



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

**For the Three Months and Year Ended December 31, 2025**

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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, 2025

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

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### **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, 2025. The following also includes a discussion of the comparative operating results for the three months and year ended December 31, 2024.

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

The MD&A was approved by the Board of Directors and authorized for issuance on February 24, 2026. 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, 2025 and 2024.

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.

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

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “project” and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect Cargojet's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Examples of the factors that can affect the results are government regulations, competition, seasonal fluctuations, international trade, climate-change, retention of key personnel, labour relations, terrorist activity, general industry risk and economic sensitivity, the Company's ability to manage growth and profitability, fuel prices, other cost controls and foreign exchange fluctuations, and capability of maintaining its fleet. The risk and uncertainties are detailed in the “Risk Factors” section of the MD&A and the Annual Information Form for the fiscal year ended December 31, 2025 (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 37.

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

# CARGOJET INC.

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

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### 2. FINANCIAL INFORMATION AND OPERATING STATISTICS HIGHLIGHTS

(Canadian dollars in millions, except where indicated)

	Three Month Periods Ended December 31,				Years Ended December 31,			
	2025	2024	Change	%	2025	2024	Change	%
Domestic network, ACMI and charter revenues	\$243.0	\$250.7	(\$7.7)	(3.1%)	\$844.9	\$828.4	\$16.5	2.0%
Fuel surcharge and other revenues	\$43.2	\$48.5	(\$5.3)	(10.9%)	\$167.4	\$193.5	(\$26.1)	(13.5%)
Total revenues excluding warrant amortization	\$286.2	\$299.2	(\$13.0)	(4.3%)	\$1,012.3	\$1,021.9	(\$9.6)	(0.9%)
Amortization of stock warrant contract assets	(\$1.5)	(\$6.0)	\$4.5	(75.0%)	(\$19.6)	(\$21.1)	\$1.5	(7.1%)
Total revenues	\$284.7	\$293.2	(\$8.5)	(2.9%)	\$992.7	\$1,000.8	(\$8.1)	(0.8%)
Direct expenses	\$217.7	\$219.6	(\$1.9)	(0.9%)	\$793.8	\$775.0	\$18.8	2.4%
<b>Gross margin</b>	<b>\$67.0</b>	<b>\$73.6</b>	<b>(\$6.6)</b>	<b>(9.0%)</b>	<b>\$198.9</b>	<b>\$225.8</b>	<b>(\$26.9)</b>	<b>(11.9%)</b>
Gross margin - (%)	23.5%	25.1%	(1.6%)		20.0%	22.6%	(2.5%)	
Selling, general and administrative expenses	\$26.0	\$25.3	\$0.7	2.8%	\$83.4	\$90.6	(\$7.2)	(7.9%)
Net finance costs and other gains and losses	\$8.2	(\$29.5)	\$37.7	127.8%	\$23.1	(\$2.1)	\$25.2	1200.0%
Share of (gain) loss in associate	(\$0.1)	\$0.5	(\$0.6)	(120.0%)	(\$2.2)	(\$0.4)	(\$1.8)	(450.0%)
<b>Earnings before income taxes</b>	<b>\$32.9</b>	<b>\$77.3</b>	<b>(\$44.4)</b>	<b>(57.4%)</b>	<b>\$94.6</b>	<b>\$137.7</b>	<b>(\$43.1)</b>	<b>(31.3%)</b>
Income taxes	\$6.3	\$6.1	\$0.2	3.3%	\$14.4	\$29.3	(\$14.9)	(50.9%)
<b>Net earnings</b>	<b>\$26.6</b>	<b>\$71.2</b>	<b>(\$44.6)</b>	<b>(62.6%)</b>	<b>\$80.2</b>	<b>\$108.4</b>	<b>(\$28.2)</b>	<b>(26.0%)</b>
<b>Adjusted net earnings<sup>(1)</sup></b>	<b>\$22.2</b>	<b>\$27.2</b>	<b>(\$5.0)</b>	<b>(18.4%)</b>	<b>\$68.1</b>	<b>\$86.2</b>	<b>(\$18.1)</b>	<b>(21.0%)</b>
Earnings per share								
Basic	\$1.76	\$4.49	(\$2.73)	(60.8%)	\$5.24	\$6.68	(\$1.44)	(21.6%)
Diluted	\$1.76	\$4.28	(\$2.52)	(58.9%)	\$5.24	\$6.68	(\$1.44)	(21.6%)
Adjusted <sup>(1)</sup>	\$1.47	\$1.71	(\$0.24)	(14.0%)	\$4.45	\$5.32	(\$0.87)	(16.4%)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$95.0</b>	<b>\$91.7</b>	<b>\$3.3</b>	<b>3.6%</b>	<b>\$326.4</b>	<b>\$331.4</b>	<b>(\$5.0)</b>	<b>(1.5%)</b>
Adjusted EBITDA margin <sup>(1)</sup> - (%)	33.4%	31.3%	2.1%		32.9%	33.1%	(0.2%)	
<b>Net cash from operating activities</b>	<b>\$34.1</b>	<b>\$103.6</b>	<b>(\$69.5)</b>	<b>(67.1%)</b>	<b>\$234.6</b>	<b>\$328.6</b>	<b>(\$94.0)</b>	<b>(28.6%)</b>
<b>Free cash flow<sup>(1)</sup></b>	<b>(\$9.8)</b>	<b>(\$33.3)</b>	<b>\$23.5</b>	<b>70.6%</b>	<b>\$11.1</b>	<b>\$183.7</b>	<b>(\$172.6)</b>	<b>(94.0%)</b>
<b>Operating statistics<sup>(2)</sup></b>								
Operating days <sup>(3)</sup>	50	50	-	0.0%	198	199	(1)	(0.5%)
Average domestic network revenue per operating day <sup>(4)</sup>	2.40	2.06	0.34	16.5%	2.16	1.89	0.27	14.3%
Block hours <sup>(5)</sup>	19,153	21,307	(2,154)	(10.1%)	68,200	75,173	(6,973)	(9.3%)
B757-200	16	17	(1)		16	17	(1)	
B767-200	3	3	-		3	3	-	
B767-300	22	21	1		22	21	1	
Cargo operating fleet	41	41	-	0.0%	41	41	-	0.0%
Head count	1,930	1,981	(51)	(2.6%)	1,930	1,981	(51)	(2.6%)

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

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### 3. OUTLOOK AND STRATEGIC UPDATE

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

In the fourth quarter of 2025, Cargojet's continued focus on operational excellence and cost discipline allowed the company to successfully navigate an operating environment characterized by ongoing volatility in international trade and increasing geopolitical uncertainty. The company delivered a robust Adjusted EBITDA margin<sup>(1)</sup> of 33.4% in the fourth quarter, up 2.1% versus the same period of 2024. Management expects to continue to deliver a robust Adjusted EBITDA margin<sup>(1)</sup> in 2026 supported by long-term agreements with major customers, relentless focus on on-time performance and operational discipline, and the Company's ability to adapt quickly to changing trade environments to capture new charter opportunities.

Cargojet's domestic network continued to anchor its revenue performance at 16.9% year-over-year growth in the fourth quarter as Canadian consumer demand remained healthy in the face of trade uncertainty. The strength in Cargojet's domestic network in Q4 highlighted the benefits of diversity in Cargojet's revenue streams as softness in ACMI revenue continued driven by global trade uncertainty. All-in Charter revenue showed promising growth sequentially as growth from new charter opportunities partially offset continued reductions year-over-year in transpacific frequencies.

Cargojet continued to focus on its core capital allocation priorities in the fourth quarter, renewing its Normal Course Issuer Bid and completing the redemption of the \$115 million aggregate principal amount outstanding on its 5.25% senior unsecured debentures due June 30, 2026 using a portion of the proceeds of the offering of its 4.599% senior unsecured notes which closed on June 30, 2025, lowering overall interest costs.

