MAGELLAN™
AEROSPACE

QUARTERLY REPORT
SEPTEMBER 30, 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 unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine month periods ended September 30, 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 September 30, 2025 relative to the three month period ended September 30, 2024. The information contained in this report is as at November 7, 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 Generally Accepted Accounting Principles ("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 metric to evaluate profitability. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative 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. Reconciliations 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 nine months of 2025, 63.8% of revenues were derived from commercial markets while 36.2% of revenues related to defence markets.

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 third quarter ended September 30, 2025

The Corporation reported revenue in the third quarter of 2025 of $255.7 million, a $32.2 million increase from third quarter of 2024 revenue of $223.5 million. Gross profit and net income for the third quarter of 2025 were $32.6 million and $12.7 million, respectively, in comparison to gross profit of $25.0 million and net income of $5.8 million for the third quarter of 2024.

Consolidated Revenue

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2025**	2024	Change	**2025**	2024	Change
Canada	**95,691**	83,299	14.9%	**302,463**	263,451	14.8%
United States	**73,265**	63,402	15.6%	**220,050**	202,442	8.7%
Europe	**86,710**	76,812	12.9%	**243,844**	235,771	3.4%
Total revenues	**255,666**	223,513	14.4%	**766,357**	701,664	9.2%

Revenue in Canada increased 14.9% in the third quarter of 2025 compared to the corresponding period in 2024, primarily due to higher wide body aircraft part revenues and higher maintenance, repair and overhaul ("MRO") revenues.

Revenue in the United States increased by 15.6% in the third quarter of 2025 compared to the third quarter of 2024, largely due to higher casting product revenues, increased aircraft engine shaft revenues and favourable foreign exchange impacts due to the strengthening of the United States dollar relative to the Canadian dollar. On a currency neutral basis, revenues in the United States increased 14.4% in the third quarter of 2025 over the same period in 2024.

European revenue in the third quarter of 2025 increased 12.9% compared to the corresponding period in 2024 primarily driven by higher wide body aircraft part revenues, higher MRO revenues and net favourable transactional and translational foreign exchange impacts. On a currency neutral basis, European revenues in the third quarter of 2025 increased by 8.9% when compared to the same period in 2024.

Gross Profit

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2025**	2024	Change	**2025**	2024	Change
Gross profit	**32,620**	25,037	30.3%	**99,634**	75,463	32.0%
Percentage of revenues	**12.8%**	11.2%		**13.0%**	10.8%	

Gross profit of $32.6 million for the third quarter of 2025 was $7.6 million higher than the $25.0 million gross profit for the third quarter of 2024, and gross profit as a percentage of revenues of 12.8% for the third quarter of 2025 increased from 11.2% 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 price increases on purchased materials and supplies.

Administrative and General Expenses

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2025**	2024	Change	**2025**	2024	Change
Administrative and general expenses	**16,391**	13,626	20.3%	**49,363**	42,757	15.5%
Percentage of revenues	**6.4%**	6.1%		**6.4%**	6.1%	

Administrative and general expenses as a percentage of revenues was 6.4% for the third quarter of 2025, higher than the same period of 2024 percentage of revenues of 6.1%. Administrative and general expenses increased $2.8 million or 20.3% to $16.4 million in the third quarter of 2025 compared to $13.6 million in the third quarter of 2024 driven by higher salary and benefit costs and higher information technology spending.

