



**QUARTERLY REPORT
MARCH 31, 2026**



This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and the notes thereto for the three month period ended March 31, 2026, and the audited annual consolidated financial statements for the year ended December 31, 2025 (available on SEDAR at www.sedarplus.ca). Unless otherwise noted, all financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the three month period ended March 31, 2026 relative to the three month period ended March 31, 2025. The information contained in this report is as at May 8, 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. 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 earnings before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, and non-operational items related to former sites of subsidiary companies) 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 updates

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

Magellan operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul, and sale of systems and components for defence and civil aviation.

In the first three months of 2026, 62.2% of revenues were derived from commercial markets while 37.8% of revenues related to defence markets.

Business Update

On February 12, 2026, Magellan announced the signing of a Teaming Agreement with Thyssenkrupp Marine Systems ("TKMS") to support heavyweight torpedo production and in-service support for the Canadian Patrol Submarine Project. The collaboration aims to build sustainable, high-value industrial capabilities in Canada by combining TKMS's global defence expertise with Magellan's experience in complex fabrication, manufacturing, and assembly.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2025 Annual Report available on www.sedarplus.ca.

2. Results of Operations

A discussion of Magellan's operating results for the first quarter ended March 31, 2026

The Corporation reported revenue in the first quarter of 2026 of \$285.1 million, a \$24.2 million or 9.3% increase from the first quarter of 2025 revenue of \$260.9 million. Gross profit and net income for the first quarter of 2026 were \$40.6 million and \$16.5 million, respectively, in comparison to gross profit of \$33.7 million and net income of \$10.8 million for the first quarter of 2025.

Consolidated Revenue

Expressed in thousands of dollars	2026	Three month period ended March 31	
		2025	Change
Canada	108,188	105,375	2.7%
United States	79,874	75,033	6.5%
Europe	97,040	80,490	20.6%
Total revenues	285,102	260,898	9.3%

Revenues in Canada increased 2.7% in the first quarter of 2026 compared to the corresponding period in 2025, primarily due to higher casting product and engine part revenues offset in part by lower propulsion product revenues.

Revenues in the United States increased 6.5% in the first quarter of 2026 compared to the first quarter of 2025, mainly due to higher narrow body and wide body aircraft part revenues, offset in part by lower engine shaft revenues and unfavourable foreign exchange impacts due to the weakening of the United States dollar relative to the Canadian dollar. On a currency neutral basis, revenues in the United States increased by 11.4% in the first quarter of 2026 over the same period in 2025.

European revenues in the first quarter of 2026 increased 20.6% compared to the corresponding period in 2025 primarily driven by higher revenues for narrow body and wide body aircraft parts, higher maintenance, repair and overhaul ("MRO") revenues and favourable foreign exchange impacts due to the strengthening of the British Pound relative to the Canadian dollar. On a currency neutral basis, revenues in Europe increased by 17.4% in the first quarter of 2026 over the same period in 2025.

Gross Profit

Expressed in thousands of dollars	2026	Three month period ended March 31	
		2025	Change
Gross profit	40,613	33,732	20.4%
Percentage of revenues	14.2%	12.9%	

Gross profit of \$40.6 million for the first quarter of 2026 was \$6.9 million higher than the \$33.7 million gross profit for the first quarter of 2025, and gross profit as a percentage of revenues of 14.2% for the first quarter of 2026 increased from the 12.9% recorded in the same period in 2025. The gross profit in the current quarter increased from the same quarter in the prior year as a result of volume and price increases and favourable product mix, offset in part by price increases on purchased materials and supplies.

Administrative and General Expenses

Expressed in thousands of dollars	2026	Three month period ended March 31	
		2025	Change
Administrative and general expenses	17,377	15,229	14.1%
Percentage of revenues	6.1%	5.8%	

Administrative and general expenses as a percentage of revenues of 6.1% for the first quarter of 2026 were higher on a nominal basis than the same period of 2025, and were also higher as a percentage of revenues. Administrative and general expenses increased \$2.2 million or 14.1% to \$17.4 million in the first quarter of 2026 compared to \$15.2 million in the first quarter of 2025 mainly due to higher salary and benefit costs, including long-term incentive bonuses and increased information technology spending.