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

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

Management continues to focus on market-leading customer service, operational and cost discipline, and flexibility to adapt to changing market conditions and capture new opportunities. Those core strengths, which have historically driven the success of the business will continue to underpin the resilience of Cargojet's operating model into 2026 and beyond.

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

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### **4. RECENT EVENTS**

#### Share buyback

On November 11, 2024, Cargojet renewed its normal course issuer bid (the "2025 NCIB"). The 2025 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 2025 NCIB terminated on November 10, 2025. On November 11, 2025, the Company renewed its normal course issuer bid (the "2026 NCIB" and, together with the 2025 NCIB, the "NCIB Programs"). The 2026 NCIB allows the Company to repurchase, at its discretion, up to 1,400,000 Voting Shares in the open market, subject to the standard terms and limitations. The 2026 NCIB will terminate on November 10, 2026. Under the NCIB programs, other than purchases made under block purchase exemptions, Cargojet may purchase up to the daily limit, as approved by TSX, on the TSX during any trading day, which represents approximately 25% of the average daily trading volume, as calculated in accordance with TSX rules.

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.

During the year ended December 31, 2025, the Company purchased for cancellation an aggregate of 893,266 Voting Shares under the NCIB programs for a total cost of \$86.9 million, including \$1.7 million share buyback tax. A corresponding amount of \$86.9 million was recorded in shareholder's equity, including \$33.4 million under shareholders' capital and \$53.5 million under retained earnings. This was offset by reversal of the ASPP liability of \$33.4 million provided at year ended December 31, 2024, out of which, \$11.9 million was reversed under shareholders' capital, \$21.5 million under retained earnings. Accordingly, shareholders' equity decreased by a net amount of \$53.5 million.

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

#### Debenture Redemption

On October 9, 2025, the Company completed the redemption in full of all its outstanding 5.25% senior unsecured hybrid debenture of \$115.0 million. The Company paid the principal and all accrued and unpaid interest thereon up to but excluding October 9, 2025, in cash, using a portion of the proceeds of the offerings of its 4.599% senior unsecured notes which closed on June 30, 2025.

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**5. FLEET OVERVIEW**

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

The table below sets forth the Company’s cargo operating fleet as at December 31, 2024 and December 31, 2025 as well as the Company’s planned operating fleet for the years ending December 31, 2026, 2027 and 2028:

Aircraft Type		Leased or Owned	Average Age	Number of Aircraft in Service					Maximum Payload (lbs.)	Range (miles)
				Actual		Plan				
				Dec. 31,	Dec. 31	Dec. 31,				
				2024	2025	2026	2027	2028		
<b>B767-300</b>	<b>Freighter</b>	<b>Leased</b>	<b>29</b>	4	<b>6</b>	6	6	6	125,000	6,000
<b>B767-300</b>	<b>Freighter</b>	<b>Owned</b>	<b>30</b>	17	<b>16</b>	18	18	18	125,000	6,000
<b>B767-200</b>	<b>Freighter</b>	<b>Owned</b>	<b>22</b>	2	<b>2</b>	2	2	2	100,000	5,000
<b>B767-200</b>	<b>Freighter</b>	<b>Leased</b>	<b>38</b>	1	<b>1</b>	-	-	-	100,000	5,000
<b>B757-200</b>	<b>Freighter</b>	<b>Owned</b>	<b>30</b>	17	<b>16</b>	16	16	16	80,000	3,900
<b>Total Aircraft</b>				41	<b>41</b>	42	42	42		

The Company took the delivery of two B767-300 owned aircraft under conversion during the second quarter of 2025 and had inducted them into its operational fleet. During third quarter, the Company sold these two aircraft to a financial institution and simultaneously leased them back. A third B767-300 aircraft remains under conversion and is expected to be delivered in the first quarter of 2026.

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

**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;

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

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

### Revenues

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

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

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

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

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

### Expenses

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

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

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

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### 7. REVIEW OF OPERATIONS FOR THE THREE MONTH PERIOD

#### Highlights For The Quarter

- Revenue from domestic network, ACMI and all-in charter for the three month period ended December 31, 2025 was \$243.0 million compared to \$250.7 million for the same period in 2024, representing a decrease of \$7.7 million or 3.1%. Total revenue for the three month period ended December 31, 2025 was \$284.7 million compared to \$293.2 million for the same period in 2024, representing a decrease of \$8.5 million or 2.9%.
- Average domestic network revenue<sup>(1)</sup> for the three month period ended December 31, 2025 was \$2.40 million per operating day compared to \$2.06 million for the same period in 2024, representing an increase of \$0.34 million per operating day or 16.5% with same number of aircraft.
- Net earnings for the three month period ended December 31, 2025 was \$26.6 million compared to \$71.2 million for the same period in 2024, a decrease of \$44.6 million.
- Adjusted EBITDA<sup>(2)</sup> for the three month period ended December 31, 2025 was \$95.0 million compared to \$91.7 million for the same period in 2024, an increase of \$3.3 million or 3.6%.
- Cash generated from operating activities was \$34.1 million for the three month period ended December 31, 2025 compared to \$103.6 million for the same period in 2024, a decrease of \$69.5 million due to changes in non-cash working capital items.
- Free Cash Flow<sup>(2)</sup> was an outflow of \$9.8 million for the three month period ended December 31, 2025 compared to an outflow of \$33.3 million for the same period in 2024, representing a reduction in outflow of \$23.5 million due to lower purchases of property, plant and equipment partially offset by lower cash generated from operating activities.
- Earning per diluted share for the three month period ended December 31, 2025 was \$1.76 compared to earning per diluted share of \$4.28 for the same period in 2024, a decrease of \$2.52.
- Adjusted EPS<sup>(2)</sup> for the three month period ended December 31, 2025 was \$1.47 compared to \$1.71 for the same period in 2024, a decrease of \$0.24.

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

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

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#### Revenue

Total revenue for the three month period ended December 31, 2025 was \$284.7 million, compared to \$293.2 million for the same period in 2024, representing a decrease of \$8.5 million or 2.9%. The decrease in total revenues drove a decrease in the gross margin to 23.5% in 2025 from 25.1% in 2024. The decrease in revenue is primarily due to a decrease of \$7.7 million in domestic network, ACMI and charter revenue, and a decrease of \$5.3 million in fuel surcharge and other revenue, partially offset by a decrease of \$4.5 million in amortization of stock warrant contract assets, compared to the same period in 2024.

The following table presents information about the Company's revenue for the three month periods ended December 31, 2025 and 2024:

(Canadian dollars in millions)	Three Month Periods Ended		CHANGE	
	December 31,			
	2025	2024	\$	%
Domestic network revenues	\$120.2	\$102.8	\$17.4	16.9%
ACMI revenues	64.6	83.5	(18.9)	(22.6%)
All-in charter revenues	58.2	64.4	(6.2)	(9.6%)
Total domestic network, ACMI and charter revenues	243.0	250.7	(7.7)	(3.1%)
Fuel surcharge and other revenues	43.2	48.5	(5.3)	(10.9%)
Amortization of stock warrant contract assets	(1.5)	(6.0)	4.5	(75.0%)
<b>Total revenues</b>	<b>284.7</b>	<b>293.2</b>	<b>(8.5)</b>	<b>(2.9%)</b>

Revenue related to the domestic network business for the three month period ended December 31, 2025 was \$120.2 million compared to \$102.8 million for the same period in 2024, an increase of \$17.4 million or 16.9%. The increase was due primarily to an increase in e-commerce and B2B volumes during the period, and consumer price index increases for contractual customers. The Company has relied on periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes, where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI revenues for the three month period ended December 31, 2025 were \$64.6 million compared to \$83.5 million for the same period in 2024, a decrease of \$18.9 million or 22.6%. The decrease was primarily due to the redeployment of aircraft from long distance routes of Asia and Europe to certain South American routes.

All-in charter revenues for the three month period ended December 31, 2025 were \$58.2 million compared to \$64.4 million for the same period in 2024, a decrease of \$6.2 million or 9.6%. The decrease in revenue was primarily due to the reductions in year-over-year frequency of scheduled charter services between China and Canada, partially offset by revenue from new charter opportunities.

