



# ANNUAL REPORT 2025

LETTER TO SHAREHOLDERS

## **TWO CRITICAL PRIORITIES: ADVANCE OPERATIONAL EXCELLENCE AND SECURE NEW BUSINESS IN THE DEFENCE SECTOR AS GOVERNMENTS INCREASE GDP DEFENCE SPEND.**

The worldwide aerospace and defence industry experienced an element of stability in 2025. While demand remained strong, the year was marked with an ever-present uncertainty surrounding global trade policy and tariffs. Despite these external pressures, the resilience of the aerospace and defence markets have enhanced the aerospace and defence industries position when compared to adjacent industries. When combined with the sustained demand from the commercial aircraft market, there is a sense of optimism.

Supply chain resilience remains challenging, and as demand increases, weaknesses within the global supply networks are being tested. At the same time, access to, and the retention of, skilled labour continues to be a strategic priority, requiring focused attention.

Against this backdrop, Magellan ended 2025 with \$1,044.7 million in revenue, which increased 10.9% as compared to \$942.4 million in revenue in 2024. Net income in 2025 was \$39.4 million, an improvement of \$3.9 million, or 11.1%, when compared to 2024 levels.

Magellan's primary objectives in 2026 are based on two critical priorities: (i) advancing operational excellence and (ii) securing new business with a focus on the defence sector as government's increase GDP defence spend. Operational excellence establishes reliability, and reliability is a discriminator used by our customers, influencing where long-term work packages are located within the supply chain. Magellan is committed to strengthening our execution to ensure we remain a trusted and preferred partner.

Meaningful opportunities have been recognized across our operational product areas over the past year, and more continue to be identified. With increasing production rates for commercial aircraft, an expected significant increase in all aspects of defence activity, and a strong outlook in the space sector, the outlook is optimistic in terms of new opportunities.

Global economic trends have dominated the headlines in 2025 and there is every indication similar volatility will continue into 2026. The destabilization of traditional trading partners and supply chains has initiated a reassessment of sourcing options, with the intent of moving towards new supply chain relationships that improve stability and resilience within the global market place. Magellan's ability to maneuver within this very dynamic environment has been demonstrated throughout 2025 as tariffs and trade regulations have been modified with great frequency.

As we enter 2026, the industry outlook remains one of caution, in spite of all of the demand related tailwinds. Recent military events in the Middle East have the potential to disrupt the aerospace industry through significant airspace closures and flight cancellations. It remains to be seen how much these events will continue to affect the industry, and the global economy, especially if the conflict is prolonged.

On behalf of Magellan's Board of Directors and executive team, I extend my sincere appreciation to our employees and shareholders for their continued support as we as we move forward toward a stronger future.



**Phillip C. Underwood**  
*President and Chief Executive Officer*  
March 23, 2026

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2025 and 2024 prepared in accordance with IFRS Accounting Standards, and the Annual Information Form for the year ended December 31, 2025 (available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the year ended December 31, 2025, relative to the year ended December 31, 2024. The information contained in this report is as at March 23, 2026. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward-looking statements under the headings "Overview," "2025 and Recent Updates," "Outlook," "Results of Operations," "Liquidity and Capital Resources," "Risk Factors," "Critical Accounting Estimates" and "Future Changes in Accounting Policies." In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "forecasts," "believes," "projects," "plans," "anticipates," and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to the production performance of Magellan's assets and competition throughout the aerospace industry in 2025 and continuation of the current regulatory and tax regimes in the jurisdictions in which the Corporation operates, and necessarily involve known and unknown risks and uncertainties, including the business risks discussed in this MD&A, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Except as required by law, the Corporation does not undertake to update any forward-looking information in this document whether as to new information, future events or otherwise.

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to EBITDA (defined as earnings before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, non-operational items related to former sites and restructuring) which the Corporation considers to be indicative measures of operating performance and metrics to evaluate profitability. EBITDA and Adjusted EBITDA are not generally accepted earnings measures and should not be considered as alternative measures to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA and Adjusted EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA and Adjusted EBITDA to net income reported in accordance with IFRS are included in this MD&A.

### 1. OVERVIEW

#### A summary of Magellan's business and significant 2025 events

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, controlled entity and joint venture, Magellan engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets and complementary specialty products. The Corporation also supports the aftermarket through the supply of spare parts as well as through repair and overhaul services.

Magellan operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation. The Corporation supplies both the commercial and defence sectors of the Aerospace segment. In the commercial sector, the Corporation is active in the large commercial jet, business jet, regional aircraft, and helicopter markets. On the defence side, the Corporation provides parts and services for major military aircraft.

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Within the Aerospace segment, the Corporation has two major product groupings: aerostructures and aeroengines. Aerostructure and aeroengine products are used both in new aircraft and for spares and replacement parts.

Within the aerostructures product grouping, the Corporation supplies international customers by producing components using conventional and high-speed automated machining centres. Capabilities include precision casting of airframe-mounted components. Management believes that Magellan's dedication to technological innovation combined with low cost sourcing from emerging markets will position the Corporation to capture targeted complex assembly programs.

Within the aeroengines product grouping, the Corporation manufactures complex castings, fabricated and machined gas turbine engine components, both static and rotating, integrated nacelle components, flow path and engine exhaust systems for the world's leading aeroengine manufacturers. The Corporation also performs repair and overhaul services for jet engines and related components.

In 2025, 62% of revenues were derived from commercial markets (2024–65%, 2023–63%) while 38% of revenues related to defence markets (2024–35%, 2023–37%).

### 2025 and Recent Updates

On March 6, 2025, Magellan announced the signing of a Memorandum of Understanding with Aequus Private Limited ("Aequus") to explore the development of a business plan for setting up a 50/50 jointly-owned aerospace sand casting facility situated at the Belagavi Aerospace Cluster, in Karnataka, India. The proposed facility aims to meet the sand casting capacity demands in the growing aerospace industry and would support both commercial and defence sectors.

On April 28, 2025, Magellan announced that it signed an amendment to a long-term Revenue Sharing Agreement with GE Aerospace to include the production of major components for the F414-GE-400K aircraft engine for the Korean KF-21 aircraft program. Under the amended agreement, Magellan's facilities in Mississauga, ON and Winnipeg MB, will deliver F414 engine frames to GE Aerospace in Lynn, Massachusetts over a 7-year period as the sole source provider for the KF-21 aircraft, the US Navy spares, and the Gripen F414-39E engine programs.

On April 30, 2025, Magellan announced that it signed important agreements with Pratt & Whitney Canada, an RTX business. The contracts include a blend of contract extensions to legacy agreements and new manufacturing program awards. The complex machined components will be delivered for a period ending in 2034 from Magellan's facility located in KIADB Industrial Area Tumakuru (Tumkur), Karnataka, India.

On June 11, 2025, Magellan renewed its normal course issuer bid ("2025 NCIB") which allows the Corporation to purchase for cancellation up to 2,856,929 of its common shares during the 12-month period commencing June 13, 2025 and ending June 12, 2026, through facilities of the Toronto Stock Exchange ("TSX") or other alternative Canadian trading systems.

On June 24, 2025, the Corporation extended its \$75 million bank credit facility for an additional 2 years expiring on June 30, 2027. Refer to the "Liquidity and Capital Resources" section below for more information on the credit facility.

### Labour Matters

The Corporation employs 3,973 employees; of these, approximately 33% are unionized and are covered by collective bargaining agreements. The Corporation maintains constructive relationships with its unions and strives to achieve mutually beneficial relationships while maintaining cost competitiveness when negotiating extensions of expiry dates or renewals of the collective agreements. The Corporation is currently in negotiations regarding a number of such extensions or renewals and it expects all negotiations will result in extensions of expiry dates, renewals of the agreements, or some other mutually satisfactory agreement as applicable.

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### Financing Matters

The Corporation has a multi-currency global operating credit facility provided by a syndicate of lenders to Magellan for a maximum aggregate amount of \$75 million (the "2025 Credit Facility"). The 2025 Credit Facility also includes a \$75 million uncommitted accordion provision, which provides Magellan with the option to increase the maximum aggregate amount of the credit to \$150 million. The 2025 Credit Facility expires on June 30, 2027.

## 2. OUTLOOK

### The outlook for Magellan's business in 2026

#### *Commercial Aerospace Market*

The International Air Transport Association ("IATA") reported in a press release dated January 29, 2026 that full-year travel demand for 2025 (measured in revenue passenger kilometers or RPKs) rose 5.3% compared to 2024 and that total capacity, measured in available seat kilometers ("ASK"), was up 5.2% in 2025. The overall passenger load factor ("PLF") reached 83.6%, up 0.1% and a record for full-year traffic.

The following data on commercial aircraft backlog, orders and deliveries is extracted from Forecast International's ("FI") Flight Plan publication dated February 17, 2026 and verified with Boeing and Airbus fourth quarter results announcements.

Boeing and Airbus both closed 2025 with significant order backlogs. Airbus posted a backlog of over 8,700 aircraft and Boeing posted a backlog of over 6,700 aircraft as part of their fourth quarter results. FI reported gross orders for the 2025 year of 1,000 aircraft for Airbus, and 1,167 aircraft for Boeing. The FI report stated that Boeing's backlog represents approximately 11.4 years of deliveries based on an assumed delivery rate of 590 aircraft per year throughout the period; and that Airbus's backlog represents approximately 11.1 years based on a delivery rate projection of 790 aircraft per year throughout the period.

FI further reported Airbus deliveries of 793 aircraft in 2025, up from 766 aircraft in 2024 and that the A320 and A220 single aisle aircraft deliveries made up the majority of the 2025 deliveries totaling 700 aircraft in the year.

FI reported that Boeing delivered 600 commercial aircraft in 2025, up from 348 aircraft in 2024. Of the total deliveries in 2025, FI reported that 447 aircraft deliveries were 737s, 88 aircraft deliveries were 787s, 35 aircraft deliveries were 777s, and 30 aircraft deliveries were 767s.

#### *Defence Aerospace Market*

In the defence market, the outlook remains strong with demand continuing to provide manufacturers with secure order books. Rising geopolitical tensions have brought considerable attention to defence readiness and has therefore prompted countries to increase their defence spending. The global imperative for defence fleet modernization continues to fuel strong demand for new aircraft.

The defence market is positioned for sustained growth into 2026 and beyond in response to rising threat perceptions and geopolitical tensions. On January 29, 2026 National Defence reported in an article that global defence spending hit USD \$2.4 trillion in 2025 and is expected to reach USD \$2.6 trillion by the end of 2026, and USD \$2.9 trillion by the end of the decade, based on an analysis done by FI analysts.

Lockheed Martin announced on January 7, 2026 that it delivered 191 F-35 Lightning II fighter aircraft in 2025, up from 110 of this aircraft delivered in 2024, the highest annual total since the program's inception. The strong delivery result in 2025 was in part a result of delivering a backlog of previously completed but undeliverable jets from 2024. More than 1,300 aircraft have been delivered by the program.

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Increasing training requirements have driven greater demand for advanced training systems and dedicated trainer aircraft. Leading platforms in this segment include Boeing/Saab's T-7A Red Hawk and Korean Aerospace Industries' T-50 Golden Eagle, both powered by GE F404 engines.

### *Overall Aerospace Market Outlook Conclusion*

The overall positive outlook for the commercial and defence aerospace markets is tempered by common challenges. Global supply chain vulnerabilities tied to raw materials and skilled labor shortages remain a concern. The impact of unpredictable U.S. tariff policies further threatens supply chain stabilization through increased materials and production costs, and logistics delays. Issues with raw materials and skilled labor shortages apply equally to both the commercial and defence sectors.

### 3. SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for 2025, 2024 and 2023

Expressed in millions of dollars, except per share information	2025	2024	2023
Revenues	<b>1,044.7</b>	942.4	879.6
Net income for the year	<b>39.4</b>	35.5	9.2
Net income per common share—Basic and Diluted	<b>0.69</b>	0.62	0.16
EBITDA <sup>1</sup>	<b>103.6</b>	96.7	71.2
EBITDA <sup>1</sup> per common share—Basic and Diluted	<b>1.81</b>	1.69	1.24
Adjusted EBITDA <sup>1</sup>	<b>117.1</b>	98.3	73.0
Adjusted EBITDA <sup>1</sup> per common share—Basic and Diluted	<b>2.05</b>	1.72	1.27
Total assets	<b>1,165.8</b>	1,146.3	1,032.3
Total non-current liabilities	<b>101.8</b>	105.7	92.0

<sup>1</sup>EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 5 "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for more information.

Revenues for the year ended December 31, 2025, increased from both 2024 and 2023 levels. The increase in revenues from 2024 was primarily attributable to increased revenues in casting products, propulsion products and aeroengine and rotating engine part products and favorable foreign exchange impacts. Net income increased in 2025 from 2024 mainly due to higher gross margins from volume and price increases, partly offset by higher administrative and general expenses and higher other expenses.

During 2025, 2024 and 2023, the Corporation paid dividends on common shares amounting to \$10.0 million, \$5.7 million and \$5.7 million, respectively.

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### 4. RESULTS OF OPERATIONS

A discussion of Magellan's operating results for 2025 and 2024

Consolidated revenues for the year ended December 31, 2025 were \$1,044.7 million, a 10.9% increase from the \$942.4 million achieved in 2024. Gross profit and net income were \$144.8 million and \$39.4 million for the year ended December 31, 2025, respectively, in comparison to gross profit of \$107.9 million and net income of \$35.5 million for the year ended December 31, 2024.

#### Consolidated Revenues

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024	Change
Canada	<b>408,769</b>	357,769	14.3%
United States	<b>295,799</b>	262,645	12.6%
Europe	<b>340,114</b>	321,954	5.6%
<b>Total revenues</b>	<b>1,044,682</b>	942,368	10.9%

Revenue in Canada increased 14.3% in 2025 compared to the prior year mainly due to higher casting product revenues, increased aircraft engine part revenues and higher propulsion product revenues.

Revenue in the United States in 2025 was 12.6% higher than 2024 mainly due to increased aircraft engine revenues and favourable foreign exchange impacts resulting from the strengthening of the United States dollar relative to the Canadian dollar.

European revenue in 2025 increased 5.6% compared to the prior year primarily driven by favourable foreign exchange impacts resulting from the strengthening of the British Pound relative to the Canadian dollar.

