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AEROSPACE

QUARTERLY REPORT
MARCH 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 Corporation's unaudited condensed consolidated interim financial statements and the notes thereto for the three month period ended March 31, 2025, and the audited annual consolidated financial statements for the year ended December 31, 2024 (available on SEDAR at www.sedarplus.ca). Unless otherwise noted, all financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the three month period ended March 31, 2025 relative to the three month period ended March 31, 2024. The information contained in this report is as at May 6, 2025. 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. In particular and without limitation there are forward looking statements under the heading "Overview", "Results of Operations", "Liquidity and Capital Resources", "Risk Factors", "Changes in Accounting Policies" and "Outlook". In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "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 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 GAAP. Throughout this discussion, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization), which the Corporation considers to be an indicative measure of operating performance and metrics to evaluate profitability. EBITDA is not a generally accepted earnings measures and should not be considered as alternatives to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliation of EBITDA to net income (loss) reported in accordance with IFRS are included in this MD&A.

1. Overview

A summary of Magellan's business and significant updates

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, controlled entity and joint venture, Magellan designs, 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 supply of spare parts as well as performing 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.

In the first three months of 2025, 62.2% of revenues were derived from commercial markets while 37.8% of revenues related to defence markets.

Business Update

On March 6, 2025, Magellan announced the signing of a Memorandum of Understanding with Aequs Private Limited ("Aequs") 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 (“BAC”), 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 March 6, 2025, Magellan announced it has signed an amendment to a long-term Revenue Sharing Agreement (“RSA”) with GE Aerospace to include the production of major components for the F414-GE-400K aircraft engine for the Korean KF-21 aircraft program.

For additional information, please refer to the “Management’s Discussion and Analysis” section of the Corporation’s 2024 Annual Report available on www.sedarplus.ca.

2. Results of Operations

A discussion of Magellan’s operating results for the first quarter ended March 31, 2025

The Corporation reported revenue in the first quarter of 2025 of $260.9 million, an $25.7 million or 10.9% increase from the first quarter of 2024 revenue of $235.2 million. Gross profit and net income for the first quarter of 2025 were $33.7 million and $10.8 million, respectively, in comparison to gross profit of $23.8 million and net income of $6.3 million for the first quarter of 2024.

Consolidated Revenue

	Three month period ended March 31		
Expressed in thousands of dollars	**2025**	2024	Change
Canada	**105,375**	91,928	14.6%
United States	**75,033**	67,999	10.3%
Europe	**80,490**	75,316	6.9%
Total revenues	**260,898**	235,243	10.9%

Revenues in Canada increased 14.6% in the first quarter of 2025 compared to the corresponding period in 2024, primarily due to higher casting product revenues and higher propulsion product revenues.

Revenues in the United States increased by 10.3% in the first quarter of 2025 compared to the first quarter of 2024, mainly due to higher engine shaft revenues and favourable foreign exchange impacts due to the strengthening of the United States dollar relative to the Canadian dollar, offset in part by lower revenues on single aisle aircraft programs.

European revenues in the first quarter of 2025 increased 6.9% compared to the corresponding period in 2024 primarily driven by higher revenues for wide body aircraft parts and favourable foreign exchange impacts as the United States dollar strengthened relative to the British pound.

Gross Profit

	Three month period ended March 31		
Expressed in thousands of dollars	**2025**	2024	Change
Gross profit	**33,732**	23,817	41.6%
Percentage of revenues	**12.9%**	10.1%	

Gross profit of $33.7 million for the first quarter of 2025 was $9.9 million higher than the $23.8 million gross profit for the first quarter of 2024, and gross profit as a percentage of revenues of 12.9% for the first quarter of 2025 increased from the 10.1% recorded in the same period in 2024. The gross profit in the current quarter increased from the same quarter in the prior year as a result of volume increases and contract rehabilitations on certain programs in addition to favourable product mix, offset in part by increased costs on purchased materials and supplies.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended March 31		
	2025	2024	Change
Administrative and general expenses	**15,229**	14,237	7.0%
Percentage of revenues	**5.8%**	6.1%	

Administrative and general expenses as a percentage of revenues of 5.8% for the first quarter of 2025 were higher on a nominal basis than the same period of 2024, but lower as a percentage of revenues. Administrative and general expenses increased $1.0 million or 7.0% to $15.2 million in the first quarter of 2025 compared to $14.2 million in the first quarter of 2024 mainly due to increases in employee related costs and the impact of foreign exchange movements of the United States dollar and British pound denominated expenses.