Other

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2025**	2024	**2025**	2024
Foreign exchange (gain) loss	**(1,459)**	1,068	**7,820**	171
Loss on disposal of property, plant and equipment	**—**	141	**2**	228
Other	**7**	—	**7**	619
Total Other	**(1,452)**	1,209	**7,829**	1,018

Total Other for the third quarter of 2025 included a $1.5 million foreign exchange gain compared to a $1.1 million foreign exchange loss in the third 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 September 30		Nine month period ended September 30	
	2025	2024	**2025**	2024
Interest (earned) paid on cash, bank indebtedness and long-term debt	**(372)**	228	**(719)**	1,389
Accretion charge on long-term debt and borrowings	**197**	216	**582**	587
Accretion charge for lease liabilities	**422**	431	**1,318**	1,129
Discount on sale of accounts receivable	**42**	75	**162**	215
Total interest expense	**289**	950	**1,343**	3,320

Total interest expense of $0.3 million in the third quarter of 2025 decreased by $0.7 million compared to the third quarter of 2024, mainly due to lower interest (earned) paid on cash, bank indebtedness and long-term debt as a result of 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 September 30		Nine month period ended September 30	
	2025	2024	**2025**	2024
Current income tax expense	**4,337**	5,082	**15,158**	11,592
Deferred income tax recovery	**386**	(1,675)	**(2,920)**	(2,826)
Income tax expense	**4,723**	3,407	**12,238**	8,766
Effective tax rate	**27.2%**	36.8%	**29.8%**	30.9%

Income tax expense for the three months ended September 30, 2025 was $4.7 million, representing an effective income tax rate of 27.2% compared to 36.8% for the same period of 2024. The change in the effective tax rate and current and deferred income tax expense year over year was primarily due to the change in mix of income and losses across the different jurisdictions in which the Corporation operates and the reversal of temporary differences.

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	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenues	**255.7**	249.8	260.9	240.7	223.5	242.9	235.2	223.5
Income before taxes	**17.4**	8.7	15.0	19.4	9.3	9.9	9.2	4.4
Net income (loss)	**12.7**	5.4	10.8	15.9	5.8	7.5	6.3	(0.3)
Net income (loss) per share								
Basic and diluted	**0.22**	0.09	0.19	0.28	0.10	0.13	0.11	(0.00)
EBITDA[1]	**29.8**	21.1	27.3	31.6	21.5	21.9	21.7	15.9

[1] EBITDA is not an IFRS financial measure. Please see Section 4 the "Reconciliation of Net Income to EBITDA" section 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 1.3488 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 1.6912 in the fourth quarter of 2023. 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 1.2419 in the fourth quarter of 2023.

Revenue for the third quarter of 2025 of $255.7 million was higher than that in the third quarter of 2024. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the third quarter of 2025 was 1.3775 versus 1.3637 in the same period of 2024. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.7741 in the third quarter of 2024 to 1.8573 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar increased from 1.3011 in the third quarter of 2024 to 1.3483 in the current quarter. Had the foreign exchange rates remained at levels experienced in the third quarter of 2025, reported revenues in the third quarter of 2025 would have been lower by $1.8 million.

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 September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2025**	2024	**2025**	2024
Income before interest and income taxes	**17,681**	10,202	**42,442**	31,688
Add back:				
Depreciation and amortization	**12,073**	11,329	**35,729**	33,457
EBITDA	**29,754**	21,531	**78,171**	65,145

EBITDA in the third quarter of 2025 increased $8.3 million to $29.8 million in comparison to $21.5 million in the same quarter of 2024 mainly as a result of gross margin improvements and foreign exchange gains offset in part by higher administrative and general 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 September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2025**	2024	**2025**	2024
(Increase) decrease in accounts receivable	**(12,043)**	14,125	**(36,889)**	(4,713)
(Increase) decrease in contract assets	**(8,531)**	2,343	**19,491**	(6,605)
Decrease (increase) in inventories	**2,775**	(2,279)	**(1,650)**	(14,507)
Increase in prepaid expenses and other	**(8,930)**	(1,255)	**(9,616)**	(1,828)
Increase (decrease) in accounts payable, accrued liabilities and provisions	**8,505**	(11,760)	**17,002**	(9,420)
(Decrease) increase in contract liabilities	**(2,678)**	670	**(256)**	37,101
Changes in non-cash working capital balances	**(20,902)**	1,844	**(11,918)**	28
Cash provided by operating activities	**4,841**	18,649	**52,111**	53,014

For the three months ended September 30, 2025, the Corporation provided $4.8 million of cash from operating activities, compared to $18.6 million provided in the third quarter of 2024. Changes in non-cash working capital items used cash of $20.9 million, $22.7 million more when compared to $1.8 million cash provided in the prior year. The quarter over quarter working capital changes were largely attributable to increases in accounts receivables from timing of customer payments, increases in contract assets and increases in prepaid expenses and other from timing of various deposit payments offset in part by increases in accounts payable, accrued liabilities and provisions primarily driven by timing of supplier payments.

