

## 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.

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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	<b>56,012</b>	51,966
Add back:		
Depreciation and amortization	<b>47,547</b>	44,717
<b>EBITDA</b>	<b>103,559</b>	96,683
Add back:		
Non-operational items related to former sites	<b>13,556</b>	1,655
<b>Adjusted EBITDA</b>	<b>117,115</b>	98,338

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	<b>260.9</b>	<b>249.8</b>	<b>255.7</b>	<b>278.3</b>	235.2	242.9	223.5	240.7
Income before taxes	<b>15.0</b>	<b>8.7</b>	<b>17.4</b>	<b>13.0</b>	9.2	9.9	9.3	19.4
Net income	<b>10.8</b>	<b>5.4</b>	<b>12.7</b>	<b>10.5</b>	6.3	7.5	5.8	15.9
Net income per common share								
Basic and Diluted	<b>0.19</b>	<b>0.09</b>	<b>0.22</b>	<b>0.19</b>	0.11	0.13	0.10	0.28
EBITDA <sup>1</sup>	<b>27.3</b>	<b>21.1</b>	<b>29.8</b>	<b>25.4</b>	21.7	21.9	21.5	31.6
Adjusted EBITDA <sup>1</sup>	<b>27.3</b>	<b>21.1</b>	<b>29.8</b>	<b>38.9</b>	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).