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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 \$43.2 million for the three month period ended December 31, 2025 compared to \$48.5 million for the same period in 2024, representing a decrease of \$5.3 million or 10.9%. The decrease is primarily due to a decrease of \$3.4 million in fuel surcharges and other cost pass-through revenues, and a decrease of \$1.9 million in other revenue. Fuel surcharges passed on to customers are based on the index published by Statistics Canada which lag current market rates by two months.

Amortization of stock warrant contract asset, a charge against revenue, was \$1.5 million for the three month period ended December 31, 2025 compared to \$6.0 million for the same period in 2024, a decrease of \$4.5 million or 75.0%. Amortization is proportional to paid qualified spend during the period, subject to adjustment from time to time based on revised estimates.

### Direct Expenses

Total direct expenses were \$217.7 million for the three month period ended December 31, 2025 compared to \$219.6 million for the same period in 2024, representing a decrease of \$1.9 million or 0.9%.

The following table presents information about the Company's direct expenses for the three month periods ended December 31, 2025 and 2024:

(Canadian dollars in millions)	Three Month Periods Ended			
	December 31,		CHANGE	
	2025	2024	\$	%
Fuel costs	57.8	64.9	(7.1)	(10.9%)
Depreciation	42.3	36.2	6.1	16.9%
Aircraft cost	5.2	6.7	(1.5)	(22.4%)
Heavy maintenance amortization	9.3	5.0	4.3	86.0%
Maintenance cost	22.4	21.7	0.7	3.2%
Crew costs	29.3	34.4	(5.1)	(14.8%)
Ground services	23.8	24.7	(0.9)	(3.6%)
Airport services	13.1	11.6	1.5	12.9%
Navigation and insurance	14.5	14.4	0.1	0.7%
<b>Total direct expenses</b>	<b>217.7</b>	<b>219.6</b>	<b>(1.9)</b>	<b>(0.9%)</b>

Fuel costs were \$57.8 million for the three month period ended December 31, 2025 compared to \$64.9 million for the same period in 2024. The \$7.1 million or 10.9% decrease in fuel costs was due primarily to a decrease in fuel pass-through costs incurred with providing CMI and ACMI services. Any changes in fuel costs experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges or ad hoc rates.

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Depreciation expense was \$42.3 million for the three month period ended December 31, 2025 compared to \$36.2 million for the same period in 2024, an increase of \$6.1 million or 16.9%. The increase is primarily due to adjustment in the prior year based on revised estimates.

Aircraft costs were \$5.2 million for the three month period ended December 31, 2025 compared to \$6.7 million for the same period in 2024, representing a decrease of \$1.5 million or 22.4%. The decrease was primarily due to a decrease in temporary sub-charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were \$9.3 million for the three month period ended December 31, 2025 compared to \$5.0 million for the same period in 2024, representing an increase of \$4.3 million or 86.0% 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 \$22.4 million for the three month period ended December 31, 2025 compared to \$21.7 million for the same period in 2024, representing an increase of \$0.7 million or 3.2%. This increase was due to increase in periodic line maintenance and the hiring of additional maintenance personnel.

Crew costs including salaries, training and positioning were \$29.3 million for the three month period ended December 31, 2025 compared to \$34.4 million for the same period in 2024, representing a decrease of \$5.1 million or 14.8%. The decrease was primarily related to lower overtime costs in the current quarter compared to 2024.

Ground services costs were \$23.8 million for the three month period ended December 31, 2025 compared to \$24.7 million for the same period in 2024, representing a decrease of \$0.9 million or 3.6%. This decrease was due primarily to a decrease in ground handling costs, partially offset by an increase in payroll costs.

Airport services costs were \$13.1 million for the three month period ended December 31, 2025 compared to \$11.6 million for the same period in 2024, representing an increase of \$1.5 million or 12.9%. The increase was primarily driven by higher deicing costs due to increased adverse weather conditions.

Navigation and insurance were \$14.5 million for the three month period ended December 31, 2025 compared to \$14.4 million for the same period in 2024, representing an increase of \$0.1 million or 0.7%. The increase was primarily due to increase in insurance costs due to increase in fleet size and insurance rates partially offset by lower navigation charges due to lower charter activities.

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**Selling, General and Administrative Expenses**

(Canadian dollars in millions)	Three Month Periods Ended		CHANGE	
	December 31,		\$	%
	2025	2024		
Selling, general and administrative expenses	<b>26.0</b>	25.3	0.7	2.8%

Selling, general and administrative (“SG&A”) expenses for the three month period ended December 31, 2025 were \$26.0 million compared to \$25.3 million for the same period in 2024. This increase was primarily due to \$1.7 million increase in salaries, benefits and incentives and \$0.8 million increase in other SG&A expenses, partially offset by a \$1.8 million decrease in realized foreign exchange gain.

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

Net finance costs and other gains and losses for the three month period ended December 31, 2025 were a net loss of \$8.2 million compared to a net gain of \$29.5 million for the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in net finance costs and other gains and losses.

(Canadian dollars in millions)	Three Month Periods Ended		CHANGE	
	December 31,		\$	%
	2025	2024		
Fair value decrease on stock warrants	<b>(10.1)</b>	(67.8)	57.7	85.1%
Loss on swap derivative	<b>4.6</b>	18.2	(13.6)	(74.7%)
Finance costs	<b>11.7</b>	13.6	(1.9)	(14.0%)
Other loss, net	<b>2.0</b>	6.5	(4.5)	(69.2%)
<b>Total net finance costs and other gains and losses</b>	<b>8.2</b>	(29.5)	37.7	127.8%

**Fair value adjustment on stock warrants**

Fair value adjustment on stock warrants for the three month period ended December 31, 2025 was a gain of \$10.1 million compared to a gain of \$67.8 million for the same period in 2024. The change in the fair value adjustment of stock warrants was primarily due to the change in the Company’s share price.

**Loss on swap derivatives**

Loss on swap derivatives for the three month period ended December 31, 2025 was \$4.6 million compared to loss of \$18.2 million for the same period in 2024. The change was primarily due to the change in the Company’s share price.

**Finance costs**

Finance costs for the three month period ended December 31, 2025 were \$11.7 million compared to \$13.6 million for the same period in 2024, representing a decrease of \$1.9 million or 14.0%. The decrease was primarily due to decrease in the interest rates.

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Other loss, net

Other loss, net for the three month period ended December 31, 2025 was \$2.0 million, which consists of \$1.3 million unrealized foreign exchange loss and a \$0.8 million loss on extinguishment of debts.

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.

**Share of Income or Loss in Associate**

(Canadian dollars in millions)	Three Month Periods Ended		CHANGE	
	December 31,		\$	%
	2025	2024		
Share of (income) loss in associate	(0.1)	0.5	(0.6)	(120.0%)

Share of income in associate for the three month period ended December 31, 2025 was \$0.1 million (2024 – loss of \$0.5 million) represents the Company’s share of income or loss from investment in an associate.

**Net Earnings**

Net earnings for the three month period ended December 31, 2025 was \$26.6 million compared to net earnings of \$71.2 million for the same period in 2024, a decrease of \$44.6 million or 62.6%. The decrease in net earnings was primarily due to gross margin decrease of \$6.6 million, a \$37.7 million increase in net finance costs and other gains and losses, and an increase of \$0.2 million in tax provision.

**Current Income Taxes**

No provision for current income taxes was made for the three month periods ended December 31, 2025 and 2024, due to the current income tax losses and carry forward of losses from prior years.

**Deferred Income Taxes**

The deferred income taxes for the three month period ended December 31, 2025 was a provision of \$6.3 million compared to \$6.1 million for the same period in 2024. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

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

Adjusted EBITDA for the three month period ended December 31, 2025 was \$95.0 million compared to \$91.7 million for the same period in 2024. The increase in Adjusted EBITDA of \$3.3 million is primarily due to a decrease of \$12.3 million in direct expenses excluding depreciation and amortization, and a decrease of \$4.0 million in selling, general and administrative expenses excluding share-based compensation, partially offset by a decrease of \$13.0 million in revenues excluding amortization of stock warrant contract assets.