Investing Activities

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2025**	2024	**2025**	2024
Purchase of property, plant and equipment	**(10,177)**	(7,258)	**(29,422)**	(22,358)
Proceeds from disposal of property, plant and equipment	**—**	2	**—**	65
(Increase) decrease in intangible and other assets	**(926)**	51	**(3,181)**	(538)
Cash used in investing activities	**(11,103)**	(7,205)	**(32,603)**	(22,831)

Investing activities used $11.1 million of cash for the third quarter of 2025 compared to $7.2 million cash used in the same quarter of the prior year, an increase of $3.9 million. The increase in cash usage was primarily due to higher investment in property, plant and equipment and higher spending on intangible and other assets.

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

Financing Activities

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2025**	2024	**2025**	2024
Increase (decrease) in bank indebtedness	**1,868**	(9,491)	**10,677**	1,690
Decrease in long-term debt	**—**	(163)	**—**	(883)
Lease liability payments	**(1,621)**	(1,716)	**(4,911)**	(4,393)
Decrease in borrowings subject to specific conditions, net	**—**	—	**(1,391)**	(19)
Increase (decrease) in long-term liabilities and provisions	**102**	(199)	**(62)**	20
Common share repurchases	**(920)**	(5)	**(924)**	(689)
Common share dividends	**(2,855)**	(1,428)	**(7,140)**	(4,286)
Cash used in financing activities	**(3,426)**	(13,002)	**(3,751)**	(8,560)

Financing activities used $3.4 million of cash for the third quarter of 2025 compared to $13.0 million of cash used in the same quarter of the prior year. The decrease in cash usage was primarily driven by increases in cash provided from bank indebtedness offset in part by increases in common share repurchases and common share dividends.

On June 24, 2025, the Corporation extended its Bank Credit Facility Agreement ("Facility Agreement") with a syndicate of lenders for an additional two-year period expiring on June 30, 2027. The Facility Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of $75 million. Interest applicable to the facility is at adjusted term Canadian Overnight Repo Rate Average ("CORRA") rates or adjusted term Secured Overnight Financing ("SOFR") rates plus a spread of 1.00%. The Facility Agreement 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 Facility Agreement are subject to mutual consent of the syndicate of lenders and the Corporation. A fixed and floating charge on accounts receivable, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

As at September 30, 2025, the Corporation had contractual commitments to purchase $21.4 million of capital assets.

Dividends
During the first, second and third quarters of 2025, the Corporation declared quarterly cash dividends of $0.025, $0.05 and $0.05 per common share, respectively, and paid aggregate dividends of $7.1 million.

Subsequent to September 30, 2025, the Corporation declared dividends to holders of common shares in the amount of $0.05 per common share payable on December 31, 2025, to shareholders of record at the close of business on December 17, 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 for investment and growth initiatives.

Normal Course Issuer Bid
On June 11, 2025, the Corporation's application to extend its normal course issuer bid ("June 2025 NCIB") was approved. The June 2025 NCIB allows the Corporation to purchase up to 2,856,929 common shares, over a 12-month period, commencing June 13, 2025, and ending June 12, 2026.

During the nine month period ended September 30, 2025, the Corporation purchased a total of 59,126 common shares for cancellation at a cost of $0.9 million. During the same period in the prior year, the Corporation purchased 87,942 common shares for cancellation at a cost of $0.7 million.

