate            | 9    | (0.4)   | 0.1    |
| EARNINGS BEFORE INCOME TAXES                 |      | 137.7   | 51.7   |
| PROVISION FOR INCOME TAXES                   | 16   |         |        |
| Deferred                                     |      | 29.3    | 14.4   |
| NET EARNINGS AND COMPREHENSIVE INCOME        |      | 108.4   | 37.3   |
| NET EARNINGS PER SHARE                       | 22   |         |        |
| - Basic                                      |      | \$6.68  | \$2.17 |
| - Diluted                                    |      | \$6.68  | \$2.17 |

The accompanying notes are an integral component of these consolidated financial statements.

# CARGOJET INC.

## Consolidated Statements of Changes in Equity For the years ended December 31, 2024 and 2023

(Canadian dollars in millions)

|   | Note  | Shareholders'<br>capital | Contributed<br>surplus | Surplus on<br>debenture<br>settlement | Retained<br>earnings | Total<br>shareholders'<br>equity |
|---|-------|--------------------------|------------------------|---------------------------------------|----------------------|----------------------------------|
|   |       | \$                       | \$                     | \$                                    | \$                   | \$                               |
| Balance, January 1, 2024                |       | 609.8                    | 0.8                    | 13.1                                  | 160.8                | 784.5                            |
| Net earnings and comprehensive income   |       | -                        | -                      | -                                     | 108.4                | 108.4                            |
| Share-based compensation                | 12    | -                        | 2.3                    | -                                     | -                    | 2.3                              |
| Restricted shares, vested and exercised | 12,21 | 0.5                      | (0.5)                  | -                                     | -                    | -                                |
| Withholding tax paid on vested RSUs     | 12    | -                        | (0.5)                  | -                                     | -                    | (0.5)                            |
| Share buyback                           | 21    | (21.8)                   | -                      | -                                     | (113.8)              | (135.6)                          |
| Dividends                               | 21    | -                        | -                      | -                                     | (21.4)               | (21.4)                           |
| <b>Balance, December 31, 2024</b>       |       | <b>588.5</b>             | <b>2.1</b>             | <b>13.1</b>                           | <b>134.0</b>         | <b>737.7</b>                     |
| Balance, January 1, 2023                |       | 650.9                    | 0.7                    | 13.1                                  | 166.8                | 831.5                            |
| Net earnings and comprehensive income   |       | -                        | -                      | -                                     | 37.3                 | 37.3                             |
| Share-based compensation                | 12    | -                        | 1.7                    | -                                     | -                    | 1.7                              |
| Restricted shares, vested and exercised | 12,21 | 0.9                      | (0.9)                  | -                                     | -                    | -                                |
| Withholding tax paid on vested RSUs     | 12    | -                        | (1.1)                  | -                                     | 0.2                  | (0.9)                            |
| Share buyback                           | 21    | (42.0)                   | -                      | -                                     | (23.0)               | (65.0)                           |
| Contributed surplus adjustment          |       | -                        | 0.4                    | -                                     | (0.4)                | -                                |
| Dividends                               | 21    | -                        | -                      | -                                     | (20.1)               | (20.1)                           |
| <b>Balance, December 31, 2023</b>       |       | <b>609.8</b>             | <b>0.8</b>             | <b>13.1</b>                           | <b>160.8</b>         | <b>784.5</b>                     |

The accompanying notes are an integral component of these consolidated financial statements.

# CARGOJET INC.

## Consolidated Statements of Cash Flows For the years ended December 31, 2024 and 2023

(Canadian dollars in millions)

|   | Note  | 2024<br>\$     | 2023<br>\$     |
|---|-------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |       |                |                |
| Net earnings  |       | 108.4          | 37.3           |
| Adjustments to reconcile net cash from operating activities                       |       |                |                |
| Depreciation of property, plant and equipment and amortization of contract assets | 4,6,8 | 189.2          | 221.0          |
| Share-based compensation expense  | 12    | 9.7            | 13.9           |
| Finance costs   | 19    | 56.8           | 56.8           |
| Impairment on property, plant and equipment and assets held for sale              | 8     | 2.6            | 15.8           |
| (Gain) loss on disposal of property, plant and equipment and assets held for sale | 20    | (17.4)         | 2.8            |
| Realized foreign exchange gain on disposal of assets                              | 8     | -              | (1.3)          |
| Share-based compensation paid   | 12    | (2.4)          | (12.4)         |
| Employee pension liability  | 23    | 0.3            | 0.4            |
| Pension paid  | 23    | (9.8)          | (9.7)          |
| Provision for income tax  | 16    | 29.3           | 14.4           |
| Fair value increase (decrease) on stock warrant                                   | 6     | (47.2)         | (44.7)         |
| Unrealized loss (gain) on swap derivative contract                                | 27    | 9.6            | (2.7)          |
| Unrealized foreign exchange loss (gain)   | 10    | 6.4            | (1.5)          |
| Loss on extinguishment of debts   | 15    | 0.4            | 0.5            |
| Share of (gain) loss in associate   | 9     | (0.4)          | 0.1            |
| Gain on insurance claim   | 9     | -              | (12.2)         |
| Withholding tax paid on vested RSUs   |       | (0.5)          | (0.9)          |
| Interest paid   |       | (46.6)         | (46.5)         |
| Cash generated from operating activities  |       | 288.4          | 231.1          |
| Changes in non-cash working capital items and other long-term items               |       |                |                |
| Contract acquisition asset, net of amortization                                   | 4     | -              | (5.4)          |
| Trade and other receivables   |       | 16.1           | (23.5)         |
| Inventories   |       | 0.1            | 0.7            |
| Prepaid expenses and deposits   |       | 0.9            | 3.2            |
| Trade and other payables  |       | 23.1           | (14.2)         |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>                               |       | <b>328.6</b>   | <b>191.9</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |       |                |                |
| Purchase of property, plant and equipment   | 8     | (250.0)        | (266.7)        |
| Proceeds from disposal of property, plant and equipment and assets held for sale  | 8     | 105.1          | 127.0          |
| Insurance proceeds from assets held for sale                                      | 6,8   | -              | 12.2           |
| Repayment from long-term loans receivable   | 9     | 2.2            | -              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                      |       | <b>(142.7)</b> | <b>(127.5)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |       |                |                |
| Redemption of debenture   | 15    | (114.6)        | (86.3)         |
| Proceeds from borrowings  | 13    | 84.2           | 145.5          |
| Repayment of obligations under lease liabilities                                  | 10,14 | (31.4)         | (42.7)         |
| Share buyback   | 21    | (127.7)        | (35.5)         |
| Dividends paid to shareholders  | 21    | (26.7)         | (19.7)         |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                                      |       | <b>(216.2)</b> | <b>(38.7)</b>  |
| <b>NET CHANGE IN CASH</b>   |       | <b>(30.3)</b>  | <b>25.7</b>    |
| <b>CASH, BEGINNING OF YEAR</b>  |       | <b>31.8</b>    | <b>6.1</b>     |
| <b>CASH, END OF YEAR</b>  |       | <b>1.5</b>     | <b>31.8</b>    |

The accompanying notes are an integral component of these consolidated financial statements.

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

**December 31, 2024 and 2023**

**(Canadian dollars in millions except where noted)**

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### **1. NATURE OF THE BUSINESS**

Cargojet Inc. (“Cargojet” or the “Company”) operates a domestic air cargo co-load network between sixteen major Canadian cities. The Company also provides dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance (“ACMI”) basis, operating between points in Canada, USA, Mexico, South America, Europe and Asia. As well, the Company operates scheduled international routes for multiple cargo customers between the USA and Bermuda, between Canada, UK and Germany, between Canada and Asia and between Canada and Mexico.

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, L5K 2S3, Ontario.

These consolidated financial statements (the “financial statements”) were approved by the Board of Directors and authorized for issuance on February 17, 2025.

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

#### **Statement of compliance and basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

#### **Basis of preparation**

These financial statements include the accounts of the Company and its wholly owned subsidiaries Cargojet Airways Ltd. (“CJA”) and Aeroship Handling Ltd.

On January 1, 2024, the Company completed an internal reorganization to amalgamate CJA with its wholly owned subsidiary, 2422311 Ontario Inc.

All intra-company balances and transactions are eliminated in full on consolidation.

#### **Cash**

Cash balance consists of cash held in demand deposit accounts.

#### **Prepaid expenses and deposits**

Prepaid expenses are cash paid amounts that represent costs incurred from which a service or benefit is expected to be derived in the future. The future write-off period of the incurred cost will normally be determined by the period of benefit covered by the prepayment. Prepaid expenses specific to a particular period will be expensed when the period arrives and the costs will be treated as a period cost for that period. Prepaid costs for an extended period of time are written off equally during the period in which the benefit will be derived.

Prepaid expenses are generally classified as current assets unless a portion of the prepayment covers a period longer than twelve months.

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2024 and 2023**

**(Canadian dollars in millions except where noted)**

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Deposits include vendor deposits and lease security deposits and are measured at amortized cost using the effective interest rate method.

#### **Inventories**

Fuel inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less costs necessary to make the sale.

#### **Property, plant and equipment**

Property, plant and equipment are carried at cost, less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. Purchased software that is integral to the functionality of related equipment is capitalized as part of that equipment. In-house developed software not separable is capitalized at cost and includes expenditures attributable directly to the development of the software and is treated as computer software as part of property plant and equipment.

Property, plant and equipment under development relates to the purchase, construction and/or modification of aircraft and other property, plant and equipment that is not yet available for use. These assets are carried at cost. Cost includes expenditures that are directly attributable to the purchase or modification of the asset. Borrowing costs attributable to the purchase, construction or modification of “qualifying assets” (assets that take a substantial period of time to get ready for their intended use or sale) are capitalized to the cost of the item until the asset is ready for use. Once the property, plant and equipment are ready for use, the respective cost of property, plant and equipment will be transferred to the qualifying asset class.

When a significant part of an asset has a different useful life from the overall asset’s useful life, it is identified as a separate component and depreciated accordingly.

Spare parts are treated as property, plant and equipment and depreciated based on actual usage.

The Company recognizes airframe heavy maintenance expenditures for owned and certain leased aircraft using the deferral method. Under the deferral method, the actual cost of each overhaul is capitalized under property, plant and equipment and amortized on a straight-line basis over the period to the next overhaul or the end of the lease term whichever is earlier. Any remaining carrying amount of the cost of the previous overhaul is derecognized.

The Company capitalizes the cost of rotatable parts purchased as an asset and depreciates it over its useful life of up to 10 years. The cost of repairing the rotatable part is recognized as maintenance expense when incurred.

Depreciation is recognized so as to amortize the cost of assets less their residual values over their useful lives using the straight-line method. The Company reviews the depreciation methods, useful lives and residual values at each reporting date with the effect of any changes in estimate accounted for on a prospective basis.

# CARGOJET INC.

## Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(Canadian dollars in millions except where noted)

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Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statements of Earnings and Comprehensive Income.

The average useful lives are as follows:

| <b>Asset</b>                     | <b>Average useful life</b>   |
|----------------------------------|--|
| Aircraft hull                    | 20–50 years from the date of manufacture and conversion                                    |
| Engines                          | 4-15 years   |
| Rotable spares                   | 10 years   |
| Spare parts                      | Actual usage   |
| Ground equipment                 | 10 years   |
| Hangar and cross-dock facilities | 25-30 years  |
| Vehicles                         | 8 years  |
| Computer hardware and software   | 5 years  |
| Furniture and fixtures           | 10 years   |
| Leasehold improvements           | Lesser of useful life and term of lease  |
| Right of use assets              | Term of lease  |
| Deferred heavy maintenance       | The date of the next scheduled heavy maintenance or end of lease term whichever is earlier |

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### Leases and right to use assets

#### As Lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT-equipment and office furniture.

When one or more contracts are negotiated as one package to meet a single commercial objective, they are combined for the purposes of determining if there are one or more lease components in the arrangement. A lease component is identified only when the Company has the right to obtain substantially all of the economic benefits from the use of an identified asset and when it has the right to direct the use of the identified asset.