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

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### 8. QUARTERLY DIVIDENDS

Total dividends declared for the three month period ended December 31, 2025 were \$5.2 million or \$0.35 per share. In comparison, total dividends declared for the three month period ended December 31, 2024 were \$5.6 million or \$0.35 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
September 19, 2025	October 03, 2025	-	15,087,310	0.35	5,280,559
December 20, 2025	January 02, 2026	5,214,663	14,899,038	0.35	-
		5,214,663			5,280,559

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
September 20, 2024	October 04, 2024	-	15,861,823	0.35	5,551,638
December 20, 2024	December 27, 2024	5,551,638	15,861,823	0.35	5,551,638
		5,551,638			11,103,276

### 9. LIQUIDITY AND CAPITAL RESOURCES

#### Quarterly Cash Flow Movements

Cash generated by operating activities after net changes in non-cash working capital balances was \$34.1 million for the three month period ended December 31, 2025 (2024 – \$103.6 million). The \$69.5 million decrease in cash generated was due primarily to changes in non-cash working capital items.

Cash used in investing activities during the three month period ended December 31, 2025 was \$43.9 million and was comprised of property, plant and equipment purchases of \$47.5 million, partially offset by proceeds from disposal of property, plant and equipment of \$3.6 million. 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 additions.

Cash provided by financing activities during the three month period ended December 31, 2025 was \$12.8 million and was comprised of proceeds from borrowings of \$159.8 million, partially offset by dividends paid to shareholders of \$5.3 million, repayment of debenture of \$115.0 million, repayment of obligations under lease and financial liabilities of \$11.3 million, share buyback of \$14.8 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 debentures 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.

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

Free cash flow was an outflow of \$9.8 million for the three month period ended December 31, 2025 compared to an outflow of \$33.3 million for the same period in 2024. The reduction in outflow was due primarily to lower purchases of property, plant and equipment, partially offset by lower cash generated from operating activities.

#### **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, 2025, the Company had \$6.7 million in cash and \$342.8 million available in available borrowing capacity under the Credit 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, 2025, the Company was in compliance with all covenants.

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

#### **Capital Expenditures**

The property, plant and equipment purchases of \$47.5 million in the three month period ended December 31, 2025 were primarily comprised of additions to property, plant and equipment under development and rotatable spare parts. Out of \$47.5 million capital expenditures, \$39.4 million was due to maintenance capital expenditure<sup>(1)</sup> and \$8.1 million was due to growth capital expenditure<sup>(1)</sup>.

The property, plant and equipment purchases 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 rotatable spares. Out of \$136.9 million capital expenditures, \$92.7 million was due to maintenance capital expenditure<sup>(1)</sup> and \$44.2 million was due to growth capital expenditure<sup>(1)</sup>.

<sup>(1)</sup> Non-GAAP measure. See “Non-GAAP Financial Measures” section.

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### 10. REVIEW OF OPERATIONS FOR THE YEAR

#### Highlights For The Year

- Revenue from domestic network, ACMI and all-in charter for the year ended December 31, 2025 was \$844.9 million compared to \$828.4 million for the same period in 2024, representing an increase of \$16.5 million or 2.0%. Total revenue for the year ended December 31, 2025 was \$992.7 million compared to \$1,000.8 million for the same period in 2024, representing a decrease of \$8.1 million or 0.8%.
- Average domestic network revenue<sup>(1)</sup> for the year ended December 31, 2025 was \$2.16 million per operating day compared to \$1.89 million for the same period in 2024, representing an increase of \$0.27 million per operating day or 14.3% using same number of aircraft.
- Net earnings for the year ended December 31, 2025 was \$80.2 million compared to \$108.4 million for the same period in 2024.
- Adjusted EBITDA <sup>(2)</sup> for the year ended December 31, 2025 was \$326.4 million compared to \$331.4 million for the same period in 2024, representing a decrease of \$5.0 million or 1.5%.
- Cash generated from operating activities was \$234.6 million for the year ended December 31, 2025 compared to \$328.6 million for the same period in 2024, representing a decrease of \$94.0 million or 28.6% due to changes in non-cash working capital items
- Free Cash Flow <sup>(2)</sup> was \$11.1 million for the year ended December 31, 2025 compared to \$183.7 million for the same period in 2024, representing a decrease of \$172.6 million due to higher purchases of property, plant and equipment and lower cash generated from operating activities due to changes in non-cash working capital items.
- Diluted EPS for the year ended December 31, 2025 was \$5.24 compared to \$6.68 for the same period in 2024.
- Adjusted EPS <sup>(2)</sup> for the year month period ended December 31, 2025 was \$4.45 compared to \$5.32 for the same period in 2024.

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

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

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**Revenue**

Total revenue for the year ended December 31, 2025 was \$992.7 million, compared to \$1,000.8 million for the same period in 2024, representing a decrease of \$8.1 million or 0.8%. The decrease in revenue drove a decrease in gross margin to 20.0% in 2025 from 22.6% in 2024. The decrease in revenue is primarily due to a decrease of \$26.1 million in fuel surcharge and other revenues, partially offset by an increase of \$16.5 million in domestic network, ACMI and charter revenue, and a decrease of \$1.5 million in amortization of stock warrant contract assets and compared to the same period in 2024.

The following table presents information about the Company’s revenue for the years ended December 31, 2025 and 2024:

(Canadian dollars in millions)	Years Ended		CHANGE	
	December 31,		\$	%
	2025	2024		
	(audited)	(audited)		
Domestic network revenues	<b>\$426.9</b>	\$375.9	\$51.0	13.6%
ACMI revenues	<b>241.1</b>	293.9	(52.8)	(18.0%)
All-in charter revenues	<b>176.9</b>	158.6	18.3	11.5%
Total domestic network, ACMI and charter	<b>844.9</b>	828.4	16.5	2.0%
Fuel surcharge and other revenues	<b>167.4</b>	193.5	(26.1)	(13.5%)
Amortization of stock warrant contract assets	<b>(19.6)</b>	(21.1)	1.5	(7.1%)
<b>Total revenues</b>	<b>992.7</b>	1,000.8	(8.1)	(0.8%)

Revenue related to the domestic network business for the year ended December 31, 2025 was \$426.9 million compared to \$375.9 million for the same period in 2024, an increase of \$51.0 million or 13.6%. The increase was due primarily to an increase in e-commerce and B2B volumes during the period, and consumer price index increases for contractual customers. The Company has relied on periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes, where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI revenues for the year ended December 31, 2025 were \$241.1 million compared to \$293.9 million for the same period in 2024, a decrease of \$52.8 million or 18.0%. The decrease was primarily due to the redeployment of aircraft from long distance routes of Asia and Europe to certain South American routes.

All-in charter revenues for the year ended December 31, 2025 were \$176.9 million compared to \$158.6 million for the same period in 2024, an increase of \$18.3 million or 11.5%. The increase in revenue was primarily due to the scheduled charter services between China and Canada that started from the second quarter of 2024, as well as an increase from new charter opportunities.

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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 \$167.4 million for the year ended December 31, 2025 compared to \$193.5 million for the same period in 2024, representing a decrease of \$26.1 million or 13.5%. The decrease is primarily due to a decrease of \$21.8 million in fuel surcharges and other cost pass-through revenues to ACMI customers and a decrease of \$4.3 million in other revenue. Fuel surcharges passed on to customers are based on the index published by Statistics Canada which lag current market rates by two months.

Amortization of stock warrant contract assets, a charge against revenue, was \$19.6 million for the year ended December 31, 2025 compared to \$21.1 million for the same period in 2024, a decrease of \$1.5 million or 7.1%. Amortization is proportional to paid qualified spend during the period, subject to adjustment from time to time based on revised estimates.