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 November 7, 2025, 57,079,054 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 foreign exchange contracts (forwards and / or collars), the Corporation is obligated to purchase specified 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. 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 September 30, 2025, the Corporation no longer has any foreign exchange collar or USD foreign exchange forward contracts remaining and it holds foreign exchange forward contracts of GBP 23.5 million with a derivative asset carrying value of less than $0.1 million included in Prepaid expenses and other on the interim condensed consolidated statement of financial position.

For the nine months ended September 30, 2025, a gain of $1.6 million net of taxes of $0.6 million, was recorded in other comprehensive income as mark-to-market adjustments for the foreign exchange collar and forward contracts discussed above.

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 September 30, 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, both of which have been filed with SEDAR at www.sedarplus.ca. Those risk factors remain substantially unchanged, except as follows:

- Unpredictable Trade and Tariff Environment: Measures implemented by the current US Administration have created an unpredictable trade environment by imposing or expanding tariffs, and in some cases, modifying or suspending some of the tariffs recently imposed. Such tariffs, together with retaliatory measures, risk increasing our input costs, the prices paid by our customers for Magellan's products and could have a potential long-term impact on travel/aircraft demand. Significant or sustained tariff costs which are not recovered from Magellan's customers could have a material adverse effect on the Corporation's profitability. The actual impact of the aforementioned tariffs is subject to a number of factors and uncertainties including the effective date and duration of such tariffs, changes in the amount, scope and nature of the tariffs in the future, any countermeasures that the Canadian government may take, and any mitigating actions that may become available. Although most of Magellan's products in Canada comply with Canada-United States-Mexico Agreement ("CUSMA") standards, allowing them to avoid tariffs that competitors from outside North America may face, there continues to be much uncertainty over the future direction of the US Administration's decisions with respect to tariffs.

- The aerospace industry is subject to certain environmental legislation and regulations that continue to evolve. Current and future laws, regulations and permits may impose stricter or, alternatively, less strict standards, requirements and enforcement. Recent changes in governmental and societal factors have led to a roll back in certain clean energy initiatives, which may result in an increase in the stigmatization of the Corporation's industry and/or operations. This may result in reduced interest or investment participation by capital market participants in the Corporation, thereby making it more difficult for the Corporation to raise funding on terms that are acceptable to the Corporation. In addition, increased concerns about climate change and any negative sentiments about the Corporation's industry and sector may adversely affect the timing or ability to receive any required environmental permits that may be required in the future. See Section 12 below.

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. Critical Accounting Estimates

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

In the 2024 audited annual consolidated financial statements and MD&A, the Corporation identified the accounting policies and estimates that are critical 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 critical 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 September 30, 2024 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, 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

Commercial and Defence Markets

Supply chain recovery in the commercial aircraft manufacturing market appears to be evident based on deliveries achieved by both Airbus and Boeing in the third quarter. The industry outlook continues to be cautiously optimistic based on aircraft delivery projections from Airbus and Boeing leading into year end, and into 2026. 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.

The following commercial aircraft orders, backlog, future production estimates and delivery data is extracted from Forecast International's Flight Plan (October 20, 2025 publication) and verified with Airbus and Boeing official Q3 delivery announcements.

Boeing booked 96 new orders in September 2025, its best monthly total of the year. Year-to-date, Boeing has received a total of 821 gross orders through to September 30, 2025 compared to 610 gross orders for Airbus over the same period. The total backlog for Airbus at September 30, 2025 is 8,653 aircraft (excluding the A320ceo and A330-200 aircraft). The majority of the Airbus backlog (87.7% or 7,589 aircraft) is made up of A220 and A320neo narrowbody aircraft. Boeing's total backlog (before ASC 606 adjustments) at September 30, 2025 is 6,576 aircraft with 737MAX orders accounting for 73.2% (4,814 aircraft) of the total backlog. Based on Forecast International's 2025 production estimates, Airbus' backlog represents 10.6 years of production, while Boeing's backlog would is approximately 11.1 years of production.