Consolidated revenues are impacted by the fluctuation of the United States dollar and British pound against the Canadian dollar when the Corporation translates its foreign operations to Canadian dollars. Further, the fluctuation of the British pound relative to the United States dollar impacts the performance of the Corporation's European operations. If the average exchange rates for both the United States dollar and British pound experienced in 2024 remained constant in 2025, consolidated revenues for 2025 would have been lower by 1.8%.

#### Gross Profit

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024	Change
Gross profit	<b>144,805</b>	107,889	34.2%
Percentage of revenue	<b>13.9%</b>	11.4%	

Gross profit was \$144.8 million in 2025, \$36.9 million higher than the \$107.9 million of gross profit in 2024. Gross profit as a percentage of revenues of 13.9% for 2025 increased from the 11.4% recorded in 2024. The increase in profitability is mainly the result of volume increases, contract rehabilitations on certain programs and favourable product mix, offset in part by price increases on purchased materials and supplies.

#### Administrative and General Expenses

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024	Change
Administrative and general expenses	<b>65,463</b>	56,935	15.0%
Percentage of revenue	<b>6.3%</b>	6.0%	

Administrative and general expenses as a percentage of revenue were 6.3% in 2025 as compared to 6.0% in 2024. Administrative and general expenses of \$65.5 million in 2025 were \$8.6 million or 15.0% higher than \$56.9 million in the prior year due to higher employee salary and benefit costs, higher one-time employee headcount reduction initiative costs, higher travel costs and higher information technology spending.

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### Other Expense (Income)

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
Foreign exchange loss (gain)	9,668	(2,682)
Loss on disposal of property, plant and equipment	106	218
Gain on pension settlement	–	(203)
Other	13,556	1,655
<b>Other expense (income)</b>	<b>23,330</b>	<b>(1,012)</b>

Included in Other expense (income) is a foreign exchange loss of \$9.7 million in 2025 compared to a gain of \$2.7 million in the prior year. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange gain or loss recorded during the year.

Other expense (income) includes pension settlement gains of \$Nil [2024–gain of \$0.2 million] relating to the settlement of various pension obligations in conjunction with the purchase of group annuity contracts related to the Corporation's defined benefit pension plans.

Other expense (income) also includes \$13.6 million [2024–\$1.7 million] of amounts related to the Corporation's environmental obligations, specifically surrounding former sites. The 2025 amount includes an environmental provision recorded in the fourth quarter of 2025 of \$12.1 million (USD \$8.8 million) on a pre-tax basis or \$9.4 million (USD \$6.9 million) on an after-tax basis in support of potential remediation costs at a former operations site operated by a predecessor corporation prior to it being acquired by a subsidiary of the Corporation. Refer to "Risk Factors" in section 10 below.

### Interest Expense

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
Interest (income) expense on cash, bank indebtedness and long-term debt	(890)	1,541
Accretion charge on long-term debt and borrowings	790	770
Accretion charge for lease liabilities	1,778	1,580
Discount on sale of trade receivables	228	289
<b>Interest expense</b>	<b>1,906</b>	<b>4,180</b>

Total interest costs of \$1.9 million for 2025 decreased by \$2.3 million from \$4.2 million in 2024 primarily due to lower interest (income) expense on cash, bank indebtedness and long-term debt as a result of higher interest earned on cash from higher cash balances in 2025 as compared to 2024.

### Income Taxes

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
Current income tax expense	19,895	16,665
Deferred income tax recovery	(5,228)	(4,365)
<b>Income tax expense</b>	<b>14,667</b>	<b>12,300</b>
<b>Effective tax rate</b>	<b>27.1%</b>	<b>25.7%</b>

The Corporation recorded an income tax expense of \$14.7 million in 2025 on pre-tax income of \$54.1 million, representing an effective tax rate of 27.1%, compared to an income tax expense of \$12.3 million on pre-tax income of \$47.8 million, representing an effective tax rate of 25.7% in 2024.

During 2025 and 2024, the Corporation recognized investment tax credits totaling \$3.7 million and \$1.2 million, respectively, as a reduction of cost of revenues, as the Corporation has determined that it will be able to benefit from these investment tax credits. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in the mix of income and loss across the different jurisdictions in which the Corporation operates and the reversal of temporary differences.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 5. RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA

A description and reconciliation of certain non-IFRS measures used by management

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest, income taxes and depreciation and amortization) and Adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, non-operational items related to former sites and restructuring) in this MD&A. In the fourth quarter of 2025, the Corporation incurred costs and recorded a provision related to a legal action that a subsidiary of the Corporation is involved in related to the environmental remediation of a former site. Due to the magnitude of the environmental remediation provision and the fact that the Corporation has never operated at this site during its corporate history, the Corporation has adjusted its definition of Adjusted EBITDA in the fourth quarter of 2025 to include "non-operational items related to former sites" and has restated its Adjusted EBITDA for the second and fourth quarters of 2024.

The Corporation has provided these measures because it believes this information is used by certain investors to assess financial performance and that EBITDA and Adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in the various jurisdictions. Each component of these measures is calculated in accordance with IFRS, but EBITDA and Adjusted EBITDA are not recognized measures under IFRS, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, EBITDA and Adjusted EBITDA should not be used as an alternative to net income as determined in accordance with IFRS or as an alternative to cash provided by or used in operations.

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
Income before interest and income taxes	56,012	51,966
Add back:		
Depreciation and amortization	47,547	44,717
<b>EBITDA</b>	<b>103,559</b>	<b>96,683</b>
Add back:		
Non-operational items related to former sites	13,556	1,655
<b>Adjusted EBITDA</b>	<b>117,115</b>	<b>98,338</b>

Adjusted EBITDA increased \$18.8 million or 19.1% to \$117.1 million for the year ended 2025, compared to \$98.3 million in 2024 mainly as a result of gross margin improvements offset in part by higher administrative and general expenses and higher foreign exchange expense movements.

### 6. SELECTED QUARTERLY FINANCIAL INFORMATION

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars except per share information	2025				2024			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
Revenues	260.9	249.8	255.7	278.3	235.2	242.9	223.5	240.7
Income before taxes	15.0	8.7	17.4	13.0	9.2	9.9	9.3	19.4
Net income	10.8	5.4	12.7	10.5	6.3	7.5	5.8	15.9
Net income per common share								
Basic and Diluted	0.19	0.09	0.22	0.19	0.11	0.13	0.10	0.28
EBITDA <sup>1</sup>	27.3	21.1	29.8	25.4	21.7	21.9	21.5	31.6
Adjusted EBITDA <sup>1</sup>	27.3	21.1	29.8	38.9	21.7	22.7	21.5	32.4

<sup>1</sup>EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 5 "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for more information.

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Revenues and net income in the quarter were impacted by the movements of the Canadian dollar relative to the United States dollar and British pound, when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.4350 in the first quarter of 2025 and a low of 1.3488 in the first quarter of 2024. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.8573 in the third quarter of 2025 and hit a low of 1.7103 in the first quarter of 2024. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3483 in the third quarter of 2025 and hit a low of 1.2600 in the first quarter of 2025. Had exchange rates remained at levels experienced in 2024, reported revenues in 2025 would have been lower in the first, second, and third quarters of 2025 by \$12.5 million, \$3.9 million, and \$1.8 million, respectively and higher by \$1.1 million in the fourth quarter.

Since the start of 2024, the Company has seen a general, but uneven, growth trend in quarterly revenues and net income.

### 7. LIQUIDITY AND CAPITAL RESOURCES

[A discussion of Magellan's cash flow, liquidity, credit facilities and other disclosures](#)

The Corporation's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its Credit Facility and accounts receivables securitization program, and long-term debt and equity capacity. Principal uses of cash are to fund liabilities as they become due, finance capital expenditures, fund debt repayments, repurchase common shares, pay dividends and provide flexibility for new investment opportunities. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

In 2025, \$78.6 million of cash was provided by operations, \$55.1 million was used in investing activities and \$15.4 million was used in financing activities.

#### Cash Flow from Operating Activities

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
(Increase) decrease in account receivables	<b>(34,482)</b>	8,141
Decrease (increase) in contract assets	<b>22,621</b>	(10,204)
Decrease (increase) in inventories	<b>2,387</b>	(12,753)
Increase in prepaid expenses and other	<b>(429)</b>	(737)
Increase (decrease) in accounts payable, accrued liabilities and provisions	<b>19,691</b>	(11,048)
(Decrease) increase in contract liabilities	<b>(16,334)</b>	46,097
<b>Net change in non-cash working capital items</b>	<b>(6,546)</b>	19,496
<b>Net cash provided by operating activities</b>	<b>78,597</b>	99,287

The Corporation provided \$78.6 million of cash in 2025 from operating activities, compared to \$99.3 million provided in the prior year. Changes in non-cash working capital items used cash of \$6.5 million in 2025 as compared to providing \$19.5 million of cash in the prior year. The unfavourable movement of non-cash working capital balances was largely attributable to increases in accounts receivable from timing of customer payments and decreases in contract liabilities due to timing of collection of fund advances, offset in part by decreases in contract assets due to less unbilled in-process work, decreases in inventories due to timing of production and shipment, and increases in accounts payable, accrued liabilities and provisions primarily driven by timing of supplier payments and provision requirements.

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### Cash Flow from Investing Activities

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
Purchase of property, plant and equipment	(50,987)	(36,096)
Proceeds from disposal of property, plant and equipment	23	47
(Increase) decrease in intangibles and other assets	(4,125)	948
<b>Net cash used in investing activities</b>	<b>(55,089)</b>	<b>(35,101)</b>

Investing activities for 2025 used \$55.1 million of cash compared to \$35.1 million in the prior year, an increase of \$20.0 million. The increase in cash usage was primarily due to higher levels of investment in property, plant and equipment, increases in intangible asset spend and decreases in long-term receivables and deposits recorded in other assets.

### Cash Flow from Financing Activities

Twelve-months ended December 31, expressed in thousands of dollars	2025	2024
Increase (decrease) in bank indebtedness	3,551	(4,372)
Decrease in long-term debt	–	(720)
Lease liability payments	(6,650)	(6,076)
(Decrease) increase in borrowings subject to specific conditions, net	(1,391)	9
Decrease in long-term liabilities and provisions	(25)	(53)
Common share repurchases	(937)	(689)
Common share dividends	(9,993)	(5,715)
<b>Net cash used in financing activities</b>	<b>(15,445)</b>	<b>(17,616)</b>

Financing activities used \$15.4 million of cash in 2025 compared to \$17.6 million of cash used in 2024. The decrease in cash usage was primarily driven by increases in cash provided by bank indebtedness offset in part by lower cash provided by borrowing subject to special conditions and higher common share dividend payments.

### Financing Matters

On June 24, 2025, the Corporation extended its 2023 Credit Facility with a syndicate of lenders for an additional two-year period expiring on June 30, 2027. The 2025 Credit Facility provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of \$75 million. The 2025 Credit Facility also includes a \$75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to \$150 million. Extensions of the 2025 Credit Facility are subject to mutual consent of the syndicate of lenders and the Corporation.

### Contractual Obligations

As at December 31, 2025, expressed in thousands of dollars	Less than			After 5	Total
	1 year	1–3 Years	4–5 Years	Years	
Bank indebtedness	23,850	–	–	–	23,850
Long-term debt	2,727	–	–	–	2,727
Lease liabilities	7,097	14,015	10,766	11,484	43,362
Borrowings subject to specific conditions	1,454	3,603	3,862	23,362	32,281
Other long-term liabilities	21	12,544	179	3,179	15,923
<b>Total Contractual Obligations</b>	<b>35,149</b>	<b>30,162</b>	<b>14,807</b>	<b>38,025</b>	<b>118,143</b>

As at December 31, 2025, the Corporation had made contractual commitments to purchase \$27.1 million of capital assets [2024–\$30.9 million]. In addition, the Corporation had purchase commitments, largely for materials required for the normal course of operations, of \$437.9 million as at December 31, 2025 [2024–\$427.6 million]. The Corporation plans to fund all of these commitments with operating cash flow and the existing 2025 Credit Facility.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

### Contingencies

In the fourth quarter of 2025, the Corporation recorded a provision for a legal action that a subsidiary of the Corporation is involved in related to the environmental remediation of a former operating site in Torrance, California. Refer to note 34 of the Corporation's consolidated financial statements for the year-ended December 31, 2025 for more information.

### Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at March 23, 2026, 57,079,054 common shares were outstanding and no preference shares were outstanding. More information on the Corporation's share capital is provided in note 21 of the Corporation's consolidated financial statements for the year ended December 31, 2025.

For the year ended December 31, 2025, the Corporation paid dividends on its common shares of \$10.0 million. Quarterly dividend payment rates in 2025 were \$0.025 per share on March 31, 2025 and \$0.05 per share on each of June 30, 2025, September 29, 2025 and December 31, 2025.

For the year ended December 31, 2024, the Corporation paid dividends on its common shares of \$5.7 million. Quarterly dividend payment rates in 2024 were \$0.025 per share in each quarter.

In the first quarter of 2026, the Corporation declared dividends of \$0.05 per common share payable on March 31, 2026, to shareholders of record at the close of business on March 17, 2026.

### Normal Course Issuer Bid

On May 25, 2023, the Corporation's NCIB application was approved by the TSX (the "2023 NCIB"). The 2023 NCIB allowed the Corporation to purchase up to 2,868,106 common shares over a 12-month period commencing May 27, 2023 and ending May 26, 2024. On May 24, 2024, the Corporation's subsequent NCIB application was approved (the "2024 NCIB"). The 2024 NCIB allowed the Corporation to purchase up to 2,857,469 common shares over a 12-month period commencing May 28, 2024 and ending May 27, 2025. On June 11, 2025, the Corporation's next NCIB was approved (the "2025 NCIB"). The 2025 NCIB allows the Corporation to purchase up to 2,856,929 common shares, over a 12-month period commencing June 13, 2025, and ending June 12, 2026.

During the year ended December 31, 2025, 59,926 shares were purchased for cancellation for \$0.9 million at a volume weighted average price paid of \$15.63 per common share. During the year ended December 31, 2024, 92,217 shares were purchased for cancellation for \$0.7 million at a volume weighted average price paid of \$7.47 per common share.