**Direct Expenses**

Total direct expenses were \$793.8 million for the year ended December 31, 2025 compared to \$775.0 million for the same period in 2024, representing an increase of \$18.8 million or 2.4%. See below for separate discussion of the notable components of the year-over-year change in direct expenses.

The following table presents information about the Company’s direct expenses for the years ended December 31, 2025 and 2024:

(Canadian dollars in millions)	Years Ended		CHANGE	
	December 31,		\$	%
	2025	2024		
	(audited)	(audited)		
Fuel costs	212.8	220.7	(7.9)	(3.6%)
Depreciation	158.9	145.1	13.8	9.5%
Aircraft cost	21.2	19.0	2.2	11.6%
Heavy maintenance amortization	26.5	18.2	8.3	45.6%
Maintenance cost	83.3	79.4	3.9	4.9%
Crew costs	107.7	117.9	(10.2)	(8.7%)
Ground services	89.3	85.0	4.3	5.1%
Airport services	45.4	42.8	2.6	6.1%
Navigation and insurance	48.7	46.9	1.8	3.8%
<b>Total direct expenses</b>	<b>793.8</b>	<b>775.0</b>	<b>18.8</b>	<b>2.4%</b>

Fuel costs were \$212.8 million for the year ended December 31, 2025 compared to \$220.7 million for the same period in 2024. The \$7.9 million or 3.6% decrease in fuel costs was due primarily to a 4% decrease in fuel prices, partially offset by an increase in fuel pass-through costs incurred with providing CMI and ACMI services. Any changes in fuel costs experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges or ad hoc rates.

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Depreciation expense was \$158.9 million for the year ended December 31, 2025 compared to \$145.1 million for the same period in 2024, an increase of \$13.8 million or 9.5%. The increase is primarily due to adjustment in the prior year based on revised estimates.

Aircraft costs were \$21.2 million for the year ended December 31, 2025 compared to \$19.0 million for the same period in 2024, representing an increase of \$2.2 million or 11.6%. The increase was primarily due to an increase in temporary sub-charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were \$26.5 million for the year ended December 31, 2025 compared to \$18.2 million for the same period in 2024, representing an increase of \$8.3 million or 45.6% 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 \$83.3 million for the year ended December 31, 2025 compared to \$79.4 million for the same period in 2024, representing an increase of \$3.9 million or 4.9%. This increase was due to increase in periodic line maintenance and the hiring of additional maintenance personnel.

Crew costs including salaries, training and positioning were \$107.7 million for the year ended December 31, 2025 compared to \$117.9 million for the same period in 2024, representing a decrease of \$10.2 million or 8.7%. The decrease was primarily related to an adjustment in share-based crew incentives costs due to changes in the Company's share price and lower overtime costs in the current period compared to 2024.

Ground services costs were \$89.3 million for the year ended December 31, 2025 compared to \$85.0 million for the same period in 2024, representing an increase of \$4.3 million or 5.1%. This increase was due primarily to increase in payroll costs, partially offset by a decrease in ground handling costs.

Airport services costs were \$45.4 million for the year ended December 31, 2025 compared to \$42.8 million for the same period in 2024, representing an increase of \$2.6 million or 6.1%. The increase was primarily driven by higher deicing costs due to increased adverse weather conditions.

Navigation and insurance were \$48.7 million for the year ended December 31, 2025 compared to \$46.9 million for the same period in 2024, representing an increase of \$1.8 million or 3.8%. This increase was primarily due to increase in insurance rates.

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

(Canadian dollars in millions)	Years Ended		CHANGE	
	2025	2024	\$	%
	(audited)	(audited)		
Selling, general and administrative expenses	83.4	90.6	(7.2)	(7.9%)

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SG&A expenses for the year ended December 31, 2025 were \$83.4 million compared to \$90.6 million for the same period in 2024, representing a decrease of \$7.2 million or 7.9%. This decrease was primarily due to \$5.5 million decrease in salaries and benefits, a \$3.0 million increase in realized foreign exchange gain, partially offset by a \$1.3 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, 2025 were a net cost of \$23.1 million compared to a net gain of \$2.1 million for the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in net finance costs and other gains and losses.

(Canadian dollars in millions)	Years Ended December 31,		CHANGE	
	2025 (audited)	2024 (audited)	\$	%
Fair value decrease on stock warrants	(46.3)	(47.2)	0.9	1.9%
Loss (gain) on swap derivative	13.5	(3.3)	16.8	509.1%
Finance costs	49.7	56.8	(7.1)	(12.5%)
Other loss (gain), net	6.2	(8.4)	14.6	173.8%
<b>Total net finance costs and other gains and</b>	<b>23.1</b>	<b>(2.1)</b>	<b>25.2</b>	<b>1200.0%</b>

Fair value adjustment on stock warrants

Fair value adjustment on stock warrants for the year ended December 31, 2025 was a gain of \$46.3 million compared to a gain of \$47.2 million for the same period in 2024. The change in the fair value adjustment of stock warrants was primarily due to the change in the Company’s share price.

Gain or loss on swap derivatives

Loss on swap derivatives for the year ended December 31, 2025 was \$13.5 million compared to gain of \$3.3 million for the same period in 2024. The change was primarily due to the change in the Company’s share price.

Finance costs

Finance costs for the year ended December 31, 2025 were \$49.7 million compared to \$56.8 million for the same period in 2024, representing a decrease of \$7.1 million or 12.5%. The decrease was primarily due to decrease in the interest rates compared to 2024.

Other loss (gain), net

Other loss, net for the year ended December 31, 2025 was \$6.2 million, which consists of a \$7.0 fair value write-down of assets held for sale, a \$0.6 million unrealized foreign exchange gain, and a \$1.0 million gain on disposal of property, plant and equipment, and a \$0.8 million loss on extinguishment of debt.

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

**Share of Income in Associate**

(Canadian dollars in millions)	Years Ended		CHANGE	
	December 31,		\$	%
	2025	2024		
	(audited)	(audited)		
<b>Share of income in associate</b>	<b>(2.2)</b>	<b>(0.4)</b>	<b>(1.8)</b>	<b>(450.0%)</b>

Share of income in associate for the year ended December 31, 2025 was \$2.2 million (2024 – income of \$0.4 million), which represents the company’s share of income from investment in an associate.

**Net Earnings**

Net earnings for the year ended December 31, 2025 was \$80.2 million compared to \$108.4 million for the same period in 2024, a decrease of \$28.2 million or 26.0%. The decrease in net earnings was primarily due to a decrease in gross margin of \$26.9 million, and \$25.2 million increase in net finance costs and other gains and losses, partially offset by a decrease of \$14.9 million in tax provision, and \$7.2 million decrease in SG&A expenses, and an increase of \$1.8 million in share of income in associate.

**Current Income Taxes**

No provision for current income taxes was made for the year ended December 31, 2025 and 2024, due to the current income tax losses and carry forward of losses from prior years.

**Deferred Income Taxes**

The deferred income taxes for the year ended December 31, 2025 was a provision of \$14.4 million compared to \$29.3 million for the same period in 2024. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

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

Adjusted EBITDA for the year ended December 31, 2025 was \$326.4 million compared to \$331.4 million for the same period in 2024. The decrease in Adjusted EBITDA of \$5.0 million is primarily due to a decrease of \$9.6 million in revenues excluding amortization of stock warrant contract assets, partially offset by a decrease of \$3.3 million in direct expenses excluding depreciation and amortization, and a decrease of \$1.3 million in selling, general and administrative expenses excluding share-based compensation.

