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

For the Three Months and Year Ended December 31, 2024

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CARGOJET INC.
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CARGOJET INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three Months and Year Ended December 31, 2024

1. INTRODUCTION AND KEY ASSUMPTIONS

The following is the Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three months and year ended December 31, 2024. The following also includes a discussion of and comparative operating results for the three months and year ended December 31, 2023.

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

The MD&A is dated February 17, 2025. The audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). This MD&A should be read in conjunction with the audited consolidated annual financial statements of the Company for the years ended December 31, 2024 and 2023.

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

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of the management of the Company. See the "Risk Factors" section of this MD&A for a more complete discussion of the risks affecting the Company's business.

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

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

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

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

- Outlook and Strategic Update – Page 6.
- Fleet Overview – Page 8.
- Off-Balance Sheet Arrangements – Page 38.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements.

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

2. FINANCIAL INFORMATION AND OPERATING STATISTICS HIGHLIGHTS

(Canadian dollars in millions, except where indicated)

	Three Month Period Ended December 31,				**Year ended December 31,**			
	2024	2023	Change	%	**2024**	2023	Change	%
Domestic network, ACMI and charter revenues	**$250.7**	$193.1	$57.6	29.8%	**$828.4**	$712.3	$116.1	16.3%
Fuel surcharge and other revenues	**$48.5**	$61.6	($13.1)	-21.3%	**$193.5**	$207.7	($14.2)	-6.8%
Total revenues excluding warrant amortization	**$299.2**	$254.7	$44.5	17.5%	**$1,021.9**	$920.0	$101.9	11.1%
Amortization of stock warrant contract assets	**($6.0)**	($32.8)	$26.8	-81.7%	**($21.1)**	($42.5)	$21.4	-50.4%
Total revenues	**$293.2**	$221.9	$71.3	32.1%	**$1,000.8**	$877.5	$123.3	14.1%
Direct expenses	**$219.6**	$205.4	$14.2	6.9%	**$775.0**	$739.4	$35.6	4.8%
Gross margin	**$73.6**	$16.5	$57.1	346.1%	**$225.8**	$138.1	$87.7	63.5%
Gross margin - (%)	**25.1%**	7.4%	17.7%		**22.6%**	15.7%	6.9%	
Selling, general and administrative expenses	**$25.3**	$23.1	$2.2	9.5%	**$90.6**	$70.5	$20.1	28.5%
Net finance costs and other gains and losses	**($29.5)**	$16.9	($46.4)	-274.5%	**($2.1)**	$15.8	($17.9)	-113.3%
Share of loss (gain) in associate	**$0.5**	$0.2	0.30	150.0%	**($0.4)**	$0.1	($0.5)	-500.0%
Earnings (loss) before income taxes	**$77.3**	($23.7)	$101.0	426.2%	**$137.7**	$51.7	$86.0	166.3%
Income taxes	**6.1**	$11.2	($5.1)	-45.5%	**$29.3**	$14.4	$14.9	103.5%
Net earnings (loss)	**$71.2**	($34.9)	$106.1	304.0%	**$108.4**	$37.3	$71.1	190.6%
Adjusted net earnings[1]	**$27.2**	$5.8	$21.4	369.0%	**$86.2**	$35.4	$50.8	143.5%
Earnings (loss) per share								
Basic	**$4.49**	($2.04)	$6.53	320.1%	**$6.68**	$2.17	$4.51	207.8%
Diluted	**$4.28**	($2.04)	$6.32	309.8%	**$6.68**	$2.17	$4.51	207.8%
Adjusted[1]	**$1.71**	$0.34	$1.37	402.9%	**$5.32**	$2.06	$3.26	158.3%
Adjusted EBITDA [1]	**$91.7**	$81.6	$10.1	12.4%	**$331.4**	$300.9	$30.5	10.1%
Adjusted EBITDA margin [1] - (%)	**31.3%**	36.8%	-5.5%		**33.1%**	34.3%	-1.2%	
Net cash from operating activities	**$103.6**	$31.5	$72.1	228.9%	**$328.6**	$191.9	$136.7	71.2%
Free cash flow [1]	**($33.3)**	$37.9	($71.2)	-187.9%	**$183.7**	$64.4	$119.3	185.2%
Operating statistics [2]								
Operating days [3]	**50**	48	2	4.2%	**199**	197	2.00	1.0%
Average domestic network revenue per operating day [4]	**2.06**	2.11	(0.05)	-2.4%	**1.89**	1.80	0.09	5.0%
Block hours [5]	**21,307**	18,353	2,954	16.1%	**75,173**	69,474	5,699	8.2%
B757-200	**17**	17	-		**17**	17	-	
B767-200	**3**	3	-		**3**	3	-	
B767-300	**21**	21	-		**21**	21	-	
Cargo operating fleet	**41**	41	-	-	**41**	41	-	-
Head count	**1,981**	**1,838**	143	7.8%	**1,981**	1,838	143	7.8%

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

3. OUTLOOK AND STRATEGIC UPDATE

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

Cargojet posted strong Q4 revenue growth of 32.1% primarily driven by Charter operations, up 135.9% vs. prior year and ACMI operations up 29.3%; while Domestic network grew slightly vs. prior year partially due to the Canada Post labour dispute experienced during the Quarter.

The growth in the fourth quarter of 2024 reflected a strong recovery from the prior year and indicates the resilience of our diversified business model. Management expects this growth to continue in 2025 in each revenue stream although at a slower pace due to the uncertainty surrounding proposed tariffs and potential trade wars and the possible negative impact that this may have on global air cargo demand.

The Company achieved a 16% productivity improvement in block hours flown during the current and previous quarter compared to the same periods in the prior year. This additional increase has resulted in extraordinary start-up costs to match the operating activity with additional flights flown that have tempered operating leverage. These start-up costs have impacted crew costs (including overtime); maintenance costs and ground handling costs. The Company anticipates that these cost increases will taper off and settle at optimized levels during 2025. The Company is expanding its technical agility and planning to further interconnect its business operation thereby managing costs efficiently.

Management's initiatives in controlling costs resulted in direct costs (excluding depreciation and fuel) with a slight improvement compared to the fourth quarter of 2023. Management remains focused on continuing to optimize its controllable costs in 2025 and maintain margins.

The Company has three Boeing 767-300 aircraft that are currently in conversion process and are progressing as planned for induction into the fleet in 2025. The first and second converted freighters are expected to be delivered by the end of the first quarter, and the third converted freighter will be delivered in the third quarter. The Company is in the process of buying one factory manufactured freighter that will also be delivered by the end of the first quarter of 2025. One leased Boeing 767-200 aircraft will be returned to the lessor at the end of April 2025 to maintain an optimized fleet level to cover operational requirements, heavy maintenance requirements and additional growth requirements. Cargojet also owns feedstock for two additional freighters that are available for conversion to support additional long-term growth, when required.

Management remains grounded in the core strategic capital allocation priorities previously communicated and noted below and is continuing its share buyback program opportunistically:

1. Maintain dividend growth;
2. Identify accretive growth opportunities;
3. Maintain a share buyback program; and
4. Target Net Debt to Adjusted EBITDA Leverage Ratio[1] of 1.5x to 2.5x.

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

4. RECENT EVENTS

Share buyback

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 2025 NCIB, other than purchases made under block purchase exemptions, Cargojet may purchase up to the daily limit, as approved by TSX, on the TSX during any trading day, which represents approximately 25% of the average daily trading volume, as calculated in accordance with TSX rules.

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 million, including $2.6 million share buyback tax. A corresponding amount of $128.8 million was recorded in shareholder's equity including $36.5 million under shareholders' capital and $92.3 million 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 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 million, including $0.7 million share buyback tax, was recognized under the ASPP (December 31, 2023 - $26.7 million).

Redemption of hybrid debentures

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.

5. FLEET OVERVIEW

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

The table below sets forth the Company's cargo operating fleet as at December 31, 2023 and 2024 as well as the Company's planned operating fleet for the years ending December 31, 2025, 2026 and 2027:

Aircraft Type		Leased Owned	Average Age	Number of Aircraft in Service					Maximu Payload (lbs.)	Range (miles)
				Actual		Plan				
				December 31, 2023	December 31, 2024	December 31, 2025	2026	2027		
B767-300	Freighter	Leased	29	4	4	4	4	4	125,000	6,000
B767-300	Freighter	Owned	30	17	17	21	21	21	125,000	6,000
B767-200	Freighter	Owned	22	2	2	2	2	2	100,000	5,000
B767-200	Freighter	Leased	38	1	1	-	-	-	100,000	5,000
B757-200	Freighter	Owned	30	17	17	17	17	17	80,000	3,900
Total Aircraft				41	41	44	44	44		

The Company has three Boeing 767-300 aircraft that are currently in conversion process and are progressing as planned for induction into the fleet in 2025. The first and second converted freighters are expected to be delivered by the end of the first quarter, and the third converted freighter will be delivered in the third quarter. The Company is in the process of buying one factory manufactured freighter that will also be delivered by the end of the first quarter of 2025. One leased Boeing 767-200 aircraft will be returned to the lessor at the end of April 2025 to maintain an optimized fleet level to cover operational requirements, heavy maintenance requirements and additional growth requirements. Cargojet also owns feedstock for two additional freighters that are available for conversion to support additional long-term growth, when required.

6. CORPORATE OVERVIEW

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

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

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

Revenues

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

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

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

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

- The Company provides dedicated aircraft to customers on an ad hoc and scheduled basis typically in the daytime and on weekends for cargo and passenger charters. Ad hoc flights for cargo and passengers are sold under a one-time agreement while scheduled flights are sold under longer -term agreements. The ad hoc charter business for cargo targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America, to the Caribbean and to Europe. The ad hoc charter business for passenger flights mostly operates within Canada and between Canada and the USA. Scheduled charter business provides dedicated aircraft for recurring flights as required by the customer for cargo and passenger charters. Ad hoc and scheduled flights are sold either on an "all-in" basis or on an ACMI basis:
    - Under an all-in ad hoc or scheduled charter agreement, the customer will pay a single, all-inclusive fixed amount per flight. All costs of the flight including fuel, navigation fees and landing fees are borne by the Company and recognized in its financial statements as direct expenses.
    - Under an ACMI ad hoc or scheduled charter agreement, the customer is responsible for all commercial activities and the Company is paid a fixed amount to operate the flight priced as a rate per block hour (see definition of "block hours" in Expenses on page 10). Variable flight costs such as fuel, navigation fees and landing fees are borne by the customer.

- The Company operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain variable surcharges for uncontrollable costs (including ability to pass through increases in fuel costs) guaranteed volume minimums and CPI-based annual price increases.