## 8. FINANCIAL INSTRUMENTS

[A summary of Magellan's financial instruments](#)

### Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts (forwards and / or collars), the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates—generally either United States dollars or British Pounds. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. The Corporation has applied IFRS 9 on a prospective basis for hedge accounting to these contracts. The Corporation's qualifying hedging relationships as at December 31, 2025 qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

As at December 31, 2025, the Corporation no longer has any U.S dollar foreign exchange collar or U.S dollar foreign exchange forward contracts and it holds British Pound foreign exchange forward contracts of £23.5 million, at an exchange rate of \$1.8433 Canadian dollars, with a derivative liability carrying value of \$0.2 million which is included in Accounts payable, accrued liabilities and provisions on the balance sheet.

### Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

## 9. RELATED PARTY TRANSACTIONS

*A summary of Magellan's transactions with related parties*

During the year, the Corporation incurred consulting and cost recovery fees of \$0.2 million [2024-\$0.2 million] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

## 10. RISK FACTORS

*A summary of risks and uncertainties facing Magellan*

Magellan operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. The Corporation's senior management identifies key risks and has processes in place to help monitor, manage, and mitigate these risks. Additional information about the Corporation, including risks and uncertainties about Magellan's business, is provided in the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2025, dated March 23, 2026, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## 11. SIGNIFICANT ACCOUNTING ESTIMATES

*A description of accounting estimates that are significant to determining Magellan's financial results*

The preparation of consolidated financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses recorded during the reporting period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could be material. The Corporation reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The significant estimates and judgements utilized in preparing the Corporation's consolidated financial statements impact the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

### *Impairment of goodwill and non-financial assets*

In determining whether a long-lived asset is impaired, the Company has to exercise judgement and make estimates in assessing (1) whether an event or indicator has occurred that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount (which in the case of value-in-use is the net present value of future cash flows of the continued use of the asset); and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate.

The recoverable amounts of goodwill, intangible assets and property, plant and equipment are based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU or group of CGUs.

In order to estimate the recoverable amount, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgements and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the consolidated statements of financial position to its estimated fair value. Assumptions, judgements and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporation's business strategy or internal forecasts. Although the Corporation believes the assumptions, judgements and estimates made in the past have been reasonable and appropriate, different assumptions, judgements and estimates could materially affect the recoverable amount of the assets being evaluated and the Corporation's reported financial results.

### *Deferred taxes*

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

### *Leases*

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease. The lease term is estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise the termination option. Both qualitative and quantitative assumptions are considered when deriving the value of the economic incentive.

The Corporation makes judgements in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the Corporation with the right to substantially all of the economic benefits from the use of the asset.

Judgements are made by the Corporation in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate that the Corporation would have to pay to borrow at a similar term and with a similar security.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

### *Income (loss) on completion of contracts*

To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data.

### *Repayable government grants*

The forecast repayment of grants received from government authorities is based on future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

## 12. CHANGES IN ACCOUNTING POLICIES

### *A description of accounting standards adopted in 2025*

The Corporation has not adopted any new accounting standards or amendments issued by the International Accounting Standards Board ("IASB") that were effective January 1, 2025.

The IASB has issued the following new amendment and standard that have not yet been adopted by the Corporation and may have an impact on future periods.

Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures*, clarifying both the classification of financial assets linked to environmental, social, and governance features as well as the timing in which a financial asset or financial liability is derecognized when using electronic payment systems. The new standard is effective for annual reporting periods beginning on or after January 1, 2026. The adoption of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.

IFRS 18, *Presentation and Disclosure in Financial Statements* replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces three sets of new requirements to improve an entity's reporting of financial performance and give investors a better basis for analyzing and comparing entities. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is in the process of reviewing these changes to determine the impact on the consolidated financial statements.

## 13. CONTROLS AND PROCEDURES

### *A description of Magellan's disclosure controls and internal controls over financial reporting*

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer are required to certify as at December 31, 2025 that they are responsible for establishing and maintaining, and have assessed the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting.

Management does not expect disclosure controls and procedures and internal control over financial reporting to prevent all errors, misstatements or fraud. In addition, internal control over financial reporting that management has designed and established may be circumvented and rendered ineffective as a result of unauthorized acts of individuals through collusion or management override. A system of control, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that control objectives are met. Due to the inherent limitations in a system of control, there is no absolute assurance that all control issues, which may result in errors, misstatements, or fraud, can be prevented or detected. The inherent limitations include, amongst other things: (i) management's assumptions and judgements could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of isolated errors; and (iii) assumptions about the likelihood of future events.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

In preparation for this certification, Magellan has dedicated resources in place to document and evaluate the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting. As of December 31, 2025, an evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Corporation's disclosure controls and internal controls over financial reporting, as those terms are defined in National Instrument 52-109. Based on that evaluation, the Corporation's management concluded that the Corporation's design and operating disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2025.

No changes were made in the Corporation's internal control over financial reporting during the year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information relating to Magellan Aerospace Corporation, including the Corporation's AIF, is on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## MANAGEMENT'S REPORT

December 31, 2025

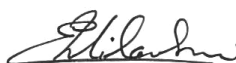
### To the shareholders of Magellan Aerospace Corporation

The consolidated financial statements of Magellan Aerospace Corporation were prepared by management in accordance with International Financial Reporting Standards. The financial and operating information presented in this annual report is consistent with that shown in the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. External auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of non-management directors, has reviewed these consolidated financial statements with management and the auditors and has reported to the Board of Directors. The Board of Directors approved the consolidated financial statements.



Phillip C. Underwood  
*President and Chief Executive Officer*  
March 23, 2026



Elena M. Milantoni  
*Chief Financial Officer*

## INDEPENDENT AUDITORS' REPORT

December 31, 2025

To the Shareholders of  
**Magellan Aerospace Corporation**

### **Opinion**

We have audited the consolidated financial statements of Magellan Aerospace Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

### ***Impairment Assessment***

#### *Description of the key audit matter*

The Group has long-lived assets which includes property, plant and equipment, right-of-use assets and definite-life intangible assets totaling \$447 million which are subject to impairment testing whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The Group also has goodwill and indefinite-life intangible assets of \$32 million that are required to be tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate their carrying amounts may not be recoverable. Refer to Notes 8, 9 and 11 to the consolidated financial statements for details.

In carrying out the impairment assessments, significant judgements are required to estimate the recoverable amounts, being the higher of the fair value less costs of disposal and value in use. The estimation of recoverable amounts involves complex and subjective estimates based on management's judgement of key variables and market conditions. Significant assumptions included forecasted cash flows and discount rates.

## INDEPENDENT AUDITORS' REPORT

December 31, 2025

### *How the key audit matter was addressed in the audit*

Our audit procedures included, but were not limited to, the following:

- Evaluating comparable market transactions that support the fair value less costs of disposal of the long-lived assets.
- Assessing discount rates used by management against discount rate ranges independently developed from publicly available data sets, along with the consideration of comparable company metrics.
- Assessing management's assumptions about revenue growth rate forecasts, expected margin realization rates and terminal growth rates in light of historical results and projected future economic and market conditions.
- Challenging management's assumptions and performing additional sensitivity and stress tests for cash generating units where the impairment assessments were more sensitive to changes in estimated inputs.
- Reviewing the disclosures on the assumptions and the outcomes of the impairment testing and the sensitivity analysis presented in the consolidated financial statements.
- Involving our valuation specialists in review of the modelling approach used by management, testing significant assumptions such as discount and growth rates, and assessing the underlying data used by the Group in its models for completeness.

### *Recognition of revenues on over time contracts*

#### *Description of the key audit matter*

The Group has approximately \$372 million of revenue recognized over time for the year ended December 31, 2025 as disclosed in Note 25 to the consolidated financial statements. The Group uses the input method to recognize revenue over time, wherein revenue is recognized based on actual costs incurred over the total estimated costs to complete the contracts. The Group estimates the level of total expected costs for each contract, which includes significant judgements for contracts open for more than one year that can have a material impact on the revenue recognized in a reporting period as contracts span multiple accounting periods. For long-term contracts open at year-end, the Group makes subjective judgements related to estimated future labour, materials, and overhead costs. These judgements depend on the complexity and status of the related contract as of the period-end date.

### *How the key audit matter was addressed in the audit*

Our audit approach involved evaluating the revenue recognized over time and challenging judgements and estimates made by the Group in relation to the estimated costs to be incurred. Our audit procedures included, but were not limited to, the following:

- Evaluating contractual arrangements and obtaining an understanding of the projects' performance throughout the year and at year-end through inquiries with project managers from the contract project team.
- Assessing management's assumptions on estimated costs to complete, by comparing the key inputs in the cost estimation forecasts to actual results.
- Evaluating the appropriateness of accumulated costs related to claims and unapproved change orders that can result in additional charges or changes to contract revenues.
- Challenging management's assumptions and performing additional sensitivity and stress tests for judgements and estimates made.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the 2025 Annual Report, and
- The information included in the Management's Discussion and Analysis.

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

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

## INDEPENDENT AUDITORS' REPORT

December 31, 2025

We obtained the Management's Discussion and Analysis and 2025 Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

## INDEPENDENT AUDITORS' REPORT

December 31, 2025

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

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

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

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

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 23, 2026

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in thousands of Canadian dollars	Notes	<b>December 31 2025</b>	December 31 2024
<b>Current assets</b>			
Cash	4	<b>64,047</b>	56,437
Trade and other receivables	5	<b>241,891</b>	208,430
Contract assets	6	<b>58,082</b>	82,416
Inventories	7	<b>278,769</b>	284,082
Prepaid expenses and other		<b>12,174</b>	11,733
		<b>654,963</b>	643,098
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>386,026</b>	377,563
Right-of-use assets	9	<b>34,491</b>	35,817
Investment properties	10	<b>6,786</b>	6,839
Intangible assets	11	<b>35,710</b>	36,248
Goodwill	11	<b>23,507</b>	23,948
Other assets	12,24	<b>14,311</b>	14,102
Deferred tax assets	20	<b>10,032</b>	8,639
		<b>510,863</b>	503,156
<b>Total assets</b>		<b>1,165,826</b>	1,146,254
<b>Current liabilities</b>			
Bank indebtedness	13	<b>23,850</b>	19,857
Accounts payable, accrued liabilities and provisions	14,18,34	<b>157,005</b>	139,921
Contract liabilities	6	<b>46,095</b>	67,220
Debt due within one year	15,16,17	<b>11,216</b>	10,742
		<b>238,166</b>	237,740
<b>Non-current liabilities</b>			
Lease liabilities	16	<b>29,631</b>	31,613
Borrowings subject to specific conditions	17,23	<b>23,911</b>	24,213
Other long-term liabilities and provisions	18,34	<b>17,324</b>	13,840
Deferred tax liabilities	20	<b>30,964</b>	36,031
		<b>101,830</b>	105,697
<b>Equity</b>			
Share capital	21	<b>249,500</b>	249,762
Contributed surplus		<b>2,044</b>	2,044
Other paid in capital		<b>13,565</b>	13,565
Retained earnings		<b>509,808</b>	480,638
Accumulated other comprehensive income	30	<b>47,536</b>	53,431
Equity attributable to equity holders of the Corporation		<b>822,453</b>	799,440
Non-controlling interest		<b>3,377</b>	3,377
<b>Total liabilities and equity</b>		<b>1,165,826</b>	1,146,254

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Expressed in thousands of Canadian dollars, except per share amounts	Notes	Years ended December 31	
		2025	2024
Revenues	25	<b>1,044,682</b>	942,368
Cost of revenues	26	<b>899,877</b>	834,479
Gross profit		<b>144,805</b>	107,889
Administrative and general expenses	27	<b>65,463</b>	56,935
Other expense (income)	28	<b>23,330</b>	(1,012)
Income before interest and income taxes		<b>56,012</b>	51,966
Interest expense	29	<b>1,906</b>	4,180
Income before income taxes		<b>54,106</b>	47,786
Income tax expense (recovery):			
Current	20	<b>19,895</b>	16,665
Deferred	20	<b>(5,228)</b>	(4,365)
		<b>14,667</b>	12,300
<b>Net income</b>		<b>39,439</b>	35,486
Other comprehensive income (loss):			
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation	30	<b>(7,319)</b>	32,678
Unrealized gain (loss) on foreign currency contract hedges, net of tax	20,23	<b>1,424</b>	(579)
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial income on defined benefit pension plans, net of tax	20,24	<b>399</b>	4,219
<b>Comprehensive income</b>		<b>33,943</b>	71,804
<b>Net income per share</b>			
Basic	21	<b>0.69</b>	0.62
Diluted	21	<b>0.69</b>	0.62

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in thousands of Canadian dollars	Attributable to equity holders of the Corporation					Total	Non- controlling interest	Total equity
	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation			
December 31, 2023	250,147	2,044	13,565	446,952	21,332	734,040	3,377	737,417
Net income	–	–	–	35,486	–	35,486	–	35,486
Other comprehensive income	–	–	–	4,219	32,099	36,318	–	36,318
Common share repurchases	(385)	–	–	(304)	–	(689)	–	(689)
Common share dividends	–	–	–	(5,715)	–	(5,715)	–	(5,715)
December 31, 2024	249,762	2,044	13,565	480,638	53,431	799,440	3,377	802,817
Net income	–	–	–	39,439	–	39,439	–	39,439
Other comprehensive income (loss)	–	–	–	399	(5,895)	(5,496)	–	(5,496)
Common share repurchases	(262)	–	–	(675)	–	(937)	–	(937)
Common share dividends	–	–	–	(9,993)	–	(9,993)	–	(9,993)
<b>December 31, 2025</b>	<b>249,500</b>	<b>2,044</b>	<b>13,565</b>	<b>509,808</b>	<b>47,536</b>	<b>822,453</b>	<b>3,377</b>	<b>825,830</b>