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

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**(Canadian dollars in millions except where noted)**

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#### **As Lessor**

At commencement of the lease term, a finance lease will be recorded in the balance sheet as a receivable. The Company will recognize finance income based on a periodic rate of return on net investment outstanding for the finance lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue.

#### **Impairment of tangible and intangible assets excluding goodwill**

At the end of the annual reporting period, the Company reviews the carrying amounts of its tangible and definite life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The 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. An impairment loss is recognized immediately in Consolidated Statements of Earnings and Comprehensive Income.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in Consolidated Statements of Earnings and Comprehensive Income.

#### **Goodwill**

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired, and carried at cost as established on the acquisition date of the business less accumulated impairment losses, if any. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Company's previously held equity interest in the acquiree, if any, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.



# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

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For purposes of testing goodwill impairment, the Company reports its results as a single CGU. Goodwill is not amortized but is reviewed for impairment annually at the end of each year, or more frequently when there is an indication of potential impairment. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

#### **Investment in associate**

The Company holds interest in membership and note participation, respectively (“Investment”) in Avia Acquisition LLC, a Texas limited liability company (“Avia”), which is the legal, beneficial and record holder of one hundred percent of the issued and outstanding membership interest of 21 Air, LLC, a North Carolina limited liability company (“21 Air”), that has been treated as an investment in associate. The membership interest is accounted for using the equity method (See Note 9) and the note participation is accounted under IFRS 9. The Company’s net Investment in associate comprises of the carrying amount of the investment and the note participation amount and is initially recognized at cost and subsequently increased or decreased to recognize the Company’s share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate’s reserves, and for impairment losses after the initial recognition date. The note participation is a long-term loan to Avia, where settlement is neither planned nor likely to occur in the near future and is treated as an extension of the Investment in associate. Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company’s investment. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associate are not eliminated. Unrealized gains arising from transactions with an equity accounted investee are eliminated against the Company’s investment in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that the losses are not indicative of an impairment of the assets transferred. At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. An impairment loss, in respect of an equity-accounted investee, is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

#### **Foreign currencies**

The functional currency of each subsidiary is Canadian dollars, which is the currency of the primary economic environment in which each subsidiary and the Company operates. The results and financial position of each subsidiary are expressed in Canadian dollars.

Transactions in currencies other than the entity’s functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Realized exchange differences are recognized in net earnings in the Consolidated Statements of Earnings and Comprehensive Income under selling, general and administrative expenses in the period in which they arise.

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2024 and 2023**

**(Canadian dollars in millions except where noted)**

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Unrealized exchange differences are recognized in net earnings in the Consolidated Statements of Earnings and Comprehensive Income under other loss (gain), net, in the period in which they arise.

#### **Borrowing costs**

Borrowing costs specifically attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Borrowing costs, for the funds that are borrowed generally and used for the purpose of obtaining a qualifying asset, are capitalized by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average borrowing rate to the Company that is outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized as an expense in the Consolidated Statements of Earnings and Comprehensive Income under finance costs in the period in which they are incurred.

#### **Income taxes**

##### *Deferred taxes*

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. The initial recognition exemption would not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of deferred tax assets and liabilities of the same amount.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### *Current and deferred taxes for the period*

Current and deferred taxes are recognized in the provision for income taxes in the Consolidated Statements of Earnings and Comprehensive Income, except when they relate to items that are recognized outside income, in which case the current and deferred tax is also recognized outside net earnings, or where they arise from the initial accounting for a business combination.

# CARGOJET INC.

## Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(Canadian dollars in millions except where noted)

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### Share-based payments

#### Equity-settled share-based compensation plans

##### *Long-term incentive plan (the “Plan” or “LTIP”)*

Equity-settled share-based compensation plans are granted to eligible employees as disclosed in Note 12, which are measured at the fair value of the Company’s voting shares on the date of the grant based on the units granted to the employees. The Company’s voting shares to be distributed to the employees are acquired from the open market and held in trust as treasury shares, and recorded as a reduction of share capital. The cost of the equity-settled share-based compensation plans is recognized as a compensation expense with a corresponding increase in equity over the related service period provided to the Company as vested. Upon the distribution of the Company’s voting shares, the Company’s voting shares previously held as treasury shares are recorded as an increase in share capital.

##### *Restricted share units (“RSU”)*

Restricted share units are granted to independent outside directors and certain key executives and are measured at the fair value of the Company’s voting shares on the date of the grant based on the units granted to the independent outside directors and certain key executives. The cost of the restricted share units are recognized as a compensation expense with a corresponding increase in equity over the related vesting period as the service is provided to the Company.

#### Cash-settled share-based compensation plans

Cash-settled share-based compensation plans are granted to certain key executives and eligible employees as disclosed in Note 12, which are measured at each reporting date and the settlement date. Changes in the fair value of the cash settled share based payments are recognized as compensation expense with a corresponding adjustment in the liability amount over the vesting period. Estimates related to vesting conditions are reviewed regularly and the value of the charges under cash settled plans are adjusted in the Consolidated Statements of Earnings and Comprehensive Income to reflect expected and actual levels of benefits vesting. Upon vesting of the cash settled plans, the liability is reduced by the cash payout and the balance is adjusted to salaries, benefits and incentives expense in the Consolidated Statements of Earnings and Comprehensive Income.

##### *Stock options (“Options”)*

Stock options are granted to independent outside directors and certain key executives and are measured at the fair value of the Company’s voting shares on the date of the grant. The cost of the stock options are recognized as a compensation expense with a corresponding increase in equity over the related vesting period as the service is provided to the Company.

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

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In 2018, the Company changed its method of settlement of options issued under the Stock Option Plan for non-employee directors and certain key executives by providing an option to settle either in (i) fully paid Common Voting Shares or Variable Voting Shares, as applicable, or (ii) as a cash payment subject to the Board's approval. Due to the subsequent change in the Company's settlement practice and on the establishment of a present obligation to settle in cash, a prospective change was made in the accounting of the options as cash settled liabilities. The compensation expense is adjusted for subsequent changes in the fair value of the options using Black Scholes valuation method and recorded as part of long-term liabilities. A number of assumptions are used to determine the fair value of stock options. These include expected term, dividend yield, volatility of the options and the risk-free interest rate. The compensation expense is recognized for vested options immediately and based on the elapsed vesting period for non-vested options.

#### *Deferred share units ("DSU")*

The Company has implemented a long-term incentive plan for its pilots. Compensation charges related to this incentive program are expensed over the vesting period of the plan in salaries, benefits and incentives expense in the Consolidated Statements of Earnings and Comprehensive Income. Fair value of the service received is calculated by multiplying the units expected to vest, with the fair value of one unit based on the market price of the Company's common shares with corresponding adjustment in the fair value of the liability at the end of each reporting period.

#### *Performance share units ("PSU")*

Performance share units are granted to certain key executives and are measured at fair value at each reporting date and a charge or recovery recognized through the Consolidated Statements of Earnings and Comprehensive Income over the vesting period. A corresponding adjustment is reflected in accrued liabilities. The cash value of the performance share units is linked 50 percent to the annual return on invested capital ("ROIC") and 50 percent to the relative total shareholder's return ("TSR") of the Company compared to an index. The fair value of TSR is measured using the Monte Carlo simulation model that takes into account the expected dividend as well as the market conditions. The fair value of ROIC is measured by dividing the net profit after tax with the total capital invested including debt.

The Company had a derivative in the form of total return swap to manage its exposure under these incentive programs that is not designated as a hedge accounting relationship with the liability but regarded as an economic hedge.

### **Derivative financial instruments**

Derivative financial instruments are utilized by the Company occasionally in the management of its foreign currency exposures, interest rate risks and share price. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. All derivative financial instruments are recorded at their fair values.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability.

# CARGOJET INC.

## Notes to the Consolidated Financial Statements

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### Revenue recognition

Revenue from providing cargo services as well as fuel surcharges and other pass-through costs is recognized when the transportation services are complete and the control of the goods has been transferred, being when goods are delivered and picked up by a customer and there are no unfulfilled obligations that could affect the customer's acceptance of the goods. Revenue is recorded based on actual volume. Delivery occurs when cargo has been shipped to the specific location, and the risks of loss have been transferred to the customer or its representative.

Where customers are eligible for volume discounts based on aggregate sales over a specified period, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to determine the discounted price, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Revenue from the lease of aircraft and engines is billed on the basis of a contracted rate and recorded when the lease rental service is provided on a monthly basis over the duration of the lease agreement.

The Company does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

### Financial instruments

The following is the Company's accounting policy for financial instruments under *IFRS 9, Financial Instruments*.

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading including all equity derivative instruments are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election on an instrument-by-instrument basis to designate them as at FVTOCI. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL.

(b) Measurement

For the financial assets and liabilities that are classified as at amortized cost, the financial instruments are initially recognized at fair value plus adjustments for transaction costs, and subsequently carried at amortized cost less any impairment.

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses.

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

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#### (d) Derecognition of

##### Financial assets:

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gain and losses on recognition are generally recognized in the Consolidated Statement of Earnings and Comprehensive Income in the respective line item based on the nature of the underlying financial asset.

##### Financial liabilities:

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Consolidated Statements of Earnings and Comprehensive Income in the respective line item based on the nature of the underlying financial liability.

Interest income is recognized on an effective interest rate method.

#### **Hybrid debentures**

Hybrid debentures are assessed to determine whether they contain an embedded derivative at inception. If a contract contains an embedded derivative, the economic and risk characteristics of both the embedded derivative and host contract are analyzed to understand whether or not they are closely related and to decide whether the embedded derivative should be accounted for separately from the host contract.

The embedded features in the financial instrument issued by the Company are identified at inception. Each feature is evaluated separately and classified either as part of the host liability, as a separate embedded liability or as an equity instrument in accordance with the substance of the contractual arrangement.

#### **Assets held for sale**

The Company classifies assets to be sold as held for sale in the period in which all of the following criteria are met:

- (1) Management, having the authority to approve the action, commits to a plan to sell the asset;
- (2) The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- (3) An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated;
- (4) The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond control extend the period of time required to sell the asset beyond one year;

# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

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(5) The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and

(6) Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures an asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gain are not recognized on the sale of an asset until the date of sale.

The Company also assesses the fair value of an asset less any costs to sell each reporting period it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. Upon determining that an asset meets the criteria to be classified as held for sale, the Company ceases depreciation and reports the assets as assets held for sale.

### **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 CGU to which the asset belongs.

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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.

### *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.

Effective January 1, 2024, the Company revised the estimated useful lives of certain engines based on historical engine cycle utilization and current maintenance and service protocols. The net effect of the changes was a decrease in depreciation expenses of \$32.4 for the year ended December 31, 2024, notwithstanding additions during the year. The Company could not determine the effect of the changes in estimate for future periods beyond 2024, due to the timing of capital expenditures and engine overhauls. The revised estimated useful lives of the engines are within the range of the average useful lives disclosed above under Property, Plant and Equipment within Note 2 Summary of Material Accounting Policies.

### *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 the 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.



# **CARGOJET INC.**

## **Notes to the Consolidated Financial Statements**

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#### *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.

#### **Adoption of new accounting policies**

Effective January 1, 2024, the Company adopted the International Accounting Standards Board ("IASB") issued amendment to IAS 1 related to the classification of liabilities as current or non-current and the amendment to IAS 1 related to non-current liabilities with covenants. The adoption of these amendments did not have a material impact on the Company's Consolidated Financial Statements.

#### **Standards, amendments and interpretations issued and not yet adopted**

*Presentation and Disclosure in Financial Statements (IFRS 18)*: In April 2024, the IASB issued IFRS 18, the new standards on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss, where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will replace IAS 1, Presentation of Financial Statements, and retains many of the existing principals in IAS 1. IFRS 18 will be effective for years beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required. The Company is currently evaluating the impact of the new standard.

*Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7)*: In May 2024, the IASB issued amendments to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures". The amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for years beginning on or after January 1, 2026, with earlier application permitted. Retrospective application is not required, and is only permitted without the use of hindsight. The Company is currently evaluating the impact of the amendments.