Expenses

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

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

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

7. RESULT OF OPERATIONS AND SUPPLEMENTARY FINANCIAL INFORMATION

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

	Three month period ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
	(unaudited)	(unaudited)	**(audited)**	(audited)
REVENUES	**$293.2**	$221.9	**$1,000.8**	$877.5
DIRECT EXPENSES	**219.6**	205.4	**775.0**	739.4
GROSS MARGIN	**73.6**	16.5	**225.8**	138.1
Selling, general and administrative expenses	**25.3**	23.1	**90.6**	70.5
Fair value (decrease) increase on stock warrant	**(67.8)**	30.6	**(47.2)**	(44.7)
Loss (gain) on swap derivative	**18.2**	(31.5)	**(3.3)**	(2.7)
Finance costs	**13.6**	17.0	**56.8**	56.8
Other loss (gain), net	**6.5**	0.8	**(8.4)**	6.4
Share of loss (gain) in associate	**0.5**	0.2	**(0.4)**	0.1
EARNINGS (LOSS) BEFORE INCOME TAXES	**77.3**	(23.7)	**137.7**	51.7
Provision for income taxes				
Deferred	**6.1**	11.2	**29.3**	14.4
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**$71.2**	($34.9)	**$108.4**	$37.3
NET EARNINGS (LOSS) PER SHARE				
- Basic	**$4.49**	($2.04)	**$6.68**	$2.17
- Diluted	**$4.28**	($2.04)	**$6.68**	$2.17
Average number of shares - basic (in thousands of shares)	**15,862**	17,418	**16,240**	17,192
Average number of shares - diluted (in thousands of shares)	**17,269**	17,418	**16,240**	17,192

8. REVIEW OF OPERATION FOR THE THREE MONTH PERIODS

(Unaudited - Canadian dollars in millions except where indicated)

	Q4		CHANGE	
	2024	2023	$	%
Domestic network revenues	**$102.8**	$101.2	$1.6	1.6%
ACMI revenues	**83.5**	64.6	18.9	29.3%
All-in charter revenues	**64.4**	27.3	37.1	135.9%
Total domestic network, ACMI and charter revenues	**250.7**	193.1	57.6	29.8%
Fuel surcharge and other revenues	**48.5**	61.6	(13.1)	-21.3%
Amortization of stock warrant contract assets	**(6.0)**	(32.8)	26.8	-81.7%
Total revenues	**293.2**	221.9	71.3	32.1%
Operating days	**50**	48	2	4.2%
Average domestic network revenue per operating day [(1)]	**2.06**	2.11	(0.05)	-2.4%
Direct expenses				
Fuel costs	**64.9**	63.0	1.9	3.0%
Depreciation	**36.2**	43.9	(7.7)	-17.5%
Aircraft cost	**6.7**	5.6	1.1	19.6%
Heavy maintenance amortization	**5.0**	4.3	0.7	16.3%
Maintenance cost	**21.7**	18.7	3.0	16.0%
Crew costs	**34.4**	25.9	8.5	32.8%
Ground services	**24.7**	20.0	4.7	23.5%
Airport services	**11.6**	11.5	0.1	0.9%
Navigation and insurance	**14.4**	12.5	1.9	15.2%
Total direct expenses	**219.6**	205.4	14.2	6.9%
Gross margin	**73.6**	16.5	57.1	346.1%
Gross margin %	**25.1%**	7.4%	17.7%	
Selling, general and administrative expenses				
Selling, general and administrative costs excluding depreciation	**24.9**	22.6	2.3	10.2%
Depreciation	**0.4**	0.5	(0.1)	(0.20)
Total selling, general and administrative expenses	**25.3**	23.1	2.2	9.5%
Net finance costs and other gains and losses				
Fair value (decrease) increase on stock warrant	**(67.8)**	30.6	(98.4)	-321.6%
Loss (gain) on swap derivative	**18.2**	(31.5)	49.7	-157.8%
Finance costs	**13.6**	17.0	(3.4)	-20.0%
Other loss, net	**6.5**	0.8	5.7	712.5%
Total net finance costs and other gains and losses	**(29.5)**	16.9	(46.4)	-274.6%
Share of loss in associate	**0.5**	0.2	0.3	150.0%
Earnings (loss) before income taxes	**77.3**	(23.7)	101.0	-426.2%
Income taxes - deferred	**6.1**	11.2	(5.1)	-45.5%
Net earnings (loss)	**$71.2**	$(34.9)	$106.1	-304.0%
Earnings (loss) per share - $				
Basic	**4.49**	(2.04)	6.53	
Diluted	**4.28**	(2.04)	6.32	

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

HIGHLIGHTS FOR THE THREE MONTH PERIODS ENDED DECEMBER 31, 2024 AND 2023

- Revenue from domestic network, ACMI and all-in charter for the three month period ended December 31, 2024 was $250.7 million compared to $193.1 million for the same period in 2023, representing an increase of $57.6 million or 29.8%. Total revenue for the three month period ended December 31, 2024 was $293.2 million compared to $221.9 million for the same period in 2023, representing an increase of $71.3 million or 32.1%.

- Average domestic network revenues[2] for the three month period ended December 31, 2024 was $2.06 million per operating day compared to $2.11 million for the same period in 2023.

- Net earnings for the three month period ended December 31, 2024 was $71.2 million compared to net loss of $34.9 million for the same period in 2023, an increase of $106.1 million.

- Adjusted EBITDA[1] for the three month period ended December 31, 2024 was $91.7 million compared to $81.6 million for the same period in 2023, an increase of $10.1 million or 12.4%.

- Cash generated from operating activities was $103.6 million for the three month period ended December 31, 2024 compared to $31.5 million for the same period in 2023, an increase of $72.1 million.

- Free Cash Flow[1] was an outflow of $33.3 million for the three month period ended December 31, 2024 compared to an inflow of $37.9 million for the same period in 2023.

- Earnings per diluted share for the three month period ended December 31, 2023 was $4.28 compared to loss per diluted share of $2.04 for the same period in 2023, an increase of $6.32.

- Adjusted EPS[1] for the three month period ended December 31, 2024 was $1.71 compared to $0.34 for the same period in 2023, an increase of $1.37.

(1) Non-GAAP measures. See "Non-GAAP Financial Measures" section.
(2) Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

Revenue

Total revenue for the three month period ended December 31, 2024 was $293.2 million, compared to $221.9 million for the same period in 2023, representing an increase of $71.3 million or 32.1%. The increase in total revenues increased the gross margin to 25.1% in 2024 from 7.4% in 2023. The increase in revenue is primarily due to an increase of $57.6 million in domestic network, ACMI and charter business, and a decrease of $26.8 million in amortization of stock warrant contract assets, partially offset by a decrease of $13.1 million in fuel surcharge and other revenues, compared to the same period in 2023. See below for separate discussion of the notable components of the year-over-year change in revenue.

Revenue related to the domestic network business for the three month period ended December 31, 2024 was $102.8 million compared to $101.2 million for the same period in 2023, an increase of $1.6 million or 1.6%. The increase was due primarily to an increase in e-commerce and B2B volumes during the period, and contractual customers' consumer price index increases. The Company has relied on the periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes, where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI revenues for the three month period ended December 31, 2024 were $83.5 million compared to $64.6 million for the same period in 2023, an increase of $18.9 million or 29.3%. The increase was primarily due to additional aircraft deployed on a short-term basis, as well as an increase in ad hoc ACMI flights.

All-in charter revenues for the three month period ended December 31, 2024 were $64.4 million compared to $27.3 million for the same period in 2023, an increase of $37.1 million or 135.9%. The increase in revenue was primarily due to the scheduled charter services between China and Canada which started during the current year, as well as an increase in ad hoc charters.

Fuel surcharge and other revenues primarily consist of fuel surcharges and other cost pass-through revenues, aircraft lease revenue, hangar rental revenue, maintenance revenue for aircraft line maintenance services provided to other airlines and ground handling services provided to customers. Fuel surcharge and other revenues were $48.5 million for the three month period ended December 31, 2024 compared to $61.6 million for the same period in 2023, representing a decrease of $13.1 million or 21.3%. The decrease is primarily due to a decrease of $9.0 million in fuel surcharges and other cost pass-through revenues and a decrease of $4.1 million in other revenue. Fuel surcharges passed on to the customers are based on the index published by Statistics Canada which lag the current market rates by two months.

Amortization of stock warrant contract asset, a charge against revenue, was $6.0 million for the three month period ended December 31, 2024 compared to $32.8 million for the same period in 2023, a decrease of $26.8 million or 81.7%. The decrease is primarily driven by the one-time adjustment of $29.5 million in amortization of Amazon stock warrant contract assets recorded in prior year.

Direct Expenses

Total direct expenses were $219.6 million for the three month period ended December 31, 2024 compared to $205.4 million for the same period in 2023, representing an increase of $14.2 million or 6.9%. See below for separate discussion of the notable components of the year-over-year change in direct expenses.

Fuel costs were $64.9 million for the three month period ended December 31, 2024 compared to $63.0 million for the same period in 2023. The $1.9 million or 3.0% increase in fuel costs was due primarily to an increase in fuel pass-through costs incurred with providing CMI and ACMI services, partially offset by a 19.5% decrease in fuel prices. Any changes in fuel costs experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges or ad hoc rates.

Depreciation expense was $36.2 million for the three month period ended December 31, 2024 compared to $43.9 million for the same period in 2023, a decrease of $7.7 million or 17.5%. The decrease is due primarily to a change in estimated useful lives of engines, partially offset by the addition of aircraft, engines, facilities and other assets.

Aircraft costs were $6.7 million for the three month period ended December 31, 2024 compared to $5.6 million for the same period in 2023, representing an increase of $1.1 million or 19.6%. The increase was primarily due to an increase in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were $5.0 million for the three month period ended December 31, 2024 compared to $4.3 million for the same period in 2023, representing an increase of $0.7 million or 16.3% due to the timing of heavy maintenance checks. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The heavy maintenance component of newly acquired aircraft is also deferred and amortized until the next scheduled event.

Maintenance costs were $21.7 million for the three month period ended December 31, 2024 compared to $18.7 million for the same period in 2023, representing an increase of $3.0 million or 16.0%. This increase was due to increase in fleet size, periodic line maintenance and the hiring of additional maintenance personnel.

Crew costs including salaries, training and positioning were $34.4 million for the three month period ended December 31, 2024 compared to $25.9 million for the same period in 2023, representing an increase of $8.5 million or 32.8%. The increase was primarily driven by increase in the number of crew personnel hired, annual crew salary increase as per the collective agreement with the union and increase in positioning costs.

Ground services costs were $24.7 million for the three month period ended December 31, 2024 compared to $20.0 million for the same period in 2023, representing an increase of $4.7 million or 23.5%. This increase was due primarily to increase in payroll costs, and in ground handling costs.

Airport services costs were $11.6 million for the three month period ended December 31, 2024 compared to $11.5 million for the same period in 2023, representing an increase of $0.1 million or 0.9%.

Navigation and insurance were $14.4 million for the three month period ended December 31, 2024 compared to $12.5 million for the same period in 2023, representing an increase of $1.9 million or 15.2%. This increase was primarily due to increased navigation costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the three month period ended December 31, 2024 were $25.3 million compared to $23.1 million for the same period in 2023, representing an increase of $2.2 million or 9.5%. This increase was primarily due to a $4.4 million increase in salaries, bonuses and share-based compensation expenses, partially offset by a $0.1 million decrease in depreciation expense, and a $2.1 million decrease in other SG&A expenses.

Net Finance Costs and Other Gains and Losses

Net finance costs and other gains and losses for the three month period ended December 31, 2024 were a net gain of $29.5 million compared to a net loss of $16.9 million for the same period in 2023. See below for separate discussion of the notable components of the year-over-year change in net finance costs and other gains and losses.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the three month period ended December 31, 2024 was a gain of $67.8 million compared to a loss of $30.6 million for the same period in 2023. The change in the fair value adjustment of stock warrant was primarily due to the change in the Company's share price.

Gain or loss on swap derivatives

Loss on swap derivatives for the three month period ended December 31, 2024 was $18.2 million compared to gain of $31.5 million for the same period in 2023. The change was primarily due to the change in the Company's share price.

