MAGELLAN AEROSPACE

QUARTERLY REPORT
JUNE 30, 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 unaudited interim condensed consolidated financial statements and the notes thereto for the three and six month periods ended June 30, 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 June 30, 2026 relative to the three month period ended June 30, 2025. The information contained in this report is as at August 7, 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 GAAP. Throughout this discussion, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (defined as net income 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 a 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 these measures, 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 six months of 2026, 66.4% of revenues were derived from commercial markets while 33.6% of revenues related to defence markets.

Business Update

On June 11, 2026, Magellan renewed its normal course issuer bid ("2026 NCIB") which allows the Corporation to purchase for cancellation up to 2,853,953 of its common shares during the 12-month period commencing June 15, 2026 and ending June 14, 2027, through facilities of the Toronto Stock Exchange ("TSX") or other alternative Canadian trading systems.

On July 20, 2026, Magellan announced that it was awarded a contract from the Government of Canada to produce the M-72 Light Anti-Tank Weapon under Canada's Munitions Supply Program. The contract represents an important investment in Canada's

sovereign defence industrial capability and will strengthen the nation's ability to manufacture and sustain critical munitions for the Canadian Armed Forces.

On July 22, 2026, Magellan announced a strategic Memorandum of Understanding ("MOU") with GE Canada to establish a Canadian Maintenance, Repair, and Overhaul ("MRO") capability for the F414-GE-39E engine that powers the Saab JAS 39 Gripen E ("Saab Gripen") aircraft, should the Government of Canada proceed with the acquisition of the Saab Gripen aircraft as part of the future Royal Canadian Air Force ("RCAF") fighter fleet. Under the MOU, Magellan would serve as Canada's domestic centre of excellence for engine sustainment, delivering comprehensive MRO services to support the operational readiness, availability, and long-term performance of the RCAF fleet.

On July 22, 2026, a subsidiary of the Corporation, Magellan Aerospace, Middletown, Inc. ("Middletown") filed for voluntary Chapter 11 relief in the U.S Bankruptcy Court for the Southern District of Ohio. Refer to the "Chapter 11 Proceedings" section under Liquidity and Capital Resources for more information.

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 second quarter ended June 30, 2026

The Corporation reported revenue in the second quarter of 2026 of $305.6 million, a $55.8 million increase from the second quarter of 2025 revenue of $249.8 million. Gross profit and net income for the second quarter of 2026 were $47.1 million and $19.8 million, respectively, in comparison to gross profit of $33.3 million and net income of $5.4 million for the second quarter of 2025.

Consolidated Revenue

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of dollars	**2026**	2025	Change	**2026**	2025	Change
Canada	**115,846**	101,397	14.2 %	**224,034**	206,772	8.3 %
United States	**94,974**	71,752	32.4 %	**174,848**	146,785	19.1 %
Europe	**94,762**	76,644	23.6 %	**191,802**	157,134	22.1%
Total revenues	**305,582**	249,793	22.3 %	**590,684**	510,691	15.7 %

Revenue in Canada increased 14.2% in the second quarter of 2026 compared to the corresponding period in 2025, mainly due to higher casting product and engine part revenues.

Revenue in the United States increased by 32.4% in the second quarter of 2026 compared to the second quarter of 2025, mainly due to higher casting and narrow body and wide body aircraft part revenues offset in part by lower engine shaft revenues.

European revenue in the second quarter of 2026 increased 23.6% compared to the corresponding period in 2025 primarily driven by higher revenues for narrow body and wide body aircraft parts, higher MRO revenues and favourable foreign exchange impacts due to the strengthening of the British Pound relative to the Canadian dollar.

Gross Profit

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of dollars	**2026**	2025	Change	**2026**	2025	Change
Gross profit	**47,141**	33,282	41.6%	**87,754**	67,014	30.9%
Percentage of revenues	**15.4%**	13.3%		**14.9%**	13.1%	

Gross profit of $47.1 million for the second quarter of 2026 was $13.8 million higher than the $33.3 million gross profit for the second quarter of 2025, and gross profit as a percentage of revenues of 15.4% for the second quarter of 2026 increased from 13.3% 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.

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Administrative and General Expenses

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of dollars	**2026**	2025	Change	**2026**	2025	Change
Administrative and general expenses	**18,754**	17,743	5.7%	**36,131**	32,972	9.6%
Percentage of revenues	**6.1%**	7.1%		**6.1%**	6.5%	

Administrative and general expenses as a percentage of revenues was 6.1% for the second quarter of 2026, lower than the same period of 2025 percentage of revenues of 7.1%. Administrative and general expenses increased $1.1 million or 5.7% to $18.8 million in the second quarter of 2026 compared to $17.7 million in the second quarter of 2025 mainly due to higher salary and benefit costs, including long-term bonus incentive costs offset in part by decreased information technology spending and lower redundancy charges.