# CARGOJET INC.

## Notes to the Consolidated Financial Statements

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(Canadian dollars in millions except where noted)

### 3. INVENTORIES

|                  | December 31, 2024 | December 31, 2023 |
|------------------|-------------------|-------------------|
|                  | \$                | \$                |
| Fuel inventory   | 2.4               | 2.5               |
| Glycol inventory | 0.1               | 0.1               |
| Total inventory  | 2.5               | 2.6               |

For the years ended December 31, 2024 and 2023, costs of fuel inventory of \$220.7 and \$208.9, respectively, and costs of glycol inventory of \$1.7 and \$1.7, respectively, were recognized in direct expenses.

### 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has recognized the following amounts relating to revenue in the Consolidated Statements of Earnings and Comprehensive Income for the years ended December 31, 2024 and 2023:

|                                 | 2024    | 2023  |
|---------------------------------|---------|-------|
|                                 | \$      | \$    |
| Revenue from air cargo services | 911.2   | 809.2 |
| Revenue from other sources      | 89.6    | 68.3  |
| Total revenue                   | 1,000.8 | 877.5 |

#### Revenue recognized at a point of time

|   | 2024   | 2023   |
|---|--------|--------|
|   | \$     | \$     |
| Domestic network  | 375.9  | 355.1  |
| ACMI  | 293.9  | 257.5  |
| All-in charter  | 140.7  | 80.1   |
| Fuel surcharge and other revenue <sup>(1)</sup>               | 187.7  | 201.6  |
| Total excluding amortization of stock warrant contract assets | 998.2  | 894.3  |
| Amortization of contract assets - stock warrant               | (21.1) | (42.5) |
| Total revenue   | 977.1  | 851.8  |

<sup>(1)</sup> Fuel surcharge and other revenue comprises Ground handling and maintenance revenue and Fuel and other surcharges, which were presented as separate line items in prior periods. Comparative figures for 2023 have been updated to conform with current presentation.

# CARGOJET INC.

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### Revenue recognized from transfer of services over time

|                                  | 2024        | 2023        |
|----------------------------------|-------------|-------------|
|                                  | \$          | \$          |
| All-in charter                   | 17.9        | 20.0        |
| Fuel surcharge and other revenue | 5.8         | 5.7         |
| <b>Total revenue</b>             | <b>23.7</b> | <b>25.7</b> |

### Contract assets and liabilities

As at December 31, 2024 and 2023 the Company's revenue-related assets and liabilities consist of the following:

|   | December 31,<br>2024 | December 31,<br>2023 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Contract asset - stock warrants                           | 92.5                 | 113.6                |
| Contract asset - other                                    | 2.4                  | 5.4                  |
| Trade receivables   | 98.2                 | 113.7                |
| Other receivables   | 4.8                  | 5.4                  |
| <b>Total contract assets</b>                              | <b>197.9</b>         | <b>238.1</b>         |
| <b>Contract liability - expected rebates to customers</b> | <b>0.3</b>           | <b>0.6</b>           |

## 5. GOODWILL

For purposes of testing goodwill impairment, the Company reports its results as a single CGU. Goodwill is tested for impairment annually at the end of each year, or more frequently when there is an indication of potential impairment.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of the CGU. The recoverable amount of CGU is determined as the present value of the future cash flows expected to be derived based on amongst others:

- The estimated future cash flows that the Group expects the CGU to earn.
- Possible variations in the amount or timing of those future cash flows.
- The time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest.
- The price for the uncertainty inherent in the CGU.

The revenue growth rate and margins used to estimate future cash flows are based on management estimates that take into account past performance and experience and external market growth assumptions and predictions of the worldwide air cargo industry.

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The recoverable amount is determined based on a value in use calculation which uses cash flow projections for a five-year period using a steady 6.0% per annum growth rate thereafter (2023 – 6.0%), which has been estimated based on long-term growth rates in the cash flow of the Company, and a pre-tax discount rate of approximately 8.98% per annum (2023 – 11.4%). The discount rate is calculated as Weighted Average Cost of Capital based on external market information about market risk, interest rates and Company specific risks like country risk. Based on the Company's analysis the estimated recoverable amount exceeded the carrying amount of the cash generating unit by substantial amount. The Company believes that any reasonably possible change in key assumptions on which recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

## **6. STOCK WARRANTS**

### **A. Amazon**

On August 23, 2019, the Company entered into a stock warrant agreement with Amazon. This agreement is in conjunction with Amazon's existing commercial agreement for overnight air cargo services and charters and is intended to incentivize growth in Amazon's utilization of those services to support fast delivery for Amazon customers in Canada.

Under the agreement, the Company issued warrants to Amazon for the opportunity to purchase variable voting shares that will vest in two tranches based on the achievement of commercial milestones related to Amazon's business with the Company. The warrant agreement grants Amazon the right to acquire up to 15.1% of the issued and outstanding voting shares. Tranche I warrant shares represent 10.0% and Tranche II warrant shares represent 5.1% of the aggregate of the currently issued and outstanding voting shares of the Company. Tranche I, when fully vested, will give Amazon a right to purchase up to an aggregate of 1.59 million shares and Tranche II will give a right to purchase an aggregate of 0.8 million shares. The exercise price of Tranche I is \$91.78 per voting share. The exercise price for Tranche II is \$186.57 per voting share. 0.4 million warrant shares of Tranche I vested immediately upon the execution of the agreement. Vesting of additional warrants is tied to the revenue generated by Amazon and its affiliates aggregated to an amount specified in the agreement of up to a maximum of \$400 for Tranche I. Upon full vesting under Tranche I, vesting of Tranche II warrants will be tied to additional revenue above the Tranche I amounts generated by Amazon and its affiliates aggregated to an amount specified in the agreement of up to a maximum of \$200. Tranche I is exercisable in accordance with its terms through February 23, 2026 and Tranche II is exercisable in accordance with its terms through February 23, 2027.

The Company has determined that the warrants are a derivative instrument and should be classified as a liability in accordance with IAS 32 and IFRS 9. The financial instruments are initially recorded at fair value and are then revalued at each reporting date. The initial fair value of the warrants of \$72.6 issued to Amazon on August 23, 2019 was recorded as stock warrant obligations, having a fair value of \$32.67 per warrant for Tranche I and \$25.81 per warrant for Tranche II.

The fair value of warrants under Tranche I and Tranche II was determined using an American option pricing model utilizing Monte Carlo simulation and was classified within Level 3 of the fair value hierarchy. See Note 27 Financial Instruments. The corresponding contract asset was recognized at inception and will amortize against revenue in proportion to the payments to date over the total forecasted payments specified in the agreement. Based on the estimated total forecasted payments, warrants under Tranche II are not expected to vest. The fair value of the stock warrant obligations was revalued using the same American option pricing model utilizing Monte Carlo simulation and resulted in a gain of \$24.1 during the year ended December 31, 2024 (2023 – gain of \$44.9).

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The activity in contract assets and stock warrant obligations during the years ended December 31, 2024 and 2023 is summarized below:

|   | 2024   | 2023   |
|---|--------|--------|
| <b>Contract assets</b>                                      | \$     | \$     |
| Stock warrant and other contract assets - beginning of year | 24.3   | 56.9   |
| Less: Amortization during the year                          | (10.0) | (32.6) |
| Contract assets - end of year                               | 14.3   | 24.3   |
| <br>  |        |        |
| <b>Stock warrant obligations</b>                            |        |        |
| Stock warrant obligations - beginning of year               | 52.8   | 97.7   |
| Fair value decrease during the year                         | (24.1) | (44.9) |
| Stock warrant obligations - end of year                     | 28.7   | 52.8   |

**B. DHL**

On March 28, 2022, the Company entered into a stock warrant agreement with DHL Aviation (Netherlands) B.V. (“DHL”) and its affiliates. This agreement is in conjunction with DHL’s Consolidated Charter Agreement to provide air transportation services on ACMI basis (by providing aircraft, crew, maintenance and insurance) for DHL’s global network for a term of five years with a renewal option for an additional two years.

Under the agreement, the Company issued warrants to DHL for the opportunity to purchase variable voting shares that will vest based on the achievement of commercial milestones related to DHL’s existing business with the Company (“Existing Business Warrant Shares”) and on achievement of growth targets (“Growth Business Warrant Shares”). The warrant agreement grants DHL the right to acquire up to 10.4% of the issued and outstanding voting shares. Existing Business Warrant Shares represent 6.0% and Growth Business Warrant Shares represent 4.4% 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 0.9 million shares and Growth Business Warrant Shares will give a right to purchase an aggregate of 0.7 million shares. The exercise price of both Existing and Growth Warrant Shares is \$158.92 per voting share. 0.4 million warrant shares or 2% of Existing Business 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 \$2,300 in business volume during the term. Existing and Growth Warrant Shares are exercisable in accordance with their terms through April 30, 2029.

The Company has determined that the warrants are a derivative instrument and should be classified as a liability in accordance with IAS 32 and IFRS 9. The financial instruments are initially recorded at fair value and are then revalued at each reporting date. The initial fair value of the warrants of \$104.5 issued to DHL on March 28, 2022 was recorded as stock warrant obligations, having a fair value of \$63.50 per warrant.

The fair value of warrants was determined using an American option pricing model utilizing Monte Carlo simulation and was classified within Level 3 of the fair value hierarchy. See Note 27 Financial Instruments. The corresponding contract asset was recognized at inception and will amortize against

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revenue in proportion to the payments to date over the total forecasted payments specified in the agreement. The fair value of the stock warrant obligations was revalued as at December 31, 2024 using the same American option pricing model utilizing Monte Carlo simulation and resulted in a gain of \$23.1 during the year ended December 31, 2024 (2023 – loss of \$0.2).

The activity in contract assets and stock warrant obligations during the years ended December 31, 2024 and 2023 is summarized below:

|   | 2024   | 2023  |
|---|--------|-------|
| <b>Contract assets</b>                                      | \$     | \$    |
| Stock warrant and other contract assets - beginning of year | 89.3   | 99.2  |
| Less: Amortization during the year                          | (11.1) | (9.9) |
| Contract assets - end of year                               | 78.2   | 89.3  |
| <b>Stock warrant obligations</b>                            |        |       |
| Stock warrant obligations - beginning of year               | 57.3   | 57.1  |
| Fair value (decrease) increase during the year              | (23.1) | 0.2   |
| Stock warrant obligations - end of year                     | 34.2   | 57.3  |

## 7. INTANGIBLE ASSETS

Intangible assets as at December 31, 2024 and 2023 consist of licenses with indefinite lives carried at \$2.0 (December 31, 2023 - \$2.0). The Company believes that licenses have indefinite useful lives as the licenses provide a renewal option, at Transport Canada's discretion, provided that licensing conditions are met and the Company complies with the licensing conditions specified in the existing laws, agreements, treaties and regulations.