Finance costs

Finance costs for the three month period ended December 31, 2024 were $13.6 million compared to $17.0 million for the same period in 2023, representing a decrease of $3.4 million or 20.0%. The decrease was primarily due to the decrease in interest rates.

Other loss, net

Other loss, net for the three month period ended December 31, 2024 was $6.5 million, which consists of a $4.6 million unrealized foreign exchange loss, a $1.5 million impairment of property, plant and equipment and a $0.4 million loss on extinguishment of debts.

Other loss, net for the three month period ended December 31, 2023 was $0.8 million, which consists of a $1.3 million impairment of property, plant and equipment, a $0.7 million impairment on assets held for sale, and a $0.5 million loss on extinguishment of debt, partially offset by a $1.4 million gain on foreign exchange and a gain of $0.3 million on disposal of property, plant and equipment.

Share of gain or loss in associate

Share of loss in associate for the three month period ended December 31, 2024 was $0.5 million (2023 – loss of $0.2 million) represents the company's share of gain or loss from investment in an associate.

Net Earnings or Loss

Net earnings for the three month period ended December 31, 2024 was $71.2 million compared to net loss of $34.9 million for the same period in 2023, an increase of $106.1 million or 304.0%. The increase in net earnings was primarily due to gross margin increase of $57.1 million, a $46.4 million decrease in net finance costs and other gains and losses, a decrease of $5.1 million in tax provision, and partially offset by an increase of $2.2 million in SG&A expenses.

Current Income Taxes

No provision for current income taxes was made for the three month periods ended December 31, 2024 and 2023, due to the current income taxes losses and carry forward of losses from prior years.

Deferred Income Taxes

The deferred income taxes for the three month period ended December 31, 2024 was a provision of $6.1 million compared to $11.2 million for the same period in 2023. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Adjusted EBITDA(1)

Adjusted EBITDA for the three month period ended December 31, 2024 was $91.7 million compared to $81.6 million for the same period in 2023. The increase in Adjusted EBITDA of $10.1 million is primarily due to an increase of $44.5 million in revenues excluding amortization of stock warrant contract assets, partially offset by an increase of $21.2 million in direct costs excluding depreciation and amortization and an increase of $13.4 million in SG&A expenses excluding share-based compensation.

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

9. QUARTERLY DIVIDENDS

Total dividends declared for the three month period ended December 31, 2024 were $5.6 million or $0.3500 per share. In comparison, total dividends declared for the three month period ended December 31, 2023 were $5.3 million or $0.3146 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		$	$
September 20, 2024	October 04, 2024	-	15,861,823	0.3500	5,551,638
December 20, 2024	December 27, 2024	5,551,638	15,861,823	0.3500	5,551,638
		5,551,638			11,103,276

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		$	$
September 20, 2023	October 05, 2023	-	17,209,499	0.2860	4,921,917
December 20, 2023	January 05, 2024	5,323,817	16,922,495	0.3146	-
		5,323,817			4,921,917

10. LIQUIDITY AND CAPITAL RESOURCES

Quarterly Cash Flow Movements

Cash generated by operating activities after net changes in non-cash working capital balances was $103.6 million for the three month period ended December 31, 2024 (2023 - $31.5 million). The $72.1 million increase in cash generated was due primarily to increase in revenue and EBITDA and change in non-cash working capital items.

Cash used in investing activities during the three month period ended December 31, 2024 was $136.9 million and was comprised of property, plant and equipment purchases of $136.9 million. Cash generated by investing activities during the three month period ended December 31, 2023 was $6.4 million and was comprised of proceeds from disposal of property, plant and equipment of $31.2 million and insurance proceeds from assets held for sale of $12.2 million, partially offset by property, plant and equipment additions of $37.0 million.

Cash provided by financing activities during the three month period ended December 31, 2024 was $28.1 million and was comprised of proceeds from borrowings of $167.6 million, partially offset by repayment of debenture of $114.6 million, repayment of obligations under lease liabilities of $7.9 million, share buyback of $5.8 million and dividends paid to shareholders of $11.2 million. Cash used in financing activities during the three month period ended December 31, 2023 was $48.9 million and was comprised of repayment of obligations under lease liabilities of $18.5 million, redemption of debenture of $86.3 million, share buyback of $35.5 million and dividends paid to shareholders of $4.9 million, partially offset by proceeds from borrowings of $96.3 million.

Free Cash Flow[1]

Free cash flow was an outflow of $33.3 million for the three month period ended December 31, 2024 compared to an inflow of $37.9 million for the same period in 2023. The decrease in free cash flow was due primarily to higher capital expenditures and lower proceeds from disposal of property, plant and equipment and assets held for sale, partially offset by higher cash generated from operating activities.

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

Quarterly Liquidity Risk Management

The Company manages its liquidity needs through its balance of cash, cash from operations and its available borrowing capacity under its revolving operating credit facility (the "Credit Facility"). Liquidity needs are primarily related to meeting its financial liabilities, capital commitments, ongoing operations, contractual and other obligations. The Company manages its liquidity risk by preparing cash flow forecasts for a minimum period of at least twelve months after each reporting period, including under various scenarios. As at December 31, 2024, the Company had $1.5 million in cash and $365.5 million available in available borrowing capacity under the Credit Facility. The undrawn amount under the delayed-draw term facility (the "DDTL Facility") expired on January 22, 2024, and the Company had no unused borrowing capacity left under the DDTL Facility. As at December 31, 2024, $303.6 million of borrowings were outstanding under the DDTL Facility.

The Company considers that its current cash balance, the cash from operations and its available borrowing capacity under the Credit Facility is sufficient to support its operations, meets capital asset requirements and its liquidity needs. As at December 31, 2024, the Company was in compliance with all covenants.

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

Capital Expenditures and Right of Use (ROU) Asset Additions

The property, plant and equipment additions of $136.9 million in the three month period ended December 31, 2024 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotable spares of $136.4 million and ROU asset additions of $0.5 million. Out of $136.9 million capital expenditures, $44.2 million was due to maintenance capital expenditure[1] and $92.7 million was due to growth capital expenditure[1].

The property, plant and equipment additions of $36.7 million in the three month period ended December 31, 2023 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotable spares. Out of $36.7 million capital expenditures, $15.5 million was due to maintenance capital expenditure [1] and $21.2 million was due to growth capital expenditure [1].

[1] Non-GAAP measures. See "Non-GAAP Financial Measures" section.

11. REVIEW OF OPERATION FOR THE YEAR

(Canadian dollars in millions except where indicated)

	Year ended December 31,		CHANGE	
	2024	2023	$	%
	(audited)	(audited)		
Domestic network revenues	**$375.9**	$355.0	$20.9	5.9%
ACMI revenues	**293.9**	257.4	36.5	14.2%
All-in charter revenues	**158.6**	99.9	58.7	58.8%
Total domestic network, ACMI and charter revenues	**828.4**	712.3	116.1	16.3%
Fuel surcharge and other revenues	**193.5**	207.7	(14.2)	-6.8%
Amortization of stock warrant contract assets	**(21.1)**	(42.5)	21.4	-50.4%
Total revenues	**1,000.8**	877.5	123.3	14.1%
Operating days	**199**	197	2	0.01
Average domestic network revenue per operating day [(1)]	**1.89**	1.80	0.09	5.0%
Direct expenses				
Fuel costs	**220.7**	208.9	11.8	5.6%
Depreciation	**145.1**	160.6	(15.5)	-9.7%
Aircraft cost	**19.0**	20.9	(1.9)	-9.1%
Heavy maintenance amortization	**18.2**	15.8	2.4	15.2%
Maintenance cost	**79.4**	68.7	10.7	15.6%
Crew costs	**117.9**	95.6	22.3	23.3%
Ground services	**85.0**	75.1	9.9	13.2%
Airport services	**42.8**	44.8	(2.0)	-4.5%
Navigation and insurance	**46.9**	49.0	(2.1)	-4.3%
Total direct expenses	**775.0**	739.4	35.6	4.8%
Gross margin	**225.8**	138.1	87.7	63.5%
Gross margin %	**22.6%**	15.7%	6.9%	
Selling, general and administrative expenses				
Selling general and administrative costs	**88.8**	68.5	20.3	29.6%
Depreciation	**1.8**	2.0	(0.2)	-10.0%
Total selling, general and administrative expenses	**90.6**	70.5	20.1	28.5%
Net finance costs and other gains and losses				
Fair value decrease on stock warrant	**(47.2)**	(44.7)	(2.5)	5.6%
Gain on swap derivative	**(3.3)**	(2.7)	(0.6)	22.2%
Finance costs	**56.8**	56.8	-	0.0%
Other (gain) loss, net	**(8.4)**	6.4	(14.8)	-231.2%
Total net finance costs and other gains and losses	**(2.1)**	15.8	(17.9)	-113.3%
Share of (gain) loss in associate	**(0.4)**	0.1	(0.5)	-500.0%
Earnings before income taxes	**137.7**	51.7	86.0	166.3%
Income taxes-deferred	**29.3**	14.4	14.9	103.5%
Net earnings	**$108.4**	$37.3	$71.1	190.6%
Earnings per share - $				
Basic	**6.68**	2.17	4.51	207.8%
Diluted	**6.68**	2.17	4.51	207.8%

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

HIGHLIGHTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

- Revenue from domestic network, ACMI and all-in charter for the year ended December 31, 2024 was $828.4 million compared to $712.3 million for the same period in 2023, representing an increase of $116.1 million or 16.3%. Total revenue for the year ended December 31, 2024 was $1,000.8 million compared to $877.5 million for the same period in 2023, representing an increase of $123.3 million or 14.1%.

- Average domestic network revenues[2] for the year ended December 31, 2024 was $1.89 million per operating day compared to $1.80 million for the same period in 2023, representing an increase of $0.09 million per operating day or 5.0%.

- Net earnings for the year ended December 31, 2024 was $108.4 million compared to $37.3 million for the same period in 2023, representing an increase of $71.1 million or 190.6%.

- Adjusted EBITDA [1] for the year ended December 31, 2024 was $331.4 million compared to $300.9 million for the same period in 2023, representing an increase of $30.5 million or 10.1%.

- Cash generated from operating activities was $328.6 million for the year ended December 31, 2024 compared to $191.9 million for the same period in 2023, representing an increase of $136.7 million or 71.2%.

- Free Cash Flow [1] was $183.7 million for the year ended December 31, 2024 compared to $64.4 million for the same period in 2023, representing an increase of $119.3 million.

- Diluted EPS for the year ended December 31, 2024 was $6.68 compared to $2.17 for the same period in 2023, an increase of $4.51.

- Adjusted EPS [1] for the year ended December 31, 2024 was $5.32 compared to $2.06 for the same period in 2023, an increase of $3.26.

(1) Non-GAAP measures. See "Non-GAAP Financial Measures" section.
(2) Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

Revenue

Total revenue for the year ended December 31, 2024 was $1,000.8 million compared to $877.5 million for the same period in 2023, representing an increase of $123.3 million or 14.1%. This increase in revenue increased gross margin to 22.6% in 2024 from 15.7% in 2023. The increase in revenue is primarily due to a $20.9 million increase in domestic network revenues, an increase in ACMI revenue of $36.5 million, and an increase of $58.7 million in all-in charter revenues, partially offset by a $14.2 million decrease in fuel surcharge and other revenues and a $21.4 million increase in amortization of stock warrant contract assets.