Other

Expressed in thousands of dollars	Three month period ended March 31	
	2025	2024
Foreign exchange loss (gain)	**2,933**	(734)
Loss on disposal of property, plant and equipment	—	24
Other	—	(202)
Total other	**2,933**	(912)

Other for the first quarter of 2025 included a $2.9 million foreign exchange loss compared to a $0.7 million foreign exchange gain in the first quarter of 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 in a quarter.

Interest Expense

Expressed in thousands of dollars	Three month period ended March 31	
	2025	2024
Interest on cash, bank indebtedness and long-term debt	**(143)**	709
Accretion charge on long-term debt and borrowings	**207**	175
Accretion charge for lease liabilities	**455**	369
Discount on sale of accounts receivable	**57**	57
Total interest expense	**576**	1,310

Total interest expense of $0.6 million in the first quarter of 2025 decreased by $0.7 million compared to the first quarter of 2024, mainly due to lower interest on bank indebtedness and long-term debt as a result of lower principal amounts borrowed compared to the prior year and higher interest earned on cash due to higher cash balances in the current quarter as compared to the prior year.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended March 31	
	2025	2024
Current income tax expense	**5,508**	3,494
Deferred income tax recovery	**(1,341)**	(623)
Total income tax expense	**4,167**	2,871
Effective tax rate	**27.8%**	31.3%

Income tax expense for the three months ended March 31, 2025 was $4.2 million, representing an effective income tax rate of 27.8% compared to 31.3% for the same period of 2024. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in mix of income and loss across the different jurisdictions in which the Corporation operates and the reversal of temporary differences.

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3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2025				2024			2023
Expressed in millions of dollars, except per share amounts	**Mar 31**	Dec 31	Sep 30	Jun 30	**Mar 31**	Dec 31	Sep 30	Jun 30
Revenues	260.9	240.7	223.5	242.9	235.2	223.5	213.0	219.7
Income before taxes	15.0	19.4	9.3	9.9	9.2	4.4	4.7	6.1
Net income (loss)	10.8	15.9	5.8	7.5	6.3	(0.3)	3.7	1.9
Net income (loss) per share								
Basic and diluted	0.19	0.28	0.10	0.13	0.11	(0.00)	0.06	0.03
EBITDA[1]	27.3	31.6	21.5	21.9	21.7	15.9	17.7	19.3
Adjusted EBITDA[1]	27.3	31.6	21.5	21.9	21.7	16.4	18.5	19.5

[1] EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 4 the "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for more information.

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 1.3412 in the third quarter of 2023. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.8081 in the first quarter of 2025 and hit a low of 1.6814 in the second quarter of 2023. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3011 in the third quarter of 2024 and hit a low of 1.2419 in the fourth quarter of 2023.

Revenue for the first quarter of 2025 of $260.9 million was higher than that in the first quarter of 2024. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the first quarter of 2025 was 1.4350 versus 1.3488 in the same period of 2024. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.7103 in the first quarter of 2024 to 1.8081 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar decreased from 1.2680 in the first quarter of 2024 to 1.2600 in the current quarter.

The Corporation's results in fiscal 2023 were negatively impacted by the continued effects of the COVID-19 pandemic via reduced volumes, supply chain disruptions and the effect of inflation on materials, supplies, utilities and labour. These impacts, which continued into 2024 have stabilized and are having a less disruptive impact. Since the end of 2023, the Company has seen a general, but uneven, growth trend in quarterly revenues and net income.

4. Reconciliation of Net Income to 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 (net income before interest, income taxes and depreciation and amortization) in this MD&A. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that EBITDA is a useful supplemental measure as it provides 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 this measure is calculated in accordance with IFRS, but EBITDA is not a recognized measure under IFRS, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, 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.

	Three month period ended March 31	
Expressed in thousands of dollars	**2025**	2024
Income before interest and income taxes	**15,570**	10,492
Depreciation and amortization	**11,713**	11,206
EBITDA	27,283	21,698

EBITDA in the first quarter of 2025 increased $5.6 million or 25.7% to $27.3 million in comparison to $21.7 million in the same quarter of 2024 mainly as a result of higher income before interest and income taxes mainly as a result of the gross margin improvements partly offset by higher administrative and general expenses and higher other expenses.