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**8. PROPERTY, PLANT AND EQUIPMENT**

| <b>Cost</b>                                     | Balance as at   | Additions | Transfers | Adjustments | Balance as at     |
|---|-----------------|-----------|-----------|-------------|-------------------|
|   | January 1, 2024 |           |           |             | December 31, 2024 |
|   | \$              | \$        | \$        | \$          | \$                |
| Aircraft hull                                   | 857.5           | 2.2       | 41.9      | (1.5)       | 900.1             |
| Engines   | 911.3           | -         | 64.2      | (32.7)      | 942.8             |
| Right of use assets                             | 80.5            | 1.3       | -         | -           | 81.8              |
| Spare parts                                     | 12.1            | 3.7       | -         | -           | 15.8              |
| Ground equipment                                | 68.4            | 5.1       | 0.6       | -           | 74.1              |
| Rotable spares                                  | 84.8            | 22.4      | (0.3)     | -           | 106.9             |
| Computer hardware and software                  | 16.2            | 0.2       | -         | -           | 16.4              |
| Furniture and fixtures                          | 5.7             | 0.2       | 0.1       | -           | 6.0               |
| Leasehold improvements                          | 25.4            | 0.1       | 0.5       | -           | 26.0              |
| Vehicles  | 4.1             | -         | -         | -           | 4.1               |
| Hangar and cross-dock facilities                | 44.4            | -         | 2.0       | -           | 46.4              |
| Property, plant and equipment under development | 72.8            | 186.6     | (109.0)   | (1.1)       | 149.3             |
| Deferred heavy maintenance                      | 187.0           | 28.5      | -         | -           | 215.5             |
|   | 2,370.2         | 250.3     | -         | (35.3)      | 2,585.2           |

| <b>Accumulated depreciation &amp; adjustments</b> | Balance as at   | Depreciation | Adjustments | Balance as at     | Net Book Value          |
|---|-----------------|--------------|-------------|-------------------|-------------------------|
|   | January 1, 2024 |              |             | December 31, 2024 | as at December 31, 2024 |
|   | \$              | \$           | \$          | \$                | \$                      |
| Aircraft hull                                     | 208.0           | 41.8         | (1.5)       | 248.3             | 651.8                   |
| Engines   | 316.4           | 78.0         | (32.7)      | 361.7             | 581.1                   |
| Right of use assets                               | 46.5            | 10.5         | -           | 57.0              | 24.8                    |
| Spare parts                                       | -               | -            | -           | -                 | 15.8                    |
| Ground equipment                                  | 37.0            | 4.5          | -           | 41.5              | 32.6                    |
| Rotable spares                                    | 41.2            | 8.0          | -           | 49.2              | 57.7                    |
| Computer hardware and software                    | 14.0            | 0.9          | -           | 14.9              | 1.5                     |
| Furniture and fixtures                            | 3.6             | 0.5          | -           | 4.1               | 1.9                     |
| Leasehold improvements                            | 16.5            | 1.2          | -           | 17.7              | 8.3                     |
| Vehicles  | 2.7             | 0.3          | -           | 3.0               | 1.1                     |
| Hangar and cross-dock facilities                  | 15.5            | 1.2          | -           | 16.7              | 29.7                    |
| Property, plant and equipment under development   | -               | -            | -           | -                 | 149.3                   |
| Deferred heavy maintenance                        | 101.8           | 18.2         | -           | 120.0             | 95.5                    |
|   | 803.2           | 165.1        | (34.2)      | 934.1             | 1,651.1                 |

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| <b>Cost</b>                                     | Balance as at   | Additions    | Transfers | Assets Held for | Balance as at  |
|---|-----------------|--------------|-----------|-----------------|----------------|
|   | January 1, 2023 |              |           | Sale and        |                |
|   | \$              | \$           | \$        | \$              | \$             |
| Aircraft hull                                   | 683.5           | 44.5         | 132.3     | (2.8)           | 857.5          |
| Engines   | 756.8           | 8.2          | 165.0     | (18.7)          | 911.3          |
| Right of use assets                             | 67.7            | 12.8         | -         | -               | 80.5           |
| Spare parts                                     | 12.9            | -            | -         | (0.8)           | 12.1           |
| Ground equipment                                | 63.6            | 4.7          | 0.2       | (0.1)           | 68.4           |
| Rotable spares                                  | 79.6            | 5.5          | -         | (0.3)           | 84.8           |
| Computer hardware and software                  | 15.8            | 0.4          | -         | -               | 16.2           |
| Furniture and fixtures                          | 5.5             | 0.2          | -         | -               | 5.7            |
| Leasehold improvements                          | 25.2            | -            | 0.2       | -               | 25.4           |
| Vehicles  | 4.0             | 0.1          | -         | -               | 4.1            |
| Hangar and cross-dock facilities                | 44.3            | 0.1          | -         | -               | 44.4           |
| Property, plant and equipment under development | 383.1           | 229.9        | (315.1)   | (225.1)         | 72.8           |
| Deferred heavy maintenance                      | 145.2           | 24.4         | 17.4      | -               | 187.0          |
|   | <u>2,287.2</u>  | <u>330.8</u> | <u>-</u>  | <u>(247.8)</u>  | <u>2,370.2</u> |

| <b>Accumulated depreciation &amp; adjustments</b> | Balance as at   | Depreciation | Adjustments   | Balance as at     | Net Book Value    |
|---|-----------------|--------------|---------------|-------------------|-------------------|
|   | January 1, 2023 |              |               | December 31, 2023 | December 31, 2023 |
|   | \$              | \$           | \$            | \$                | \$                |
| Aircraft hull                                     | 165.5           | 43.5         | (1.0)         | 208.0             | 649.5             |
| Engines   | 242.1           | 92.0         | (17.7)        | 316.4             | 594.9             |
| Right of use assets                               | 36.1            | 10.4         | -             | 46.5              | 34.0              |
| Spare parts                                       | -               | -            | -             | -                 | 12.1              |
| Ground equipment                                  | 32.5            | 4.6          | (0.1)         | 37.0              | 31.4              |
| Rotable spares                                    | 33.9            | 7.4          | (0.1)         | 41.2              | 43.6              |
| Computer hardware and software                    | 12.9            | 1.1          | -             | 14.0              | 2.2               |
| Furniture and fixtures                            | 3.1             | 0.5          | -             | 3.6               | 2.1               |
| Leasehold improvements                            | 15.5            | 1.0          | -             | 16.5              | 8.9               |
| Vehicles  | 2.4             | 0.3          | -             | 2.7               | 1.4               |
| Hangar and cross-dock facilities                  | 13.7            | 1.8          | -             | 15.5              | 28.9              |
| Property, plant and equipment under development   | -               | -            | -             | -                 | 72.8              |
| Deferred heavy maintenance                        | 85.9            | 15.9         | -             | 101.8             | 85.2              |
|   | <u>643.6</u>    | <u>178.5</u> | <u>(18.9)</u> | <u>803.2</u>      | <u>1,567.0</u>    |



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Property, plant and equipment under development of \$149.3 as at December 31, 2024 relates to purchase and/or modification primarily of aircraft and aircraft engines that are not yet available for use (December 31, 2023 - \$72.8).

Right of use assets consists of hangars, warehouses, offices and one Boeing 767-200 aircraft on lease.

Depreciation expense on property, plant and equipment for the year ended December 31, 2024 totaled \$165.1 (2023 - \$178.5), out of which \$163.3 (2023 - \$176.4) was recorded in direct expenses and \$1.8 (2023 - \$2.0) was recorded in selling, general and administrative expenses.

Costs of engine overhauls are capitalized and amortized on a straight-line basis over the period to the next overhaul. Before the overhaul, the cost and the corresponding accumulated depreciation are derecognized as adjustments. During the year ended December 31, 2024, the Company derecognized cost and accumulated depreciation of \$32.7 (2023 - \$16.4) related to the previously capitalized engine overhauls.

During the year December 31, 2024, the Company wrote off \$1.1 related to the facility for a simulator which will no longer be used (2023 - \$nil).

During the year ended December 31, 2024, one Boeing 767-300 aircraft was involved in an incident that resulted in damages. The total amount of the damages to the aircraft cannot be reasonably determined as of the date of the financial statements. To date, the Company filed an insurance claim only for the recovery of the loss in the value of the damaged hull. The insurance claim was approved to cover the loss for the damaged hull, limited to the \$1.5 physical damage deductible. The loss of \$1.5 was recognized as other loss in the Consolidated Statements of Earnings and Comprehensive Income.

#### Sale of aircraft and simulator

During the year ended December 31, 2024, the Company sold four Boeing 777-200 aircraft, one simulator and two Beechcraft aircraft for proceeds of \$134.3, resulting in gain of \$17.1. Out of the \$134.3 proceeds, \$29.2 was received in 2023 as deposits and payments of \$105.1 were received during 2024.

## **9. INVESTMENT IN ASSOCIATE**

On August 10, 2021, the Company acquired an investment in Avia Acquisition LLC ("Avia") for cash consideration of \$6.5 and applied equity accounting on the investment. The Company also purchased a participation interest in Avia notes that entitles the Company to receive any payment of principal and accrued interest therein for cash consideration of \$2.9. 21 Air LLC ("21 Air"), which is wholly owned by Avia, is one of the vendors of the Company and is principally engaged in providing ACMI, Crew, Maintenance and Insurance ("CMI") and charter services from Miami, Florida. Avia is not a publicly listed Company.

During the year ended December 31, 2024, Avia issued Class B non-voting shares to a third party. The Company still holds 25% voting rights in Avia while its ownership was reduced from 25% to 21.5%.

During the year ended December 31, 2024, Avia generated a net gain of \$1.2 (2023 – loss of \$0.3) and the Company's share of the net gain was \$0.4 (2023 – loss of \$0.1). The Company increased the value of the investment by the share of the net gain. No dividend was declared or paid by Avia during the period.

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Summarized financial information in respect of the Company's associate is as follows:

|                          | December 31,<br>2024 | December 31,<br>2023 |
|--------------------------|----------------------|----------------------|
|                          | \$                   | \$                   |
| Current assets           | 30.7                 | 14.4                 |
| Non-current assets       | 60.7                 | 27.9                 |
| Total assets             | 91.4                 | 42.3                 |
| Current liabilities      | 40.3                 | 23.0                 |
| Non-current liabilities  | 27.6                 | 24.8                 |
| Total liabilities        | 67.9                 | 47.8                 |
| Net assets (liabilities) | 23.5                 | (5.5)                |

|                                    | 2024  | 2023  |
|------------------------------------|-------|-------|
|                                    | \$    | \$    |
| Revenue                            | 104.1 | 73.3  |
| Expenses                           | 102.9 | 73.6  |
| Net gain                           | 1.2   | (0.3) |
| Company's share of net gain (loss) | 0.4   | (0.1) |

### Movement in investment in associate balance

|   | 2024 | 2023  |
|---|------|-------|
|   | \$   | \$    |
| Investment in associate - beginning of period | 7.3  | 7.4   |
| Company's share of net gain (loss)            | 0.4  | (0.1) |
| Investment in associate - end of period       | 7.7  | 7.3   |

During the year ended December 31, 2024, the Company received a loan repayment of \$2.2 on the long-term loans receivable from 21 Air, which carries interest at US prime rate plus 1% and is payable on demand. As at December 31, 2024, the Company has \$0.7 in long-term loans receivable (December 31, 2023 - \$2.6). During the year ended December 31, 2024, the Company accrued interest of \$0.1 (2023 - \$0.3).