Revenue related to the domestic network business for the year ended December 31, 2024 was $375.9 million compared to $355.0 million for the same period in 2023, an increase of $20.9 million or 5.9%. The increase was due primarily to increase in e-commerce and B2B volumes during the period. The Company has relied on the periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI revenue for the year ended December 31, 2024 was $293.9 million compared to $257.4 million for the same period in 2023, an increase of $36.5 million or 14.2%. The increase was due primarily to additional aircraft deployed on a short-term basis, as well as an increase in ad hoc ACMI flights.

All-in charter revenue for the year ended December 31, 2024 was $158.6 million compared to $99.9 million for the same period in 2023, an increase of $58.7 million or 58.8%. The increase in revenue was primarily due to the scheduled charter services between China and Canada which started during the current year, as well as an increase in ad hoc charters.

Fuel surcharge and other revenues primarily consist of fuel surcharges and other cost pass-through revenues, aircraft lease revenue, hangar rental revenue, maintenance revenue for aircraft line maintenance services provided to other airlines and ground handling services provided to customers. Fuel surcharge and other revenues were $193.5 million for the year ended December 31, 2024 compared to $207.7 million for the same period in 2023, representing a decrease of $14.2 million or 6.8%. The decrease is primarily due to a decrease of $16.5 million in fuel surcharges and other cost pass-through revenues, partially offset by an increase of $2.3 million in other revenue. Fuel surcharges passed on to the customers are based on the index published by Statistics Canada which lag the current market rates by two months.

Amortization of stock warrant contract asset, a charge against revenue, was $21.1 million for the year ended December 31, 2024 compared to $42.5 million for the same period in 2023, a decrease of $21.4 million or 50.4%. The decrease is primarily driven by one-time adjustment of $29.5 million in amortization of Amazon stock warrant assets recorded in prior year.

Direct Expenses

Total direct expenses were $775.0 million for the year ended December 31, 2024 compared to $739.4 million for the same period in 2023, representing an increase of $35.6 million or 4.8%. See below for separate discussion of notable components of the year-over-year change in direct expenses.

Fuel costs were $220.7 million for the year ended December 31, 2024 compared to $208.9 million for the same period in 2023. The $11.8 million or 5.6% increase in fuel costs was due primarily to increase in fuel pass-through costs incurred with providing CMI and ACMI services, partially offset by a 13.5% decrease in fuel prices. Any changes in fuel cost experienced by the Company due to changes in fuel prices are mostly passed on to customers as an increase or decrease in their fuel surcharges or ad hoc rates.

The depreciation expense was $145.1 million for the year ended December 31, 2024 compared to $160.6 million for the same period in 2023. The $15.5 million or 9.7% decrease in depreciation expenses was due primarily to a change in estimated useful lives of engines, partially offset by the addition of aircraft, engines, facilities and other assets.

Aircraft costs were $19.0 million for the year ended December 31, 2024 compared to $20.9 million for the same period in 2023, representing a decrease of $1.9 million or 9.1%. The decrease in aircraft costs was due primarily to the decrease in sub charter costs on certain scheduled ACMI routes.

Heavy maintenance amortization costs were $18.2 million for the year ended December 31, 2024 compared to $15.8 million for the same period in 2023, representing an increase of $2.4 million or 15.2%. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The heavy maintenance component of newly acquired aircraft is also deferred and amortized until the next scheduled event.

Maintenance costs were $79.4 million for the year ended December 31, 2024 compared to $68.7 million for the same period in 2023, representing an increase of $10.7 million or 15.6%. This increase was due to the increase in fleet size and the hiring of additional maintenance personnel.

Total crew costs including salaries, training and positioning were $117.9 million for the year ended December 31, 2024 compared to $95.6 million for the same period in 2023, representing an increase of $22.3 million or 23.3%.The increase was due primarily to increase in the number of crew personnel hired, annual crew salary increase as per the collective agreement with the union, and increase in crew positioning costs.

Ground services costs were $85.0 million for the year ended December 31, 2024 compared to $75.1 million for the same period in 2023, representing an increase of $9.9 million or 13.2%. This increase was due primarily to an increase in payroll costs and ground handling costs, partially offset by a decrease in ground service equipment maintenance costs.

Airport services costs were $42.8 million for the year ended December 31, 2024 compared to $44.8 million for the same period in 2023, representing a decrease of $2.0 million or 4.5%. This decrease was primarily due to decreased landing costs, as a result of network optimization, partially offset by an increase in de-icing costs.

Navigation and insurance costs were $46.9 million for the year ended December 31, 2024 compared to $49.0 million for the same period in 2023, representing a decrease of $2.1 million or 4.3%. This decrease was primarily due to decreased navigation costs, as a result of network optimization.

Selling, General and Administrative Expenses

SG&A expenses for the year ended December 31, 2024 were $90.6 million compared to $70.5 million for the same period in 2023, representing an increase of $20.1 million or 28.5%. This increase was primarily due to a $16.5 million increase in salaries, bonuses and share-based compensation expense, and a $2.9 million decrease in foreign exchange gains and a $0.7 million increase in other SG&A expenses.

Net Finance Costs and Other Gains and Losses

Net finance costs and other gains and losses for the year ended December 31, 2024 were a net gain of $2.1 million compared to a net loss of $15.8 million for the same period in 2023, representing an increase of $17.9 million. The increase was due primarily to a $14.8 million increase in other gains, a $2.5 million increase in fair value adjustment on the stock warrant obligation, and a $0.6 million increase in gain on swap derivatives.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the year ended December 31, 2024 was a gain of $47.2 million compared to a gain of $44.7 million for the same period in 2023. The change was due primarily to the change in the Company's share price.

Gain or loss on swap derivative

Gain on swap derivative for the year ended December 31, 2024 was $3.3 million compared to a gain of $2.7 million for the same period in 2023. The increase in gain was due primarily to the change in the Company's share price.

Finance costs

Finance costs for the year ended December 31, 2024 were $56.8 million compared to $56.8 million for the same period in 2023. The increase in borrowings is offset by decrease in interest rates.

Other gain or loss, net

Other gain, net for the year ended December 31, 2024 was $8.4 million, which consists of a net gain of $17.4 million on the disposal of property, plant and equipment, partially offset by a $6.0 million loss on foreign exchange, a $2.6 million impairment on property, plant and equipment and a $0.4 million on loss on extinguishment of debts.

Other loss, net for the year ended December 31, 2023 was $6.4 million, which consists of a $1.3 million impairment on property, plant and equipment, a $14.5 million impairment on assets held for sale, a net loss of $2.8 million on the disposal of property, plant and equipment and a $0.5 million loss on extinguishment of debt, partially offset by $12.2 million gain on insurance claim and a $0.5 million gain on foreign exchange.

Share of gain or loss in associate

Share of gain in associate for the year ended December 31, 2024 was of $0.4 million (2023 - loss of $0.1 million) represents the company's share of gain or loss from investment in an associate.

Net Earnings

Net earnings for the year ended December 31, 2024 was $108.4 million compared to $37.3 million for the same period in 2023, an increase of $71.1 million or 190.6%. The increase in net earnings was primarily due to a $87.7 million increase in gross margin, and a $17.9 million decrease in net finance costs and other gains and losses, partially offset by a $20.1 million increase in SG&A expenses, and a $14.9 million increase in income tax expense.

Current Income Taxes

No provision for current income taxes was made for the year ended December 31, 2024 and 2023, due to the current income taxes losses and carry forward of losses from prior years.

Deferred Income Taxes

The deferred income taxes recognized for the year ended December 31, 2024 was a provision of $29.3 million compared to $14.4 million for the same period in 2023. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Adjusted EBITDA [1]

Adjusted EBITDA for the year ended December 31, 2024 was $331.4 million compared to $300.9 million for the same period in 2023. The increase in Adjusted EBITDA of $30.5 million or 10.1% was due to an increase of $101.9 million in revenues excluding amortization of stock warrant contract assets, partially offset by an increase of $48.7 million in direct costs excluding depreciation and amortization and an increase of $22.7 million in SG&A expenses excluding share-based compensation.

[1] Non-GAAP measures. See "Non-GAAP Financial Measures" section.

12. YEAR TO DATE DIVIDENDS

Total dividends declared for the year ended December 31, 2024 were $21.4 million or $1.3292 per share. In comparison, total dividends declared for the year ended December 31, 2023 were $20.1 million or $1.1726 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		$	$
December 20, 2023	January 05, 2024	-	16,922,495	-	5,323,817
March 20, 2024	April 05, 2024	5,202,478	16,536,803	0.3146	5,202,478
June 20, 2024	July 05, 2024	5,081,168	16,151,201	0.3146	5,081,168
September 20, 2024	October 04, 2024	5,551,638	15,861,823	0.3500	5,551,638
December 20, 2024	December 27, 2024	5,551,638	15,861,823	0.3500	5,551,638
		21,386,922		1.3292	26,710,739

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		$	$
December 20, 2022	January 05, 2023	-	17,202,186	-	4,919,826
March 20, 2023	April 05, 2023	4,919,825	17,202,186	0.2860	4,919,825
June 20, 2023	July 05, 2023	4,921,917	17,209,499	0.2860	4,921,917
September 20, 2023	October 05, 2023	4,921,917	17,209,499	0.2860	4,921,917
December 20, 2023	January 05, 2024	5,323,817	16,922,495	0.3146	-
		20,087,476		1.1726	19,683,485

13. YEAR TO DATE LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Movements

Cash generated by operating activities after net changes in non-cash working capital balances was $328.6 million for the year ended December 31, 2024 (2023 - $191.9 million). The $136.7 million increase in cash generated was primarily due to increase in revenue and EBITDA and change in non cash working capital items.

Cash used in investing activities during the year ended December 31, 2024 was $142.7 million and was comprised of property, plant and equipment purchase of $250.0 million, partially offset by proceeds from the disposal of property, plant and equipment of $105.1 million and repayment from long-term loans receivable of $2.2 million. Cash used in investing activities during the year ended December 31, 2023 was $127.5 million and was comprised primarily of property, plant and equipment additions of $266.7 million, partially offset by proceeds from the disposal of property, plant and equipment of $127.0 million and insurance proceeds from assets held for sale of $12.2 million.

Cash used in financing activities during the year ended December 31, 2024 was $216.2 million and was comprised of the redemption of debenture of $114.6 million, the repayment of obligations under finance lease of $31.4 million, share buyback of $127.7 million, and dividends paid to shareholders of $26.7 million, partially offset by proceeds from borrowings of $84.2 million Cash provided from financing activities during the year ended December 31, 2023 was $38.7 million and was comprised of proceeds from borrowings of $145.5 million, partially offset by the redemption of debenture of $86.3 million, the repayment of obligations under finance lease of $42.7 million, share buyback of $35.5 million, and dividends paid to shareholders of $19.7 million.

Free Cash Flow [(1)]

Free cash flow was $183.7 million for the year ended December 31, 2024 compared to $64.4 million for the same period in 2023, an increase of $119.3 million.

See "Highlights for the year ended December 31, 2024 and 2023" – "Liquidity and Capital Resources" – "Liquidity and Risk Management".

Capital Expenditures and ROU Asset Additions

The property, plant and equipment additions of $250.3 million in the year ended December 31, 2024 were primarily comprised of additions to aircraft, engines, ground services equipment, leasehold improvements, rotable spares, heavy maintenance, facilities and other equipment and spares of $248.5 million and ROU asset additions of $1.8 million. Out of $250.0 million capital expenditures, $146.6 million was due to maintenance capital expenditure[(1)] and $103.4 million was due to growth capital expenditure[(1)].