5. 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 receivable securitization program, and long-term debt and equity capacity. Principal uses of cash are for operational requirements, capital expenditures, common share repurchases and dividend payments. 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 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.

Cash Flow from Operations

	Three month period ended March 31	
Expressed in thousands of dollars	**2025**	2024
(Increase) decrease in trade and other receivables	**(25,104)**	2,382
Decrease (increase) in contract assets	**8,461**	(5,250)
Increase in inventories	**(6,367)**	(7,513)
Increase in prepaid expenses and other	**(361)**	(934)
Increase (decrease) in accounts payable, accrued liabilities and provisions	**19,098**	(1,567)
Increase (decrease) in contract liabilities	**3,579**	15,148
Changes to non-cash working capital balances	**(694)**	2,266
Cash provided by operating activities	**21,508**	19,827

For the three months ended March 31, 2025, operating activities provided $21.5 million of cash compared to $19.8 million provided in the first quarter of 2024. Changes in non-cash working capital items used cash of $0.7 million, $3.0 million lower when compared to the cash provided from working capital of $2.3 million in the prior year. This working capital decrease is largely attributable to increases in accounts receivables from timing of customer payments, decreases in contract liabilities due to timing of customer deposits offset in part by decreases in contract assets, and increases in accounts payable, accrued liabilities and provisions primarily driven by timing of material purchases and supplier payments.

Investing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2025**	2024
Purchase of property, plant and equipment	**(12,498)**	(6,295)
Proceeds of disposal of property plant and equipment	—	7
Increase in intangible and other assets	**(666)**	(1,240)
Cash used in investing activities	**(13,164)**	(7,528)

Investing activities used $13.2 million of cash for the first quarter of 2025 compared to $7.5 million of cash used in the same quarter of the prior year, an increase of $5.6 million. The increase in cash usage was primarily due to higher levels of investment in property, plant and equipment.

Financing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2025**	2024
(Decrease) increase in bank indebtedness	**(4,533)**	116
Decrease in long-term debt	—	(540)
Lease liability payments	**(1,664)**	(1,371)
Decrease in borrowings subject to specific conditions, net	**(1,391)**	(1,276)
Decrease in long-term liabilities and provisions	**(277)**	(67)
Common share repurchases	**(4)**	(384)
Common share dividends	**(1,428)**	(1,429)
Cash used in financing activities	**(9,297)**	(4,951)

Financing activities used $9.3 million of cash in the first quarter of 2025 compared to $5.0 million of cash used in the same quarter of the prior year. The increase in cash usage was primarily driven by the decreases in bank indebtedness and long-term debt.

The Corporation's Bank Credit Facility Agreement ("2023 Credit Facility") with a syndicate of lenders expires on June 30, 2025. The 2023 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 2023 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 2023 Credit Facility are subject to mutual consent of the syndicate of lenders and the Corporation. At March 31, 2025, drawings under the 2023 Credit Facility were $19.6 million, including letters of credit totaling $3.8 million.

As at March 31, 2025, the Corporation had contractual commitments to purchase $22.5 million of capital assets.

Dividends

During the first quarter of 2025, the Corporation declared and paid a quarterly cash dividend of $0.025 per common share amounting to a dividend payment of $1.4 million in the aggregate.

Subsequent to March 31, 2025, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.05 per common share. The dividend will be payable on June 30, 2025 to shareholders of record at the close of business on June 16, 2025. The Board of Directors of the Corporation continues to review its dividends on a quarterly basis to ensure that the dividend declared balances the return of capital to shareholders while maintaining adequate financial flexibility and funds available for growth initiatives.

Normal Course Issuer Bid

On May 24, 2024, the Corporation's application to extend its normal course issuer bid ("2024 NCIB") was approved, which allows the Corporation to purchase up to 2,857,469 common shares between May 28, 2024 and May 27, 2025. During the first quarter of 2025, the Corporation purchased 400 common shares for cancellation at a cost of $4 thousand.

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 May 6, 2025, 57,138,580 common shares were outstanding and no preference shares were outstanding.

6. 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 collars), the Corporation is obligated to purchase specified amounts of currency at predetermined dates and exchange rates if certain conditions are met. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. A number of these contracts are designated as cash flow hedges.

As at March 31, 2025, foreign exchange contracts of USD $4.0 million and GBP 23.5 million were outstanding with a mark-to-market fair value loss of $0.2 million. In addition, the Corporation had foreign exchange collar contracts outstanding of USD $10.8 million, which extend to June 2025, with a mark-to-market fair value loss of $1.2 million.