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in thousands of Canadian dollars	Notes	Years ended December 31	
		2025	2024
<b>Cash flow from operating activities</b>			
Net income		<b>39,439</b>	35,486
Amortization / depreciation of intangible assets, right-of-use assets and property, plant and equipment	8, 9,10,11	<b>47,547</b>	44,717
Loss on disposal of property, plant and equipment	8	<b>106</b>	218
Increase in defined benefit plans	24	<b>1,451</b>	2,255
Accretion of financial liabilities	29	<b>2,568</b>	2,347
Deferred taxes	20	<b>(5,228)</b>	(4,365)
Income on investments in joint venture	12	<b>(1,121)</b>	(908)
Other		<b>381</b>	41
Changes to non-cash working capital	32	<b>(6,546)</b>	19,496
<b>Net cash provided by operating activities</b>		<b>78,597</b>	99,287
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	8	<b>(50,987)</b>	(36,096)
Proceeds from disposal of property, plant and equipment	8	<b>23</b>	47
(Increase) decrease in intangible and other assets		<b>(4,125)</b>	948
<b>Net cash used in investing activities</b>		<b>(55,089)</b>	(35,101)
<b>Cash flow from financing activities</b>			
Increase (decrease) in bank indebtedness	13,19	<b>3,551</b>	(4,372)
Decrease in debt	15,19	<b>–</b>	(720)
Lease liability payments	16,19	<b>(6,650)</b>	(6,076)
(Decrease) increase in borrowings subject to specific conditions, net	17,19	<b>(1,391)</b>	9
Decrease in long-term liabilities and provisions	18,19	<b>(25)</b>	(53)
Share repurchases	21	<b>(937)</b>	(689)
Common share dividends	21	<b>(9,993)</b>	(5,715)
<b>Net cash used in financing activities</b>		<b>(15,445)</b>	(17,616)
<b>Increase in cash during the year</b>		<b>8,063</b>	46,570
Cash at beginning of the year		<b>56,437</b>	8,709
Effect of exchange rate differences		<b>(453)</b>	1,158
<b>Cash at end of the year</b>		<b>64,047</b>	56,437

See accompanying notes to the consolidated financial statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

#### Description of Business

Magellan Aerospace Corporation (the "Corporation" or "Magellan") is a publicly listed company incorporated in Ontario, Canada under the Ontario Business Corporations Act and its shares are listed on the Toronto Stock Exchange ("TSX"). The registered and head office of the Corporation is located at 3160 Derry Road East, Mississauga, Ontario, Canada, L4T 1A9.

The Corporation is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, controlled entity and joint venture, Magellan engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through the supply of spare parts as well as through repair and overhaul services.

#### Basis of Presentation

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and were approved by the Board of Directors of the Corporation on March 23, 2026.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. These consolidated financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. All amounts are presented in Canadian dollars, unless otherwise indicated.

The Corporation's material accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements and by all entities.

#### Basis of Consolidation

The consolidated financial statements of the Corporation include the assets and liabilities, and the results of operations and cash flows of the Corporation and its subsidiaries and the Corporation's interest in its joint ventures. The consolidated financial statements of entities have a reporting date of December 31. Entities over which the Corporation has control are accounted for as subsidiaries. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Corporation also has a 75% interest in an operating subsidiary named Magellan Aerospace (Tumkur) Private Limited. This subsidiary is fully consolidated and a non-controlling interest is recognized for the 25% interest which is not owned. Where the Corporation has the ability to exercise joint control, the entities are accounted for as joint ventures and are incorporated into the consolidated financial statements using the equity method of accounting. Interests acquired in entities are consolidated from the date the Corporation acquires control and interests sold are de-consolidated from the date control ceases. The material wholly owned operating subsidiaries of the Corporation are:

- Magellan Aerospace Limited
- Magellan Aerospace (UK) Limited
- Magellan Aerospace USA, Inc.

The effects of intragroup transactions are eliminated. Trade receivables and accounts payable as well as expenses and income between the consolidated entities are netted. Internal sales are transacted on the basis of market prices and intragroup profits and losses are eliminated.

#### Determination of Fair Value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

When observable valuation inputs are not available, significant judgement is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

### Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Foreign currency denominated monetary assets and liabilities are translated at the rates of exchange at the statement of financial position date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at that date, whereas non-monetary items measured at historic cost are translated using the exchange rate prevailing on the transaction date. Translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in income.

Assets and liabilities of foreign operations that have a functional currency different from the presentation currency are translated using the closing exchange rate prevailing at the reporting date and revenues and expenses at average exchange rates during the period. Translation gains and losses on currency translation are recognized as a separate component of equity in other accumulated comprehensive income and do not have any impact on the net income (loss) for the year.

### Segment Reporting

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision makers. The Corporation evaluates the financial performance of its operating segments primarily based on net income (loss) before interest and income taxes.

### Revenue Recognition

Revenue is primarily comprised of sales of goods and rendering of services and recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The Corporation's revenue recognition methodology is determined on a contract-by-contract basis.

#### *Performance Obligation*

A performance obligation is a contractual promise with a customer to transfer a distinct good or service and is the unit of account for revenue recognition.

The Corporation accounts for a contract with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection is probable. The Corporation is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

A contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The transaction price includes, among other things and when applicable, an estimate of variable consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur at the time when the uncertainty associated with the variable consideration is resolved. Variable consideration is usually derived from sales incentives, in the form of discounts or volume rebates. The estimation of variable consideration is largely based on the assessment of the Corporation's historical, current and forecasted information that is reasonably available.

For contracts with multiple performance obligations, the contract transaction price, including variable consideration when applicable, is allocated based on the estimated relative stand-alone price of the promised goods or services underlying each performance obligation. The Corporation generally uses the expected cost plus a margin approach to estimate the stand-alone selling price of each performance obligation when a stand-alone selling price is not directly observable.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

Revenues from sale of goods are recognized over time when the Corporation's performance does not create an asset with alternative use and the Corporation has an enforceable right to payment for performance completed to date. The Corporation recognizes revenue over time using the cost-to-cost input method, which recognizes revenue as performance of the contract progresses. Contracts that do not meet the criteria for over time recognition are recognized at a point in time when the goods are dispatched or made available to the customer. The sale of consignment products are recognized on notification that the product has been used.

Revenues from rendering services are recognized over time as customers simultaneously receive and consume the benefits provided by the Corporation. The Corporation recognizes revenues for repair and overhaul services using the cost-to-cost input method as the basis for measuring the progress on the contract.

Other revenues are recognized at a point in time or over time as performance obligations are satisfied, depending on the nature of the contract.

The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

### *Contract Balances*

Contract assets include unbilled amounts when the over time method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and the right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current.

Contract liabilities consist of advance payments and deferred revenue. Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. Advance payments are classified as current or non-current based on the timing of when revenue is expected to be recognized. The non-current portion of contract liabilities, if applicable, is included in other long-term liabilities and provisions in the consolidated statement of financial position.

### **Government Assistance**

Government assistance is comprised of investment tax credits and scientific research and experimental development tax credits. These credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary approvals by the applicable tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

### **Government Grants**

Government grants are recognized at their fair value in the period when there is reasonable assurance that the conditions attaching to the grant will be met and that the grant will be received. Grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate. Grants relating to expenditure on property, plant and equipment and on intangible assets are deducted from the carrying amount of the asset. The grant is therefore recognized as income over the life of the depreciable asset by way of a reduced depreciation charge. Repayable grants are treated as sources of financing and are recognized in borrowings subject to specific conditions in the consolidated statement of financial position. Repayments made are recorded as a reduction of the liability.

### **Employee Benefits**

#### *Defined benefit plans*

The Corporation's obligation in respect of defined benefit plans is determined periodically by independent actuaries using the projected unit credit method in accordance with IAS 19, *Employee Benefits*. Actuarial gains and losses are recognized in full in the period in which they occur and are recognized in other comprehensive income and immediately transferred to retained earnings. Past service cost is recognized immediately to the extent the benefits are already vested, or otherwise is recognized on a straight-line basis over the average period until the benefits become vested. Curtailments due to the significant reduction of the expected years of future services of current employees or the elimination of the accrual of defined benefits for some or all of the future services for a significant number of employees are recognized immediately as a gain or loss in the consolidated statements of income (loss).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The defined benefit surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligations. The recognition of a surplus has been limited to the present value of any economic benefits available in the form of reductions in future contributions to the plan, based on the plan's current funded status, the most recently filed actuarial report, and applicable pension legislation. Where a past service minimum funding requirement exists in a plan, an additional liability could arise for a plan, depending on the economic benefit available. A deficit is generally recognized in full.

### *Defined contribution plans*

Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated statements of income (loss) as incurred.

### *Share-based compensation*

The fair value of awards made under share-based compensation plans is measured at the grant date and allocated over the vesting period, based on the best available estimate of the number of share options expected to vest, in the consolidated statements of income (loss) with a corresponding increase in equity. The fair value is measured using an appropriate valuation model taking into account the terms and conditions of the individual plans. The amount recognized as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the share awards were granted. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of income (loss).

### **Taxation**

The tax charge for the period consists of both current and deferred income tax. Taxation is recognized as a charge or credit in the consolidated statements of income (loss) except to the extent that it relates to items recognized directly to equity in which case the related tax is also recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are established using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilized.

Deferred tax liabilities are not recognized for temporary differences arising on investment in subsidiaries where the Corporation is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred income tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction. Deferred income tax assets and liabilities are presented as non-current.

### **Inventories**

Inventory is stated at the lower of average cost and net realizable value.

The unit cost method is the prescribed cost method under which the actual production costs are charged to each unit produced and recognized to income as the unit is sold.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statements of income (loss) as incurred.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives.

Scheduled depreciation is based on the following useful lives:

<b>Assets</b>	<b>In Years</b>
Buildings	40
Machinery and equipment	10-20
Tooling	5-7
Leasehold improvements	term of lease

The residual values, useful lives and depreciation methods pertaining to property, plant and equipment are regularly assessed for relevance, at least at every statement of financial position date, and adjustments are made when necessary. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the consolidated statements of income (loss). Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

### Investment Properties

Investment property is property held to earn rental income and/or for capital appreciation rather than for the purpose of the Corporation's operating activities. Investment property assets are carried at cost less accumulated depreciation and any recognized impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

### Intangible Assets

Externally acquired and internally generated intangible assets are recognized only if they meet strict criteria, relating in particular to technical feasibility, probability that a future economic benefit associated with the asset will flow to the entity and the cost of the asset can be measured reliably. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Intangible assets with a finite useful life are stated at cost and amortized on a unit of production basis or straight-line basis as appropriate. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income (loss) when the asset is de-recognized.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### Leases

At inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset. Leases with a term of twelve months or less are not recorded by the Corporation on the consolidated statements of financial position.

#### *Lessee accounting*

The Corporation records a right-of-use asset and a lease liability at the lease commencement date based on the present value of the future lease payments over the lease term.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. Variable lease payments that depend on an index or a rate are included in the measurement of the lease liability when information is available. The right-of-use asset is typically depreciated on a straight-line basis over the lease term unless the Corporation expects to obtain ownership of the leased asset at the end of the lease.

Certain of the Corporation's leases contain extension or renewal options. At lease commencement, the Corporation assesses whether it will be reasonably certain to exercise any of the extension options based on its expected economic return from the lease. The Corporation periodically reassesses whether it will be reasonably certain to exercise the options and accounts for any changes at the date of reassessment.

#### *Lessor accounting*

When the Corporation acts as a lessor, it assesses at lease inception whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If it does, the lease is a finance lease, if not, it is an operating lease.

### Business Combinations and Goodwill

The Corporation accounts for business combinations using the acquisition method, under which the acquirer measures the cost of the business combination as the total of the fair values, at the date of exchange, of the assets transferred, liabilities assumed and equity instruments issued by the acquirer in exchange for control of the acquiree. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date. The primary items that generate goodwill include the value of the synergies between the acquired company and the Corporation and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Goodwill is assigned to one or more cash-generating units ("CGU") on the date of acquisition. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

### Impairment of Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset or its CGUs recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Non-financial assets that have an indefinite useful life such as goodwill and certain intangible assets, are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs,

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated must represent the lowest level at which the goodwill is monitored for internal management purposes and must not be, before allocating the goodwill, larger than an operating segment.

The Corporation's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a pro rata basis of the carrying amount of each asset of the CGU that is subject to the impairment test.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### Financial Instruments

The Corporation recognizes financial assets and financial liabilities ("financial instruments") on the date the Corporation becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, canceled or expired.

The Corporation's financial instruments include cash and cash equivalents, trade and other receivables, contract assets and liabilities, accounts payable and accrued liabilities, lease liabilities, bank indebtedness, long-term debt, borrowings subject to specific conditions, and other non-derivative and derivative financial assets and liabilities.

The classifications of financial instruments are typically determined at the time of initial recognition and are recognized at fair value, plus attributable transaction costs where applicable. Subsequent to initial recognition, financial instruments are classified and measured as described below.

#### *Financial instruments at fair value*

Cash and cash equivalents are classified as financial assets at fair value through profit or loss, derivative instruments are classified as either financial assets or financial liabilities at fair value through comprehensive income or loss and are measured at fair value. Cash equivalents are short-term investments with initial maturities of three months or less. The Corporation manages its foreign currency and interest rate exposures through the use of derivative financial instruments. Where permissible, the Corporation accounts for these financial instruments as hedges, which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of the derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). Hedging instruments are reviewed on a regular basis to ensure hedges are still effective and that hedge accounting continues to be appropriate. When the hedge instrument no longer meets the criteria for hedge accounting or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and changes in fair value are immediately recognized in profit or loss. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

#### *Financial instruments carried at amortized cost*

Financial instruments in this category include trade and other receivables, contract assets and liabilities, accounts payable and accrued liabilities, bank indebtedness, borrowing subject to specific conditions, lease liabilities and long-term debt. Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Trade and other receivables include originated non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. Accounts payable and accrued

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

liabilities, bank indebtedness, borrowing subject to specific conditions, finance lease liabilities and long-term debt are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees. The effective interest rate accretion is included as finance costs in the consolidated statements of income (loss).

### *Impairment*

The expected credit loss impairment model applies to financial assets carried at amortized costs. The model uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or at the lifetime expected credit losses. The Corporation applies the simplified approach and records lifetime expected losses on accounts receivable and contract assets based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. If in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the financial assets. If a past write-off is later recovered, the recovery is recognized in the consolidated statements of income (loss).