The property, plant and equipment additions of $330.8 million in the year December 31, 2023 were primarily comprised of additions to aircraft, engines, ground services equipment, leasehold improvements, rotable spares, heavy maintenance, facilities and other equipment and spares of $318.0 million and ROU asset additions of $12.8 million. Out of $318.0 million capital expenditures, $98.4 million was due to maintenance capital expenditure[(1)] and $219.6 million was due to growth capital expenditure[(1)].

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

14. NON-GAAP FINANCIAL MEASURES

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

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

EBITDA and Adjusted EBITDA

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

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

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

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

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

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

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

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

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

Impairment and gain on insurance claim - the impairment and gain on insurance claim associated with property, plant and equipment and assets held for sale are non-cash items and have no impact on the determination of Adjusted EBITDA.

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

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

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

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

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

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

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

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

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

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

(Unaudited - Canadian dollars in millions, except where indicated)	**Three Month Period Ended December 31,**		**Year Ended December 31,**	
	2024	2023	**2024**	2023
Calculation of EBITDA and Adjusted EBITDA	**$**	$	**$**	$
Net earnings (loss)	**71.2**	(34.9)	**108.4**	37.3
Add:				
Interest	**13.6**	17.0	**56.8**	56.8
Provision of deferred taxes	**6.1**	11.2	**29.3**	14.4
Depreciation of property, plant and equipment	**41.5**	48.6	**165.1**	178.5
EBITDA	**132.4**	41.9	**359.6**	287.0
Add:				
Share-based compensation	**(4.4)**	6.8	**9.7**	12.3
(Gain) loss on disposal of property, plant and equipment	**-**	(0.3)	**(17.4)**	2.8
Impairment and gain on insurance claim	**1.5**	2.0	**2.6**	3.6
Fair value adjustment on warrant valuation and amortization of stock warrant contract assets	**(61.8)**	63.4	**(26.1)**	(2.2)
Loss (gain) on swap derivative	**18.2**	(31.5)	**(3.3)**	(2.7)
Unrealized foreign exchange loss (gain)	**4.6**	(1.4)	**6.0**	(0.5)
Loss on extinguishment of debts	**0.4**	0.5	**0.4**	0.5
Share of loss (gain) in associate	**0.5**	0.2	**(0.4)**	0.1
Employee pension	**0.3**	-	**0.3**	-
Adjusted EBITDA	**91.7**	81.6	**331.4**	300.9
Revenue	**293.2**	221.9	**1,000.8**	877.5
Adjusted EBITDA margin	**31.3%**	36.8%	**33.1%**	34.3%

Free Cash Flow

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

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

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

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

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

(Unaudited - Canadian dollars in millions)	**Three Month Period Ended December 31,**		**Year Ended December 31,**	
	2024	2023	**2024**	2023
Calculation of Free Cash Flow	**$**	$	**$**	$
Net cash from operating activities	**103.6**	31.5	**328.6**	191.9
Purchase of property, plant and equipment [(1)]	**(136.9)**	(37.0)	**(250.0)**	(266.7)
Proceeds from disposal of property, plant and equipment and assets held for sale	**-**	31.2	**105.1**	127.0
Insurance proceeds from assets held for sale	**-**	12.2	**-**	12.2
Free cash flow	**(33.3)**	37.9	**183.7**	64.4

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

(Unaudited - Canadian dollars in millions)	**Three Month Period Ended December 31,**		**Year Ended December 31,**	
	2024	2023	**2024**	2023
	$	$	**$**	$
Maintenance capital expenditures	**92.7**	15.5	**146.6**	98.4
Growth capital expenditures	**44.2**	21.5	**103.4**	168.3
Purchase of property, plant and equipment	**136.9**	37.0	**250.0**	266.7

Adjusted Net Earnings and Adjusted Net Earnings Per Share

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

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

(Unaudited - Canadian dollars in millions, except where indicated)	**Three Month period ended December 31,**		**Year ended December 31,**	
	2024	2023	**2024**	2023
Calculation of Adjusted Earnings and Adjusted EPS	**$**	$	**$**	$
Net earnings (loss)	71.2	(34.9)	108.4	37.3
Add:				
Impairment and gain on insurance claim	1.5	2.0	2.6	3.6
Fair value adjustment on stock warrant and amortization of stock warrant contract assets	(61.8)	63.4	(26.1)	(2.2)
Loss (gain) on swap derivative	18.2	(31.5)	(3.3)	(2.7)
Unrealized foreign exchange loss (gain)	4.6	(1.4)	6.0	(0.5)
Tax impact on items listed above	(6.5)	8.2	(1.4)	(0.1)
Adjusted net earnings	**27.2**	**5.8**	**86.2**	**35.4**
Weighted average number of shares - basic (in millions of shares)	**15.9**	**17.1**	**16.2**	**17.2**
Adjusted EPS	**1.71**	**0.34**	**5.32**	**2.06**

Return on Invested Capital

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

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

(Canadian dollars in million, except where indicated)

	TTM Period Ended December 31,	
Calculation of Return on Invested Capital	**2024**	2023
	$	$
Gross margin	**225.8**	138.1
Selling, general and administrative expenses	**90.6**	70.5
Operating income	**135.2**	67.6
Taxes @ 26.5%	**35.8**	17.9
Net operating profit after tax ("NOPAT")	**99.4**	49.7
Invested capital, end of period		
Equity	**737.7**	784.5
Debentures	**113.5**	226.2
Borrowings	**538.1**	454.0
Non-current lease liabilities	**84.4**	96.2
Cash	**(1.5)**	(31.8)
Property, plant and equipment under development	**(149.3)**	(72.8)
Assets held for sale	**-**	(115.9)
	1,322.9	**1,340.4**
Invested capital, beginning of period		
Equity	**784.5**	831.5
Debentures	**226.2**	309.6
Borrowings	**454.0**	308.4
Non-current lease liabilities	**96.2**	57.6
Cash	**(31.8)**	(6.1)
Property, plant and equipment under development	**(72.8)**	(383.1)
Assets held for sale	**(115.9)**	-
	1,340.4	**1,117.9**
Average invested capital	**1,331.6**	**1,229.1**
Return on invested capital [(1)]	**7.5%**	**4.0%**

[(1)] ROIC excluding one-time adjustment of $29.5 million in warrant asset amortization was 5.8% for the TTM year ended December 31, 2023.

Net Debt to Adjusted EBITDA Leverage Ratio

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

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

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

Calculation of Net Debt to Adjusted EBITDA Leverage ratio	December 31, 2024	December 31, 2023
	$	$
Borrowing	**538.1**	453.9
Debentures	**113.5**	226.2
Lease liabilities	**103.5**	119.1
Total	**755.1**	799.2
Less: Cash	**(1.5)**	(31.8)
Net debt	**753.6**	767.4
Adjusted EBITDA (TTM period)	**331.4**	300.9
Net debt to adjusted EBITDA leverage ratio	**2.3**	2.6

15. FINANCIAL CONDITION

The following is a comparison of the financial position of the Company as at December 31, 2024 to the financial position of the Company as at December 31, 2023:

Trade and Other Receivables

Trade and other receivables as of December 31, 2024 amounted to $103.0 million compared to $119.1 million as at December 31, 2023. The decrease of $16.1 million was primarily due to the timing of cash collections from customers. The quality of the Company's net receivable balances and its current collections, in management's opinion, remain excellent.

Property, Plant and Equipment

As at December 31, 2024, property, plant and equipment were $1,651.1 million compared to $1,567.0 million as at December 31, 2023. The $84.1 million net increase in property, plant and equipment was due to net addition of $250.3 million in property plant and equipment, partially offset by depreciation of $165.1 million and impairment of $1.1 million.

Trade and Other Payables

Trade and other payables as at December 31, 2024 were $143.9 million compared to $150.0 million as at December 31, 2023. The decrease of $6.1 million was due primarily to $9.8 million in payment of pension liability, as well as the deposits of $29.2 million received for assets held for sale and $26.7 million recognized for the Voting Shares repurchase under ASPP that were recorded as at December 31, 2023 and cleared in the first quarter of 2024, partially offset by the timing of supplier payments and $33.4 million recognized for Voting Shares repurchased under ASPP as at December 31, 2024.

Lease Liabilities

The lease liabilities are in respect of the lease of two B767-300, one B767-200 aircraft, hangars and warehouses. Total leases including the current portion were $103.5 million as at December 31, 2024 compared to $119.1 million as at December 31, 2023. The change was due to the scheduled monthly repayments made during the year ended December 31, 2024.

16. SUMMARY OF CONTRACTUAL OBLIGATIONS

	Payments due by Year					
As at December 31, 2024	Total	2025	2026	2027	2028	Thereafter
(Canadian dollars in millions)	$	$	$	$	$	$
Lease liabilities	103.5	19.1	18.9	18.6	10.7	36.2
Derivative financial instruments	20.7	20.7	-	-	-	-
Borrowings	538.1	15.2	15.2	507.7	-	-
Debentures	113.5	-	113.5	-	-	-
Share based compensation	26.7	1.2	16.6	0.3	0.9	7.7
Interest on lease	21.6	6.3	5.0	3.7	2.7	3.9
Interest on debentures	10.5	7.0	3.5	-	-	-
	834.6	69.5	172.7	530.3	14.3	47.8

17. QUARTERLY FINANCIAL DATA

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

	Three Month Period Ended							
	Dec 31 2024	Sep 30 2024	June 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023
Revenues	**$293.2**	$245.6	$230.8	$231.2	$221.9	$214.0	$209.7	$231.9
Net earnings (loss)	**71.2**	29.7	(25.0)	32.5	(34.9)	10.5	31.1	30.5
Adjusted net earnings(1)	**27.2**	23.6	7.1	28.3	5.8	2.6	12.0	14.9
Earnings (loss) per Share								
- Basic	**4.49**	1.85	(1.53)	1.94	(2.04)	0.61	1.81	1.77
- Diluted	**4.28**	1.78	(1.53)	1.84	(2.04)	0.61	1.68	1.67
- Adjusted(1)	**1.71**	1.48	0.43	1.69	0.34	0.15	0.70	0.87
Adjusted EBITDA(1)	**91.7**	82.2	79.1	78.4	81.6	70.0	74.3	75.0

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

18.SELECTED ANNUAL INFORMATION

(Canadian dollars in millions, except per share amounts)

	Year Ended December 31		
	2024	2023	2022
	$	$	$
Revenue	**1,000.8**	877.5	979.9
Net earnings	**108.4**	37.3	190.6
Adjusted net earnings [(1)]	**86.2**	35.4	120.0
Earnings per share			
Basic	**6.68**	2.17	11.04
Diluted	**6.68**	2.17	10.15
Adjusted [(1)]	**5.32**	2.06	6.28
Adjusted EBITDA [(1)]	**331.4**	300.9	329.0
Cash, cash equivalents and short-term investments	**1.5**	31.8	6.1
Total assets	**1,925.7**	2,036.3	1,986.3
Total long-term liabilities	**990.4**	1,065.5	1,004.3
Total liabilities	**1,188.0**	1,251.8	1,154.8
Dividends per share	**1.3292**	1.1726	1.1180

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

19. 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.