While Airbus continues to push toward its ambitious annual delivery target, Boeing remains focused on stabilizing production and maintaining quality across its commercial programs. As at September 30, 2025 Airbus has delivered 507 aircraft toward its 2025 delivery target of 820 aircraft. To meet its 2025 delivery target, Airbus requires an average of 104 aircraft deliveries per month over the remaining three months. Deliveries in September 2025 totaled 73 aircraft, of which 59 aircraft were from the 320neo family. AeroTime reported that industry analysts predict further production growth in the final quarter of 2025 for Airbus, with monthly deliveries expected to stay above 70 aircraft.

Boeing has delivered 440 aircraft for the September 2025 year-to-date period, and based on Forecast International's projection of 590 total aircraft deliveries in 2025, Boeing will need to average 50 aircraft deliveries per month over the final three months in the year. Boeing announced that it delivered 55 commercial aircraft in September 2025, its strongest September delivery total since 2018, as the US manufacturer continues to restore production levels after years of supply-chain disruptions, safety crises, and regulatory scrutiny. An average of 49 aircraft were delivered per month in 2025. September 2025 deliveries included Boeing's 2,000th 737 MAX delivery.

The defence market is positioned for sustained growth in 2025 and beyond. Fiscal 2024 global defence spending hit an all-time high exceeding USD $2.4 trillion according to the International Institute for Strategic Studies (February 2025 Military Balance Blog). In response to rising threat perceptions and geopolitical tensions, global defence spending is expected to continue to grow in 2025 with recent defence budget increases across NATO member nations.

The anticipated increased demand in the defence sector will heighten competition and further expose the weaknesses of struggling globally interconnected supply chains. Numerous industry studies highlight the importance of supply chain resilience and agility to a healthy global aerospace market. A KPMG International white paper on 2025 Emerging Aerospace Trends (published in June 2025), cites the significance of supply chain risk in this growing market. This risk is further compounded by growing geopolitical security and tariff policy concerns.

The overall positive outlook for the commercial and defence aerospace markets is tempered by common challenges. Issues with raw materials and skilled labor shortages apply equally to both the commercial and defence sectors.

Environmental

The Corporation previously disclosed that it committed to reducing CO2 emissions by 55% by 2030 against a 2008 baseline, which was achieved as at December 31, 2023, and a longer term goal of net zero by 2050. However, recent changes in governmental and societal factors have led to a roll back in certain clean energy initiatives. For example, the United States withdrew from the Paris Agreement in 2025 and the U.S. Environmental Protection Agency ("EPA") recently revoked key emission regulations in the power and transportation sectors. As a result, although the Corporation remains strongly committed to reducing CO2 emissions and being good environmental stewards, the Corporation, at present, no longer has a timetable or definitive objective for a net-zero target. See the related risk factor in Section 8 above.

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 September 30** **2025**	 2024	**Nine month period ended September 30** **2025**	 2024
Revenues	9	**255,666**	223,513	**766,357**	701,664
Cost of revenues		**223,046**	198,476	**666,723**	626,201
Gross profit		**32,620**	25,037	**99,634**	75,463
Administrative and general expenses		**16,391**	13,626	**49,363**	42,757
Other (income) expense		**(1,452)**	1,209	**7,829**	1,018
Income before interest and income taxes		**17,681**	10,202	**42,442**	31,688
Interest expense		**289**	950	**1,343**	3,320
Income before income taxes		**17,392**	9,252	**41,099**	28,368
Income tax expense (recovery):					
Current	10	**4,337**	5,082	**15,158**	11,592
Deferred	10	**386**	(1,675)	**(2,920)**	(2,826)
		4,723	3,407	**12,238**	8,766
Net income		**12,669**	5,845	**28,861**	19,602
Other comprehensive income (loss):					
Items that may be reclassified to profit and loss in subsequent periods:					
Foreign currency translation		**7,354**	2,581	**(232)**	15,122
Unrealized (loss) gain on foreign currency contract hedges		**(18)**	594	**1,581**	273
Items not to be reclassified to profit and loss in subsequent periods:					
Actuarial income on defined benefit pension plans, net of tax	6	**235**	693	**746**	972
Comprehensive income		**20,240**	9,713	**30,956**	35,969
Net income per share					
Basic and diluted	7	**0.22**	0.10	**0.51**	0.34