As at March 31, 2025, the Corporation has $1.4 million of derivative liabilities as the fair value of its derivative contracts [December 31, 2024 - $2.1 million] in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

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.

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three month period ended March 31, 2025, the Corporation had no material transactions with related parties as defined in IAS 24, *Related Party Disclosures*.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

The Corporation manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without hindering the ability to maximize returns. Management has procedures to help identify and manage significant operational and financial risks.

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2024 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2024, which have been filed with SEDAR at www.sedarplus.ca.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

The Corporation has not adopted any new accounting standards or amendments issued by the IASB that were effective January 1, 2025.

The IASB has issued the following new standard and amendment that have not yet been adopted by the Corporation and could have an impact on future periods. The Corporation is in the process of reviewing these changes to determine the impact on the 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 companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

- 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.

10. Significant Accounting Estimates

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

In the 2024 audited annual consolidated financial statements and management's discussion and analysis, the Corporation identified the accounting policies and estimates that are significant to the understanding of the business and results of operations. Please refer to note 2 to the audited consolidated financial statements for the year ended December 31, 2024 for a discussion regarding the significant accounting estimates.

11. 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 (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2025 that they are responsible for establishing and maintaining 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, the 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 controls 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; (iii) assumptions about the likelihood of future events.

No changes were made in the Corporation's internal control over financial reporting during the Corporation's most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

12. Outlook

The outlook for Magellan's business in 2025

While turbulence in the commercial aircraft manufacturing market began to improve somewhat in the fourth quarter of 2024, the tariffs being imposed by the US administration have the potential of creating a new form of turbulence for the sector.

The strike at Boeing in the later part of 2024 halted all production and delivery activities on 737, 767 and 777 aircraft programs, as well as 777-9 certification flight tests. This disruption compounded what was already a challenging environment with supply chain delays, labor shortages, and other market turmoil, that is carrying into 2025. While engine deliveries continue to impact the desired aircraft delivery rates, the tariff situation has the potential of further impacting deliveries
.

In the first quarter of 2025, Airbus secured gross orders for 280 aircraft and delivered 136 aircraft. Airbus ended the first quarter of 2025 with a total order backlog of 8,720 aircraft. Airbus' single aisle production rate during 2024 did not reach the planned delivery rate, and headwinds in the supply chain are likely going to prevail in 2025. Forecasts suggest Airbus will work towards a A320 production rate of 75 aircraft per month by 2027.

Boeing secured orders for 241 aircraft and delivered 130 aircraft in the first quarter of 2025, and ended the quarter with an order backlog of 6,319 aircraft. A revised production schedule was issued by Boeing indicating that the 737-production rate would reach 38 aircraft per month by May 2025, followed by an increase to 57 aircraft per month by 2027. Increases beyond 38 aircraft per month remain subject to FAA directives. Boeing delivered 33 737 MAX aircraft in March 2025. Flight-testing and certification of the 777-9 resumed in January 2025.

In the defence market, the outlook remains unchanged with the demand expected to continue to provide manufacturers with secure order books for the foreseeable future. Against the backdrop of global conflicts and the U.S. trade tensions with China, the modernization of armed forces globally was in the forefront in 2024 and this continues to be the case in the first quarter of 2025. There has been a number of announcements made by the U.S. administration that has caused the European defence community to assess a migration away from U.S. based defence products. Growth in demand is expected as countries prioritize defence readiness and fleet modernization in their annual budgets. NATO's 2% of GDP defence investment guideline is not expected to be an adequate spending target to fund the level of preparedness required in today's environment.

The global fleet of F-35 Lightning II fighters now exceeds 1,100, as order bookings continue for the industry's largest defence program. Deliveries by Lockheed Martin are expected to be 156 aircraft in 2025.