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**10. NET DEBT RECONCILIATION**

The analysis of net debt as at December 31, 2024 and 2023 is presented below:

|  | December 31,<br>2024 | December 31,<br>2023 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Cash                                   | 1.5                  | 31.8                 |
| Gross debt - repayable within one year | (34.3)               | (22.9)               |
| Gross debt - repayable after one year  | (720.8)              | (776.3)              |
| <b>Net debt</b>                        | <b>(753.6)</b>       | <b>(767.4)</b>       |
| Cash                                   | 1.5                  | 31.8                 |
| Gross debt - fixed interest rates      | (217.0)              | (345.3)              |
| Gross debt - variable interest rates   | (538.1)              | (453.9)              |
| <b>Net debt</b>                        | <b>(753.6)</b>       | <b>(767.4)</b>       |

|   | Cash / bank<br>overdraft | Lease<br>liabilities | Borrowing      | Debentures     | Total          |
|---|--------------------------|----------------------|----------------|----------------|----------------|
|   | \$                       | \$                   | \$             | \$             | \$             |
| Net debt as at January 1, 2023          | 6.1                      | (89.0)               | (308.4)        | (309.6)        | (700.9)        |
| Cash flows                              | 25.7                     | 42.7                 | (145.5)        | 86.3           | 9.2            |
| Loss on extinguishment of debts         | -                        | (0.2)                | -              | (0.3)          | (0.5)          |
| Acquisitions - leases                   | -                        | (66.1)               | -              | -              | (66.1)         |
| Interest accretion                      | -                        | (8.0)                | -              | (2.6)          | (10.6)         |
| Foreign exchange adjustment             | -                        | 1.5                  | -              | -              | 1.5            |
| <b>Net debt as at December 31, 2023</b> | <b>31.8</b>              | <b>(119.1)</b>       | <b>(453.9)</b> | <b>(226.2)</b> | <b>(767.4)</b> |
| Cash flows                              | (30.3)                   | 31.4                 | (84.2)         | 114.6          | 31.5           |
| Loss on extinguishment of debts         | -                        | -                    | -              | (0.4)          | (0.4)          |
| Acquisitions - leases                   | -                        | (1.3)                | -              | -              | (1.3)          |
| Interest accretion                      | -                        | (8.1)                | -              | (1.5)          | (9.6)          |
| Foreign exchange adjustment             | -                        | (6.4)                | -              | -              | (6.4)          |
| <b>Net debt as at December 31, 2024</b> | <b>1.5</b>               | <b>(103.5)</b>       | <b>(538.1)</b> | <b>(113.5)</b> | <b>(753.6)</b> |

**11. TRADE AND OTHER PAYABLES**

|   | December 31,<br>2024 | December 31,<br>2023 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Trade payables and accrued charges          | 131.7                | 134.6                |
| Current portion of pension liability        | -                    | 9.8                  |
| Payroll and benefits                        | 12.2                 | 5.6                  |
| <b>Total trade and other payables</b>       | <b>143.9</b>         | <b>150.0</b>         |
| <b>Current trade and other payables</b>     | <b>142.6</b>         | <b>147.0</b>         |
| <b>Non-current trade and other payables</b> | <b>1.3</b>           | <b>3.0</b>           |

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## **12. SHARE-BASED COMPENSATION**

### **Crew incentive program**

The Company implemented a long-term incentive plan for its pilots in 2019. Under the plan, the Company provided an option of \$0.1 of cash or a one-time grant of \$0.1 value of deferred stock units ("DSUs") to all active crewmembers. One-half of the cash payment or DSUs vested on June 30, 2023 and the second half will vest on June 30, 2026. For the purpose of this offer, the grant and valuation of DSUs took place on July 1, 2019 based on the market price of the Company's shares on that date.

The Company further extended its long-term incentive plan for its pilots hired on April 1, 2020, or after. Under the plan, the Company provided an option of \$0.1 of cash or a one-time grant of \$0.1 value of DSUs to all active crewmembers. The cash payment or DSUs will vest 50% on June 30, 2026, and the remaining 50% on June 30, 2029. For the purpose of this offer, the grant and valuation of DSUs took place on July 1, 2022, based on the market price of the Company's shares on that date.

The Company again extended its long-term incentive plan for its pilots hired on July 1, 2022, or after. Under the plan, the Company provided an option of \$0.1 of cash or a one-time grant of \$0.1 value of DSUs to all active crewmembers. The cash payment or DSUs will vest 50% on October 31, 2026, and the remaining 50% on October 31, 2029. For the purpose of this offer, the grant and valuation of DSUs took place on November 1, 2022, based on the market price of the Company's shares on that date.

As the liability under the plan will be settled in cash based on the value of the common shares at a future date, the fair value of the service received is recognized as an expense/income with a corresponding increase/decrease in the liability at the end of each reporting period up to the date of the settlement. Changes in value will be recognized as crew cost in the Consolidated Statements of Earnings and Comprehensive Income proportional to the period of service rendered by the employees.

As at December 31, 2024, the Company re-measured the fair value of DSUs granted to crew members and recorded a liability of \$13.1 (December 31, 2023 - \$10.0). For the year ended December 31, 2024, the Company recognized a cost of \$3.1 in crew cost for the services rendered in the Consolidated Statements of Earnings and Comprehensive Income (2023 - \$5.2).

For the crew members who elected to receive \$0.1 cash at the end of the vesting period, the Company also recognized \$1.3 as crew cost expenses for the services rendered for the year ended December 31, 2024 (2023 - \$1.5), in the Consolidated Statements of Earnings and Comprehensive Income. As at December 31, 2024, the Company had a total liability of \$4.1 (December 31, 2023 - \$2.8) for the cash incentives.

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#### **Deferred share units**

The Company implemented a DSU plan for its non-employee directors in 2020. According to the plan, each director receives a portion of his or her annual retainer in DSUs that is predetermined for the year end. The amount may only be amended in accordance with any amendments to the director's compensation program as adopted by the Board from time to time. Directors may also make a written election to receive a portion of their annual cash retainer in DSUs in lieu of cash. Any remaining portion of the annual retainer will be paid in cash. The annual DSU amount for each director is \$0.1.

These DSUs vest upon grant. DSUs are redeemable only when the director ceases to be a member of the Board provided that he or she is not otherwise engaged or employed by the Company. The cost of the vested DSUs is recognized as a liability under share-based compensation plans in the Consolidated Balance Sheet and a corresponding expense is recognized.

The DSUs accrue dividend equivalents according to the plan. Additional DSUs will be issued equal to the aggregate amount of dividends that would have been paid to the director if the DSUs in the director's account on the record date had been shares divided by the market price of the shares on the date on which dividends were paid by the Company equal to a whole number rounded down. Fractional DSU will be disregarded.

Thereafter, the liability will be re-measured to fair value based on the market price of the Company's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in selling, general and administrative expenses in the Consolidated Statements of Earnings and Comprehensive Income.

During the year ended December 31, 2024, the Company granted 3,954 DSUs including dividend equivalents to the independent directors and credited them to their notional account. During 2024, one of the directors resigned from the Board and 5,068 DSUs outstanding in his notional account were cash settled. The Company disbursed a sum of \$0.3 to the executive and remitted an amount of \$0.3 equal to the monetary value of the tax obligation determined based on the market price of \$110.32 per DSU. As at December 31, 2024, a total of 14,165 DSUs were outstanding in the directors' notional accounts with a carrying amount of liability of \$1.5 (December 31, 2023 - 15,279 DSUs with a carrying amount of liability of \$1.8).

#### **Restricted share units**

The Company's Omnibus Plan provides the Company the ability to grant restricted share units ("RSUs") and options ("Options") to certain key executives, non-employee directors and senior management as part of its long-term incentive plan. Each RSU granted entitles the holder to one common voting share or one variable voting share of the Company on the settlement thereof. Each Option granted entitles the holder to one common voting share or one variable voting share of the Company on due exercise thereof or, if the holder duly elects a cashless exercise of the Option, the holder will receive that number of common voting shares or variable voting shares, as the case may be, equal to the excess of the five day volume weighted average trading price of the shares (as determined in accordance with the rules of the TSX) ending on the trading day before the exercise date of the Option (the "Market Price") over the exercise price of the Option, multiplied by the number of shares in respect of which the Option is exercised, divided by the Market Price, less any amount to be deducted or withheld in respect of taxes or otherwise pursuant to law. Option holders can also request to settle options in cash subject to the approval by the management of the Company.

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During the year ended December 31, 2024, in accordance with the Omnibus Plan, the Company granted 13,827 RSUs to certain executives and consultants. Each RSU had an average value per share of \$110.39 calculated as the volume weighted average closing price of the common voting shares of the Company on the TSX for the five trading days prior to the grant date. One-half of the RSUs vested immediately, and the second half will vest in the first quarter of 2025. Vested RSUs were settled in cash and net settled due to the Company's obligation to withhold tax equal to the tax obligation of the participant and the amount withheld was remitted to the tax authority. Accordingly, payments of \$0.4 were issued to the senior management and consultants for vested RSUs and the Company remitted an amount of \$0.4 equal to the monetary value of the tax obligation determined based on the Market Price of \$110.39.

During the year ended December 31, 2024, the remaining 7,791 of the RSUs granted in 2022 vested. Prior to vesting, and in accordance with the RSU Plan, the Company accrued notional dividends on the RSUs, equivalent to 90 RSUs that were also issued and vested upon the satisfaction of the RSUs vesting conditions. Vested RSUs were net settled due to the Company's obligation to withhold tax equal to the tax obligation of the participant and the amount withheld was remitted to the tax authority per the terms and conditions of the RSU Plan. Accordingly, 3,659 shares were issued to the senior management for vested RSUs and the Company remitted an amount of \$0.5 equal to the monetary value of the tax obligation determined based on the Market Price of \$110.39 per share of 4,219 shares withheld that otherwise would have been issued upon vesting.

During the year ended December 31, 2024, in accordance with the Omnibus Plan, the Company also granted 25,872 RSUs to certain other executives. Each RSU had an average value per share of \$119.55 calculated as the volume weighted average closing price of the common voting shares of the Company on the TSX for the five trading days prior to the grant date. One-third of the RSUs vested immediately, and one-third will vest in the first quarter of 2025 and 2026, respectively. Vested RSUs were settled in cash and net settled due to the Company's obligation to withhold tax equal to the tax obligation of the participant and the amount withheld was remitted to the tax authority. Accordingly, payments of \$0.5 were issued to the senior management and consultants for vested RSUs and the Company remitted an amount of \$0.5 equal to the monetary value of the tax obligation determined based on the Market Price of \$119.55.

The RSU activity for the years ended December 31, 2024 and 2023 is summarized below:

| RSUs  | Number of<br>RSUs | Fair value<br>\$ |
|---|-------------------|------------------|
| Balance as at January 1, 2023                     | 23,413            | 1.8              |
| Share dividend                                    | 116               | -                |
| Share based compensation - vested and settled     | (15,738)          | (1.0)            |
| Share based compensation - unvested and amortized | -                 | (0.7)            |
| Balance as at December 31, 2023                   | 7,791             | 0.1              |
| Share dividend                                    | 90                | -                |
| Granted   | 39,699            | 4.6              |
| Share based compensation - vested and settled     | (23,274)          | (1.8)            |
| Share based compensation - unvested and amortized | -                 | (2.3)            |
| Balance as at December 31, 2024                   | 24,306            | 0.6              |

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During the year ended December 31, 2024, the total share-based compensation expense of \$4.1 related to the RSUs was included in the Consolidated Statements of Earnings and Comprehensive Income (2023 – \$1.7). As at December 31, 2024, unrecognized share-based compensation expense related to these RSUs was \$0.6 on 24,306 outstanding RSUs (December 31, 2023 – \$0.1 on 7,791 RSUs).

**Options**

The Options activity during the years ended December 31, 2024 and 2023 is summarized below:

| <b>OPTIONS</b>                               | Number of<br>Options | Weighted average<br>exercise price |
|--|----------------------|------------------------------------|
| Balance as at January 1, 2023                | 60,545               | 132.95                             |
| Granted                                      | 38,144               | 108.05                             |
| Exercised                                    | (5,785)              | 117.19                             |
| Balance as at December 31, 2023              | 92,904               | 123.71                             |
| Granted                                      | 43,637               | 119.23                             |
| Forfeited                                    | (4,204)              | 123.92                             |
| Exercised                                    | (23,027)             | 103.12                             |
| Balance as at December 31, 2024              | 109,310              | 126.25                             |
| Vested & exercisable as at December 31, 2024 | 35,364               | 143.73                             |

As at December 31, 2024, there were 35,364 vested Options outstanding (December 31, 2023 – 38,531) and the weighted average contractual life remaining of the outstanding vested Options is 2.2 years (December 31, 2023 – 1.7 years).

During the year ended December 31, 2024, participants of the stock option plan exercised 8,042 Options granted on November 29, 2019, 12,873 Options granted on March 5, 2020, and 2,112 Options granted on March 17, 2023, when the average volume weighted average trading price per share was \$132.1. The Company settled the Options at the request of option holders in cash pursuant to the Stock Option Plan. The cash disbursed to the participants was net of the obligation to withhold tax equal to the tax obligation of each participant and the Company remitted the amount withheld to the tax authority per the terms and conditions of the Stock Option Plan.

During the year period ended December 31, 2024, the fair value of options was determined, and the Company recognized a gain of \$0.3 in bonuses and incentives expense in the Consolidated Statements of Earnings and Comprehensive Income with corresponding adjustment in the liability (2023 –\$0.8). As at December 31, 2024, the Company had a total liability of \$1.9 (December 31, 2023 – \$2.2) for Options.