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	**September 30 2025**	December 31 2024
Current assets			
Cash		**71,996**	56,437
Trade and other receivables		**245,683**	208,430
Contract assets		**61,855**	82,416
Inventories		**285,765**	284,082
Prepaid expenses and other		**21,581**	11,733
		686,880	643,098
Non-current assets			
Property, plant and equipment	5	**378,392**	377,563
Right-of-use assets		**32,183**	35,817
Investment properties		**6,913**	6,839
Intangible assets		**35,025**	36,248
Goodwill		**23,867**	23,948
Other assets	6	**15,027**	14,102
Deferred tax assets		**9,439**	8,639
		500,846	503,156
Total assets		**1,187,726**	1,146,254
Current liabilities			
Bank indebtedness	4	**31,461**	19,857
Accounts payable, accrued liabilities and provisions		**153,801**	139,921
Contract liabilities	9	**62,195**	67,220
Debt due within one year		**10,820**	10,742
		258,277	237,740
Non-current liabilities			
Lease liabilities		**27,724**	31,613
Borrowings subject to specific conditions		**23,337**	24,213
Other long-term liabilities and provisions	6	**19,082**	13,840
Deferred tax liabilities		**33,597**	36,031
		103,740	105,697
Equity			
Share capital	7	**249,504**	249,762
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**502,439**	480,638
Accumulated other comprehensive income		**54,780**	53,431
Equity attributable to equity holders of the Corporation		**822,332**	799,440
Non-controlling interest		**3,377**	3,377
Total equity		**825,709**	802,817
Total liabilities and equity		**1,187,726**	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	—	—	—	19,602	—	19,602	—	19,602
Other comprehensive income for the period	—	—	—	972	15,395	16,367	—	16,367
Common share repurchases	(385)	—	—	(304)	—	(689)	—	(689)
Common share dividends	—	—	—	(4,286)	—	(4,286)	—	(4,286)
September 30, 2024	249,762	2,044	13,565	462,936	36,727	765,034	3,377	768,411
December 31, 2024	249,762	2,044	13,565	480,638	53,431	799,440	3,377	802,817
Net income for the period	—	—	—	28,861	—	28,861	—	28,861
Other comprehensive income for the period	—	—	—	746	1,349	2,095	—	2,095
Common share repurchases	(258)	—	—	(666)	—	(924)	—	(924)
Common share dividends	—	—	—	(7,140)	—	(7,140)	—	(7,140)
September 30, 2025	**249,504**	**2,044**	**13,565**	**502,439**	**54,780**	**822,332**	**3,377**	**825,709**