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Notes	Three month period ended March 31 2025	 2024
Revenues	8	**260,898**	235,243
Cost of revenues		**227,166**	211,426
Gross profit		**33,732**	23,817
Administrative and general expenses		**15,229**	14,237
Other		**2,933**	(912)
Income before interest and income taxes		**15,570**	10,492
Interest		**576**	1,310
Income before income taxes		**14,994**	9,182
Income tax expense (recovery):			
Current	9	**5,508**	3,494
Deferred	9	**(1,341)**	(623)
		4,167	2,871
Net income		**10,827**	6,311
Other comprehensive income (loss):			
Items that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation		**6,310**	8,984
Unrealized gain (loss) on foreign currency contract hedges		**490**	(269)
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial income on defined benefit pension plans, net of tax	5	**182**	—
Comprehensive income		**17,809**	15,026
Net income per share			
Basic and diluted	6	**0.19**	0.11

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	Notes	**March 31 2025**	December 31 2024
Current assets			
Cash		**55,545**	56,437
Trade and other receivables		**234,320**	208,430
Contract assets		**74,068**	82,416
Inventories		**293,085**	284,082
Prepaid expenses and other		**12,226**	11,733
		669,244	643,098
Non-current assets			
Property, plant and equipment		**384,156**	377,563
Right-of-use assets		**34,861**	35,817
Investment properties		**6,962**	6,839
Intangible assets		**35,954**	36,248
Goodwill		**24,236**	23,948
Other assets	5	**13,935**	14,102
Deferred tax assets		**9,246**	8,639
		509,350	503,156
Total assets		**1,178,594**	1,146,254
Current liabilities			
Bank indebtedness		**15,798**	19,857
Accounts payable, accrued liabilities and provisions		**159,290**	139,921
Contract liabilities	8	**70,927**	67,220
Debt due within one year		**10,867**	10,742
		256,882	237,740
Non-current liabilities			
Lease liabilities		**30,505**	31,613
Borrowings subject to specific conditions		**22,952**	24,213
Other long-term liabilities and provisions	5	**13,766**	13,840
Deferred tax liabilities		**35,295**	36,031
		102,518	105,697
Equity			
Share capital		**249,760**	249,762
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**490,217**	480,638
Accumulated other comprehensive income		**60,231**	53,431
Equity attributable to equity holders of the Corporation		**815,817**	799,440
Non-controlling interest		**3,377**	3,377
		819,194	802,817
Total liabilities and equity		**1,178,594**	1,146,254

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (expressed in thousands of Canadian dollars)	Attributable to equity holders of the Corporation							
	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation	Total	Non-controlling interest	Total equity
December 31, 2023	250,147	2,044	13,565	446,952	21,332	734,040	3,377	737,417
Net income for the period	—	—	—	6,311	—	6,311	—	6,311
Other comprehensive income for the period	—	—	—	—	8,715	8,715	—	8,715
Common share repurchases	(217)	—	—	(167)	—	(384)	—	(384)
Common share dividends	—	—	—	(1,429)	—	(1,429)	—	(1,429)
March 31, 2024	249,930	2,044	13,565	451,667	30,047	747,253	3,377	750,630
December 31, 2024	249,762	2,044	13,565	480,638	53,431	799,440	3,377	802,817
Net income for the period	—	—	—	10,827	—	10,827	—	10,827
Other comprehensive income for the period	—	—	—	182	6,800	6,982	—	6,982
Common share repurchases	(2)	—	—	(2)	—	(4)	—	(4)
Common share dividends	—	—	—	(1,428)	—	(1,428)	—	(1,428)
March 31, 2025	249,760	2,044	13,565	490,217	60,231	815,817	3,377	819,194

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Notes	Three month period ended March 31 2025	2024
Cash flow from operating activities			
Net income		**10,827**	6,311
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment		**11,713**	11,206
Loss on disposal of property, plant and equipment		—	24
Decrease in defined benefit plans		**624**	255
Accretion of financial liabilities		**662**	544
Deferred taxes		**(1,342)**	(624)
Income on investments in joint ventures		**(282)**	(155)
Changes to non-cash working capital		**(694)**	2,266
Net cash provided by operating activities		**21,508**	19,827
Cash flow from investing activities			
Purchase of property, plant and equipment		**(12,498)**	(6,295)
Proceeds from disposal of property, plant and equipment		—	7
Increase in intangible and other assets		**(666)**	(1,240)
Net cash used in investing activities		**(13,164)**	(7,528)
Cash flow from financing activities			
(Decrease) increase in bank indebtedness		**(4,533)**	116
Decrease in debt		—	(540)
Lease liability payments		**(1,664)**	(1,371)
Decrease in borrowings subject to specific conditions, net		**(1,391)**	(1,276)
Decrease in long-term liabilities and provisions		**(277)**	(67)
Common share repurchases		**(4)**	(384)
Common share dividends	6	**(1,428)**	(1,429)
Net cash used in financing activities		**(9,297)**	(4,951)
(Decrease) increase in cash during the period		**(953)**	7,348
Cash at beginning of the period		**56,437**	8,709
Effect of exchange rate differences		**61**	319
Cash at end of the period		**55,545**	16,376

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, expressed in thousands of dollars except share and per share data)

NOTE 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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 designs, 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.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Corporation's consolidated financial statements and the notes thereto for the year ended December 31, 2024, except for the new accounting pronouncements which have been adopted as disclosed in note 3.