Other Expense

Expressed in thousands of dollars	Three month period ended March 31	
	2026	2025
Foreign exchange (gain) loss	(2,194)	2,933
Loss on disposal of property, plant and equipment	241	—
Other	3,155	—
Total other expense	1,202	2,933

Other expense for the first quarter of 2026 included a \$2.2 million foreign exchange gain compared to a \$2.9 million foreign exchange loss in the first quarter of the prior year. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange gain or loss recorded in a quarter.

Other expense in the first quarter of 2026 also included \$3.2 million of costs mainly related to legal defence costs of subsidiaries of the Corporation surrounding environmental claims and orders for former sites of such subsidiary companies, compared to a Nil amount in the first quarter of the prior year. Refer to the “Legal Proceedings and Environmental Orders” section under Liquidity and Capital Resources for more information.

Interest Expense

Expressed in thousands of dollars	Three month period ended March 31	
	2026	2025
Interest (income) on cash, bank indebtedness and long-term debt	(64)	(143)
Accretion charge on long-term debt and borrowings	198	207
Accretion charge for lease liabilities	441	455
Discount on sale of accounts receivable	59	57
Total interest expense	634	576

Total interest expense of \$0.6 million in the first quarter of 2026 was slightly higher compared to the first quarter of 2025 mainly due to lower net interest income on cash, bank indebtedness and long-term debt.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended March 31	
	2026	2025
Current income tax expense	5,918	5,508
Deferred income tax recovery	(993)	(1,341)
Total income tax expense	4,925	4,167
Effective tax rate	23.0%	27.8%

Income tax expense for the three months ended March 31, 2026 was \$4.9 million, representing an effective income tax rate of 23.0%, compared to 27.8% for the same period of 2025. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in mix of income and loss across the different jurisdictions in which the Corporation operates and the reversal of temporary differences.

3. Selected Quarterly Financial Information

A summary view of Magellan’s quarterly financial performance

Expressed in millions of dollars, except per share amounts	2026				2025			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Revenues	285.1	278.3	255.7	249.8	260.9	240.7	223.5	242.9
Income before taxes	21.4	13.0	17.4	8.7	15.0	19.4	9.3	9.9
Net income	16.5	10.5	12.7	5.4	10.8	15.9	5.8	7.5
Net income per share								
Basic and diluted	0.29	0.19	0.22	0.09	0.19	0.28	0.10	0.13
EBITDA ¹	33.8	25.4	29.8	21.1	27.3	31.6	21.5	21.9
Adjusted EBITDA ¹	36.9	38.9	29.8	21.1	27.3	32.4	21.5	22.7

¹ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Please see Section 4 the “Reconciliation of Net Income to EBITDA and Adjusted EBITDA” for more information.

Revenues and net income in the quarter were impacted by the movements of the Canadian dollar relative to the United States dollar and British pound, when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.4350 in the first quarter of 2025 and a low of 1.3637 in the third 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 1.7272 in the second 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.

Revenue for the first quarter of 2026 of \$285.1 million was higher than that in the first quarter of 2025. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the first quarter of 2026 was 1.3715 versus 1.4350 in the same period of 2025. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.8081 in the first quarter of 2025 to 1.8490 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar increased from 1.2600 in the first quarter of 2025 to 1.3482 in the current quarter.

Since the second quarter of 2024, the Company has seen a general, but uneven, growth trend in quarterly revenues.

4. 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 (net income before interest, income taxes and depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, and non-operational items related to former sites of subsidiary companies) in this MD&A.

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.

	Three month period ended March 31	
Expressed in thousands of dollars	2026	2025
Income before interest and income taxes	22,034	15,570
Add: Depreciation and amortization	11,744	11,713
EBITDA	33,778	27,283
Add: Non-operational items related to former sites of subsidiary companies	3,155	—
Adjusted EBITDA	36,933	27,283