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

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#### 11. YEAR TO DATE DIVIDENDS

Total dividends declared for the year ended December 31, 2025 were \$21.2 million or \$1.4000 per share. In comparison, total dividends declared for the year ended December 31, 2024 were \$21.4 million or \$1.3292 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
March 20, 2025	April 04, 2025	5,431,622	15,518,921	0.35	5,431,622
June 20, 2025	July 04, 2025	5,280,559	15,087,310	0.35	5,280,559
September 19, 2025	October 03, 2025	5,280,720	15,087,771	0.35	5,280,720
December 20, 2025	January 02, 2026	5,214,663	14,899,038	0.35	-
		21,207,564		1.40	15,992,901

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

#### 12. 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 \$234.6 million for the year ended December 31, 2025 (2024 – \$328.6 million). The \$94.0 million decrease in cash generated was due primarily to changes in non-cash working capital items.

Cash used in investing activities during the year ended December 31, 2025 was \$349.6 million and was comprised of property, plant and equipment purchases of \$336.1 million, and deposits on property, plant and equipment of \$22.6 million, partially offset by proceeds from disposal of \$9.1 million. Cash used in investing activities during the year ended December 31, 2024 was \$142.7 million and was comprised of property, plant and equipment additions of \$250.0 million, partially offset by proceeds from the disposal of property, plant and equipment of \$105.1 million and repayment of long-term loans receivable \$2.2 million.

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Cash provided by financing activities during the year ended December 31, 2025 was \$120.2 million and was comprised of proceeds from issuance of debentures of \$248.3 million and proceeds from financial liability of \$103.5 million, partially offset by share buyback of \$86.6 million, repayment of borrowings of \$22.7 million, repayment of obligations under lease and financial liabilities of \$36.7 million, and dividends paid to shareholders of \$16.0 million. Cash used in financing activities during the year ended December 31, 2024 was \$216.2 million and was comprised of redemption of debentures 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.

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

Free cash flow was \$11.1 million for the year ended December 31, 2025 compared to \$183.7 million for the same period in 2024. The decrease in free cash flow was due primarily to higher capital expenditures and lower cash from operating activities due to changes in non-cash working capital items.

### **Capital Expenditures**

The property, plant and equipment purchases of \$336.1 million in the year ended December 31, 2025 were primarily comprised of additions to property, plant and equipment under development and rotatable spare parts. Out of \$336.1 million capital expenditures, \$222.1 million was due to maintenance capital expenditure<sup>(1)</sup> and \$114.0 million was due to growth capital expenditure<sup>(1)</sup>.

The property, plant and equipment purchases of \$250.0 million in the year ended December 31, 2024 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotatable spares. Out of \$250.0 million capital expenditures, \$146.6 million was due to maintenance capital expenditure<sup>(1)</sup> and \$103.4 million was due to growth capital expenditure<sup>(1)</sup>.

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

## **13. 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 Accounting Standards 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 Accounting Standards as indicators of the Company's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

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### 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, fair value write-down of assets held for sale and property, plant and equipment, fair value increase or decrease on stock warrant, amortization of stock warrant contract assets, gain or loss on fair value or settlement of swap derivatives, unrealized foreign exchange gains or losses, gains or losses on settlement of debts, share of income 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.

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

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

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

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

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

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

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

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

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**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 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 income 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:

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(Unaudited - Canadian dollars in millions, except where indicated)	Three Month Periods Ended		Years Ended	
	December 31,		December 31,	
	2025	2024	2025	2024
<b>Calculation of EBITDA and Adjusted EBITDA</b>	\$	\$	\$	\$
Net earnings	26.6	71.2	80.2	108.4
Add:				
Interest	11.7	13.6	49.7	56.8
Provision of deferred taxes	6.3	6.1	14.4	29.3
Depreciation of property, plant and equipment	51.9	41.5	187.1	165.1
<b>EBITDA</b>	<b>96.5</b>	<b>132.4</b>	<b>331.4</b>	<b>359.6</b>
Add:				
Share-based compensation	-	(4.4)	3.3	9.7
Gain on disposal of property, plant and equipment	(0.1)	-	(1.0)	(17.4)
Fair value write-down of assets held for sale and property, plant and equipment	-	1.5	7.0	2.6
Fair value adjustment on warrant valuation and amortization of stock warrant contract assets	(8.7)	(61.8)	(26.7)	(26.1)
Loss (gain) on swap derivative	4.6	18.2	13.5	(3.3)
Unrealized foreign exchange loss (gain)	1.3	4.6	(0.6)	6.0
Loss on extinguishment of debts	0.8	0.4	0.8	0.4
Share of (income) loss in associate	(0.1)	0.5	(2.2)	(0.4)
Employee pension	0.7	0.3	0.9	0.3
<b>Adjusted EBITDA</b>	<b>95.0</b>	<b>91.7</b>	<b>326.4</b>	<b>331.4</b>
Revenue	284.7	293.2	992.7	1,000.8
<b>Adjusted EBITDA margin</b>	<b>33.4%</b>	<b>31.3%</b>	<b>32.9%</b>	<b>33.1%</b>

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### Free Cash Flow

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

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

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

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

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

(Unaudited - Canadian dollars in millions)	Three Month Periods Ended		Years Ended	
	December 31,		December 31,	
	2025	2024	2025	2024
<b>Calculation of Free Cash Flow</b>	\$	\$	\$	\$
Net cash from operating activities	34.1	103.6	234.6	328.6
Purchase of property, plant and equipment <sup>(1)</sup>	(47.5)	(136.9)	(336.1)	(250.0)
Proceeds from disposal of property, plant and equipment and assets held for sale	3.6	-	112.6	105.1
<b>Free cash flow</b>	<b>(9.8)</b>	<b>(33.3)</b>	<b>11.1</b>	<b>183.7</b>

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

(Unaudited - Canadian dollars in millions)	Three Month Periods Ended		Years Ended	
	December 31,		December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Maintenance capital expenditures	39.4	92.7	222.1	146.6
Growth capital expenditures	8.1	44.2	114.0	103.4
<b>Purchase of property, plant and equipment</b>	<b>47.5</b>	<b>136.9</b>	<b>336.1</b>	<b>250.0</b>

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**Adjusted Net Earnings and Adjusted Net Earnings Per Share**

“Adjusted net earnings” and “Adjusted net earnings per share” (“Adjusted EPS”) are used to assess the overall financial performance of its business. Adjusted net earnings and adjusted EPS are defined as net earnings and net earnings per basic share excluding fair value write-down of assets held for sale and property, plant and equipment, fair value increase or decrease on stock warrant, amortization of stock warrant contract assets, gain or loss on swap derivatives, and unrealized foreign exchange gain or loss, as well as the tax impact of these adjustments where applicable. These items are excluded as they may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

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		Years Ended	
	December 31,		December 31,	
	2025	2024	2025	2024
<b>Calculation of Adjusted Earnings and Adjusted EPS</b>	\$	\$	\$	\$
<b>Net earnings</b>	26.6	71.2	80.2	108.4
Add:				
Fair value write-down of assets held for sale and property, plant and equipment	-	1.5	7.0	2.6
Fair value adjustment on stock warrant and amortization of stock warrant contract assets	(8.7)	(61.8)	(26.7)	(26.1)
Loss (gain) on swap derivative	4.6	18.2	13.5	(3.3)
Unrealized foreign exchange loss (gain)	1.3	4.6	(0.6)	6.0
Tax impact on items listed above	(1.6)	(6.5)	(5.3)	(1.4)
<b>Adjusted net earnings</b>	<b>22.2</b>	<b>27.2</b>	<b>68.1</b>	<b>86.2</b>
<b>Weighted average number of shares - basic (in millions of shares)</b>	<b>15.1</b>	<b>15.9</b>	<b>15.3</b>	<b>16.2</b>
<b>Adjusted EPS</b>	<b>1.47</b>	<b>1.71</b>	<b>4.45</b>	<b>5.32</b>

**Return on Invested Capital**

“Return on Invested Capital” (“ROIC”) is defined as net operating income after tax, divided by the average invested capital. Net operating income after tax is calculated as the trailing twelve months (“TTM”) of operating income, after tax using the statutory tax rate of the Company. Average invested capital is calculated as the total of equity, debentures, borrowings, non-current lease liabilities, net of cash, property, plant and equipment under development (See Note 8 in Financial Statements on Property Plant and Equipment) and assets held for sale, averaged between the beginning and ending balance over the TTM period. Invested capital related to property, plant and equipment under development and assets held for sale are not used in generating revenue, therefore, excluded from the invested capital calculation.