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**Weighted average assumptions on grant date**

|  | 14-Jun-24 | 17-Mar-23 | 17-Dec-22 | 13-May-22 | 16-Mar-21 | 05-Mar-20 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Series 10 | Series 9  | Series 8B | Series 8A | Series 7  | Series 6  |
| Exercise price redemption                  | 119.23    | \$108.05  | \$123.68  | \$147.98  | \$176.56  | \$104.95  |
| Expected volatility                        | 41.32%    | 40.89%    | 40.10%    | 36.45%    | 34.62%    | 28.51%    |
| Option life in years                       | 5         | 5         | 5         | 5         | 5         | 5         |
| Dividend yield                             | 1.03%     | 1.06%     | 0.94%     | 0.74%     | 0.59%     | 0.87%     |
| Risk-free rate                             | 4.00%     | 2.75%     | 2.75%     | 1.25%     | 0.25%     | 1.25%     |
| Vesting period                             | 2025-2027 | 2024-2026 | 2023-2025 | 2023-2025 | 2022-2024 | 2021-2023 |
| Options granted                            | 43,637    | 38,144    | 1,486     | 19,543    | 12,357    | 26,168    |
| Options outstanding                        | 43,637    | 33,899    | 1,486     | 17,405    | 11,493    | 1,388     |
| Fair value per option on grant date        | \$45.81   | \$38.96   | \$44.37   | \$46.37   | \$50.64   | \$25.85   |
| Fair value per option on December 31, 2024 | \$33.84   | \$32.52   | \$26.27   | \$16.71   | \$4.73    | \$8.98    |

**Performance share units**

The Company's performance share unit plan provides the Company the ability to grant performance share units ("PSUs") to certain of its executive officers and senior management as part of its long-term incentive plan. The plan consists of three-year cash settled units based on total value of the units awarded multiplied by the performance factors. The PSUs will vest over a three-year period but are settled only at the end of the third year. The multiplier is linked 50 percent to return on invested capital ("ROIC") and 50 percent on relative total shareholder returns ("TSR"). The Board of Directors will approve the ROIC target for each year and Company's TSR versus TSX is to be calculated on a three-year cycle. Overachievement against targets will result in eligibility for a multiplier ranging from zero to the maximum specific to each executive. Vesting is not affected by ROIC or TSR performance.

During the year ended December 31, 2024, out of the 7,093 PSUs granted in 2021, 323 PSUs were forfeited and all others fully vested at the end of the three-year period. Based on the achievement of performance objectives relating to TSR and ROIC, the previously granted performance units were adjusted to 6,020 units. The Company also accrued notional dividends on the PSUs, equivalent to 167 units that were also issued and vested upon the satisfaction of the PSUs vesting conditions. The Company settled the vested PSUs in cash at Market Price of the share pursuant to the PSU Plan. During 2024, an amount of \$0.3 was disbursed to the executives, net of the tax obligation of each participant and \$0.3 was remitted to the tax authority.

During the year ended December 31, 2024, the Company also granted 33,532 PSUs to its executives (2023 – 27,512). The fair value of the units for the TSR was determined using Monte Carlo simulation based on the estimated market price per share, risk free discount rate, volatility and applicable multiplier on the date of the settlement and for the ROIC was determined by dividing the net profit after tax with the capital invested including debt.

A net cost of \$1.1 was recognized in bonus and incentive expense during the year ended December 31, 2024 (2023 – \$1.1) with a corresponding amount in liability. As at December 31, 2024, the Company had an outstanding liability of \$5.6 on 73,997 PSUs (December 31, 2023 – \$4.5 on 47,558 PSUs).



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**13. BORROWINGS**

The balance of borrowings as at December 31, 2024 and December 31, 2023 consists of the following:

|                                 | December 31,<br>2024 | December 31,<br>2023 |
|---------------------------------|----------------------|----------------------|
|                                 | \$                   | \$                   |
| Delayed-draw term loan facility | 303.6                | 426.9                |
| Revolving credit facility       | 234.5                | 27.0                 |
|                                 | 538.1                | 453.9                |
| Less: current portion           | 15.2                 | -                    |
| Long-term portion               | 522.9                | 453.9                |

**Revolving syndicate credit facility and term loan**

The Company has a syndicated committed revolving credit facility with a syndicate of financial institutions (collectively, the “Lenders”), in respect of which Royal Bank of Canada acts as administrative agent, under which a revolving operating credit facility (the “Credit Facility”) and a delayed-draw term facility (the “DDTL Facility”) and, together with the Credit Facility, the “Facilities”) availed through its subsidiary Cargojet Airways Ltd., as borrower. The maturity date of the Facilities is July 22, 2027.

In June 2024, the Company amended its Credit Facility to transition from Canadian Dollar Offered Rate (“CDOR”) to Canadian Overnight Repo Rate Average (“CORRA”) as CDOR was discontinued. All references to CDOR were replaced with CORRA.

The Credit Facility has a revolving borrowing capacity of up to \$600, subject to certain conditions. The Company is not required to create any additional security on newly acquired aircraft and aircraft lease buybacks unless and until the Total Adjusted Leverage Ratio exceeded 2.0 as at the end of any fiscal quarter.

The DDTL Facility was established with a limit up to an aggregate amount of US\$400. The DDTL Facility was available to be drawn until January 22, 2024 by way of advances subject to minimum draws. As at January 22, 2024, a principal amount of US\$322.9 (\$427.0) was drawn under the DDTL Facility. Any undrawn amount under the DDTL Facility thus expired as of such date and the Company had no unused borrowing capacity left under the DDTL Facility. During the year ended December 31, 2024, the Company repaid US\$90.2 (\$123.3) under the DDTL Facility.

For each advance under the DDTL Facility, the borrower is required to pay a quarterly principal amortization payment in respect thereof in an amount equal to 1.25% of such advance. On the DDTL maturity date, the borrower shall pay all amounts then outstanding under the DDTL Facility. The DDTL Facility can be used for general purposes, including purchase of aircraft and other capital expenditures. The outstanding borrowings under the Credit Facility were rolled over and considered as withdrawals from the DDTL Facility. All terms and conditions of the DDTL Facility became applicable on said borrowings.

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The Credit Facility bears interest payable monthly, at the lead Lender's prime lending rate / US base rate plus 20 basis points to 250 basis points, depending on the currency of the advance and certain financial ratios of the Company. No scheduled repayments of principal are required under the Credit Facility prior to maturity. Amounts drawn on the Credit Facility may be advanced to the Company and its subsidiaries by way of intercompany loans. The Credit Facility is used primarily to finance the working capital requirements and capital expenditures of the Company and its subsidiaries.

The Facilities are secured by the following:

- general security agreement constituting a first ranking security interest over all personal property of Cargojet Airways Ltd., as borrower, subject to certain permitted encumbrances (including those of aircraft financing parties);
- guarantee and postponement of claim supported by a general security agreement constituting a first ranking security interest over all personal property of the Company and its other material subsidiaries subject to certain permitted encumbrances;
- charge over real property of the Company at Hamilton airport;
- security over aircraft owned by the Company which are otherwise unencumbered; and
- assignment of insurance proceeds.

The Facilities are available at the Company's option by way of advances in the form of prime rate loan, and CORRA loan, Secured Overnight Financial Rate ("SOFR") loan and US base rate loan in US dollars and letter of credits in Canadian or US dollars. Advances under the Facilities are repayable without any prepayment penalties and bear interest based on the prevailing prime rate, US base rate or at CORRA, as applicable, plus an applicable margin to those rates. The Facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the Lenders, and restrictions on the Company's ability to pay dividends in certain circumstances. The Facilities are also subject to the maintenance of a minimum fixed charge coverage ratio and a total adjusted leverage ratio.

The Company was in compliance with the terms of the lending agreements for the Facilities as at December 31, 2024 and 2023.

Included in the Consolidated Statement of Earnings and Comprehensive Income for the year ended December 31, 2024 was interest expense on the Facilities of \$27.3 (2023 - \$25.8).

The Company has provided irrevocable standby letters of credit totaling \$1.1 to financial institutions as security for its loan, corporate credit cards and to several vendors as security for the Company's ongoing purchases. The letters of credit expire unless further renewed.

### **14. LEASE LIABILITIES**

The Company has lease arrangements for two Boeing 767-300 aircraft that include a bargain purchase option. The estimated effective interest rates for these leases are 6.7% and 6.4% respectively. These leases are deemed to be maturing on the exercise date of the bargain purchase options in October 2027 and June 2030 respectively. As at December 31, 2024, the total outstanding balance of these lease arrangements is \$73.9 (December 31, 2023 - \$79.7), out of which \$13.8 (December 31, 2023 - \$11.8) is presented as a current liability on the Consolidated Balance Sheets.

As at December 31, 2024, the Company also has \$24.8 (December 31, 2023 - \$34.0) of right of use assets and \$29.6 (December 31, 2023 - \$39.4) of lease liabilities, which consists of hangars, warehouses, offices and one Boeing 767-200 aircraft, out of which \$5.3 (December 31, 2023 - \$11.1) is presented as a current liability on the Consolidated Balance Sheets.

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The following is a schedule of future minimum annual lease payments for aircraft, hangars, offices and warehouses under leases together with the balance of the obligations as at December 31, 2024:

|   | Minimum<br>lease payments | Present value of<br>minimum lease payments |
|---|---------------------------|--|
|   | \$                        | \$   |
| Not later than one year                           | 25.3                      | 19.1                                       |
| Later than one year and not later than five years | 72.8                      | 59.4                                       |
| Later than five years                             | 27.0                      | 25.0                                       |
|   | 125.1                     | 103.5                                      |
| Less: interest                                    | 21.6                      | -  |
| Total obligations under leases                    | 103.5                     | 103.5                                      |
| Less: current portion                             | 19.1                      | 19.1                                       |
| Non-current portion                               | 84.4                      | 84.4                                       |

Interest amounts on the lease liabilities for the year ended December 31, 2024 totaled \$8.1 (2023 - \$8.0).

**15. DEBENTURES**

The balance of debentures as at December 31, 2024 and December 31, 2023 consists of the following:

|  | December 31,<br>2024 | December 31,<br>2023 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Hybrid debentures - 5.75% due April 30, 2025 | -                    | 113.6                |
| Hybrid debentures - 5.25% due June 30, 2026  | 113.5                | 112.6                |
| Balance-end of year                          | 113.5                | 226.2                |

**Hybrid debentures – 5.75% due April 30, 2025**

In April 2019, \$115 of senior unsecured debentures were issued at a price of 1,000 dollars per debenture with a term of six years due April 30, 2025. These debentures bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, commencing October 31, 2019. The intended use of the net proceeds of the debentures is to pay down the Credit Facility and fund anticipated capital expenditures, including aircraft in the future.

On or after April 30, 2023, but prior to April 30, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 102.875% of the principal amount of the debentures redeemed plus accrued and unpaid interest. On or after April 30, 2024, but prior to the maturity date of April 30, 2025, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on April 30, 2025, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of common shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the common shares.

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In the event of a change in control, as defined in the indenture agreement, the Company will be required to make an offer to the holders of debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest.

The 5.75% debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of \$110.0 net of deferred financing costs of \$4.9. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are closely related to the host contract and therefore were not accounted for as separate financial instruments.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture.

On November 13, 2024, the Company issued a redemption notice to redeem in full on December 27, 2024 (the "Redemption Date") all of its outstanding 5.75% senior unsecured hybrid debentures due April 30, 2025 (the "Debentures"). The redemption price for the Debentures is 100% of the aggregate outstanding principal amount, together with accrued and unpaid interest up to, but excluding, the Redemption Date. The Company paid the redemption price in cash using the Credit Facility.