Adjusted EBITDA in the first quarter of 2026 increased \$9.6 million or 35.4% to \$36.9 million in comparison to \$27.3 million in the same quarter of 2025 mainly as a result of gross margin improvements and higher foreign exchange income movements 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 March 31	
Expressed in thousands of dollars	2026	2025
Increase in trade and other receivables	(40,327)	(25,104)
(Increase) decrease in contract assets	(11,533)	8,461
Increase in inventories	(9,569)	(6,367)
Increase in prepaid expenses and other	(11,570)	(361)
Increase in accounts payable, accrued liabilities and provisions	46,428	19,098
(Decrease) increase in contract liabilities	(3,715)	3,579
Changes to non-cash working capital balances	(30,286)	(694)
Cash (used in) provided by operating activities	(1,825)	21,309

For the three months ended March 31, 2026, operating activities used \$1.8 million of cash compared to providing cash of \$21.3 million in the first quarter of 2025. Changes in non-cash working capital items used cash of \$30.3 million, \$29.6 million higher when compared to the cash used from working capital of \$0.7 million in the prior year. This working capital decrease is largely attributable to increases in accounts receivables from timing of customer payments, increases in contract assets due to higher in-process unbilled work, increases in prepaid expenses and other due to timing of vendor deposits and decreases in contract liabilities due to timing of customer deposits. These increases were offset in part by increases in accounts payable, accrued liabilities and provisions primarily driven by timing of material purchases and supplier payments.

Cash Flow from Investing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	2026	2025
Purchase of property, plant and equipment	(14,316)	(12,498)
Increase in intangible assets	(1,143)	(744)
Cash used in investing activities	(15,459)	(13,242)

Investing activities used \$15.5 million of cash in the first quarter of 2026 compared to \$13.2 million of cash used in the same quarter of the prior year, an increase of \$2.3 million. The increase in cash usage was primarily due to higher levels of investment in property, plant and equipment.

Cash Flow from Financing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	2026	2025
Increase (decrease) in bank indebtedness	2,487	(4,533)
Increase in long-term debt	8,000	—
Lease liability payments	(1,773)	(1,664)
Decrease in borrowings subject to specific conditions, net	(1,454)	(1,391)
Common share repurchases	—	(4)
Common share dividends	(2,854)	(1,428)
Cash provided by (used in) financing activities	4,406	(9,020)

Financing activities provided \$4.4 million of cash in the first quarter of 2026 compared to \$9.0 million of cash used in the same quarter of the prior year. The increase in cash provided by financing activities was primarily driven by increases in bank indebtedness and increases in long-term debt.

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 the Corporation 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 also includes a \$75 million uncommitted accordion provision, which provides the Corporation 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. A fixed and floating charge on accounts receivable, inventories and property, plant and equipment are pledged as collateral for the operating credit facility.

In March 2026, the Corporation received an \$8,000 interest free government loan which is repayable over a five year period commencing in 2029 and is conditional on the achievement of certain terms in the agreement. The fair value of the loan was



determined by discounting the expected future cash flows using a current rate for debt with similar terms and maturities. The difference between the fair value of the loan and the cash received has been recorded as a reduction in property, plant and equipment.

Legal Proceedings and Environmental Orders

A subsidiary of the Corporation is a defendant in a legal action related to the environmental remediation of a former operating site in Torrance, California. In the first quarter of 2026, the trial commenced and arguments by the plaintiff and the defendants were presented. At this time, management cannot predict with certainty the extent of the subsidiary's liability, if any, the total costs of remediation, the subsidiary's share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the remediation or the insurance coverage available to it.

Commitments

As at March 31, 2026, the Corporation had contractual commitments to purchase \$20.0 million of capital assets.

Dividends

During the first quarter of 2026, the Corporation declared a quarterly cash dividend of \$0.05 per common share and paid dividends of \$2.9 million.

Subsequent to March 31, 2026, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.05 per common share. The dividend will be payable on June 30, 2026 to shareholders of record at the close of business on June 16, 2026. The Board of Directors of the Corporation continues to review its dividends on a quarterly basis to ensure that the dividend declared balances the return of capital to shareholders while maintaining adequate financial flexibility and funds available for growth initiatives.

Normal Course Issuer Bid

On June 11, 2025, the Corporation extended its previous normal course issuer bid ("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 first quarter of 2026, the Corporation did not purchase any common shares for cancellation. During the same period in the prior year, the Corporation purchased 400 common shares for cancellation at a cost of \$4 thousand.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at May 8, 2026, 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 forward exchange contracts (forwards and/or collars), the Corporation is obligated to purchase specified amounts of currency - generally either United States dollars ("USD") or British Pounds ("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.