During the years ended December 31, 2024, 508,830 shares have been settled, resulting in a net realized gain of $12.9 million (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 million (December 31, 2023 – liability of $11.1 million). The fair value adjustment for the year ended December 31, 2024 was a loss of $10.0 million for the 5,736 share units (2023 – gain of $0.6 million for the 260,000 share units), and a gain of $0.4 million for the 156,684 share units (2023 – gain of $2.1 million for the 822,500 share units).

The fair value of the total return swap is classified as level 3 under the fair value hierarchy and is determined by using the mark to market method provided by the financial institutions. An increase of 20% in the share price will result in a gain of $12.4 million and a decrease of 20% in the share price will result in a loss of the same amount.

Stock Warrant Obligation

As part of the strategic agreements with Amazon and DHL, the Company issued: (i) the Amazon Warrants to the Amazon Warrant holder, with vesting tied to the delivery by Amazon of up to $600 million in business volumes over seven and a half years; and (ii) the DHL Warrants to DHL, with vesting tied to the delivery by DHL of up to $2,300 million in business volumes over seven years.

The fair value of the warrant obligations was $62.9 million as at December 31, 2024 (December 31, 2023 - $110.1 million) and was included within Stock warrant obligations on the Company's Consolidated Balance Sheets. The revaluation resulted in a gain of $47.2 million respectively for the years ended December 31, 2024 (2023 - gain of $44.7 million) and was included within Fair value increase or decrease on stock warrant on the Company's Consolidated Statements of Earnings and Comprehensive Income.

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%.

Hybrid Debentures

The Company issued $115 million of 5.25% listed senior unsecured hybrid debentures due June 30, 2026 ("5.25% Debentures").

The debentures were initially recognized at fair value and were measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the 5.25% Debentures was $113.5 million as at December 31, 2024 (December 31, 2023 – $112.6 million) and was recorded within on the Company's Consolidated Balance Sheets. The fair value of the 5.25% hybrid debentures due June 30, 2026 as at December 31, 2024 was approximately $110.4 million (December 31, 2023 - $108.8 million).

The debentures are categorized as Level 3 under the fair value hierarchy. 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.

Performance Share Units

The Company's performance share unit plan (the "PSU Plan") provides the Company the ability to grant 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 multiplier is linked 50 percent to return on invested capital ("ROIC") and 50 percent on relative total shareholder returns ("TSR").

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 million, $3.5 million and $4.7 million respectively (December 31, 2023 – March 15, 2025 at $1.7 million and March 15, 2026 at $4.9 million respectively). During the year ended December 31, 2024, a net cost of $1.1 million was recognized in bonus and incentive expense (2023 – a cost of $1.1 million) with a corresponding amount in liability. As at December 31, 2024, the Company had an outstanding liability of $5.6 million on 73,997 outstanding PSUs (December 31, 2023 - $4.5 million on 47,558 PSUs).

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. 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.

20. OFF-BALANCE SHEET ARRANGEMENTS

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

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

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

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

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

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

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

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

(e) The Company has provided irrevocable standby letters of credit totaling approximately $1.1 million as at December 31, 2024. The other guarantees are provided to financial institutions as security for its corporate credit cards, and to a number of vendors as a security for the Company’s ongoing leases and purchases.

21. 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 Company recognized the lease liability that was measured at the present value of the remaining lease payments determined using the incremental borrowing rate and recorded the right of use asset. The lease will expire in 2032. The transaction is in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The basic rent is subject to revision every five years at a predetermined rate per the terms of the lease.

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

Investment in Associate

The Company acquired an investment in Avia Acquisition LLC in August 2019. See Note 6 Investment in Associate. 21 Air, which is wholly owned by Avia Acquisition LLC, 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 the second quarter of 2024, both leases were extended to May 2027.

22. RISK FACTORS

The risks described below should be read carefully. These risks are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. The risks and uncertainties described below are those we currently believe to be material, but they are not the only risks that we face. If any of the following risks actually occur or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material become material risks, they may have a material adverse effect on our business and results of operations and consequently the price of the Voting Shares.

Risk management is carried out under practices approved by our Audit Committee. This includes reviewing and making recommendations to the Board of Directors on the adequacy of our risk management policies and procedures with regard to identifying Cargojet's principal risks and implementing appropriate systems and controls to manage these risks.

Risks Related to the Business

Loss of Customer Contracts

Cargojet's ten largest customers accounted for approximately 75% of Fiscal 2024 revenues of Cargojet and Cargojet's top three customers represented 56% of Cargojet's Fiscal 2024 revenues. The loss of any one of these contracts of Cargojet would cause immediate disruption and could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Most of Cargojet's contracts with its customers are for a term of three to ten years with the ability to terminate generally upon six to eighteen months' notice or if Cargojet is not meeting specified performance targets. When these contracts expire, there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favorable to Cargojet as existing contracts. The inability of Cargojet to renew these contracts could have a material adverse effect on Cargojet's business, results of operations or financial condition.

In 2014, Cargojet was awarded the domestic air cargo network services contract and signed the master services agreement ("MSA") with the Canada Post Group of Companies ("CPGOC"). The terms of the MSA require Cargojet to maintain specific on time performance metrics and provide minimum levels of dedicated cargo space. To fulfill its requirements under the contract, Cargojet has made material investments in its fleet, equipment and the hiring of new personnel. In January 2023, Cargojet announced an extension to the existing MSA with CPGOC, including Purolator Inc., until September 30, 2029, with an additional option to renew the MSA until March 31, 2031 remaining available, further strengthening its existing customer base. The cancellation of the MSA without penalty could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Credit Facilities, Finance Lease and Loan Agreement and their Restrictive Covenants

The ability of Cargojet to make distributions, pay dividends, or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness and finance lease obligations. The degree to which Cargojet is leveraged could have important consequences to the shareholders, including: (i) a portion of Cargojet's cash flow from operations will be dedicated to the payment of the principal of and interest on the indebtedness and amounts payable under the finance leases, thereby reducing funds available for future operations and distribution to Cargojet; (ii) certain of Cargojet's borrowings and finance lease obligations will be at variable rates of interest, which exposes Cargojet to the risk of increased interest rates; and (iii) Cargojet's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited. Cargojet's ability to make scheduled payments of principal and interest and other amounts on, or to refinance, its indebtedness and finance lease obligations will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit Cargojet from refinancing the indebtedness and finance lease obligations at all or on favorable terms.

The instruments governing Cargojet's indebtedness and finance lease obligations contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Cargojet to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge, amalgamate, or consolidate with another entity. In addition, such instruments contain financial covenants that require Cargojet to meet certain financial ratios and financial conditions tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the obligations under these instruments were to be accelerated, there can be no assurance that Cargojet's assets would be sufficient to satisfy such obligations in full. In addition, there can be no assurance that future borrowing or equity financing will be available to Cargojet or available on acceptable terms, in an amount sufficient to fund Cargojet's refinancing needs and other obligations arising on the maturity of such instruments, including the obligations to purchase the aircraft subject to the finance leases.

Canada — US Open Skies

The current Canada — US "Open Skies" agreement provides regulation of the airline industry, including the air cargo industry, within Canada and currently provides protection of domestic national carriers in each country. The agreement allows cross-border flights between Canada and the United States but provides major restrictions on carriers from operating flight routes between two points within the other's country. The most recent amendments negotiated between the two countries reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including Cargojet to establish domestic routes within the United States. There is no assurance that this "Open Skies" agreement will continue in its present form in the future. Increased competition resulting from the liberalization or revocation of this agreement could affect Cargojet's ability to compete for a market share, which in turn could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Competition

Cargojet competes within the industry of air cargo courier services with other dedicated air cargo carriers. In addition, Cargojet competes for market share with motor carriers, express companies and other air couriers and airlines who have historically offered cargo services on their regularly scheduled passenger flights. Competition within the air cargo courier services industry has generally increased from such passenger airlines due to increased passenger air travel after the COVID-19 pandemic and the loosening of travel restrictions. The increase of passenger air travel has allowed passenger airlines to flex the use of lower deck cargo space and certain commercial airlines have operated all-cargo flights in response to elevated demand for cargo services. In addition to competition from existing competitors, new companies including those entering into expanded joint ventures and other arrangements, may enter the domestic air cargo industry and may be able to offer services at discounted rates. Concentrating only on the air cargo industry does not allow Cargojet to compete in different modes of freight transportation which may provide a cheaper alternative to air cargo. Cargojet's inability to compete for a market share of the air cargo industry under these circumstances could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Agreements with Amazon and DHL

While Cargojet believes that the strategic agreements with Amazon and DHL will deliver important financial and strategic benefits, including anticipated revenue growth from Amazon and DHL's respective business and the associated margins and that such revenue growth will be meaningfully accretive to Cargojet's earnings and cash flows over time as well as create other benefits and opportunities, including to Cargojet's existing network, there is a risk that some or all of the anticipated benefits associated with the Amazon and DHL strategic agreements may fail to materialize, or may not occur within the time periods currently anticipated by Cargojet. As part of the strategic agreements with Amazon and DHL, Cargojet issued: (i) the Amazon Warrants to the Amazon Warrant holder, with vesting tied to the delivery by Amazon of up to $600 million in business volumes over seven and a half years; and (ii) the DHL Warrants to DHL, with vesting tied to the delivery by DHL of up to $2,300 million in business volumes over seven years.

If, as a result of Amazon or DHL meeting its respective business volume requirements and pursuant to the Amazon Warrants and DHL Warrants, as applicable, Amazon or DHL exercises their right to acquire Voting Shares, it will dilute the ownership interests of Cargojet's then-existing shareholders and reduce Cargojet's earnings per share. In addition, any sales in the public market of any Voting Shares issuable upon the exercise of the Amazon Warrants or DHL Warrants could adversely affect prevailing market prices of the Voting Shares. The realization of the expected benefits from the Amazon and DHL strategic agreements may be affected by a number of factors, including credit, market, currency, operational, capital expenditures, liquidity and funding risks generally, including changes in economic conditions, interest rates, exchange rates or tax rates, risks and uncertainties relating to retail, e-commerce growth, labour, technology, changes in law or regulation, competition, and business generally and other risks inherent to Cargojet's business and/or factors beyond its control which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Government Regulations

Cargojet's operations are subject to complex aviation, transportation, environmental, labour, employment and other laws, treaties and regulations. These laws and regulations generally require Cargojet to maintain and comply with a wide variety of certificates, permits, licenses and other approvals.

Cargojet's inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, could result in substantial fines or possible revocation of its authority to conduct operations.

Cargojet is routinely audited by various regulatory bodies including Transport Canada and the Canadian Transportation Agency to ensure compliance with all flight operation and aircraft maintenance requirements. Cargojet has a strong track record of compliance, however, there can be no assurance that Cargojet will pass all audits in the future. Failure to pass such audits could result in fines or grounding of the aircraft which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Cargojet is subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, Cargojet may incur costs to clean up contamination present on, at or under its facilities, even if such contamination was present prior to the commencement of Cargojet's operations at the facility and was not caused by its activities which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Cargojet cannot provide any assurance that existing laws, agreements, treaties or regulations will not be revised or that new laws, agreements, treaties or regulations, which could have an adverse impact on Cargojet's operations, will not be adopted or become applicable to Cargojet. For example, Cargojet's aircraft currently meet Transport Canada and FAA Stage III noise abatement guidelines. Any future implementation of new noise abatement guidelines that are applicable to Cargojet's aircraft would require Cargojet to incur expenses to ensure its aircraft meet such guidelines which expenses could negatively impact Cargojet's earnings. Cargojet also cannot provide any assurance that it will be able to recover any or all increased costs of compliance from its customers or that the business and financial condition of Cargojet will not be adversely affected by future changes in applicable laws and regulations.