These unaudited interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2024, which are available at www.sedarplus.ca and on the Corporation's website at www.magellan.aero.

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates and
assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates could require a material change in the interim condensed consolidated financial statements in future periods.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on May 6, 2025.

Certain classifications of the comparative figures have been changed to conform to those used in the current period.

NOTE 3. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Corporation has not adopted any new accounting standards or amendments issued by the IASB that were effective January 1, 2025.

The IASB has issued the following new standard and amendment that have not yet been adopted by the Corporation and could have an impact on future periods. The Corporation is in the process of reviewing these changes to determine the impact on the 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 companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

- 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.

NOTE 4. 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 14, 2023 the Corporation extended its credit facility for an additional two-year period expiring on June 30, 2025. Indebtedness under the facility bears interest at the bankers' acceptance or adjusted 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 March 31, 2025, the Corporation had drawn $19,628 [December 31, 2024 - $23,714] under the operating credit facility, including letters of credit totaling $3,830 [December 31, 2024 - $3,857] such that $55,372 [December 31, 2024 – $51,286] was available to be drawn on.

NOTE 5. EMPLOYEE FUTURE BENEFITS

The Corporation has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to substantially all of its employees.

The employee benefit reflected in the interim condensed consolidated statement of financial position is as follows:

	March 31 2025	December 31 2024
Included in Other Assets - Pension Benefit Plans	5,425	5,805
Included in Other long-term liabilities and provisions - Other Benefit Plan	(697)	(718)
	4,728	5,087

The discount rate assumption used in determining the obligation for pension and other benefit plans is selected based on a review of current market interest rates of high-quality, fixed rate debt securities adjusted to reflect the duration of the expected future cash outflows for pension benefit payments. As a result of changes in the market interest rates of high-quality, fixed rate debt securities, the Corporation decreased the assumed discount rate for the Canadian pension plans to 4.55% as at March 31, 2025 from the 4.60% weighted average rate used in calculating the pension obligation as at December 31, 2024. The return on plan assets was below the expected return during the three month period ended March 31, 2025. The change in the discount rate assumption, the difference between the actual and expected rate of return on the plan assets and the effect of asset ceiling resulted in $182 of actuarial gains being recorded in other comprehensive income in the first quarter of 2025.

NOTE 6. SHARE CAPITAL

Net income per share

	Three month period ended March 31	
	2025	2024
Net income	10,827	6,311
Weighted average number of shares (in thousands)	57,139	57,200
Basic and diluted net income per share	0.19	0.11

Dividends
On March 31, 2025, the Corporation paid quarterly dividends on 57,138,580 common shares of $0.025 per common share, amounting to $1,428 in the aggregate.

Subsequent to March 31, 2025, the Corporation declared dividends to holders of common shares in the amount of $0.025 per common share payable on June 30, 2025, for shareholders of record at the close of business on June 13, 2025.

Normal Course Issuer Bid
On May 24, 2024, the Corporation's application to extend a normal course issuer bid ("2024 NCIB") was approved, which allows the Corporation to purchase up to 2,857,469 common shares between May 28, 2024 and May 27, 2025. During the first quarter of 2025, the Corporation purchased 400 common shares for cancellation for $4. During the first quarter of 2024, the Corporation purchased 49,456 common shares for cancellation under the program for $384.

NOTE 7. FINANCIAL INSTRUMENTS

Fair value hierarchy

The Corporation's financial assets and liabilities recorded at fair value on the interim condensed consolidated statement of financial position have been categorized into three categories based on a fair value hierarchy. The 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.

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, trade and other receivables, contract assets, accounts payable and accrued liabilities and contract liabilities

Due to the short period to maturity of these instruments, the carrying values as presented in the interim condensed consolidated statement of financial positions approximate their fair values.