As at March 31, 2026, foreign exchange contracts of GBP 23.5 million were outstanding and the Corporation has recorded \$0.1 million of derivative liabilities as the fair value of its derivative contracts [December 31, 2025 - \$0.2 million] in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

Off-Balance Sheet Arrangements

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three month period ended March 31, 2026, 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, 2025 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2025, which have been filed with SEDAR at www.sedarplus.ca.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* issued by the IASB were adopted by the Corporation, effective January 1, 2026, with no material impact on the consolidated financial statements.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*, and consequential amendments to several other standards. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, with prescribed subtotals for each new category. It also requires disclosure of management-defined performance measures which will now form part of the audited financial statements.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Corporation is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements

10. Significant Accounting Estimates

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

In the 2025 audited annual consolidated financial statements and management's discussion and analysis, the Corporation identified the accounting policies and estimates that are significant to the understanding of the business and results of operations. Please refer to note 2 to the audited consolidated financial statements for the year ended December 31, 2025 for a discussion regarding the significant accounting estimates.

11. Controls and Procedures

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

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2026 that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

Management does not expect disclosure controls and procedures and internal control over financial reporting to prevent all errors, misstatements or fraud. In addition, the internal control over financial reporting that management has designed and established may be circumvented and rendered ineffective as a result of unauthorized acts of individuals through collusion or management override. A system of control, no matter how well conceived and operated, can provide only reasonable, but not absolute,



assurance that control objectives are met. Due to the inherent limitations in a system of control, there is no absolute assurance that all controls issues, which may result in errors, misstatements, or fraud, can be prevented or detected. The inherent limitations include, amongst other things: (i) management's assumptions and judgements could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of isolated errors; (iii) assumptions about the likelihood of future events.

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

12. Outlook

The outlook for Magellan's business in 2026

Commercial Aerospace Market

The industry outlook continues to be cautiously optimistic based on aircraft deliveries from Airbus and Boeing. The following commercial aircraft orders, backlog and delivery data was extracted from Forecast International's ("FI") Flight Plan publication dated April 22, 2026 and verified with Airbus and Boeing official first quarter 2026 delivery announcements.

Boeing's gross order intake for the first quarter of 2026 was 161 aircraft of which 105 orders were for the 737 aircraft. This compares to gross orders of 408 aircraft for Airbus of which 336 of the aircraft orders were for the A320 family. The backlog at the end of the quarter was reported at 6,719 aircraft for Boeing and 9,031 aircraft for Airbus. The majority of the combined backlog of Boeing and Airbus of 15,750 aircraft is for narrowbody aircraft with the A220, A320, and 737 making up 12,718 aircraft of the total combined amount. Over 60% of the narrowbody backlog is with Airbus.

Deliveries in the first quarter of 2026 totaled 143 aircraft for Boeing and 114 aircraft for Airbus. While Airbus was able to deliver 60 aircraft in March, deliveries continue to be limited by the supply of engines.

Defence Aerospace Market

The defence market is expected to be positioned for sustained growth in 2026 and beyond in response to rising threat perceptions and geopolitical tensions. In a February 2026 article, BNN Bloomberg reported the rise in global defence spending is being seen as governments adapt to new deterrence strategies and modern warfare technologies with an increased focus on missile defence, autonomous systems and advanced defence technology.

The Government of Canada announced in early June 2025 a firm commitment of over \$9 billion in 2025-2026 funding to accelerate the achievement of the then North Atlantic Treaty Organization ("NATO") goal of 2% gross domestic product ("GDP") for defence, and subsequently announced a new defence spending goal of 5% GDP to be achieved by 2035. In a March 26, 2026 news release, the Government of Canada announced that it has officially achieved the NATO defence spending target of 2% of GDP for its 2025-26 fiscal year.

Overall Aerospace Market Outlook

The overall positive outlook for demand in the commercial and defense aerospace markets is tempered by common challenges. Global supply chain vulnerabilities tied to raw materials and skilled labor shortages remain a concern in both the commercial and defence sections. Growing geopolitical security and tariff policy issues add to these concerns as these forces work by reducing the interconnectivity of the global supply chain in the aerospace markets.