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Notes	Three month period ended September 30 **2025**	2024	Nine month period ended September 30 **2025**	2024
Cash flow from operating activities					
Net income		**12,669**	5,845	**28,861**	19,602
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment		**12,073**	11,329	**35,729**	33,457
Loss on disposal of property, plant and equipment		—	141	**2**	228
Increase in defined benefit plans		**191**	786	**1,111**	1,435
Accretion of financial liabilities		**620**	645	**1,900**	1,713
Deferred taxes		**387**	(1,675)	**(2,919)**	(2,826)
Income on investments in joint ventures		**(197)**	(266)	**(655)**	(584)
Other		—	—	—	(39)
Changes to non-cash working capital		**(20,902)**	1,844	**(11,918)**	28
Net cash provided by operating activities		**4,841**	18,649	**52,111**	53,014
Cash flow from investing activities					
Purchase of property, plant and equipment	5	**(10,177)**	(7,258)	**(29,422)**	(22,358)
Proceeds from disposal of property, plant and equipment		—	2	—	65
(Increase) decrease in intangible and other assets		**(926)**	51	**(3,181)**	(538)
Net cash used in investing activities		**(11,103)**	(7,205)	**(32,603)**	(22,831)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness [1]		**1,868**	(9,491)	**10,677**	1,690
Decrease in long-term debt		—	(163)	—	(883)
Lease liability payments		**(1,621)**	(1,716)	**(4,911)**	(4,393)
Decrease in borrowings subject to specific conditions, net		—	—	**(1,391)**	(19)
Increase (decrease) in long-term liabilities and provisions		**102**	(199)	**(62)**	20
Common share repurchases	7	**(920)**	(5)	**(924)**	(689)
Common share dividends	7	**(2,855)**	(1,428)	**(7,140)**	(4,286)
Net cash used in financing activities		**(3,426)**	(13,002)	**(3,751)**	(8,560)
(Decrease) increase in cash during the period		**(9,688)**	(1,558)	**15,757**	21,623
Cash at beginning of the period [1]		**81,387**	31,919	**56,437**	8,709
Effect of exchange rate differences [1]		**297**	336	**(198)**	365
Cash at end of the period		**71,996**	30,697	**71,996**	30,697

(1) Prior-year amounts have been reclassified to conform to the change in 2025 presentation

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 MATERIAL 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 November 7, 2025.

Certain classifications of the comparative figures have been reclassified to conform to those used in the current period. Specifically, cash held at banks that are members of the Corporation’s operating credit facility, has been reclassified from Increase in bank indebtedness to Cash at the beginning of the period in the interim condensed consolidated statements of cash flows. This has been annotated where applicable.

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 24, 2025 the Corporation extended its credit facility for an additional two-year period expiring on June 30, 2027. Indebtedness under the facility bears interest at adjusted term Canadian Overnight Repo Rate Average or adjusted term Secured Overnight Financing Rate (“SOFR”) rates plus 1.00%. A fixed and floating charge debenture on accounts receivable, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

As at September 30, 2025, the Corporation had drawn $35,270 [December 31, 2024 - $23,714] under the operating credit facility, including letters of credit totaling $3,809 [December 31, 2024 - $3,857] such that $39,730 [December 31, 2024 – $51,286] was available to be drawn on.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

	Net Book Value
At December 31, 2024	377,563
Additions	29,422
Depreciation	(26,334)
Disposals and other	(4)
Foreign currency translation	(2,255)
At September 30, 2025	378,392

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

NOTE 6. 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:

	September 30 2025	December 31 2024
Included in Other assets - Pension benefit plans	5,699	5,805
Included in Other long-term liabilities and provisions - Other benefit plan	(652)	(718)
	5,047	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 increased the assumed discount rate for the Canadian pension plans to 4.70% as at September 30, 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 above the expected return during the nine month period ended September 30, 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 $746 of actuarial gains being recorded in other comprehensive income in the nine month period ended September 30, 2025.

NOTE 7. SHARE CAPITAL

Net income per share

	Three month period ended September 30		Nine month period ended September 30	
	2025	2024	2025	2024
Net income	12,669	5,845	28,861	19,602
Weighted average number of shares (in thousands)	57,113	57,143	57,128	57,169
Basic and diluted net income per share	0.22	0.10	0.51	0.34

Dividends

During the first, second and third quarters of 2025, the Corporation declared quarterly cash dividends of $0.025, $0.05 and $0.05 per common share, respectively, and paid aggregate dividends of $7,140.

Subsequent to September 30, 2025, the Corporation declared dividends to holders of common shares in the amount of $0.05 per
common share payable on December 31, 2025, to shareholders of record at the close of business on December 17, 2025.

Normal Course Issuer Bid

On June 11, 2025, the Corporation extended its previous normal course issuer bid ("NCIB"). The June 2025 NCIB allows the Corporation to purchase up to 2,856,929 common shares, over a 12-month period commencing June 13, 2025, and ending June 12, 2026.