The following table shows the movements of the hybrid debenture during the years ended December 31, 2024 and December 31, 2023:

|                                       | 2024     | 2023         |
|---------------------------------------|----------|--------------|
|                                       | \$       | \$           |
| Principal balance - beginning of year | 113.6    | 112.6        |
| Loss on extinguishment of debt        | 0.4      | -            |
| Accretion during the year             | 0.6      | 1.0          |
| Redeemed during the year              | (114.6)  | -            |
| <b>Balance - end of year</b>          | <b>-</b> | <b>113.6</b> |

Interest expense on the hybrid debentures for the year ended December 31, 2024 totaled \$7.5 (2023 - \$7.6).

**Hybrid debentures – 5.25% due June 30, 2026**

In July 2020, \$115 of senior unsecured debentures were issued at a price of 1000 dollars per debenture with a term of six years due June 30, 2026. These debentures bear a fixed interest rate of 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020. The intended use of the net proceeds of the debentures is to pay down the Credit Facility and fund anticipated capital expenditures, including aircraft in the future.

On or after June 30, 2023, but prior to June 30, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 103.9375% of the principal amount of the debentures redeemed plus accrued and unpaid interest. On or after June 30, 2024, but prior to June 30, 2025 the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 102.625% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after June 30, 2025 but prior to the maturity date of June 30, 2026, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

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On redemption or at maturity on June 30, 2026, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of common shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the common shares.

In the event of a change in control, as defined in the indenture agreement, the Company will be required to make an offer to the holders of the debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest.

The 5.25% debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of \$109.9 net of deferred issuance costs of \$5.1. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics of certain prepayment options are not closely related to the host contract and therefore required to be accounted for as separate financial instruments.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the hybrid debentures as at December 31, 2024 and December 31, 2023 consists of the following:

|                                       | 2024  | 2023  |
|---------------------------------------|-------|-------|
|                                       | \$    | \$    |
| Principal balance - beginning of year | 112.6 | 111.8 |
| Accretion during the year             | 0.9   | 0.8   |
| Balance - end of year                 | 113.5 | 112.6 |

Interest expense on the hybrid debentures for the year ended December 31, 2024 totaled \$6.9 (2023 - \$6.9).

## 16. INCOME TAXES

The reconciliation between the Company's statutory and effective tax rate are as follows:

|  | 2024  | 2023  |
|--|-------|-------|
|  | \$    | \$    |
| Earnings before income taxes   | 137.7 | 51.7  |
| Provision for income taxes at statutory rate of 26.5% (2023 - 26.5%) | 36.5  | 13.7  |
| Adjustment:  |       |       |
| Prior period adjustment  | 2.2   | -     |
| Share-based compensation   | 1.2   | 0.7   |
| Meals and entertainment  | 0.1   | 0.1   |
| Stock warrants   | (7.2) | (0.1) |
| Non-taxable portion of capital gains                                 | (3.5) | -     |
| Provision for income taxes   | 29.3  | 14.4  |

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The tax effect of significant temporary differences are as follows:

|  | December 31,<br>2023 | Recognized<br>in earnings | December 31,<br>2024 |
|--|----------------------|---------------------------|----------------------|
|  | \$                   | \$                        | \$                   |
| Property, plant and equipment            | 163.5                | 22.2                      | 185.7                |
| Operating loss carryforward              | (39.7)               | 5.5                       | (34.2)               |
| Licenses                                 | 0.3                  | -                         | 0.3                  |
| Intangible assets                        | (0.3)                | -                         | (0.3)                |
| Equity transaction cost                  | (1.7)                | 0.9                       | (0.8)                |
| Pension costs                            | (2.7)                | 2.6                       | (0.1)                |
| Swap valuation adjustment                | (1.9)                | (3.0)                     | (4.9)                |
| Long-term incentive plan                 | (5.0)                | (1.4)                     | (6.4)                |
| Deferred heavy maintenance               | 36.9                 | 2.5                       | 39.4                 |
| <b>Net deferred income tax liability</b> | <b>149.4</b>         | <b>29.3</b>               | <b>178.7</b>         |
| Deferred income taxes assets             | 5.4                  | (5.4)                     | -                    |
| Deferred income taxes liabilities        | 154.8                | 23.9                      | 178.7                |

**17. DIRECT EXPENSES**

|                                | 2024         | 2023         |
|--------------------------------|--------------|--------------|
|                                | \$           | \$           |
| Fuel costs                     | 220.7        | 208.9        |
| Maintenance costs              | 79.4         | 68.7         |
| Heavy maintenance amortization | 18.2         | 15.8         |
| Aircraft costs                 | 19.0         | 20.9         |
| Crew costs                     | 117.9        | 95.6         |
| Depreciation                   | 145.1        | 160.6        |
| Ground services                | 85.0         | 75.1         |
| Airport services               | 42.8         | 44.8         |
| Navigation and insurance       | 46.9         | 49.0         |
| <b>Direct expenses</b>         | <b>775.0</b> | <b>739.4</b> |

**18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

|   | 2024        | 2023        |
|---|-------------|-------------|
|   | \$          | \$          |
| Salaries, benefits and incentives <sup>(1)</sup>    | 60.8        | 44.3        |
| Depreciation  | 1.8         | 2.0         |
| Net realized foreign exchange gain                  | -           | (2.9)       |
| Other selling, general and administrative expenses  | 28.0        | 27.1        |
| <b>Selling, general and administrative expenses</b> | <b>90.6</b> | <b>70.5</b> |

<sup>(1)</sup> Salaries, benefits and incentives is comprised of Salaries and benefits and Bonuses, incentives and management fees, which were presented as separate line items in prior periods. Comparative figures for 2023 have been updated to conform with current presentation.

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### 19. FINANCE COSTS

|                                      | 2024 | 2023  |
|--------------------------------------|------|-------|
|                                      | \$   | \$    |
| Interest on leases                   | 8.1  | 8.0   |
| Interest on swap derivatives         | 7.5  | 8.1   |
| Interest on debentures               | 14.4 | 20.2  |
| Credit facilities and other interest | 26.8 | 25.5  |
| Borrowed interest capitalized        | -    | (5.0) |
| Finance costs                        | 56.8 | 56.8  |

### 20. OTHER (GAIN) LOSS, NET

|  | 2024   | 2023   |
|--|--------|--------|
|  | \$     | \$     |
| Gain on insurance claim  | -      | (12.2) |
| Impairment on assets held for sale   | -      | 14.5   |
| Impairment on property, plant and equipment <sup>(1)</sup>                                       | 2.6    | 1.3    |
| Unrealized foreign exchange loss (gain)  | 6.0    | (0.5)  |
| (Gain) loss on disposal of property, plant and equipment and assets held for sale <sup>(1)</sup> | (17.4) | 2.8    |
| Loss on extinguishment of debts  | 0.4    | 0.5    |
| Other (gain) loss, net   | (8.4)  | 6.4    |

<sup>(1)</sup> See Note 8 Property, plant and equipment

### 21. SHAREHOLDERS' CAPITAL

On November 9, 2023, Cargojet commenced its normal course issuer bid (the "2024 NCIB"). The 2024 NCIB allows the Company to repurchase, at its discretion, up to 1,500,000 common voting shares and variable voting shares (together, "Voting Shares") in the open market, subject to the standard terms and limitations. The 2024 NCIB terminated on November 8, 2024. On November 11, 2024, the Company renewed its normal course issuer bid (the "2025 NCIB" and, together with the 2024 NCIB, the "NCIB Programs"). The 2025 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 program will terminate on November 10, 2025. Under the NCIB programs, 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.

During the year ended December 31, 2024, the Company purchased for cancellation an aggregate of 1.1 million Voting Shares under the NCIB programs for a total cost of \$128.8, including \$2.6 share buyback tax. A corresponding amount of \$128.8 was recorded in shareholder's equity including \$36.5 under shareholders' capital and \$92.3 under retained earnings.

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB programs. During

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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 December 31, 2024, the obligation for the repurchase of \$33.4, including \$0.7 share buyback tax, was recognized under the ASPP (December 31, 2023 - \$26.7).

**a) Authorized**

The Company is authorized to issue an unlimited number of no par value common voting shares, variable voting shares and preferred shares. The common voting shares are held only by shareholders who are "Canadian" as such term is defined in the Canada Transportation Act. The variable voting shares are held only by shareholders who are not Canadian. Under the articles of incorporation and bylaws of the Company, any common voting share that is sold to a non-Canadian is automatically converted to a variable voting share. Similarly, a variable voting share that is sold to a Canadian is automatically converted to a common voting share.

Variable voting shares carry one vote per share held, except where (i) the number of issued and outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding common and variable voting shares, or (ii) the total number of votes cast by or on behalf of the holders of variable voting shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes that may be cast at such meeting.

If either of the above noted thresholds is surpassed at any time, the vote attached to each variable voting share will decrease automatically without further act or formality. Under the circumstances described in (i) above, the variable voting shares as a class cannot carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding common and variable voting shares. Under the circumstances described in (ii) above, the variable voting shares as a class cannot, for a given shareholders' meeting, carry more than 25% of the total number of votes that may be cast at the meeting.

**b) Issued and outstanding**

The following table shows the changes in shareholders' capital for the year ended December 31, 2024:

|  | Number of shares  | Amount<br>\$ |
|--|-------------------|--------------|
| Consisting of:                               |                   |              |
| Common voting shares                         | 15,740,740        | 569.1        |
| Variable voting shares                       | 1,126,503         | 40.7         |
| <b>Outstanding - January 1, 2024</b>         | <b>16,867,243</b> | <b>609.8</b> |
| Changes during the year:                     |                   |              |
| Restricted share units, vested and exercised | 3,659             | 0.5          |
| Share buyback                                | (1,079,059)       | (21.8)       |
|  | <b>15,791,843</b> | <b>588.5</b> |
| Consisting of:                               |                   |              |
| Common voting shares                         | 14,098,067        | 525.4        |
| Variable voting shares                       | 1,693,776         | 63.1         |
| <b>Outstanding - December 31, 2024</b>       | <b>15,791,843</b> | <b>588.5</b> |



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**Dividends**

Dividends to shareholders declared for the year ended December 31, 2024 amounted to \$21.4 (\$1.3292 per share) and for the year ended December 31, 2023 amounted to \$20.1 (\$1.1726 per share) for both common and variable shares.

As at December 31, 2024, there was no dividend payable to the shareholders outstanding (December 31, 2023 - \$5.3).

**22. NET EARNINGS PER SHARE**

The following table shows the computation of basic earnings per share for the year ended December 31, 2024 and 2023:

|  | 2024    | 2023   |
|--|---------|--------|
| Net earnings   | \$108.4 | \$37.3 |
| Interest on debentures, net of taxes <sup>(1)</sup>  | -       | -      |
| Net earnings for shareholders (diluted)  | \$108.4 | \$37.3 |
| Weighted average number of shares  | 16.2    | 17.2   |
| Dilutive impact of share - based awards, hybrid debentures and vested warrant number of shares | -       | -      |
| Diluted weighted average number of shares  | 16.2    | 17.2   |
| Net earnings per share - basic   | \$6.68  | \$2.17 |
| Net earnings per share - diluted   | \$6.68  | \$2.17 |

<sup>(1)</sup> Interest on debentures, net of tax was \$10.6 for the year ended December 31, 2024 and \$14.8 for the year ended December 31, 2023. The amounts are not included in the table above for the computation of diluted net earnings for shareholders as they are anti-dilutive.

**23. EMPLOYEE BENEFITS**

The Company has an unfunded defined benefit plan for one of its senior executives. The executive is entitled to receive benefit in the form of lump sum payments. During the year ended December 31, 2024, the Company paid the remaining amount of \$9.8 (2023 - \$9.7) to the executive from the benefit plan and accrued interest of \$nil (2023 - \$0.4) in respect of the defined pension plan.

In 2024, the Company provided an unfunded defined benefit for another senior executive. The pension liability of \$0.3 was outstanding as at December 31, 2024 (2023 - \$nil).

**24. 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.

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During the year ended December 31, 2024, the Company made lease payments of \$1.1 (2023 - \$1.1), out of which \$0.6 (2023 - \$0.5) was adjusted towards principal payments against the liability and \$0.5 (2023 - \$0.6) was recorded as related interest cost. The Company also paid utilities, taxes, maintenance, insurance and other related costs for the leased premises. As at December 31, 2024, the Company had a liability of \$7.1 (2023 - \$7.7) due under the lease.