As we move further into 2026, the industry outlook remains one of caution, in spite of all the demand related tailwinds. As military events in the Middle East continue, the potential to disrupt the aerospace industry through tightening jet fuel supplies, significant airspace closures and flight cancellations increases. It remains to be seen what magnitude these events will have on the aerospace industry as a whole, and on the broader global economy.



MAGELLAN AEROSPACE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Notes	Three month period ended March 31	
		2026	2025
Revenues	8	285,102	260,898
Cost of revenues		244,489	227,166
Gross profit		40,613	33,732
Administrative and general expenses		17,377	15,229
Other expense		1,202	2,933
Income before interest and income taxes		22,034	15,570
Interest expense		634	576
Income before income taxes		21,400	14,994
Income tax expense (recovery):			
Current	9	5,918	5,508
Deferred	9	(993)	(1,341)
		4,925	4,167
Net income		16,475	10,827
Other comprehensive income (loss):			
Items that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation		2,475	6,310
Unrealized gain on foreign currency contract hedges		-	490
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial income on defined benefit pension plans, net of tax	5	180	182
Comprehensive income		19,130	17,809
Net income per share			
Basic and diluted	6	0.29	0.19

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	Notes	March 31 2026	December 31 2025
Current assets			
Cash		51,268	64,047
Trade and other receivables		282,190	241,891
Contract assets		70,333	58,082
Inventories		290,225	278,769
Prepaid expenses and other		23,792	12,174
		717,808	654,963
Non-current assets			
Property, plant and equipment		390,968	386,026
Right-of-use assets		34,402	34,491
Investment properties		6,746	6,786
Intangible assets		35,641	35,710
Goodwill		23,740	23,507
Other assets	5	13,944	14,311
Deferred tax assets		9,891	10,032
		515,332	510,863
Total assets		1,233,140	1,165,826
Current liabilities			
Bank indebtedness		26,345	23,850
Accounts payable, accrued liabilities and provisions		205,364	157,005
Contract liabilities	8	42,381	46,095
Debt due within one year		11,774	11,216
		285,864	238,166
Non-current liabilities			
Long-term debt	7	6,275	—
Lease liabilities		29,316	29,631
Borrowings subject to specific conditions		22,409	23,911
Other long-term liabilities and provisions	5	17,074	17,324
Deferred tax liabilities		30,096	30,964
		105,170	101,830
Equity			
Share capital		249,500	249,500
Contributed surplus		2,044	2,044
Other paid in capital		13,565	13,565
Retained earnings		523,609	509,808
Accumulated other comprehensive income		50,011	47,536
Equity attributable to equity holders of the Corporation		838,729	822,453
Non-controlling interest		3,377	3,377
		842,106	825,830
Total liabilities and equity		1,233,140	1,165,826

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					Total	Non-controlling interest	Total equity
	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation			
December 31, 2024	249,762	2,044	13,565	480,638	53,431	799,440	3,377	802,817
Net income for the period	—	—	—	10,827	—	10,827	—	10,827
Other comprehensive income for the period	—	—	—	182	6,800	6,982	—	6,982
Common share repurchases	(2)	—	—	(2)	—	(4)	—	(4)
Common share dividends	—	—	—	(1,428)	—	(1,428)	—	(1,428)
March 31, 2025	249,760	2,044	13,565	490,217	60,231	815,817	3,377	819,194
December 31, 2025	249,500	2,044	13,565	509,808	47,536	822,453	3,377	825,830
Net income for the period	—	—	—	16,475	—	16,475	—	16,475
Other comprehensive income for the period	—	—	—	180	2,475	2,655	—	2,655
Common share dividends	—	—	—	(2,854)	—	(2,854)	—	(2,854)
March 31, 2026	249,500	2,044	13,565	523,609	50,011	838,729	3,377	842,106