During the nine month period ended June 30, 2025, the Corporation purchased a total of 59,126 common shares for cancellation at a cost of $924. During the same period in the prior year, the Corporation purchased 87,942 common shares for cancellation at a cost of $689.

NOTE 8. 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 September 30, 2025, the Corporation had foreign exchange forward contracts outstanding in the amount of USD Nil [December 31, 2024 – USD 4,000] and GBP 23,540 [December 31, 2024 – GBP 23,540] with a derivative asset carrying value of $53.

As at September 30, 2025, the Corporation has $53 of derivative assets [December 31, 2024 – $2,078 derivative liabilities], included in Prepaid expenses and other [December 31, 2024 – included in Accounts payable, accrued liabilities and provisions] on the interim condensed consolidated statement of financial position. For the nine months ended September 30, 2025, a gain of $1,581 net of taxes of $550, 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.

Debt

As at September 30, 2025, the carrying amount of the Corporation's debt of $2,770 [December 31, 2024 – $2,863] approximates its fair value due to the short period to maturity and is classified as Debt due within one year. The fair value of long-term debt, if any, is determined by discounting the expected future cash flow based on the current rate for debt with similar terms and maturities and is categorized as Level 2 in the fair value hierarchy.

Borrowings subject to specific conditions

As at September 30, 2025, the Corporation has recognized $24,790 [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 Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

NOTE 9. SEGMENTED INFORMATION

Operating segments are defined as components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation.

The Corporation's primary sources of revenue

	Three month period ended September 30		Nine month period ended September 30	
	2025	2024	2025	2024
Sale of goods	217,409	180,188	644,837	568,563
Services	28,257	43,325	121,520	133,101
	255,666	223,513	766,357	701,664

Timing of revenue recognition based on transfer of control

	Three month period ended September 30		Nine month period ended September 30	
	2025	2024	2025	2024
At a point of time	169,334	127,784	500,845	415,897
Over time	86,332	95,729	265,512	285,767
	255,666	223,513	766,357	701,664

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 September 30, 2025, contract liabilities were $62,195 [December 31, 2024 – $67,220].

Revenues from the Corporation's three largest customers and its two largest customers accounted for 47.9% and 34.4%, respectively, of total sales for the three and nine month periods ended September 30, 2025 [September 30, 2024 – two largest customers accounted for 37.1% and 37.3% respectively of total sales for the three and nine month periods ended].

The Corporation's revenue information split by geographic segment

	Three month period ended September 30		Nine month period ended September 30	
	2025	2024	2025	2024
Revenue				
Canada	95,691	83,299	302,463	263,451
United States	73,265	63,402	220,050	202,442
Europe	86,710	76,812	243,844	235,771
	255,666	223,513	766,357	701,664
Export revenue[1]				
Canada	70,330	54,477	207,002	174,075
United States	19,454	12,319	58,391	41,410
Europe	23,248	18,003	62,753	60,599
	113,032	84,799	328,146	276,084

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

The Corporation's long-lived assets split by geographic segment

	September 30 2025	December 31 2024
Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
Canada	159,474	157,582
United States	148,122	158,200
Europe	168,448	157,794
	476,044	473,576

NOTE 10. 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 and nine month periods ended September 30, 2025 was 27.2% and 29.8% respectively [36.8% and 30.9% respectively for the three and nine month periods ended September 30, 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 11. 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 convertible debentures, if applicable.

Total managed capital as at September 30, 2025 of $856,563 [December 31, 2024 - $822,160] is comprised of shareholders' equity attributable to equity holders of the Corporation of $822,332 [December 31, 2024 - $799,440] and interest-bearing debt of $34,231 [December 31, 2024 - $22,720]. Interest-bearing debt includes Long-term debt (both current and long-term portions thereof) and Bank indebtedness.

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 12. CONTINGENT LIABILITES 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 September 30, 2025, capital commitments in respect of purchase of property, plant and equipment totalled $21,430 [December 31, 2024 - $30,879], all of which had been ordered. There were no other material capital commitments at the end of the period.