Climate Change-Related Risks

Climate change may increase the frequency and intensity of severe weather events which could impact and ultimately have an adverse effect on many aspects of Cargojet's business by increasing costs or preventing business operations as a result of severe weather conditions. In the event that Cargojet is still able to provide services to its customers during a period of severe weather, particularly during any protracted period of time, there may be forced flight cancellations or Cargojet may not be able to deliver shipments in a timely manner. Any extended delay in meeting time sensitive shipping deadlines could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Further, widespread attention on climate change has led to recent efforts by the Canadian government to reduce greenhouse gas emissions. In short, the federal Greenhouse Gas Pollution Pricing Act requires that provinces that lack their own form of pricing for greenhouse gas emissions, including Manitoba, New Brunswick, Saskatchewan and Ontario, impose a carbon tax on airlines operating flights within provinces that fall under the federal system as well as intra-provincial flights. Outside of Canada, the international audience is paying close attention to climate change with governments and agencies founding initiatives to help reduce the carbon footprint worldwide. For instance, in October 2013, the International Civil Aviation Organization ("ICAO") reached a nonbinding agreement to address climate change by developing global market-based measures to assist in achieving carbon neutral growth. In October 2016, the ICAO approved and subsequently amended a resolution to adopt a global market-based measure known as the Carbon Offsetting and Reduction Scheme for International Aviation, which is designed to offset any annual increases in total carbon emissions from international civil aviation above a baseline level determined by Fiscal 2019 emissions.

As a result of existing and new measures to respond to climate change and greenhouse gas emissions, Cargojet may also be subject to environment-related requirements imposed or proposed by foreign governments. These may be duplicative of, or incompatible with Canadian government requirements, resulting in increased compliance efforts and expense.

Cargojet cannot predict whether, or the manner in which, these or other requirements and initiatives will ultimately be implemented or their impact on Cargojet; however, future developments in Canada and abroad could adversely impact Cargojet, including by increasing its costs. While Cargojet is continually focused on efficiency improvements, including carbon footprint reduction initiatives, the impact to Cargojet of climate and other environmental initiatives may, in part, depend upon the extent to which the increased costs relating to such initiatives, if any, could be recovered, including in the form of higher cargo rates.

Increasing Requirements and Stakeholder Expectations Regarding Environmental, Social and Governance ("ESG") Matters

Cargojet is facing increased ESG risk management and reporting expectations driven by stakeholders including customers, investors, employees and communities as well as by an increasing number of regulatory requirements globally. These expectations and obligations are expected to continue to evolve in the near future.

Evolving stakeholder expectations with respect to ESG matters may pose risks to Cargojet's reputation, business, results of operations or financial condition, which may impact Cargojet's ability to achieve its business objectives. In particular, increased public concern about climate change-related risk and the impetus for a global transition to a low carbon economy could result in a broad range of impacts, including potential strategic, reputational, and structural risks for Cargojet. Increasing regulatory expectations as well as continuing reforms pertaining to mandatory ESG-related disclosure may also create a new and evolving set of compliance risks. Rising reporting expectations also add pressure to secure reliable and precise ESG data and to deploy robust data collection processes with effective controls that will allow for external verification. If Cargojet fails to implement its stated ESG initiatives, or fails to manage, measure or report on its progress in relation to such ESG initiatives in a balanced manner, this could hinder Cargojet's credibility and reputation, which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Emerging Regulatory and Legislative Requirements and Scrutiny with respect to Human Rights

Cargojet and its operations may be subject to emerging regulations and legislation globally with respect to human rights issues, including forced labour, child labour and other slavery-like practices. An example of such legislation is the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Anti-Forced Labour Act") *that came into force in Canada on January 1, 2024. The purpose of the Anti-Forced Labour Act is to implement Canada's international commitment to combat forced labour and child labour by imposing reporting obligations on (i) government institutions producing, purchasing, or distributing goods in Canada or elsewhere; and (ii) certain business entities producing goods in Canada or elsewhere or importing goods produced outside Canada. Under these new regulations, Cargojet* may face heightened scrutiny from investors, shareholders and other stakeholders regarding such matters.

Compliance with emerging modern slavery, human trafficking and forced labour reporting, training and due diligence regulations and laws could increase Cargojet's operating costs. Further, if Cargojet fails to appropriately identify and respond to human rights abuses or allegations thereof, either internally or externally or through third party business relationships, it could face costly and disruptive enforcement actions, potential litigation, investor and stakeholder dissatisfaction and reputational damage.

Insurance

Cargojet's operations are subject to risks normally inherent in the air-cargo industry, including potential liability which could result from, among other circumstances, personal injury or property damage arising from disasters, accidents or incidents involving aircraft operated by Cargojet or its agents. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of Cargojet. There can be no assurance that insurance coverage will be sufficient to cover one or more large claims, or that the applicable insurer will be solvent at the time of any covered loss. There can be no assurance that Cargojet will be able to obtain insurance at acceptable levels and costs in the future. Further, there has been an increasing trend in the aviation insurance industry for providers to reduce, either in full or in part, the terrorism risks (including war risk insurance) that it covers. To the extent that the Canadian government is unwilling to fill this gap and provide the required coverage, Cargojet's insurance costs may increase and Cargojet may run the risk of being in breach of regulatory requirements or contractual agreements requiring specific insurance coverage be maintained. Cargojet may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies. The occurrence of an aircraft-related accident or mishap involving Cargojet could have a material adverse effect on Cargojet's business, results of operations or financial condition. Cargojet maintains business interruption insurance in case of a disruption in its operations that results in a loss of revenue and/or increased expenses, but there can be no assurance that such insurance will be sufficient to cover the financial losses Cargojet may sustain while its operations are disrupted.

Dependence on Technology and Cyber security

In today's connected business environment, substantially all aspects of Cargojet's business activities are carried out using computers. While operating in cyberspace offers advantages; it also makes us vulnerable to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Cargojet is highly dependent on its information technology to securely process, transmit and store electronic information. Certain sensitive and/or confidential information resides on the third-party hosted data center servers and is transmitted over Cargojet's network. Cargojet also uses computers for its core management information systems to manage its financial, operational, and corporate operations. Cargojet continues to develop and enhance its cyber security in response to cyberspace risks to protect computer systems and data from threats originating in cyberspace. A security breach can cause significant implications that may include disruption in operations, significant financial losses, legal obligations, litigation, regulatory penalties, and negative effects on Cargojet's reputation any and all of which could have a material adverse effect on Cargojet's business, results of operations or financial condition. Cargojet has engaged security experts to enhance its cyber security strategy and has secured insurance coverage to offset potential losses on operation due to a security breach. However, there can be no assurance that the measures will be adequate to protect against all cyber risks or that insurance can cover all losses as a result of any breach. Attacks into information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. As of the date hereof, there have been no incidents of security breach noted by Cargojet or its security advisors, but any such breach could have a material adverse effect on Cargojet's business, results of operations or financial condition.

In addition, the technology Cargojet relies on, including third party technology, may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of human error, third party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunications failures, power failures, unauthorized or fraudulent users (including cyber-attacks, malware, ransomware, computer viruses and the like), software failures and other operational and security issues. The costs of remedying any failed system could be expensive and any such failure could result in business delays and service disruptions, which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Availability of Future Aircraft

Cargojet currently owns and operates seventeen B757-200s and seventeen B767-300s, and has four B767-300 that are under lease. It also owns four B767-200 aircraft, two of which are leased to a related party and two of which are held as feedstock for future conversion, and leases one B767-200. It also owns three B767-300s that are under conversion and is in the process of buying a converted B767-300, all with expected delivery dates in 2025. Cargojet also owns one Cessna 750, one B767-200 and one B757-200 passenger aircraft which are operating under charter agreements with a third party.

Cargojet exercised caution in deploying growth capital given softer economic conditions. Forecasts continue to indicate that the international air cargo market will remain soft in the short to medium term and deploying B777 aircraft into the market would not be strategically prudent. Cargojet has decided to exit its commitments for four remaining B777 aircraft and competed the sale of the B777 aircraft in the first quarter of 2024. The fleet has now been optimized with the ability to flex the B767 fleet for future growth. Cargojet has substantially completed the operational groundwork to be able to enter the B777 market should economic conditions change. Cargojet has also retained the rights to provide the optionality for future conversion slots. Cargojet currently owns the feedstock for two B767s to ensure that the company has sufficient inventory of aircraft on hand to capture any future growth opportunities.

The success of Cargojet will depend, in part, on its ability to replace owned aircraft, when necessary, dispose of its surplus aircraft on favourable terms and maintain favorable leases for its leased aircraft. There can be no assurance that Cargojet will be able to lease or purchase aircraft in the future on acceptable terms, dispose of its surplus aircraft and realize the proceeds of such sales, maintain favorable leases for its aircraft or be able to arrange financing for its current commitment of aircraft purchases or future replacements and expansions. Such risk could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Fixed Costs

Cargojet is subject to a high degree of operating leverage. Since fixed costs comprise a proportion of the operating costs of each flight route, the expenses of each flight route do not vary proportionately with the amount of shipments that Cargojet carries. Accordingly, a decrease in Cargojet's revenues could result in a disproportionately higher decrease in Cargojet's earnings as expenses would remain unchanged.

Fuel Prices

Cargojet requires significant quantities of fuel for its aircraft. Historically, fuel costs represented 20% to 30% of Cargojet's direct operating cost. Cargojet is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, which has increased dramatically over the past few years, refining costs, delivery costs, carbon pricing or other climate change related regulations, taxes, levies or other measures, and foreign exchange rates. Although Cargojet historically has implemented fuel surcharges to mitigate the earnings impact of unusually high fuel prices, competitive and other pressures may prevent Cargojet from passing these costs on to its customers in the future. Cargojet cannot provide any assurance that its supply of fuel will continue uninterrupted, that rationing will not be imposed or that the prices of, or taxes on, fuel will not increase significantly in the future. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought. Increases in prices that Cargojet is unable to pass on to its customers could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Costs Related to Mechanical and Maintenance Problems and Replacement of Equipment and Parts

Maintenance costs will increase as our fleet ages, which include overhaul of engines, landing gears, APUs and airframes in addition to ongoing maintenance requirements. Cargojet has a maintenance program schedule and monitors the maintenance of aircraft for owned and leased aircraft. Although costs related to mechanical problems and to maintenance for Cargojet's aircraft have been forecasted and funded pursuant to its leasing arrangements and maintenance agreements, the actual costs may be higher than those anticipated. Unexpected repairs relating to mechanical problems and to maintenance are beyond the control of Cargojet and may have a material adverse effect on Cargojet's business, results of operations or financial condition. In addition, the ability of Cargojet to obtain equipment and replacement parts on satisfactory terms when required is not always certain. Any inability to obtain equipment or parts, or to obtain the required equipment or parts on satisfactory terms and on a timely basis could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Foreign Exchange Fluctuations

Cargojet undertakes sales and purchase transactions including aircraft maintenance costs, lease payments, loan payments, crew training and certain operating costs in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. Changes in the value of the Canadian dollar relative to the United States dollar or other foreign currencies could increase the costs of Cargojet relative to its United States or other foreign competitors and could have a negative effect on the profitability of Cargojet. For Fiscal 2024, Cargojet had a net cash flow exposure to the United States dollar of approximately US $34.0 million and to the Euro of approximately €0.2 million. As of the date of this MD&A, Cargojet is exposed to fluctuations in the US-dollar exchange rate relating to two B767-300 and one B767-200 lease agreements. To the extent that Cargojet does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on Cargojet's business, results of operations or financial condition.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that Cargojet's business and growth strategy will enable Cargojet to sustain positive net profitability in future periods. Cargojet's future operating results will depend on a number of factors, including general economic conditions and consumer confidence and demand for air cargo courier services.