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 March 31	
		2026	2025
Cash flow from operating activities			
Net income		16,475	10,827
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment		11,744	11,713
Loss on disposal of property, plant and equipment		241	—
Decrease in defined benefit plans		377	624
Accretion of financial liabilities		642	662
Deferred taxes		(993)	(1,342)
Income on investments in joint ventures		(266)	(282)
Changes to non-cash working capital		(30,286)	(694)
Decrease in other assets ¹		537	78
Decrease in long-term liabilities and provisions ¹		(296)	(277)
Net cash (used in) provided by operating activities ¹		(1,825)	21,309
Cash flow from investing activities			
Purchase of property, plant and equipment		(14,316)	(12,498)
Increase in intangible assets ¹		(1,143)	(744)
Net cash used in investing activities ¹		(15,459)	(13,242)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness		2,487	(4,533)
Increase in long-term debt	7	8,000	—
Lease liability payments		(1,773)	(1,664)
Decrease in borrowings subject to specific conditions, net		(1,454)	(1,391)
Common share repurchases		—	(4)
Common share dividends	6	(2,854)	(1,428)
Net cash provided by (used in) financing activities ¹		4,406	(9,020)
Decrease in cash during the period		(12,878)	(953)
Cash at beginning of the period		64,047	56,437
Effect of exchange rate differences		99	61
Cash at end of the period		51,268	55,545

(1) Prior year amounts have been reclassified to conform to the change in 2026 presentation – refer to Note 2.

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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

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

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) and using the same accounting policies and methods as were used for the Corporation’s consolidated financial statements and the notes thereto for the year ended December 31, 2025, 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, 2025, which are available at www.sedarplus.ca and on the Corporation’s website at www.magellan.aero.

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on May 8, 2026.

Certain comparative figures in the consolidated statement of cash flows have been reclassified to conform to those used in the current period’s presentation. Specifically, cash flows related to Other assets and Other long-term liabilities and provisions have been presented as a component of operating cash flows in the current period where previously they were presented as a component of investing cash flows and financing cash flows, respectively.

NOTE 3. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* issued by the IASB were adopted by the Corporation, effective January 1, 2026, with no material impact on the consolidated financial statements.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*, and consequential amendments to several other standards. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, with prescribed subtotals for each new category. It also requires disclosure of management-defined performance measures which will now form part of the audited financial statements.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Corporation is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements

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 March 31, 2026, the Corporation had drawn \$30,248 [December 31, 2025 - \$27,737] under the operating credit facility, including letters of credit totaling \$3,903 [December 31, 2025 - \$3,887] such that \$44,752 [December 31, 2025 - \$47,263] was available to be drawn on.

NOTE 5. EMPLOYEE FUTURE BENEFITS

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

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

	March 31 2026	December 31 2025
Included in Other Assets - Pension Defined Benefit Plans	4,729	4,862
Included in Other long-term liabilities and provisions - Other Benefit Plan	(620)	(607)
	4,109	4,255

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 4.95% as at March 31, 2026 from the 4.84% weighted average rate used in calculating the pension obligation as at December 31, 2025. The return on plan assets was below the expected return during the three month period ended March 31, 2026. 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 \$180 of actuarial gains being recorded in other comprehensive income in the first quarter of 2026.

NOTE 6. SHARE CAPITAL

Net income per share

	Three month period ended March 31	
	2026	2025
Net income	16,475	10,827
Weighted average number of shares (in thousands)	57,079	57,139
Basic and diluted net income per share	0.29	0.19

Dividends

During the first quarter of 2026, the Corporation declared a cash dividend of \$0.05 per common share and paid dividends of \$2,854.

Subsequent to March 31, 2026, the Corporation declared dividends to holders of common shares in the amount of **[\$0.05]** per common share payable on June 30, 2026, for shareholders of record at the close of business on June 16, 2026.

Normal Course Issuer Bid

On June 11, 2025, the Corporation extended its previous normal course issuer bid (“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 first quarter of 2026, the Corporation did not purchase any common shares for cancellation under the program. During the same period in the prior year, the Corporation purchased 400 common shares for cancellation for \$4.

NOTE 7. FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

Fair values

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

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

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

Foreign exchange contracts

The Corporation may enter 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.

As at March 31, 2026, the Corporation had foreign exchange forward contracts outstanding in the amount of GBP 23,540 [December 31, 2025 – GBP 23,540]. In accordance with the fair value hierarchy of financial instruments, the derivatives are considered Level 2.