### **Provisions**

A provision is recognized when there is a present legal or constructive obligation, as a result of a past event, which is more likely than not to result in an outflow of economic benefits and where a reliable estimate of the amount of the obligation can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax risk-free rate and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived from the contract are less than the related unavoidable costs of meeting the obligations under the contract. Such provisions are recorded as write-downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder.

### **Environmental Provisions**

A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in other expense.

## **2. SIGNIFICANT ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses recorded during the reporting period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could be material. The Corporation reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The significant estimates and judgements utilized in preparing the Corporation's consolidated financial statements impact the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies.

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### *Impairment of goodwill and non-financial assets*

In determining whether a long-lived asset is impaired, the Corporation has to exercise judgement and make estimates in assessing (1) whether an event or indicator has occurred that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount (which in the case of value-in-use is the net present value of future cash flows of the continued use of the asset); and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate.

The recoverable amounts of goodwill, intangible assets and property, plant and equipment are based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU or group of CGUs.

In order to estimate the recoverable amount, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgements and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the consolidated statements of financial position to its estimated fair value. Assumptions, judgements and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporation's business strategy or internal forecasts. Although the Corporation believes the assumptions, judgements and estimates made in the past have been reasonable and appropriate, different assumptions, judgements and estimates could materially affect the recoverable amount of the assets being evaluated and the Corporation's reported financial results.

### *Deferred taxes*

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

### *Leases*

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease. The lease term is estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise the termination option. Both qualitative and quantitative assumptions are considered when deriving the value of the economic incentive.

The Corporation makes judgements in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the Corporation with the right to substantially all of the economic benefits from the use of the asset.

Judgements are made by the Corporation in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate that the Corporation would have to pay to borrow at a similar term and with a similar security.

### *Income (loss) on completion of contracts*

To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data.

### *Repayable government grants*

The forecast repayment of grants received from government authorities is based on future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 3. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### New and Amended International Financial Reporting Standards Adopted in 2025

The Corporation has not adopted any new accounting standards or amendments in the current year.

#### New and Amended International Financial Reporting Standards to be Adopted in 2026 or Later

The following new standard and amendment to existing standard were issued by the IASB. Certain other new standards, amendments and interpretations to existing standards may have been issued but are not expected to have a material impact to the Corporation's consolidated financial statements. The Corporation is in the process of reviewing these amendments to determine the impact on the consolidated financial statements.

- Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures*, clarifying both the classification of financial assets linked to environmental, social, and governance features as well as the timing in which a financial asset or financial liability is derecognized when using electronic payment systems. The new standard is effective for annual reporting periods beginning on or after January 1, 2026. The adoption of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.
- IFRS 18, *Presentation and Disclosure in Financial Statements* replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces three sets of new requirements to improve an entity's reporting of financial performance and give investors a better basis for analyzing and comparing entities. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

### 4. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	December 31
	<b>2025</b>	2024
Cash on hand	<b>23,270</b>	25,194
Short-term deposits	<b>40,777</b>	31,243
	<b>64,047</b>	56,437

Cash and cash equivalents consist of bank balances and short-term deposits held by the Corporation on a short-term basis with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

### 5. TRADE AND OTHER RECEIVABLES

	<b>December 31</b>	December 31
	<b>2025</b>	2024
Trade receivables	<b>212,833</b>	188,292
Less allowance for doubtful accounts	<b>(314)</b>	(411)
Net trade receivables	<b>212,519</b>	187,881
Other receivables	<b>29,372</b>	20,549
	<b>241,891</b>	208,430

Aging of trade receivables:

	<b>Current</b>	<b>Less than</b>	<b>91-181</b>	<b>182-365</b>	<b>More than</b>	<b>Total</b>
		<b>90 days</b>	<b>days</b>	<b>days</b>	<b>365 days</b>	
December 31, 2024	173,556	12,445	1,041	454	796	188,292
<b>December 31, 2025</b>	<b>202,763</b>	<b>7,791</b>	<b>458</b>	<b>638</b>	<b>1,183</b>	<b>212,833</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 6. CONTRACT BALANCES

	<b>December 31 2025</b>	December 31 2024
Contract assets	<b>58,082</b>	82,416
Contract liabilities	<b>(46,095)</b>	(67,220)
Net contract balances	<b>11,987</b>	15,196

Contract assets relate to the Corporation's right to consideration for performance completed under the contract and not invoiced. The contract assets are transferred to trade and other receivables when the right to consideration becomes unconditional. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue when the Corporation performs under the contract.

Revenue recognized in the period from:

	<b>2025</b>	2024
Amounts included in contract liabilities at the beginning of the year	<b>60,657</b>	24,558

### 7. INVENTORIES

	<b>Raw materials</b>	<b>Work in progress</b>	<b>Finished goods</b>	<b>Total</b>
At December 31, 2024	74,674	173,439	35,969	284,082
<b>At December 31, 2025</b>	<b>73,897</b>	<b>174,847</b>	<b>30,025</b>	<b>278,769</b>

The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2025 amounted to \$905,669 [2024-\$842,015].

During the year ended December 31, 2025, the Corporation recorded an impairment expense related to the write-down of inventory in the amount of \$2,432 [2024-\$2,921]. The Corporation also recorded reversals of previous write-downs of inventory in the amount of \$5,293 [2024-\$1,056] due to the sale of inventory previously provided for. The carrying amount of inventory recorded at net realizable value was \$42,592 as at December 31, 2025 [2024-\$46,638], with the remaining inventory recorded at cost.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Tooling	Total
<b>Cost</b>					
At December 31, 2023	23,439	141,809	722,144	60,608	948,000
Additions	404	10,366	23,851	826	35,447
Disposals and other	–	(430)	(3,470)	(277)	(4,177)
Foreign currency translation	1,017	5,994	37,670	4,294	48,975
At December 31, 2024	24,860	157,739	780,195	65,451	1,028,245
Additions	–	2,734	47,665	588	50,987
Disposals and other	–	191	(2,661)	(7,595)	(10,065)
Foreign currency translation	(865)	(2,448)	(13,352)	(2,397)	(19,062)
<b>At December 31, 2025</b>	<b>23,995</b>	<b>158,216</b>	<b>811,847</b>	<b>56,047</b>	<b>1,050,105</b>
<b>Accumulated depreciation and impairment</b>					
At December 31, 2023	–	(72,602)	(461,224)	(54,452)	(588,278)
Depreciation	–	(4,184)	(29,480)	(1,142)	(34,806)
Disposals and other	–	242	3,399	–	3,641
Foreign currency translation	–	(2,938)	(24,233)	(4,068)	(31,239)
At December 31, 2024	–	(79,482)	(511,538)	(59,662)	(650,682)
Depreciation	–	(3,988)	(31,763)	(1,133)	(36,884)
Disposals and other	–	–	1,757	7,595	9,352
Foreign currency translation	–	1,562	10,298	2,275	14,135
<b>At December 31, 2025</b>	<b>–</b>	<b>(81,908)</b>	<b>(531,246)</b>	<b>(50,925)</b>	<b>(664,079)</b>
<b>Net book value</b>					
At December 31, 2024	24,860	78,257	268,657	5,789	377,563
<b>At December 31, 2025</b>	<b>23,995</b>	<b>76,308</b>	<b>280,601</b>	<b>5,122</b>	<b>386,026</b>

Included in the above are assets under construction in the amount of \$41,714 [December 31, 2024–\$22,320], which as at December 31, 2025 are not depreciated.

In 2025, the Corporation entered into an agreement with the Manitoba government for a grant of \$8,000 supporting various investment projects for its operating facilities in Winnipeg, Manitoba, Canada. The government grant is repayable if certain covenants are not met. In the third quarter of 2025, the full amount was received and was recorded as a reduction to property, plant and equipment additions.

As part of its assessment of indicators of impairment in 2025, the Corporation determined that indicators of impairment were present at certain CGU's and impairment assessments were conducted. The recoverable amount for each CGU was determined as the higher of value-in-use ("VIU") or fair value less costs to sell ("FVLCS"). No impairment has been recognized from the Corporation's testing at the CGU level.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 9. RIGHT-OF-USE ASSETS

	Buildings	Machinery, equipment and other	Total
At December 31, 2023	26,291	566	26,857
Additions	11,913	149	12,062
Depreciation	(4,184)	(214)	(4,398)
Disposals and other	(6)	6	–
Foreign currency translation	1,276	20	1,296
At December 31, 2024	35,290	527	35,817
Additions	3,608	465	4,073
Depreciation	(4,808)	(221)	(5,029)
Disposals and other	(2)	2	–
Foreign currency translation	(385)	15	(370)
<b>At December 31, 2025</b>	<b>33,703</b>	<b>788</b>	<b>34,491</b>

### 10. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation, disposal, and impairment	Net book value
At December 31, 2024	15,762	(8,923)	6,839
<b>At December 31, 2025</b>	<b>15,928</b>	<b>(9,142)</b>	<b>6,786</b>

The Corporation's investment properties consist of land and buildings. Depreciation expense recognized in relation to the buildings in 2025 was \$175 [2024–\$172]. The Corporation recorded rental income from investment properties of \$1,378 in 2025 [2024–\$964].

The fair value of the Corporation's investment properties at December 31, 2025 was \$30,371 [December 31, 2024–\$29,257]. The fair value was determined through the use of the market comparable approach and discounted cash flows approach which are categorized as a Level 3 in the fair value hierarchy. In 2025, the Corporation obtained opinions from external valuers, with experience in the real estate market, on \$30,371 of the total fair values of the Corporation's investment properties.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 11. INTANGIBLE ASSETS AND GOODWILL

	Technology rights	Development costs	Other intangibles	Total intangible assets	Goodwill	Total intangible assets and goodwill
<b>Cost</b>						
At December 31, 2023	45,208	129,622	50,529	225,359	33,945	259,304
Additions	–	85	2,833	2,918	–	2,918
Foreign currency translation	174	5,138	2,631	7,943	2,623	10,566
At December 31, 2024	45,382	134,845	55,993	236,220	36,568	272,788
Additions	–	854	4,072	4,926	–	4,926
Foreign currency translation	(102)	(1,316)	58	(1,360)	(161)	(1,521)
<b>At December 31, 2025</b>	<b>45,280</b>	<b>134,383</b>	<b>60,123</b>	<b>239,786</b>	<b>36,407</b>	<b>276,193</b>
<b>Accumulated amortization and impairment</b>						
At December 31, 2023	(41,214)	(123,857)	(22,886)	(187,957)	(11,786)	(199,743)
Amortization	(984)	(1,570)	(2,832)	(5,386)	–	(5,386)
Foreign currency translation	(159)	(5,090)	(1,380)	(6,629)	(834)	(7,463)
At December 31, 2024	(42,357)	(130,517)	(27,098)	(199,972)	(12,620)	(212,592)
Amortization	(832)	(1,594)	(3,067)	(5,493)	–	(5,493)
Foreign currency translation	96	1,326	(33)	1,389	(280)	1,109
<b>At December 31, 2025</b>	<b>(43,093)</b>	<b>(130,785)</b>	<b>(30,198)</b>	<b>(204,076)</b>	<b>(12,900)</b>	<b>(216,976)</b>
<b>Net book value</b>						
At December 31, 2024	3,025	4,328	28,895	36,248	23,948	60,196
<b>At December 31, 2025</b>	<b>2,187</b>	<b>3,598</b>	<b>29,925</b>	<b>35,710</b>	<b>23,507</b>	<b>59,217</b>

Technology rights relate to an agreement which permits the Corporation to manufacture aerospace engine components and share in the revenue generated by the final sale of the engine.

The Corporation has certain programs that meet the criteria for deferral and amortization of development costs. Development costs are capitalized for clearly defined, technically feasible technologies which management intends to produce and promote to an identified future market, and for which resources exist or are expected to be available to complete the project. The Corporation records amortization in arriving at the carrying value of deferred development costs once the development activities have been completed and sales of the related product have commenced. The Corporation estimates the intangible assets to be amortized over a period up to 20 years based on units of production.

Other intangibles relate to application software, customer lists, brands and technical processes. Application software will be amortized over a 10 year period, customer lists will be amortized over a 5 year period and technical processes will be amortized over a 15 year period. Brand intangibles of \$8,799 (£5,226) [2024–\$9,422 (£5,226)] with indefinite useful lives are not subject to amortization.

As described in note 1, the carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually. The Corporation's impairment test for goodwill and intangible assets with indefinite useful lives was based on the recoverable amount determined on its value in use using a measurement date of October 1st. The Corporation's goodwill amount is allocated between two CGU's in amounts of \$10,227 [2024–\$10,006] and \$13,280 [2024–\$13,942] respectively. The key assumptions used to determine the recoverable amount are discussed below.

In the assessment of impairment, management used industry guidance, historical data and past experience as the key assumptions in the determination of the recoverable amount of the two CGUs. The VIU was determined based on the present value of the estimated free cash flows for the two CGUs. The cash flow projections, covering a five-year period plus a terminal year, were based on financial projections approved by management using assumptions that reflect the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

Corporation's most likely planned course of action, given management's judgement of the most probable set of economic conditions. These projections are inherently uncertain and continually evolving in an unpredictable manner which present many variables and contingencies for modeling. Discount rates of 11.5% [2024–11.4%] and 11.0% [2024–10.5%] per annum were used for the two CGUs, respectively, based on management's best estimate of the Corporation's weighted average cost of capital adjusted for the risks facing the CGU. Annual growth rates of 2% [2024–2%] and 3% [2024–3%] were used in the terminal year given the businesses' anticipated growth. The Corporation determined that the recoverable amounts for the two CGUs were higher than the carrying value. If the discount rate for the CGUs increased by 1%, the recoverable amount for both CGUs would be less than the carrying value.

### 12. INVESTMENTS IN JOINT VENTURES

The Corporation's joint venture is a private entity that is not listed on any public exchange. All operations are continuing. To support the activities of the joint venture, the Corporation and the other investor in the joint venture have agreed to make additional contributions, in proportion to their interests, to make up any losses, if required. In addition, profits of the joint venture are not distributed until the parties to the arrangement provide consent for distribution. The Corporation has no share of any contingent liabilities or capital commitments in its joint venture as at December 31, 2025 and December 31, 2024.