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.

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

Calculation of Return on Invested Capital	TTM Periods Ended December 31,	
	2025	2024
	\$	\$
<b>Gross margin</b>	<b>198.9</b>	<b>225.8</b>
Selling, general and administrative expenses	<b>83.4</b>	90.6
<b>Operating income</b>	<b>115.5</b>	135.2
Taxes @ 26.5%	<b>30.6</b>	35.8
<b>Net operating profit after tax ("NOPAT")</b>	<b>84.9</b>	99.4
<b>Invested capital, end of period</b>		
Equity	<b>742.4</b>	737.7
Debentures	<b>248.4</b>	113.5
Borrowings	<b>560.8</b>	538.1
Non-current lease liabilities	<b>159.7</b>	84.4
Cash	<b>(6.7)</b>	(1.5)
Property, plant and equipment under development	<b>(84.2)</b>	(149.3)
	<b>1,620.4</b>	<b>1,322.9</b>
<b>Invested capital, beginning of period</b>		
Equity	<b>737.7</b>	784.5
Debentures	<b>113.5</b>	226.2
Borrowings	<b>538.1</b>	454.0
Non-current lease liabilities	<b>84.4</b>	96.2
Cash	<b>(1.5)</b>	(31.8)
Property, plant and equipment under development	<b>(149.3)</b>	(72.8)
Assets held for sale	-	(115.9)
	<b>1,322.9</b>	<b>1,340.4</b>
<b>Average invested capital</b>	<b>1,471.7</b>	<b>1,331.6</b>
<b>Return on invested capital</b>	<b>5.8%</b>	<b>7.5%</b>

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**Net Debt to Adjusted EBITDA Leverage Ratio**

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

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

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

	December 31, 2025	December 31, 2024
<b><u>Calculation of Net Debt to Adjusted EBITDA Leverage ratio</u></b>		
	\$	\$
Borrowing	560.8	538.1
Debentures	248.4	113.5
Lease and financial liabilities	185.4	103.5
<b>Total</b>	<b>994.6</b>	<b>755.1</b>
Less: Cash	(6.7)	(1.5)
<b>Net debt</b>	<b>987.9</b>	<b>753.6</b>
<b>Adjusted EBITDA (TTM period)</b>	<b>326.4</b>	<b>331.4</b>
<b>Net debt to adjusted EBITDA leverage ratio</b>	<b>3.0</b>	<b>2.3</b>

**14. FINANCIAL CONDITION**

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

**Trade and Other Receivables**

Trade and other receivables as at December 31, 2025 amounted to \$123.9 million compared to \$103.1 million as at December 31, 2024. The increase of \$20.8 million was primarily due to receivable of \$12.0 million from insurance related to aircraft incident and \$9.5 million from one of its customers for the betterment of aircraft engines, landing gears and heavy maintenance.

**Notes Receivable**

Notes receivable as at December 31, 2025 were \$63.8 million. No notes receivable was recognized as at December 31, 2024. In 2025, the Company received notes receivable for the sale of two aircraft. Cash payments for the notes receivable and accrued interest were received on January 9, 2026. The Company used a portion of the payment to repay the Credit Facility, which improved the Company’s leverage ratio.

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Property, Plant and Equipment

As at December 31, 2025, property, plant and equipment were \$1,724.5 million compared to \$1,651.1 million as at December 31, 2024. The \$73.4 million net increase in property, plant and equipment was due to net addition of \$327.0 million in property plant and equipment, partially offset by depreciation of \$187.2 million and transfer of \$76.0 million to assets held for sale.

Trade and Other Payables

Trade and other payables as at December 31, 2025 were \$105.9 million compared to \$143.9 million as at December 31, 2024. The decrease of \$38.0 million was primarily due to the \$33.4 million recognized for voting shares repurchased under ASPP as at December 31, 2024 and cleared in the first quarter of 2025 and timing of the supplier payments.

Lease Liabilities

The lease liabilities are in respect of the lease of two B767-300, one B767-200 aircraft, hangars and warehouses. Total leases including the current portion were \$185.4 million as at December 31, 2025 compared to \$103.5 million as at December 31, 2024. The change was due to the scheduled monthly repayments made during the year ended December 31, 2025.

Financial Liabilities

The lease liabilities are in respect of the sale and leaseback of two B767-300 aircraft in 2025. Due to the buyback options embedded in the respective leases, the control of assets was not transferred and as a result the requirements of IFRS 15 to be accounted for an asset sale are not met. The assets continued to be depreciated over their useful life. The liability is accounted for under IFRS 9. As at December 31, 2025, the total outstanding balance for these lease arrangements including the current portion was \$100.0 million. No such transaction was in 2024.

**15. SUMMARY OF CONTRACTUAL OBLIGATIONS**

As at December 31, 2025 (Canadian dollars in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Borrowings and debentures	-	-	809.2	-	809.2
Lease and financial liabilities	25.7	23.2	130.1	6.4	185.4
Derivative financial instruments	34.2	-	-	-	34.2
Interest on leases	9.4	7.8	15.6	0.8	33.6
Interest on debentures	11.8	11.8	29.7	-	53.3
Trade and other payables	105.9	-	-	-	105.9
Share-based compensation	17.3	2.2	7.9	2.6	30.0
	204.3	45.0	992.5	9.8	1,251.6

# CARGOJET INC.

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### 16. QUARTERLY FINANCIAL DATA

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

	Three Month Periods Ended							
	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024
Revenues	\$284.7	\$219.9	\$238.2	\$249.9	\$293.2	\$245.6	\$230.8	\$231.2
Net earnings (loss)	26.6	8.8	(3.2)	48.0	71.2	29.7	(25.0)	32.5
Adjusted net earnings <sup>(1)</sup>	22.2	4.9	15.7	25.3	27.2	23.6	7.1	28.3
Earnings (loss) per Share								
- Basic	1.76	0.58	(0.21)	3.07	4.49	1.85	(1.53)	1.94
- Diluted	1.76	0.58	(0.21)	2.87	4.28	1.78	(1.53)	1.84
- Adjusted <sup>(1)</sup>	1.47	0.32	1.02	1.62	1.71	1.48	0.43	1.69
Adjusted EBITDA <sup>(1)</sup>	95.0	70.4	80.2	80.8	91.7	82.2	79.1	78.4

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

### 17. FINANCIAL INSTRUMENTS

#### Total Return Swap

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

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

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

As at December 31, 2025, the fair value measurement of the 5,736 and 567,934 underlying shares under the swap agreements in effect was a liability of \$34.2 million (December 31, 2024 – liability of \$20.7 million). The fair value adjustment for the year ended December 31, 2025 was a loss of \$0.1 million for the 5,736 share units (2024 – loss of \$10.0 million), and a loss of \$13.4 million for the 567,934 share units (2024 – gain of \$0.4 million).

The fair value of the total return swap is classified as level 2 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 \$9.6 million and a decrease of 20% in the share price will result in a loss of the same amount.

# **CARGOJET INC.**

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#### **Fair Values**

As at December 31, 2025, the fair value of the 4.60% debentures due June 30, 2030 was approximately \$235.5 million (December 31, 2024 – \$110.4 million). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 6.0%. The discount rate is determined by using the government of Canada's benchmark bond rate adjusted for the Company's specific credit risk. The debentures are categorized as Level 3 under the fair value hierarchy. An increase or decrease of 10% in the discount rate used for valuation of the debentures will decrease or increase the fair value by \$5.4 million respectively.