As at March 31, 2026, the Corporation recorded \$111 of derivative liabilities for these instruments [December 31, 2025 – \$161] which are included in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

Long-term debt

As at March 31, 2026, the carrying amount of the Corporation's long-term debt of \$9,049 [December 31, 2025 – \$2,727] approximates its fair value. During the quarter, the Corporation received an \$8,000 interest free government loan which is repayable over a five year period commencing in 2029 and is conditional on the achievement of certain terms in the agreement. The fair value was determined by discounting the expected future cash flow based on current rate for debt with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy. The difference between the fair value and the cash received has been recorded as a reduction in property, plant and equipment. The current portion of long-term debt is included in Debt due within one year on the interim condensed consolidated statement of financial position.

Borrowings subject to specific conditions

As at March 31, 2026, the Corporation has recognized \$24,103 [December 31, 2025 – \$25,365] as the amount repayable to Canadian government agencies. The contributions are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales. The fair value was determined by discounting the expected future royalty payments based on the prevailing market rate for borrowings with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy. The current portion of this repayable amount is included in Debt due within one year on the interim condensed consolidated statement of financial position.

NOTE 8. SEGMENTED INFORMATION

Operating segments are defined as components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation operates

substantially all of its activities in one reportable segment, Aerospace, which includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation.

Corporation's primary sources of revenue

	Three month period ended March 31	
	2026	2025
Sale of goods	241,672	218,600
Services	43,430	42,298
	285,102	260,898

Timing of revenue recognition based on transfer of control

	Three month period ended March 31	
	2026	2025
At a point of time	184,710	167,525
Over time	100,392	93,373
	285,102	260,898

Advance payments received for contracts in progress in excess of revenue recognized were recorded as contract liabilities on the interim condensed consolidated statement of financial position. As at March 31, 2026, contract liabilities were \$42,381 [December 31, 2025 – \$46,095].

Revenues from the Corporation's two largest customers accounted for 37.2% of total sales for the three month period ended March 31, 2026 [March 31, 2025 – two largest customers accounted for 32.6% of total sales for the three month period ended].

Corporation's revenue information split by geographic segment

	Three month period ended March 31	
	2026	2025
Revenue		
Canada	108,188	105,375
United States	79,874	75,033
Europe	97,040	80,490
	285,102	260,898
Export revenue ¹		
Canada	80,604	67,839
United States	17,104	20,958
Europe	27,879	22,233
	125,587	111,030

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

Corporation's long-lived assets split by geographic segment

	March 31	December 31
	2026	2025
Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
Canada	162,106	162,003
United States	151,541	149,876
Europe	171,104	167,855
	484,751	479,734

NOTE 9. TAXATION

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in, adjusted for the main permanent differences identified. The effective tax rate for the three month period ended March 31, 2026 was 23.0% [27.8% for the three month period ended March 31, 2025]. The difference between the effective

tax rate and the standard tax rate is primarily attributable to the change in mix of income across the different jurisdictions in which the Corporation operates.

NOTE 10. MANAGEMENT OF CAPITAL

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

Total managed capital as at March 31, 2026 of \$867,847 [December 31, 2025 – \$849,030] is comprised of shareholders' equity attributable to equity holders of the Corporation of \$838,729 [December 31, 2025 – \$822,453] and interest-bearing debt of \$29,118 [December 31, 2025 – \$26,577].

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares through the normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. There were no changes in the Corporation's approach to capital management during the period.

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

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

Legal Proceedings and Environmental Orders

In the U.S., a subsidiary of the Corporation is involved as one of a number of defendants and third-party defendants for contribution and cost recovery under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 in respect of the remediation of a former site in Torrance, California where it is alleged that hazardous substances were released into the environment. The trial that was scheduled for the first quarter of 2026 has commenced and arguments by the plaintiff and the defendants have been presented. At this time, management cannot predict with certainty the extent of the subsidiary's liability, if any, total costs of remediation, the subsidiary's share of the total cost, the extent to which contributions will be available from other parties, the amount of time necessary to complete the remediation or the insurance coverage available to it.

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

Commitments

At March 31, 2026, capital commitments in respect of purchase of property, plant and equipment totalled \$19,964 [December 31, 2025 – \$27,060], all of which had been ordered. There were no other material capital commitments at the end of the period.