	2025	2024
Balance, beginning of the year	3,993	3,085
Share of total comprehensive income	1,121	908
Balance, end of the year	5,114	3,993

### 13. BANK INDEBTEDNESS

The Corporation has a multi-currency operating credit facility with a syndicate of banks, with a Canadian dollar limit of \$75,000. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a \$75,000 uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. On June 24, 2025 the Corporation extended its credit facility for an additional two-year period expiring on June 30, 2027. Indebtedness under the facility bears interest at adjusted term Canadian Overnight Repo Rate Average or adjusted term Secured Overnight Financing Rate ("SOFR") rates plus 1.00%. A fixed and floating charge debenture on accounts receivable, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

As at December 31, 2025, the Corporation had drawn \$27,737 under the operating credit facility [December 31 2024–\$23,714], including letters of credit totalling \$3,887 [December 31, 2024–\$3,857] such that \$47,263 [December 31, 2024–\$51,286] was available to be drawn on.

### 14. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	December 31 2025	December 31 2024
Accounts payable	69,384	58,984
Accrued liabilities	70,957	75,339
Provisions [note 18]	16,664	5,598
	157,005	139,921

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 15. LONG-TERM DEBT

	<b>December 31</b>	December 31
	<b>2025</b>	2024
Other loans	<b>2,727</b>	2,863
	<b>2,727</b>	2,863
Less: current portion	<b>(2,727)</b>	(2,863)
	<b>-</b>	-

Other loans includes a bank loan of \$2,727 (USD\$1,990) [2024—\$2,863 (USD\$1,990)] used to finance capital expenditures. The bank loan is an automatic revolving 12 month term loan, with an October expiry date, which bears interest at SOFR plus 3.00%. Interest in 2025 was charged at a rate of 5.75% [2024—8.38%]. Land, machinery and equipment were pledged as collateral for the bank loan.

### 16. LEASE LIABILITIES

The majority of the Corporation's leases relate to the rental of land and buildings. A continuity summary of the Corporation's lease liabilities is as follows:

	<b>2025</b>	2024
Lease liabilities—at January 1	<b>38,101</b>	29,129
Additions	<b>4,073</b>	12,062
Accretion on lease liabilities	<b>1,778</b>	1,580
Payments	<b>(6,650)</b>	(6,076)
Foreign exchange and other	<b>(636)</b>	1,406
Lease liabilities—at December 31	<b>36,666</b>	38,101
Less: current portion	<b>(7,035)</b>	(6,488)
	<b>29,631</b>	31,613

Contractual undiscounted cash flows for lease obligations:

	<b>December 31</b>
	<b>2025</b>
Less than one year	<b>7,097</b>
One to five years	<b>24,781</b>
Over five years	<b>11,484</b>
	<b>43,362</b>

Expenses for short-term leases and leases of low-dollar value items are not material. There are no variable lease payments which are not included in the measurement of lease obligations. Extension options have been considered in the measurement of lease obligations using management's best estimate.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 17. BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

The Corporation has received proceeds related to the development of its technologies and processes from Canadian government agencies. The contributions have been deducted in calculating the Corporation's investment in intangible assets, property plant and equipment or from the expense to which they relate. These amounts, plus, in certain cases, an implied return on the investment, are repayable as future royalty payments. The Corporation has included in borrowings subject to specific conditions the estimated amount of repayments based on future estimated sales in relation to the contributions received. During 2025, the Corporation received government proceeds of \$Nil [2024-\$1,285] and repaid \$1,391 [2024-\$1,276]. A summary of the Corporation's borrowings subject to specific conditions is as follows:

	<b>December 31 2025</b>	December 31 2024
Borrowings subject to specific conditions	<b>25,365</b>	25,604
Less: current portion	<b>(1,454)</b>	(1,391)
	<b>23,911</b>	24,213

### 18. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	<b>December 31 2025</b>	December 31 2024
Provisions	<b>18,065</b>	8,311
Other long-term liabilities	<b>15,923</b>	11,127
	<b>33,988</b>	19,438
Less current portion included in accounts payable, accrued liabilities and provisions	<b>(16,664)</b>	(5,598)
	<b>17,324</b>	13,840

Movements in provisions:

	<b>Warranty</b>	<b>Environmental</b>	<b>Other provisions</b>	<b>Total</b>
At December 31, 2023	1,649	3,662	1,091	6,402
Additional provisions	1,555	1,644	95	3,294
Amount used	(1,268)	(164)	-	(1,432)
Unused amounts reversed	(315)	-	-	(315)
Unwind of discount	-	179	-	179
Foreign currency translation	27	150	6	183
At December 31, 2024	1,648	5,471	1,192	8,311
Additional provisions	1,285	12,061	605	13,951
Amount used	(968)	(1,677)	-	(2,645)
Unused amounts reversed	-	(1,417)	(98)	(1,515)
Unwind of discount	-	20	-	20
Foreign currency translation	(24)	(28)	(5)	(57)
<b>At December 31, 2025</b>	<b>1,941</b>	<b>14,430</b>	<b>1,694</b>	<b>18,065</b>

#### *Warranty*

During the normal course of its business, the Corporation assumes the cost of certain components under warranties offered on its products. This provision for a warranty is based on historical data associated with similar products and is recorded as a current liability. Nevertheless, conditions may change and a significant amount may need to be recorded.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### *Environmental*

Environmental provisions have been recorded for costs related to site restoration obligations that are probable and which can be reasonably estimated. The provision amount is determined by discounting the Corporation's best estimate of the future cash flows required for the restoration efforts using a pre-tax risk-free rate specific to the liability. In the fourth quarter of 2025, the Corporation recorded an environmental provision of \$12,061 (USD \$8,800) on a pre-tax basis or \$9,408 (USD \$6,864) on an after-tax basis (refer to note 34).

### *Other*

This category of provisions includes provisions related to legal, onerous contracts, and other liabilities. The provisions are based on the Corporation's best estimate of the amount of the expenditure required to address the matters.

## 19. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	December 31 2024	Cash flows	Foreign exchange	Other	December 31 2025
Bank indebtedness	19,857	3,551	442	–	<b>23,850</b>
Long-term debt	2,863	–	(136)	–	<b>2,727</b>
Lease liabilities	38,101	(6,650)	(636)	5,851	<b>36,666</b>
Borrowings subject to specific conditions	25,604	(1,391)	–	1,152	<b>25,365</b>
Long-term liabilities and provisions	13,840	(25)	374	3,135	<b>17,324</b>
Total	100,265	(4,515)	44	10,138	<b>105,932</b>

The "Other" column includes the following: (1) Lease liabilities–interest accretion, the impact of new leases and the reassessment of existing leases; (2) Borrowing subject to specific conditions–interest accretion and the reassessment of the liability based on reviews of the underlying cash flows.

## 20. INCOME TAXES

Major components of income tax expense:

	2025	2024
<b>Current income tax expense</b>		
Current tax expense for the year	<b>19,551</b>	16,992
Current tax expense (recovery) for prior years	<b>344</b>	(327)
	<b>19,895</b>	16,665
<b>Deferred income tax recovery</b>		
Origination and reversal of temporary differences	<b>(4,805)</b>	(3,956)
Impact of tax law changes	<b>(423)</b>	(409)
	<b>(5,228)</b>	(4,365)
Total income tax expense	<b>14,667</b>	12,300

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The Corporation's consolidated effective tax rate for the year ended December 31, 2025 was 27.1% [2024–25.7%]. The difference in the effective tax rates compared to the Corporation's statutory income tax rates were mainly caused by the following:

	<b>2025</b>	2024
Income before income taxes	<b>54,106</b>	47,786
Income taxes based on the applicable tax rate of 25.8% in 2025 and 2024	<b>13,959</b>	12,329
Adjustment to income taxes resulting from:		
Adjustments in respect of prior years	<b>1,493</b>	(804)
Permanent differences and other	<b>(740)</b>	546
Income tax rate differentials on income of foreign operations	<b>(172)</b>	(517)
Changes in income tax rates	<b>212</b>	108
Unrecognized tax losses and temporary differences	<b>(85)</b>	638
Income tax expense	<b>14,667</b>	12,300

Changes in the deferred tax components are adjusted through deferred income tax expense except for \$495 of expense [2024–\$184 recovery] for foreign exchange hedges which is adjusted through other comprehensive income and \$131 of expense [2024–\$1,481 expense] for employee future benefits which is adjusted through other comprehensive income.

Major components of deferred tax assets and liabilities:

	<b>December 31 2025</b>	December 31 2024
Operating loss carry forwards	<b>11,233</b>	11,002
Investment tax credits	<b>(252)</b>	844
Employee future benefits	<b>(1,075)</b>	(1,247)
Property, plant and equipment and intangibles	<b>(50,390)</b>	(54,776)
Other	<b>19,552</b>	16,785
Deferred tax liabilities	<b>(20,932)</b>	(27,392)

For the purposes of the above table, deferred tax assets are shown net of offsetting deferred tax liabilities where these occur in the same entity and jurisdiction, as follows:

	<b>December 31 2025</b>	December 31 2024
Deferred tax assets	<b>10,032</b>	8,639
Deferred tax liabilities	<b>(30,964)</b>	(36,031)

The temporary difference associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognized aggregates to \$822,181 [2024–\$772,181]. Operating losses incurred by the Corporation's United Kingdom subsidiary for which a deferred tax asset has not been recognized were \$44,821 [2024–\$43,850].

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 21. SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, of which none are outstanding, and an unlimited number of common shares, with no par value.

#### Common shares

	Number	Amount
Issued and fully paid:		
Outstanding at December 31, 2024	57,138,980	249,762
<b>Outstanding at December 31, 2025</b>	<b>57,079,054</b>	<b>249,500</b>

#### Net income per share

	2025	2024
Net income	<b>39,439</b>	35,486
Weighted average number of shares	<b>57,116,955</b>	57,162,634
Basic and diluted net income per share	<b>0.69</b>	0.62

#### Dividends declared

For the year ended December 31, 2025, the Corporation declared and paid dividends on its common shares of \$0.025 on March 31, 2025, amounting to \$1,428. On June 30, 2025, September 29, 2025 and December 31, 2025 the Corporation paid quarterly dividends of \$0.05 per share amounting to \$8,565. Total dividends paid for the year was \$9,993.

For the year ended December 31, 2024, the Corporation declared and paid dividends on its common shares on March 29, 2024, June 28, 2024, September 30, 2024 and December 31, 2024 of \$0.025 per share amounting to \$5,715.

Subsequent to December 31, 2025, the Corporation declared dividends to holders of its common shares in the amount of \$0.05 per common share payable on March 31, 2026, for shareholders of record at the close of business on March 17, 2026.

#### Normal Course Issuer Bid

On May 25, 2023, the Corporation's normal course issuer bid ("NCIB") application was approved by the TSX (the "2023 NCIB"). The 2023 NCIB allowed for the purchase of up to 2,868,106 common shares over a 12-month period commencing May 27, 2023 and ending May 26, 2024. On May 24, 2024, the Corporation's subsequent NCIB application was approved (the "2024 NCIB"). The 2024 NCIB allowed the Corporation to purchase up to 2,857,469 common shares over a 12-month period commencing May 28, 2024 and ending May 27, 2025. On June 11, 2025, the Corporation's next NCIB was approved (the "June 2025 NCIB"). The June 2025 NCIB allows the Corporation to purchase up to 2,856,929 common shares, over a 12-month period commencing June 13, 2025, and ending June 12, 2026.

During the year ended December 31, 2025, 59,926 shares were purchased for cancellation for \$937 at a volume weighted average price paid of \$15.63 per common share. During the year ended December 31, 2024, 92,217 shares were purchased for cancellation for \$689 at a volume weighted average price paid of \$7.47 per common share.

### 22. STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The options include a cash option feature that allows option holders to elect to receive an amount in cash equal to the intrinsic value, being the excess market price of the common share over the exercise price of the option, instead of exercising the option and acquiring the common shares. Options are granted at an exercise price equal to the market price of the Corporation's common shares at the time of granting. Options normally have a life of five years with vesting at 20.0% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the option holder's entitlement to fully vest. As at December 31, 2025 and December 31, 2024, there were no options granted and outstanding. The maximum number of options for common shares that is available to be granted under this plan is 1,673,341.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The Corporation has a deferred share unit plan (“DSU Plan”) for certain executive officers (“Officers”) which provides a structure for Officers to accumulate equity-like holdings in the Corporation. The DSU Plan allows certain Officers to participate in the growth of the Corporation by providing a deferred payment based on the value of a common share at the time of redemption. Each Officer receives deferred share units (“Units”) based on their annual management incentive compensation. The Units are issued based on the Corporation’s common share price at the time of issue. One third of the cash payment of the Units awarded is made May 1 of the first calendar year following the date of the grant of the Units, another one third of cash payment is made May 1 of the second calendar year following the date of grant of the Units, and the remaining one third cash payment is made May 1 of the third calendar year following the date of grant of the Units. The number of Units that will actually vest ranges from 0% to 200% of the award remuneration granted and will be determined by the Corporation’s three-year Total Shareholder Return performance relative to a comparator group. The value each Officer ultimately receives would be determined by the number of Units earned, multiplied by the fair market value of the common share at the end of each performance period. As at December 31, 2025, 76,280 Units were outstanding at an accrued value of \$1,200 [December 31, 2024–\$700]. The Corporation recorded compensation expense in relation to the DSU Plan during the year of \$1,107 [2024–\$187].

### 23. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

Financial instruments are classified into one of the following categories: financial assets/financial liabilities at fair value through profit or loss, and financial assets/financial liabilities at amortized costs.

All financial instruments, including derivatives, are included on the consolidated statement of financial position, which are measured at fair value except for financial assets and liabilities measured at amortized costs.

The carrying values of the Corporation’s financial instruments are classified as follows:

	Financial assets at fair value through profit or loss <sup>1</sup>	Financial assets at amortized cost <sup>2</sup>	Total financial assets	Financial liabilities at fair value through profit of loss	Financial liabilities at fair value through other comprehensive income <sup>3</sup>	Financial liabilities at amortized cost <sup>4</sup>	Total financial liabilities
December 31, 2024	56,437	290,846	347,283	–	2,078	285,890	287,968
<b>December 31, 2025</b>	<b>64,047</b>	<b>299,973</b>	<b>364,020</b>	<b>–</b>	<b>161</b>	<b>274,883</b>	<b>275,044</b>

<sup>1</sup> Includes cash and cash equivalents and restricted cash.