The fair value of the performance share units due March 15, 2026, March 15, 2027 and March 15, 2028 are classified as Level 3 financial liabilities. As at December 31, 2025, the performance share units due March 15, 2026, March 15, 2027, and March 15, 2028, were valued at \$2.3 million, \$2.9 million and \$4.4 million respectively (December 31, 2024 – March 15, 2026, at \$3.5 million and March 15, 2027, at \$4.7 million). The Company used an option pricing model utilizing Monte Carlo simulation to value the TSR-PSUs and analytically valued the ROIC-PSUs at inception and on subsequent valuation dates. The discount rate was determined by using the Canadian deposit and swap rates adjusted for the Company's specific credit risk. Other significant inputs consisted of historical volatility and dividend rates.

The fair value of the warrant obligations was \$33.2 million as at December 31, 2025 (December 31, 2024 – \$62.9 million). On August 6, 2025, the Company renewed its strategic agreement with DHL Network Operations (USA) Inc. until March 31, 2033. In addition, to align interests and strengthen the long-term strategic relationship, Cargojet terminated the warrants to acquire 1,645,000 voting shares issued to DHL in March 2022 and issued new warrants on August 6, 2025, to acquire up to 1,000,000 of the Company's outstanding voting shares. Under IFRS 15.21, the modification was treated as continuation of the existing contract and not a separate contract. The fair value of the new warrants was determined on August 6, 2025, and the change in value of \$16.6 million was added to the warrant obligations with corresponding adjustment to the value of the contract asset. The warrants including Amazon warrants were revalued as at December 31, 2025. The revaluation resulted in a gain of \$46.3 million for the year ended December 31, 2025 (2024 – gain of \$47.2 million). The warrants were classified as Level 3 derivative liabilities that are valued using an American option pricing model utilizing Monte Carlo simulation. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. Significant unobservable inputs for the Amazon warrant obligation include volatility of the Company's common shares of 30.2% for tranche I and forecasted revenues from Amazon associated with this arrangement utilized to predict future vesting events. Other inputs include a risk-free rate of 2.3% and a dividend yield of 1.2%. Significant unobservable inputs for the DHL warrant obligation include volatility of the Company's common shares of 38.5% for tranche I and 38.5% 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 3.1% and a dividend yield of 1.4%.

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

For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of the Amazon warrants will increase by \$0.4 million and decrease by \$0.4 million. For every increase or decrease of the total forecasted revenue by 20% with all other factors remaining the same, the estimated fair value of Amazon warrants will increase or decrease by \$0.2 million.

For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of the DHL warrants will increase by \$2.7 million and decrease by \$2.9 million. For every increase or decrease of the total forecasted revenue by 20% with all other factors remaining the same, the estimated fair value of DHL warrants will increase by \$0.3 million or decrease by \$7.3 million.

The fair value of borrowings approximates their carrying value.

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

## **18. 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.

# **CARGOJET INC.**

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(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 \$1.2 million as at December 31, 2025. The other guarantees are provided to financial institutions as security for its corporate credit cards, and to a number of vendors as a security for the Company's ongoing leases and purchases.

### **19. RELATED PARTY TRANSACTIONS**

#### Head Office

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

During the year ended December 31, 2025, the Company made lease payments of \$1.1 million (2024 – \$1.1 million), out of which \$0.7 million (2024 – \$0.6 million) was adjusted towards principal payments against the liability and \$0.4 million (2024 – \$0.5 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, 2025, the Company had a liability of \$6.5 million (December 31, 2024 – \$7.1 million) due under the lease.

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#### Investment in Associate

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

The Company also leased two Boeing 767-200 aircraft to 21 Air in October 2019 and January 2021 respectively. Both leases will expire in May 2027.

## **20. 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 73% of Fiscal 2025 revenues of Cargojet and Cargojet's top three customers represented 54% of Cargojet's Fiscal 2025 revenues. The loss of any one of these contracts 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.

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In 2014, Cargojet was awarded the domestic air cargo network services contract and signed the Master Services Agreement (the "MSA") with Canada Post Group of Companies including Purolator Inc. (collectively, the "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.

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### **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 Warranholder, 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 2025 DHL Warrants to the DHL Warranholder, with vesting tied to the delivery by DHL of up to US\$2.3 billion in business volumes over eight years.

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If, as a result of Amazon or DHL meeting its respective business volume requirements and pursuant to the Amazon Warrants and 2025 DHL Warrants, as applicable, Amazon or DHL exercises their right to acquire variable 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 variable voting shares issuable upon the exercise of the Amazon Warrants or 2025 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.

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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 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.

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### Environmental, Social and Governance (“ESG”) Matters

Cargojet faces certain 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, 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. Changing regulatory expectations as well as continuing reforms pertaining to mandatory ESG-related disclosure may also create a new and evolving set of compliance risks. Cargojet is subject to reporting expectations which 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.

### 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.

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### **Insurance Coverage and Cost**

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.

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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 sixteen B757-200 aircraft, sixteen B767-300 aircraft, and two B767-200 aircraft. In addition, the Company leases and operates six B767-300 aircraft and one B767-200. Cargojet also owns two B767-200 aircraft and one B757-200 that are leased to a related party. Further, the Company owns one B767-300 aircraft currently undergoing conversion, with expected delivery in 2026. Two B767-200 aircraft and one B757-200 are held as feedstock for potential future conversion. Cargojet owns one Cessna 750 and one B767-200 and one B757-200 passenger aircraft, each operating under charter agreements with a third party.

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 some expenses would remain unchanged.

### **Fuel Prices and Availability**

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.

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### **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 2025, Cargojet had a net cash flow exposure to the United States dollar of approximately USD \$4.2 million and to the Euro of approximately €1.5 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.

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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 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 ("ALPA") 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; accordingly, contract renegotiations with began in 2025.

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The commercial aviation industry continues to see upward pressure on wages from pilot unions seeking increased compensation in collective bargaining negotiations. Recent agreements concluded in both the United States and Canada have resulted in certain precedents that may or may not be relevant to the ongoing collective bargaining process at Cargojet and could contribute to upward pressure on labour costs. There can be no assurance that Cargojet will be able to maintain labour costs under a renegotiated contract at levels that do not adversely affect Cargojet's business, operating results and financial position.

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, U.S. 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, including the imposition of (or threats to impose) tariffs, and other meaningful changes to Canadian and U.S. trade policies. For example, renegotiation of the U.S.-Mexico-Canada Agreement ("USMCA") and 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, a decline in stock market prices, reduced investor and consumer confidence, and disruption to global supply chains.

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.

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

The directors and officers of Cargojet directly or indirectly hold in aggregate 362,396 Voting Shares, or approximately 2.4% of the outstanding Voting Shares on a non-diluted basis. If the directors and officers of Cargojet sell 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.

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### **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 terrorist 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.

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

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in Cargojet's operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness Cargojet may incur or securities Cargojet may issue in the future;
- short sales, hedging and other derivative transactions in Cargojet's Voting Shares;
- litigation or regulatory action against Cargojet;
- investors' general perception of Cargojet and the public's reaction to Cargojet's press releases, other public announcements and filings with Canadian securities regulators, including financial statements;
- publication of research reports or news stories about Cargojet, Cargojet's 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 Cargojet's 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 Cargojet or competitors; and
- the other risk factors described in this section of this MD&A.

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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 Cargojet’s 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 Cargojet’s 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, Cargojet’s 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 Cargojet’s Voting Shares. Hence, the price of Cargojet’s 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.

## **21. 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, 2025:

<b>Capital</b>	<b>Authorized/ Principal</b>	<b>Outstanding number of shares</b>
Common Voting Shares	Unlimited	13,974,965
Variable Voting Shares	Unlimited	924,073
<b>Total Common and Variable Voting Shares</b>		<b>14,899,038</b>

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

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

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.

## 22. 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.

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

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

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

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

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

### *Lease Liabilities*

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

### *Deferred taxes*

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

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### *Stock warrants*

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

### **23. 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 Accounting Standards.

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, 2025 by management. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal controls over financial reporting of the Company are effective. This MD&A was reviewed by the Disclosure Officers of the Company (individuals authorized to communicate with the public about information concerning the Company), the Audit Committee and the Board of Directors of the Company, all of whom approved it prior to its publication.