Despite the pursuit of strategic and business initiatives, there can be no assurance that Cargojet will be successful in achieving its business initiatives or strategic plan or that this strategic plan will enable Cargojet to grow at historical rates or to sustain profitability. Failure to successfully execute any material part of Cargojet's strategic plan including those which seek to increase revenues, decrease costs, generate sufficient returns on capital expenditures or offset or mitigate risks facing Cargojet including those described in this "Risk Factors" section, could have a material adverse effect on Cargojet's business, results of operations or financial condition.

There can be no assurance that Cargojet will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Industry Risk and Economic Sensitivity

Cargojet serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of Cargojet. Demand for Cargojet's services could be materially adversely affected by downturns in the businesses of its customers. Cargojet's revenues are impacted by the health of the economy in the regional markets in which Cargojet operates. Although Cargojet cannot specifically correlate the impact of macro-economic conditions on its business activities, Cargojet believes that a decline in economic conditions in Canada may result in decreased demand for the services Cargojet provides and, to the extent that this decline continues or increases in severity, Cargojet's business, results of operations or financial condition could be materially adversely affected. In addition, given the nature of Cargojet's business and its fixed cost structure, any prolonged impact arising from economic and geopolitical conditions, including a breakdown of political or economic relationships within or between jurisdictions where Cargojet does business or a deterioration of the Canadian, U.S. or international economies, could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Dependence on Key Personnel

Cargojet's success will be substantially dependent on the continued services of senior management of Cargojet. The loss of the services of one or more key members of senior management of Cargojet could have a material adverse effect on Cargojet's business, results of operations or financial condition. In addition, Cargojet operates in an industry that requires specialized skills and knowledge. Cargojet employs individuals who possess specific technical knowledge and experience in the areas of aircraft operation, aircraft maintenance, flight planning, flight dispatch, crew planning, crew training, ground handling and commercial airline cargo management. While Cargojet has not experienced material difficulty in recruiting and retaining appropriate staff to carry out its operations, Cargojet's continued growth depends on the ability of Cargojet to attract and retain skilled managers and employees and the ability of its personnel to manage Cargojet's growth. The inability to attract and retain key personnel could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Labour Relations

On October 19, 2012, the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW – Canada) became certified by Cargojet's pilots as their bargaining union by the Canadian Industrial Relations Board (the "CIRB").

On May 21, 2019, Cargojet and UNIFOR agreed to bring in changes in the terms of the agreement to meet the requirements of the Transportation Canada fatigue regulations. The changes include the extension of the contract until June 30, 2026, workload scheduling and introduction of a new incentive program.

On September 17, 2021, the CIRB certified the Air Line Pilots Association as the representative of Company's pilots replacing UNIFOR. The terms and conditions of the contract remain in place and in effect until June 30, 2026.

None of Cargojet's other employees are unionized. The maintenance of a productive and efficient labour environment and the successful negotiation of collective bargaining agreements cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts, and any resulting collective bargaining agreement may increase labour costs or impose terms and conditions that restrict or reduce Cargojet's ability to sustain its business objectives or pursue its strategic initiatives, all of which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

In addition to labour relations at Cargojet, there can be no assurance that there will not otherwise be any labour conflict or action that could also lead to an interruption or stoppage by key suppliers or other parties with whom Cargojet conducts business or relies on, such as interline partners, which could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Seasonal Fluctuations

Traditionally, Cargojet has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of Cargojet will affect the quarterly financial results of operation of Cargojet that will be reported.

Dependence on International Trade

The principal businesses of Cargojet are indirectly related to, and future performance of Cargojet is dependent upon, the volume of international trade, including cross-border trade between Canada and the U.S. Such trade is influenced by many factors, including North American and overseas economic and political conditions, major work stoppages, wars, terrorist acts or security operations, exchange controls, currency fluctuations and Canadian, US and foreign laws relating to duties, tariffs, trade restrictions, foreign investment and taxation. Uncertainty around international trade conditions is expected to continue in the coming years, with an increased probability of new tariffs or meaningful changes to Canadian and U.S. trade policies. For example, renegotiation of the U.S.-Mexico-Canada Agreement ("USMCA") or tariffs imposed before its renewal could result in negative impacts such as increased inflation and borrowing costs, reduced economic growth, a decline in the volume of domestic and/or international trade, and a decline in stock market prices.

There can be no assurance that trade-related events beyond the control of Cargojet, such as the failure to reach or adopt trade agreements, the imposition of tariffs, an increase in trade restrictions or the outcome of the ongoing discussions related to USMCA, will not have a material adverse effect on Cargojet's business, results of operations or financial condition.

Future Sales of Voting Shares by the directors and officers of Cargojet

The directors and officers of Cargojet directly or indirectly hold in aggregate 368,867 Voting Shares, or approximately 2.34% of the outstanding Voting Shares on a non-diluted basis. If the directors and officers of Cargojet sell substantial amounts of Voting Shares in the public market, the market price of the Voting Shares could decrease. The perception among the public that these sales will occur could also produce such an effect.

Income Tax Matters

Cargojet is subject to federal and provincial income taxes. Although Cargojet is of the view that all expenses to be claimed by Cargojet and its subsidiaries in the determination of their respective incomes under the *Income Tax Act* (Canada) (the "Tax Act") will be reasonable and deductible by the appropriate entity in accordance with the applicable provisions of the Tax Act, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency ("CRA") or the provincial taxing authority will agree. Cargojet can provide no opinion with respect to the reasonableness of any expense or of the allocation of income by a partnership. If the CRA or any provincial tax authority successfully challenges the deductibility of expenses or the allocation of income, Cargojet's liability to income tax may increase.

Increase in Interest Rates

One of the factors that may influence the price of the Voting Shares in public trading markets will be the annual cash-on-cash return from dividends by Cargojet on the Voting Shares compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the Voting Shares.

Future Legal Proceedings

In the course of operating its business, Cargojet may become subject to various claims and litigation including with respect to its contractual arrangements and current or new laws and regulations. As a result of potential future legal proceedings, Cargojet may be required to pay significant sums of money in the form of legal fees, judgments or settlements. Any future claims or litigation and any resulting monies owed could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Interline Partnerships and Alliances

Cargojet has entered into several strategic interline partnerships/alliances thus providing customers with seamless air cargo courier services around the world to all destinations to and from Canada. The loss of a significant interline partner or its failure to meet its obligations towards Cargojet could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Key Supplies and Suppliers

Cargojet is dependent upon its ability to source, on favorable terms and costs, sufficient quantities of goods and services of desirable quality, in a timely manner, including those required for Cargojet's business or operations, such as fuel, aircraft and related parts, aircraft maintenance services, and information technology systems and services. If for any reason Cargojet is required to find new suppliers, including by reason of suppliers increasing their rates, the transition to new or alternative suppliers may not be possible or may take a significant amount of time or require significant resources. A failure, refusal or inability of a supplier may arise as a result of a wide range of causes, many of which are beyond Cargojet's control. Any failure or inability of Cargojet to successfully source goods and services, or to source goods and services of desirable quality on terms and pricing and within the timeframes acceptable to Cargojet, could have a material adverse effect on Cargojet's business, results of operations or financial condition.

Terrorist Activity

The terrorists' attacks of September 11, 2001 and their aftermath negatively impacted the air cargo courier industry. Following the events of September 11, 2001, a host of countries including Canada introduced new cargo security programs or strengthened existing programs, with the objective to prevent cross-border shipment of illicit goods. The impact on the industry was increased cargo scrutiny and border delays, which translates into higher indirect costs for businesses engaged in cross-border trade. Additional terrorist attacks (whether international or domestic and whether involving Cargojet, another air cargo company or no air cargo company at all), the fear of such attacks or increased hostilities could further negatively impact the air cargo industry. The perceived threat of terrorist activity could lead to a decrease in customer demand for air cargo courier services, with customers choosing other methods of cargo transport, as well as the potential need for a substantial increase in insurance. Cargojet could experience a decrease in the use of its air cargo network as a means of transporting goods domestically and internationally and an increase in costs. Any resulting reduction in the use of Cargojet's cargo network and/or increase in costs could have a material adverse effect on Cargojet's business, results of operations or financial condition.

General Economic and Geopolitical Conditions

Cargojet's growth, future profitability, ability to finance and operations, like those of other dedicated air cargo carriers, are sensitive to and may be significantly impacted by economic and geopolitical conditions. Global financial conditions continue to be characterized as volatile. In recent years, global markets have been adversely impacted by various credit crises and significant fluctuations in key commodity prices and costs. Many industries have been impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to future events. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, tax rates and foreign exchange rates, may adversely affect Cargojet's growth and profitability. Future crises may be precipitated by any number of causes, including natural disasters, infectious diseases, geopolitical instability, changes to energy prices or sovereign defaults.

Any prolonged or significant impact arising from economic and geopolitical conditions, including in relation to ongoing military and geopolitical conflicts, including those conflicts in the Middle East, or involving Russia and Ukraine, international trade policies, civil unrest, and the related response and restrictions imposed by various governments and authorities (or lack thereof) may also result in a material adverse effect on consumer spending patterns, investor confidence and general financial market liquidity, all of which may adversely affect Cargojet's business and the market price of its Voting Shares.

Financial Risks

Declaration of Dividends

Dividends are dependent on cash flows of Cargojet. The declaration and payment of future dividends will be at the discretion of the Board, are subject to restrictions under our Credit Facility and may be affected by various other factors, including our earnings, levels of indebtedness, financial condition and legal or contractual restrictions. While it is the intention of the Board, subject to financial results, capital requirements, available cash flow and any other factors that the Board may consider relevant, to declare a quarterly dividend on an ongoing basis, there can be no assurance that we will have the financial flexibility to pay dividends at the same rate (or at all) in the future.

Potential Volatility of Voting Share Price

The market price of our Voting Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of our Voting Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Voting Shares;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements;

- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Voting Shares by existing shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- the other risk factors described in the "Risk Factors" section of this MD&A.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Voting Shares by those institutions, which could materially adversely affect the trading price of our Voting Shares. There can be no assurance that fluctuations in price and volume in our Voting Shares will not occur. In recent periods, the stock market has experienced extreme declines and volatility. This volatility, from time to time, has had a significant negative impact on the market price of securities issued by many companies, including Cargojet and other companies in its industry. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our Voting Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Voting Shares. Hence, the price of our Voting Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Voting Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company.

23. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

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

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

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.

Stock warrants

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

24. OUTSTANDING SHARE DATA

The Company's common and variable voting shares are listed under the symbol "CJT" and hybrid debentures are listed under the symbol "CJT.DB.F" on the TSX. The Company completed the necessary searches through broker intermediaries. The following table sets out the shares of the Company outstanding as of December 31, 2024:

Capital	Authorized/ Principal	Outstanding number of shares
Common Voting Shares	Unlimited	14,098,067
Variable Voting Shares	Unlimited	1,693,776
Total Common and Variable Voting Shares		15,791,843

Exemptive Relief from Take-Over Bid and Early Warning Rules

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

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

25. INFORMATION DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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