### Investment in associate

The Company acquired an investment in Avia in August 2019. See Note 9 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.

The following is the summary of transactions between the Company and 21 Air for the years ended December 31, 2024 and 2023:

|                        | 2024 | 2023 |
|------------------------|------|------|
|                        | \$   | \$   |
| Aircraft lease revenue | 4.4  | 4.3  |
| Engine lease revenue   | 0.4  | 1.0  |
| Sub-charter expenses   | 1.0  | 0.2  |

### Compensation of key management personnel

In 2024, the employee benefit expense was \$209.6 (2023 - \$177.9), of which \$168.6 (2023 - \$141.4) was recorded in direct expenses and \$41.0 (2023 - \$36.5) was recorded in selling, general and administrative expenses. The selling, general and administrative expenses include the remuneration of directors and other members of key management personnel for the years ended December 31, 2024 and 2023 as follows:

|                          | 2024 | 2023 |
|--------------------------|------|------|
|                          | \$   | \$   |
| Short term benefits      | 19.5 | 8.5  |
| Post-employment benefits | 0.7  | 0.2  |
| Share-based payments     | 3.0  | 4.0  |
| Total remuneration       | 23.2 | 12.7 |

## 25. INFORMATION ON MAJOR CUSTOMERS

In 2024, the Company had sales to three individual customers that represented 55.5% of the total revenues (2023 – 59.2%). These sales are provided under service agreements that expire over various periods to December 2030. The sales to individual customers represented 27.8%, 14.7% and 13.0% respectively of the total revenues (2023 – 29.5%, 17.9 % and 11.8% respectively).

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### **26. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are: (i) to maintain flexibility when managing the short-term cash needs of the business and the funding of future growth; and (ii) to manage capital in a manner that balances the interests of the shareholders and debt holders.

The Company defines capital as the sum of total equity, borrowings, leases liabilities, including current portion, hybrid debentures and cash.

The Company manages its capital structure and will make adjustments to it in ways that support the broader corporate strategy or in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt which may have different characteristics, repurchase debt instruments for cancellation pursuant to normal course issuer bids or reduce the amount of existing debt. There were no changes in the Company's approach to capital management during the year.

The Company is subject to financial covenants related to its Credit Facility and the DDTL Facility (See Note 13 Borrowings). As at December 31, 2024 and 2023, the Company was in compliance with all financial covenants.

### **27. 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.

In May 2024, the Company amended the total return swap agreements to transition from CDOR to CORRA. Under the agreements, the Company pays interest based on CORRA on the total value of the notional equity amount of \$138.2, 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.

During the years ended December 31, 2024, 508,830 shares have been settled, resulting in a net realized gain of \$12.9 (2023 – nil).

As at December 31, 2024, the fair value measurement of the 5,736 and 156,684 underlying shares under the swap agreements in effect was a liability of \$20.7 (December 31, 2023 – liability of \$11.1). The fair value adjustment for the year ended December 31, 2024 was a loss of \$10.0 for the 5,736 share units (2023 – gain of \$0.6 for the 260,000 share units), and a gain of \$0.4 for the 156,684 share units (2023 – gain of \$2.1 for the 822,500 share units).

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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 \$12.4 and a decrease of 20% in the share price will result in a loss of the same amount.

#### **Fair values**

As at December 31, 2024, the fair value of the 5.25% hybrid debentures due June 30, 2026 was approximately \$110.4 (December 31, 2023 - \$108.8). 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 \$1.1 respectively.

The fair value of the performance share units due March 15, 2025, March 15, 2026 and March 15, 2027 are classified as Level 3 financial liabilities. As at December 31, 2024, the performance share units due March 15, 2025, March 15, 2026 and March 15, 2027 were valued at \$1.3, \$3.5 and \$4.7 respectively (December 31, 2023 - March 15, 2025 at \$1.7 and March 15, 2026 at \$4.9). 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.

The fair value of the warrant obligations was \$62.9 as at December 31, 2024 (December 31, 2023 - \$110.1). The revaluation resulted in a gain of \$47.2 for the year ended December 31, 2024 (2023 – gain of \$44.7). 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 31.1% 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 2.8% and a dividend yield of 1.0%. Significant unobservable inputs for the DHL warrant obligation include volatility of the Company's common shares of 37.5% for tranche I and 37.5% 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 2.7% and a dividend yield of 1.1%.

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 Consolidated 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.

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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 \$1.4 and decrease by \$1.3. 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 \$3.9.

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 \$5.3 and decrease by \$5.4. 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 \$nil or decrease by \$7.2.

The fair value of borrowings approximates their carrying value.

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 Consolidated Balance Sheets.

### Credit risk

The Company's principal financial assets that expose it to credit risk are accounts receivable and loans receivable.

The Company is subject to risk of non-payment of accounts receivable and loans receivable. The amounts disclosed in the balance sheet represent the maximum credit risk and are net of allowances for bad debts, based on management estimates taking into account the Company's prior experience and its assessment of the current economic environment. The Company's trade receivables are concentrated among several of its largest customers with approximately 90.5% (December 31, 2023 – 90.1%) of total trade receivables on account of the Company's ten largest customers. However, the Company believes that the credit risk associated with these receivables is limited for the following reasons:

- (a) Only a small portion (2.4%) of trade receivables are outstanding for more than 60 days and are considered past due. The Company considers all of these amounts to be fully collectible. Trade receivables that are not past due are also considered by the Company to be fully collectible. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9 which requires expected lifetime losses to be recognized from initial recognition of receivables. Such expected lifetime losses were immaterial and consistent with its past collection history, the Company has not recognized any significant provisions for bad debts.
- (b) The Company mitigates credit risk by monitoring the creditworthiness of its customers.
- (c) A majority of the Company's major customers are large public corporations with positive credit ratings and history.

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**Liquidity risk**

The Company monitors and manages its liquidity risk to ensure it has access to sufficient funds to meet operational and investing requirements. The management of the Company is confident that future cash flows from operations, the availability of credit under existing bank arrangements, and current debt market financing is adequate to support the Company's financial liquidity needs. Available sources of liquidity include the Credit Facility with a Canadian chartered bank. The borrowing capacity is up to \$600. As at December 31, 2024, \$234.5 of borrowings were outstanding under the Credit Facility. As at December 31, 2024, \$303.6 of borrowings were outstanding under the DDTL facility. The undrawn amount under the DDTL Facility expired on January 22, 2024, and the Company had no unused borrowing capacity left under the DDTL Facility.

The Company was in compliance with all covenants as at December 31, 2024.

The Company has financial liabilities with varying contractual maturity dates. Total financial liabilities at December 31, 2024 based on contractual undiscounted payments are as follows:

|                                  | Less than 1<br>year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years | Total        |
|----------------------------------|---------------------|--------------------------|--------------------------|-----------------|--------------|
|                                  | \$                  | \$                       | \$                       | \$              | \$           |
| Borrowings and debentures        | 15.2                | 128.7                    | 507.7                    | -               | 651.6        |
| Lease liabilities                | 19.1                | 18.9                     | 40.4                     | 25.1            | 103.5        |
| Derivative financial instruments | 20.7                | -                        | -                        | -               | 20.7         |
| Interest on leases               | 6.3                 | 5.0                      | 9.1                      | 1.2             | 21.6         |
| Interest on debentures           | 7.0                 | 3.5                      | -                        | -               | 10.5         |
| Trade and other payables         | 142.6               | 1.3                      | -                        | -               | 143.9        |
| Share-based compensation         | 1.2                 | 16.6                     | 7.4                      | 1.5             | 26.7         |
| <b>Total</b>                     | <b>212.1</b>        | <b>174.0</b>             | <b>564.6</b>             | <b>27.8</b>     | <b>978.5</b> |

Total financial liabilities at December 31, 2023 based on contractual undiscounted payments are as follows:

|                                  | Less than 1<br>year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years | Total          |
|----------------------------------|---------------------|--------------------------|--------------------------|-----------------|----------------|
|                                  | \$                  | \$                       | \$                       | \$              | \$             |
| Borrowings and debentures        | -                   | 113.6                    | 566.5                    | -               | 680.1          |
| Lease liabilities                | 22.9                | 17.6                     | 44.3                     | 34.3            | 119.1          |
| Derivative financial instruments | 11.1                | -                        | -                        | -               | 11.1           |
| Interest on leases               | 7.7                 | 5.8                      | 10.7                     | 3.8             | 28.0           |
| Interest on debentures           | 14.5                | 9.6                      | 3.5                      | -               | 27.6           |
| Trade and other payables         | 147.0               | 3.0                      | -                        | -               | 150.0          |
| Share-based compensation         | 1.1                 | 1.7                      | 14.4                     | 4.0             | 21.2           |
| Dividends payable                | 5.3                 | -                        | -                        | -               | 5.3            |
| <b>Total</b>                     | <b>209.6</b>        | <b>151.3</b>             | <b>639.4</b>             | <b>42.1</b>     | <b>1,042.4</b> |

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#### **Market risk**

In the normal course of business, the financial position of the Company is routinely subject to a variety of risks. The Company regularly assesses these risks and has established policies and business practices to protect against the adverse effects of these and other potential exposures. As a result, the Company does not anticipate any material losses from these risks.

The Company performs a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of the Company's debt and other financial instruments. The financial instruments that are included in the sensitivity analysis comprise all of the Company's cash, borrowings, hybrid debentures and all derivative financial instruments. To perform the sensitivity analysis, the Company assesses the risk of loss in fair values from the effect of hypothetical changes in interest rates and foreign currency exchange rates on market-sensitive instruments.

Interest rate risk is the risk that the fair value or future cash flows of a financial liability will fluctuate because of changes in market interest rates. The Company enters into both fixed and floating rate debt and also leases certain assets with fixed rates. The Company's risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. The ratio of fixed to floating rate obligations outstanding is designed to maintain flexibility in the Company's capital structure and is based upon a long-term objective of minimum 70% fixed and maximum 30% floating but allows flexibility in the short-term to adjust to prevailing market conditions. These practices aim to minimize the net interest cost volatility. As at December 31, 2024, 29% of the total debt outstanding was fixed rate debt and 71% was floating rate debt. A 10% increase in interest rates with all other factors remaining the same will increase the interest expense by \$2.7 and a 10% decrease in interest rates with all other factors remaining the same will decrease the interest expense by the same amount.

#### **Foreign exchange risk**

The Company earns revenue and undertakes purchase transactions in foreign currencies, and therefore is subject to gain and losses due to fluctuations in the foreign currencies. The Company also enters into contracts attributed to asset purchases including aircraft and aircraft parts and pays debt in foreign currency.

Total unrealized foreign exchange loss for the year ended December 31, 2024 on foreign exchange transactions was \$6.0 (2023 – gain of \$0.5).

As at December 31, 2024, a weakening of the Canadian dollar that results in a 10% increase in the exchange rate for the purchase of US dollars would increase the value of the Company's net financial assets and liabilities denominated in US dollars by approximately \$4.9. The decrease in the exchange rate for the purchase of US dollars of 10% would decrease the value of these net financial assets and liabilities by the same amount.

As at December 31, 2024, a weakening of the Canadian dollar that results in a 10% increase in the exchange rate for the purchase of EURO would increase the value of the Company's net financial assets and liabilities denominated in EURO by approximately \$0.1. The decrease in the exchange rate for the purchase of EURO of 10% would decrease the value of these net financial assets and liabilities by the same amount.

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#### **28. GUARANTEES**

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The Company's primary guarantees 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 counterparties for various items including, but not limited to, all liabilities, loss, 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) In the normal course of business, the Company has entered into agreements that include indemnities in favor 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.
- (c) The Company participates in 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 as part of the Consolidated Financial Statements of the Company. The Company views this loss potential as remote. The airlines that participate in the FFC guarantee on a pro-rata basis the share of the debt based on system usage.

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.