<sup>2</sup> Includes trade and other receivables and contract assets.

<sup>3</sup> Includes derivative financial instruments.

<sup>4</sup> Includes bank indebtedness, accounts payable and accrued liabilities, contract liabilities, long-term debt, lease liabilities, and borrowings subject to specific conditions.

The Corporation has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

#### Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Corporation’s income or the value of its holdings of financial instruments. The Corporation’s policy is not to utilize derivative financial instruments for trading or speculative purposes. The Corporation may utilize derivative instruments in the management of its foreign currency and interest rate exposures.

The Corporation thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency risk, interest rate risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors of the Corporation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### *Currency risk*

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rate ("transaction exposures") and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars ("translation exposures"). The Corporation may use derivative financial instruments to manage foreign exchange risk with the objective of minimizing transaction exposures and the resulting volatility of the Corporation's net income.

The most significant transaction exposures arise in the Canadian operations where significant portions of the revenues are transacted in US dollars. As a result, the Corporation may experience transaction exposures because of the volatility in the exchange rate between the Canadian and US dollar. Based on the Corporation's current US denominated net inflows as of December 31, 2025, fluctuations of +/- 1% would, everything else being equal, have an effect on net income for the year ended December 31, 2025 of approximately +/- \$524. The Corporation may experience translation exposures on the consolidation of its US and European subsidiaries. Fluctuations of +/- 1% in the US dollar and British pound would, everything else being equal, have an effect on other comprehensive income of approximately \$5,518.

### *Interest rate risk*

The Corporation is exposed to interest rate risk in its floating rate bank indebtedness. As at December 31, 2025, \$26,577 [December 2024-\$22,720] of the Corporation's total debt portfolio is subject to movements in floating interest rates. In addition, a portion of the Corporation's trade receivables securitization programs are exposed to interest rate fluctuations. The objective of the Corporation's interest rate management activities is to minimize the volatility of the Corporation's income. The Corporation monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. A fluctuation in interest rates of 100 basis points (1%) would have impacted the amount of interest charged to net income during the year ended December 31, 2025 by approximately +/- \$199.

### **Credit risk**

Credit risk arises from cash and cash equivalents held with banks and financial institutions as well as credit exposure to clients, including outstanding trade receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent losses in financial assets. The Corporation is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Corporation mitigates this credit risk by dealing with counterparties who are major financial institutions that the Corporation anticipates will satisfy their obligations under the contracts.

The Corporation, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the aerospace industry. The Corporation sells the majority of its products to large international organizations with strong credit ratings. Therefore, the Corporation is not exposed to significant credit risk and overall, the Corporation's credit risk has not changed significantly from the prior year.

The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of income (loss) within administrative and general expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against administrative and general expenses.

### *Derecognition of financial assets*

The Corporation sells a portion of its trade receivables through securitization programs or factoring transactions. During 2025, the Corporation sold receivables to various financial institutions in the amount of \$12,848 [2024-\$12,922] for a discount of \$228 [2024-\$289] representing an annualized interest rate of 6.7% [2024-8.5%].

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that there are sufficient committed loan facilities in order to meet its liquidity requirements at any point in time. The Corporation has in place a planning and budgeting process to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis, taking into account its anticipated cash flows from operations and its operating facility capacity. The primary sources of liquidity are the operating credit facility, trade receivables securitization programs or factoring transactions and cash provided by operations. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected, or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

### Contractual maturity analysis

Contractual maturity of the Corporation's financial liabilities (including both interest and principal cash flows):

	Year 1	Years 2 and 3	Years 4 and 5	Thereafter	Total
Bank indebtedness	23,850	–	–	–	23,850
Long-term debt	2,727	–	–	–	2,727
Lease liabilities	7,097	14,015	10,766	11,484	43,362
Borrowings subject to specific conditions	1,454	3,603	3,862	23,362	32,281
Other long-term liabilities	21	12,544	179	3,179	15,923
Total	35,149	30,162	14,807	38,025	118,143

### Fair values

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

#### *Cash and cash equivalents, trade receivables, contract assets and liabilities, and accounts payable and accrued liabilities*

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated statements of financial position are reasonable estimates of their fair values.

#### *Foreign exchange contracts*

Certain of the Corporation's future cash flows are incurred in US dollars ("USD") and British pounds ("GBP"). Decreases in the value of the Canadian dollar relative to the US dollar and British pound could have an adverse effect on the Corporation's cash flows. To mitigate some of the uncertainty in respect these cash flows, the Corporation may enter into foreign currency forward and collar contracts in respect of US dollars and British pounds.

As at December 31, 2025, the Corporation had foreign exchange contracts outstanding in the amount of USD Nil [December 31, 2024–USD 4,000] and GBP 23,540 [December 31, 2024–GBP 23,540] and foreign currency collar contracts with notional amounts of USD Nil [December 31, 2024–USD 21,600]. In accordance with the fair value hierarchy of financial instruments, these derivatives are considered Level 2. As at December 31, 2025, the Corporation recorded \$161 of derivative liabilities for these instruments [2024–\$2,078] which are included in accounts payable, accrued liabilities and provisions on the consolidated statement of financial position.

For the 12-months ended December 31, 2025, a gain of \$1,424 (pre-tax gain of \$1,917) [2024–loss of \$579 (pre-tax loss of \$763)] was recorded in other comprehensive income (loss) for the effective portion of cash flow hedges.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### *Long-term debt*

As at December 31, 2025, the carrying amount of the Corporation's long-term debt of \$2,727 [2024-\$2,863] approximates its fair value. The fair value was determined by discounting the expected future cash flow based on the current rate for debt with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy.

### *Borrowings subject to specific conditions*

As at December 31, 2025, the Corporation has recognized \$25,365 [2024-\$25,604] as the amount repayable to Canadian government agencies. The contributions are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales. The fair value was determined by discounting the expected future royalty payments based on prevailing market rate for borrowings with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy.

### *Collateral*

As at December 31, 2025, the carrying amount of all of the financial assets that the Corporation has pledged as collateral for its long-term debt facilities and bank indebtedness was \$26,577 [2024-\$22,720].

### **Fair value hierarchy**

The Corporation's financial assets and liabilities recorded at fair value on the consolidated statement of financial position have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

## **24. EMPLOYEE FUTURE BENEFITS**

The Corporation provides retirement benefits through a variety of arrangements comprised principally of defined benefit and defined contribution plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are career average and final average earnings plans and around 100% of the obligations accrued to date come from defined benefit plans in Canada.

### **Defined Benefit Plans**

#### *Canada*

The Canadian defined benefit plans comprise both career average and final average earnings plans which provide benefits to members in the form of a guaranteed level of pension payable for life. A majority of the plans are currently closed to new entrants. The level of pensions in the defined benefit plans depends on the member's length of service and salary at retirement age for final average earnings plans and salary during employment for career average plans. The defined benefit pension plans require contributions to be made to a separate trustee-administered fund which is governed by the Corporation. The Corporation is responsible for the administration of the plans' assets and for the definition of the investment strategy. The Corporation reviews the level of funding in the defined benefit pension plans on an annual basis as required by local government legislation. Such review includes the asset-liability matching strategy and investment risk management policy. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. The most recent actuarial valuations for the various pension plans were completed as at December 31, 2022, December 31, 2023, November 30, 2024 and April 1, 2025.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

In April 2023, the Corporation purchased annuity contracts for a portion of the Corporation's defined benefit pension plans using plan assets and settled approximately \$19,624 of benefit plan obligations resulting in the recognition of a settlement loss of \$644 in the consolidated statements of income (loss) in 2023. The adjustment period for this transaction expired in the first quarter of 2024 and the Corporation recognized a partly offsetting settlement gain of \$203 associated with the refund of various premiums associated with this transaction in the consolidated statements of income in 2024.

Also in April 2023, the Corporation purchased \$27,350 of buy-in annuities for one of its defined benefit pension plans. As the buy-in annuity did not represent a transaction that eliminated all further legal or constructive obligations for the benefits under the plan, these obligations remained on the balance sheet through 2023, 2024 and part way through 2025 with the fair value of the buy-in assets equalling the obligation amount. The Corporation received regulatory approval to wind-up the plan and in April 2025, the buy-in annuities were converted to buy-out annuities and the obligation for benefits of \$18,787, and the corresponding assets, were removed from the Corporation's balance sheet. The settlement gain (loss) associated with this transaction was \$nil.

Contributions are determined by the appointed actuary and cover the going-concern normal costs and deficits (established under the assumption that the plan will continue to be in force) or solvency deficits (established under the assumption that the plan stops its operations and is being liquidated), as prescribed by laws and actuarial practices. Under the laws in effect, minimum contributions are required to amortize the going-concern deficits over a period of 15 years and solvency deficits over a period of five years. Temporary solvency relief measures are in place that allow for the amortization of solvency deficits over a period of up to 10 years.

### **Investment Policy**

The overall investment policy and strategy for the defined benefit pension plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the risks of the plans. See below for more information about the Corporation's risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk. Generally, the Corporation aims to have a portfolio mix of a combined 5% in money market securities, 30% in fixed income instruments and 65% in equity for the Canadian defined benefit plans. As the plans mature and the funded status improves through cash contributions and anticipated excess equity returns, the Corporation intends to reduce the level of investment risk by investing in more fixed-income assets that better match the liabilities.

### **Risk Management**

The Corporation's pension plans are exposed to various risks, including equity, interest rate, inflation, liquidity and longevity risks. Several risk strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of defined benefit plans and on the future level of contributions by the Corporation. The following is a description of key risks together with the mitigation measures in place to address them.

#### *Equity risk*

Equity risk is the risk that results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

#### *Interest rate risk*

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation.

This is accomplished by having a portion of the portfolio invested in long-term bonds. A decrease in corporate and/or government bond yields will increase plan liabilities, which will be partially offset by an increase in the value of the plans' bond holdings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### *Liquidity risk*

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures.

### *Longevity risk*

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments resulting in an increase in the plans' liabilities. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

The Corporation obtains actuarial valuations for its accrued benefit obligations and the fair value of plan assets for accounting purposes under IFRS as at December 31 of each year. In addition, the Corporation estimates movements in its accrued benefit liabilities at the end of each reporting period, based upon movements in discount rates and the rates of return on plan assets, as well as any significant changes to the plans. Adjustments are also made for payments made and benefits earned.

### **Defined Contribution Plans**

The Corporation's management, administrative and certain unionized employees may participate in defined contribution pension plans. The Corporation contributes an amount expressed as a percentage of employees' contributions with such percentage varying by group.

The Corporation's expenses for defined contribution plans amounted to \$7,983 for the year ended December 31, 2025 [2024-\$7,243].

### **Other Benefit Plan**

The Corporation has another benefit plan in the United States which includes retiree medical benefits that contribute to the health care coverage of certain employees and their beneficiaries after retirement. The other benefit plan is currently closed to new entrants. The post-retirement benefits cover all types of medical expenses including, but not limited to, cost of doctor visits, hospitalization, surgery and pharmaceuticals. The other benefit plan also provides for post-employment life insurance and compensated absences for eligible current employees, including vacation to be taken before retirement, if certain age and service requirements are met. The retirees contribute to the costs of the post-retirement medical benefits. The plan is not pre-funded and costs are incurred as amounts are paid.

The Corporation recognized total defined benefit costs related to its defined and other benefit plans as follows:

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
Current service cost	1,022	–	1,027	–
Net interest on net defined benefit liability	(248)	37	(87)	38
Other	514	–	1,125	–
Settlement (gain) loss	–	–	(203)	–
Total defined benefit cost recognized in net income	1,288	37	1,862	38

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The re-measurement components recognized in the statement of other comprehensive income for the Corporation's benefit plans comprise the following:

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
<b>Actuarial (gains) losses</b>				
Return on pension assets (excluding amounts in net interest on defined benefit schemes)	<b>(2,008)</b>	–	(9,259)	–
Based on adjustment of liability assumptions	<b>(1,276)</b>	–	550	–
Due to liability experience adjustment	<b>20</b>	<b>(21)</b>	1,002	38
Other	–	–	47	–
Change in effect of asset ceiling	<b>2,755</b>	–	1,920	–
Total defined benefit (gains) loss recognized in the statement of other comprehensive income	<b>(509)</b>	<b>(21)</b>	(5,740)	38

The following tables show the changes in the fair value of plan assets and the defined benefit obligation as recognized in the consolidated financial statements for the Corporation's benefit plans:

### Changes in benefit plan assets of the Corporation's benefit plans

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
Fair value, beginning of year	<b>82,071</b>	–	80,466	–
Interest income on plan assets	<b>2,674</b>	–	3,630	–
Actual return on assets (excluding interest income on plan assets)	<b>2,008</b>	–	9,259	–
Employer contributions	<b>(164)</b>	<b>94</b>	(394)	193
Employee contributions	<b>127</b>	<b>30</b>	130	82
Benefit payments	<b>(1,874)</b>	<b>(124)</b>	(10,677)	(275)
Plan settlement	<b>(18,787)</b>	–	829	–
Administration costs	<b>(514)</b>	–	(1,172)	–
End of year	<b>65,541</b>	–	82,071	–

### Changes in effect of asset ceiling

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
Effect of asset ceiling, beginning of year	<b>20,297</b>	–	17,561	–
Interest on effect of asset ceiling	<b>568</b>	–	816	–
Change in effect of asset ceiling during the period	<b>2,755</b>	–	1,920	–
End of year	<b>23,620</b>	–	20,297	–

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### Changes in the benefit plan obligations of the Corporation's benefit plans

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
Beginning of year	55,969	718	60,584	773
Current service cost	1,022	–	1,027	–
Interest cost	1,858	37	2,727	38
Employee contributions	127	30	130	82
Actuarial (gains) losses in other comprehensive income from:				
Changes in demographic assumptions	–	–	17	–
Changes in financial assumptions	(1,276)	–	533	–
Experience adjustments	20	(21)	1,002	38
Benefit payments	(1,874)	(124)	(10,677)	(275)
Plan settlement	(18,787)	–	626	–
Exchange difference	–	(33)	–	62
End of year	37,059	607	55,969	718

### Reconciliation of funded status of benefit plans to amounts recorded in the consolidated financial statements

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
Fair value of plan assets	65,541	–	82,071	–
Accrued benefit obligation	(37,059)	(607)	(55,969)	(718)
Irrecoverable surplus (effect of asset ceiling)	(23,620)	–	(20,297)	–
Net defined benefit asset (liability)	4,862	(607)	5,805	(718)
—Included in other long-term liabilities and provisions	–	(607)	–	(718)
—Included in other assets	4,862	–	5,805	–

The Corporation expects to contribute approximately \$Nil in 2026 to all its defined benefit plans in accordance with normal funding policy. Because of market driven changes that the Corporation cannot predict, the Corporation could be required to make contributions in the future that differ significantly from its estimates.