Foreign exchange contracts

The Corporation enters into foreign exchange forward and collar contracts to hedge highly probable future transactions. Under these contracts the Corporation is obliged to purchase or sell specific amounts of currency – generally either the United States dollar ("USD") or British Pound ("GBP") - at predetermined dates and exchange rates if certain conditions are met. A number of these contracts are designated as cash flow hedges.

As at March 31, 2025, the Corporation had foreign exchange collar contracts as follows:

Maturity	Notional Amount	Floor	Ceiling	Carrying Value	Line item in the statement of financial position
June 2025	USD$5,400	1.2500	1.3245	$596	Accounts payable, accrued liabilities and provisions
June 2025	USD$5,400	1.2500	1.3300	$566	Accounts payable, accrued liabilities and provisions

As at March 31, 2025, the Corporation also had foreign exchange forward contracts outstanding in the amount of USD 4,000 [December 31, 2024 – USD 4,000] and GBP 23,540 [December 31, 2024 – GBP 23,540] with a derivative liability carrying value of $255.

As at March 31, 2025, the Corporation has $1,417 of net derivative liabilities [December 31, 2024 – $2,078], included in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position. For the three months ended March 31, 2025, a gain of $490, net of taxes of $171, was recorded in other comprehensive income for the effective portion of cash flow hedges. In accordance with the fair value hierarchy of financial instruments, the derivatives are considered Level 2.

Long-term debt

As at March 31, 2025, the carrying amount of the Corporation's long-term debt of $2,861 [December 31, 2024 – $2,863] approximates its fair value. The fair value was determined by discounting the expected future cash flow based on current rate for debt with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy. The current portion of Long-Term debt is included in Debt due within one year on the interim condensed consolidated statement of financial position.

Borrowings subject to specific conditions

As at March 31, 2025, the Corporation has recognized $24,405 [December 31, 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 the prevailing market rate for borrowings with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy. The current portion of this repayable amount is included in Debt due within one year on the interim condensed consolidated statement of financial position.

NOTE 8. 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.

Corporation's primary sources of revenue

	Three month period ended March 31	
	2025	2024
Sale of goods	218,600	190,961
Services	42,298	44,282
	260,898	235,243

Timing of revenue recognition based on transfer of control

	Three month period ended March 31	
	2025	2024
At a point of time	167,525	137,956
Over time	93,373	97,287
	260,898	235,243

Advance payments received for contracts in progress in excess of revenue recognized were recorded as contract liabilities on the interim condensed consolidated statement of financial position. As at March 31, 2025, contract liabilities were $70,927 [December 31, 2024 – $67,220].

Revenues from the Corporation's two largest customers accounted for 32.6% of total sales for the three month period ended March 31, 2025 [March 31, 2024 – two largest customers accounted for 37.7% of total sales for the three month period ended].

Corporation's revenue information split by geographic segment

	Three month period ended March 31	
	2025	2024
Revenue		
Canada	105,375	91,928
United States	75,033	67,999
Europe	80,490	75,316
	260,898	235,243
Export revenue[1]		
Canada	67,839	60,660
United States	20,958	15,023
Europe	22,233	19,356
	111,030	95,039

[1]Export revenue is attributed to countries based on the location of the customers

Corporation's long-lived assets split by geographic segment

	March 31 2025	December 31 2024
Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
Canada	159,677	157,582
United States	157,470	158,200
Europe	162,060	157,794
	479,207	473,576

NOTE 9. TAXATION

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in, adjusted for the main permanent differences identified. The effective tax rate for the three month period ended March 31, 2025 was 27.8% [31.3% for the three month period ended March 31, 2024]. The difference between the effective tax rate and the standard tax rate is primarily attributable to the change in mix of income across the different jurisdictions in which the Corporation operates.

NOTE 10. 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, including the debt and equity components of the convertible debentures.

Total managed capital as at March 31, 2025 of $834,476 [December 31, 2024 – $822,160] is comprised of shareholders' equity attributable to equity holders of the Corporation of $815,817 [December 31, 2024 – $799,440] and interest-bearing debt of $18,659 [December 31, 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. There were no changes in the Corporation's approach to capital management during the period.

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business activities, the Corporation may be involved in litigation and claims, with or without merit, with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although, it is not possible to accurately estimate the extent of the potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

At March 31, 2025, capital commitments in respect of purchase of property, plant and equipment totalled $22,517 [December 31, 2024 – $30,879], all of which had been ordered. There were no other material capital commitments at the end of the period.