### Significant assumptions and sensitivity analysis

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations represent management's best estimates reflecting the long-term nature of employee future benefits and are as follows [weighted-average assumptions as at December 31]:

	2025		2024	
	Defined benefit plans	Other benefit plan	Defined benefit plans	Other benefit plan
Discount rate	4.84%	5.00%	4.60%	5.30%
Rate of compensation increase	2.0% / 3.0%	–	2.0% / 3.0%	–
Mortality Table				
Canadian defined benefit plans	<b>Club Vita Canada's 2022 and 2021 VitaCurves projected with CPM-B improvement scales.</b>		Club Vita Canada's 2022, 2021 and 2020 VitaCurves projected with CPM-B improvement scales.	
Other benefit plan	<b>SOA Pri-2012 Blue Collar Mortality Table with projection Scale MP-2021</b>		SOA Pri-2012 Blue Collar Mortality Table with projection Scale MP-2021	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The discount rate assumptions used in determining the obligations for pension and other benefit plans was selected based on a review of current market interest rates of high-quality, fixed rate debt securities adjusted to reflect the duration of expected future cash outflows for pension benefit payments. At December 31, 2025, a 1.0% decrease in the discount rate used (all other assumptions remaining unchanged) could result in a \$3,600 increase in the pension benefit obligation with a corresponding charge recognized in other comprehensive income in the year.

The Corporation funds health care benefit costs, shown under other benefit plan, on a pay as you go basis. For measurement purposes, a 6.0% annual rate of increase in the per capita cost of covered health care and dental benefits was assumed for 2025. The impact of applying a one-percentage-point increase or decrease in the assumed health care and dental benefit trend rates as at December 31, 2025 was nominal.

### Assets

The weighted average asset allocations of the defined benefit plans at the measurement date, by asset category:

	2025	2024
Equity investments	71%	59%
Fixed income investments	26%	12%
Buy-in annuity	–	28%
Other investments	3%	1%
	<b>100%</b>	<b>100%</b>

### Defined benefit pension liability term

	2025	2024
Defined benefits schedule for disbursement within 12 months	2,201	4,603
Defined benefits schedule for disbursement within 2-5 years	6,814	13,445
Defined benefits schedule for disbursement after 5 years or more	11,152	15,514
	<b>20,167</b>	<b>33,562</b>

## 25. SEGMENTED INFORMATION

Operating segments are defined as components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which includes the design, development, manufacture, repair and overhaul, and sale of systems and components for defence and civil aviation. The Corporation evaluated the performance of its operating segments primarily based on net income before interest and income tax expense. The Corporation accounts for intersegment and related party sales and transfers, if any, at the exchange amount.

The Corporation's primary sources of revenue:

	2025	2024
Sale of goods	879,275	765,993
Services	165,407	176,375
	<b>1,044,682</b>	<b>942,368</b>

Timing of revenue recognition based on transfer of control:

	2025	2024
At a point of time	672,387	575,264
Over time	372,295	367,104
	<b>1,044,682</b>	<b>942,368</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2025 and 2024 as the Corporation performs under contracts at delivery or recognized over time. The amounts disclosed below represent the value of firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include constrained variable consideration, unexercised options or letters of intent.

Revenues expected to be recognized in:

	2025	2024
Less than 24 months	<b>873,940</b>	943,934
Thereafter	<b>245,971</b>	133,298

Revenues from the Corporation's two largest customers accounted for 34.3% of total sales for the year ended December 31, 2025 consisting of 23.7% and 10.5%, respectively. For the year ended December 31, 2024, the two largest customers accounted for 36.2% of total sales consisting of 25.5% and 10.7%, respectively.

Revenues information by geographic segments:

	2025	2024
Revenues		
Canada	<b>408,769</b>	357,769
United States	<b>295,799</b>	262,645
Europe	<b>340,114</b>	321,954
	<b>1,044,682</b>	942,368
Export revenues <sup>1</sup>		
Canada	<b>283,348</b>	237,224
United States	<b>78,090</b>	60,180
Europe	<b>94,640</b>	86,904
	<b>456,078</b>	384,308

<sup>1</sup> Export revenue is attributed to countries based on the location of the customers.

Corporation's long-lived assets by geographic segment:

	2025	2024
Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
Canada	<b>162,003</b>	157,582
United States	<b>149,876</b>	158,200
Europe	<b>167,855</b>	157,794
	<b>479,734</b>	473,576

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 26. COST OF REVENUES

	2025	2024
Operating expenses	862,962	792,619
Depreciation and amortization	43,460	41,145
Investment tax credits	(3,683)	(1,150)
Impairment of inventories	(2,862)	1,865
	<b>899,877</b>	<b>834,479</b>

### 27. ADMINISTRATIVE AND GENERAL EXPENSES

	2025	2024
Salaries, wages and benefits	34,295	31,434
Administration and office expenses	24,579	19,348
Professional services	2,502	2,581
Depreciation and amortization	4,087	3,572
	<b>65,463</b>	<b>56,935</b>

### 28. OTHER EXPENSE (INCOME)

	2025	2024
Foreign exchange (gain) loss	9,668	(2,682)
Loss on disposal of property, plant and equipment	106	218
(Gain) loss on pension settlement	–	(203)
Other [note 34]	13,556	1,655
	<b>23,330</b>	<b>(1,012)</b>

### 29. INTEREST EXPENSE

	2025	2024
Interest (income) expense on cash, bank indebtedness and long-term debt	(890)	1,541
Accretion charge on long-term debt and borrowings	790	770
Accretion on lease liabilities	1,778	1,580
Discount on sale of trade receivables	228	289
	<b>1,906</b>	<b>4,180</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 30. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes unrealized foreign currency translation gains and losses, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's foreign operations and actuarial gains on defined benefit pension plans, net of tax. The Corporation recorded unrealized currency translation losses for the year ended December 31, 2025 of \$7,319 [2024—gains of \$32,678]; unrealized gains on foreign currency contract hedges of \$1,424 [2024—losses of \$579] and net actuarial gains on defined benefit plans of \$399 [2024—gains of \$4,219]. These gains and losses are reflected in the consolidated statements of financial position and had no impact on net income for the year.

### 31. RELATED PARTY DISCLOSURE

#### Transactions with related parties

During the year, the Corporation incurred consulting and cost recovery fees of \$200 [2024—\$200] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

#### Key management personnel

Key management includes members of the Board of Directors of the Corporation and executive officers, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Corporation. The compensation expense for key management for services is as follows:

	2025	2024
Short-term benefits	3,972	3,617
Post-employment benefits	225	183
Share-based payments	644	127
	<b>4,841</b>	3,927

Short-term benefits include cash payments for base salaries, bonuses and other short-term cash payments. Post-employment benefits include the Corporation's contribution pension plan. Share-based payments include amounts paid to Officers under the DSU Plan.

### 32. SUPPLEMENTARY CASH FLOW INFORMATION

	2025	2024
<b>Net change in non-cash working capital</b>		
Trade and other receivables	(34,482)	8,141
Contract assets	22,621	(10,204)
Inventories	2,387	(12,753)
Prepaid expenses and other	(429)	(737)
Accounts payable, accrued liabilities and provisions	19,691	(11,048)
Contract liabilities	(16,334)	46,097
	<b>(6,546)</b>	19,496
Interest paid (received)	(596)	1,765
Income taxes paid	19,142	13,888

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in thousands of Canadian dollars)

### 33. MANAGEMENT OF CAPITAL

The Corporation's objective is to maintain a capital base sufficient to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Corporation's shareholders' equity and interest-bearing debt.

As at December 31, 2025, total managed capital was \$849,030 [2024—\$822,160], comprised of shareholders' equity attributable to equity holders of the Corporation of \$822,453 [2024—\$799,440] and interest-bearing debt of \$26,577 [2024—\$22,720].

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares through the normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both. There were no changes in the Corporation's approach to capital management during the year.

The Corporation must adhere to covenants in its operating credit facility. As at December 31, 2025, the Corporation was in compliance with these covenants.

### 34. CONTINGENT LIABILITIES AND COMMITMENTS

#### Contingencies

In the ordinary course of business activities, the Corporation may be involved in legal actions and other disputes, with or without merit, with a variety of stakeholders. Management believes that adequate provisions have been recorded in the accounts for losses that are probable and estimable, where required. While it is not possible to predict or determine the outcome of these legal actions or disputes, management believes that, other than as noted below, none of these disputes or legal actions are expected to have a material impact on the financial position of the Corporation.

#### Legal Proceedings and Environmental Orders

In the U.S., a subsidiary of the Corporation is involved as one of a number of defendants and third-party defendants for contribution and cost recovery under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 in respect of the remediation of a former site in Torrance, California where it is alleged that hazardous substances were released into the environment. A trial has been scheduled in the first quarter of 2026. During a review of contingent items in the fourth quarter of 2025, management identified the need to establish a provision for this item. Management cannot predict with certainty the extent of its liability, if any, total costs of remediation, its share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the remediation or the insurance coverage available to it. Based on reviews with legal counsel, management believes an adequate provision has been recorded (refer to note 18).

Also in the U.S., a subsidiary of the Corporation is involved in an investigation being conducted by the state Department of Toxic Substances Control for soil vapour intrusion at a former site in San Diego, California. The Corporation was made aware of this investigation in February 2026. The actual liability to the Corporation remains highly uncertain at this time due to the recent timing of this claim, the unknown history of the contamination, and the unknown scope of remediation costs involved.

#### Commitments

As at December 31, 2025, capital commitments in respect of purchase of property, plant and equipment totalled \$27,060 [2024—\$30,879], all of which had been ordered. There were no other material capital commitments at the end of the year.

## BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

### EXECUTIVE OFFICERS

**N. Murray Edwards**

*Chairman*

**Phillip C. Underwood**

*President and  
Chief Executive Officer*

**Elena M. Milantoni**

*Chief Financial Officer and  
Corporate Secretary*

**Haydn R. Martin**

*Vice President,  
Business Development,  
Marketing and Contracts*

**Michael Gripe**

*Vice President,  
Human Resources*

**Karen Yoshiki-Gravelsins**

*Vice President,  
Corporate Stewardship and  
Operational Excellence*

**Ian Roberts**

*Vice President,  
Information Technology, and  
Transformation*

### BOARD OF DIRECTORS

**N. Murray Edwards** <sup>(4)</sup>

*Chairman*  
Magellan Aerospace Corporation  
Graubünden, Switzerland

**Phillip C. Underwood**

*President and Chief Executive Officer*  
Magellan Aerospace Corporation  
Ontario, Canada

**Beth M. Budd Bandler** <sup>(1, 2, 3, 5)</sup>

*President*  
Bandler Corporation  
Ontario, Canada

**Larry G. Moeller** <sup>(3, 5)</sup>

*President*  
Kimball Capital Corporation  
Alberta, Canada

**Steven Somerville** <sup>(1, 2, 3, 4)</sup>

*President*  
CCM Capital Corporation  
Ontario, Canada

**James P. Veitch** <sup>(1, 2, 4, 5)</sup>

*Director*  
Partner Two Corp.  
Alberta, Canada

### COMMITTEES OF THE BOARD

- (1) Audit Committee  
Chairman:  
**Steven Somerville**
- (2) Governance and  
Nominating Committee  
Chairman:  
**James P. Veitch**
- (3) Human Resources and  
Compensation Committee  
Chairman:  
**Beth M. Budd Bandler**
- (4) Pension Committee  
Chairman:  
**Steven Somerville**
- (5) Environmental and Health &  
Safety Committee  
Chairman:  
**Beth M. Budd Bandler**

## PRIMARY OPERATING FACILITIES DIRECTORY & SHAREHOLDER INFORMATION

### CANADA

660 Berry Street,  
Winnipeg, Manitoba R3H 0S5  
Tel: 204 775 8331

3160 Derry Road East,  
Mississauga, Ontario L4T 1A9  
Tel: 905 673 3250

634 Magnesium Road,  
Haley, Ontario K0J 1Y0  
Tel: 613 432 8841

975 Wilson Avenue,  
Kitchener, Ontario N2C 1J1  
Tel: 519 893 7575

### UNITED STATES

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New York, New York 11368  
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165 Field Street,  
West Babylon, New York 11704  
Tel: 631 694 1818

20 Computer Drive,  
Haverhill, Massachusetts 01832  
Tel: 978 774 6000

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Middletown, Ohio 45042  
Tel: 513 422 2751

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Glendale, Arizona 85301  
Tel: 623 931 0010

5401 West Luke Avenue,  
Glendale, Arizona 85311  
Tel: 623 939 9441

### FRANCE

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### POLAND

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### INDIA

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Hitech Defence and Aerospace Park  
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### CORPORATE OFFICE

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For investor information:  
[ir@magellan.aero](mailto:ir@magellan.aero)

### AUDITORS

BDO Canada LLP  
Toronto, Ontario

### TRANSFER AGENT

Computershare Investor Services Inc.  
Toronto, Ontario  
Tel: 1 800 564 6253  
e-mail: [service@computershare.com](mailto:service@computershare.com)  
[www.computershare.com](http://www.computershare.com)

### STOCK LISTING

Toronto Stock Exchange—TSX  
Common Shares—MAL

The background of the page features a series of concentric white circles on a light blue gradient. The circles are arranged in a way that they appear to recede into the distance, creating a tunnel-like effect. The circles are of varying diameters, with the largest ones in the foreground and the smallest ones in the background.

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