Other

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2026**	2025	**2026**	2025
Foreign exchange (gain) loss	**(2,297)**	6,346	**(4,491)**	9,279
(Gain) loss on disposal of property, plant and equipment	**(89)**	2	**152**	2
Other	**3,792**	—	**6,947**	—
Total Other expense	**1,406**	6,348	**2,608**	9,281

Other expense for the second quarter of 2026 included a $2.3 million foreign exchange gain compared to a $6.3 million foreign exchange loss in the second quarter of the prior year. The movements in balances denominated in foreign currencies and the significant fluctuations of certain foreign exchange rates impact the net foreign exchange gain or loss recorded in a quarter.

Other expense in the second quarter of 2026 also included $3.8 million of costs mainly related to legal defence and environmental program spending relating to environmental claims and orders for former sites of Middletown. Refer to the “Legal Proceedings and Environmental Orders” and “Chapter 11 Proceedings” section under Liquidity and Capital Resources for more information.

Interest Expense

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2026**	2025	**2026**	2025
Interest expense (income) on cash, bank indebtedness and long-term debt	**115**	(204)	**51**	(347)
Accretion charge on long-term debt and borrowings	**274**	178	**472**	385
Accretion charge for lease liabilities	**428**	441	**869**	896
Discount on sale of accounts receivable	**58**	63	**117**	120
Total Interest expense	**875**	478	**1,509**	1,054

Total interest expense of $0.9 million in the second quarter of 2026 increased by $0.4 million compared to the second quarter of 2025, mainly due to lower net interest on cash, bank indebtedness and long-term debt as a result of lower average cash balances and higher average bank indebtedness balances in the current quarter as compared to the prior year.

Provision for Income Taxes

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2026**	2025	**2026**	2025
Current income tax expense	**7,684**	5,313	**13,602**	10,821
Deferred income tax recovery	**(1,410)**	(1,965)	**(2,403)**	(3,306)
Income tax expense	**6,274**	3,348	**11,199**	7,515
Effective tax rate	**24.0%**	38.4%	**23.6%**	31.7%

Income tax expense for the three months ended June 30, 2026 was $6.3 million, representing an effective income tax rate of 24.0% compared to 38.4% for the same period of 2025. The change in the effective tax rate and current and deferred income tax expenses 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

	2026				2025			2024
Expressed in millions of dollars, except per share amounts	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenues	**305.6**	285.1	278.3	255.7	249.8	260.9	240.7	223.5
Income before taxes	**26.1**	21.4	13.0	17.4	8.7	15.0	19.4	9.3
Net income	**19.8**	16.5	10.5	12.7	5.4	10.8	15.9	5.8
Net income per share								
Basic and diluted	**0.35**	0.29	0.19	0.22	0.09	0.19	0.28	0.10
EBITDA[1]	**39.2**	33.8	25.4	29.8	21.1	27.3	31.6	21.5
Adjusted EBITDA[1]	**43.0**	36.9	38.9	29.8	21.1	27.3	32.4	21.5

[1] Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare the Corporation's 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 1.8582 in the second quarter of 2026 and hit a low of 1.7741 in the third 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 second quarter of 2026 of $305.6 million was higher than that in the second quarter of 2025. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the second quarter of 2026 was 1.3838 versus 1.3841 in the same period of 2025. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.8485 in the second quarter of 2025 to 1.8582 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar increased from 1.3357 in the second quarter of 2025 to 1.3429 in the current quarter. Had the foreign exchange rates remained at levels experienced in the second quarter of 2025, reported revenues in the second quarter of 2026 would have been lower by $0.8 million.

Since the third 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 (net income 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.

Expressed in thousands of dollars	Three month period ended June 30 2026	2025	Six month period ended June 30 2026	2025
Income before interest and income taxes	**26,981**	9,191	**49,015**	24,761
Add: Depreciation and amortization	**12,207**	11,943	**23,951**	23,656
EBITDA	**39,188**	21,134	**72,966**	48,417
Add: Non-operational items related to former sites of subsidiary companies	**3,792**	—	**6,947**	—
Adjusted EBITDA	**42,980**	21,134	**79,913**	48,417

Adjusted EBITDA in the second quarter of 2026 increased $21.9 million to $43.0 million in comparison to $21.1 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 programs, 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

Expressed in thousands of dollars	Three month period ended June 30 2026	2025	Six month period ended June 30 2026	2025
(Increase) decrease in accounts receivable	**(30,957)**	258	**(71,284)**	(24,846)
(Increase) decrease in contract assets	**(2,954)**	19,561	**(14,487)**	28,022
(Increase) decrease in inventories	**(5,774)**	1,942	**(15,343)**	(4,425)
Decrease (increase) in prepaid expenses and other	**10,511**	(325)	**(1,059)**	(686)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(4,649)**	(10,601)	**41,779**	8,497
Increase (decrease) in contract liabilities	**8,211**	(1,157)	**4,496**	2,422
Changes in non-cash working capital balances	**(25,612)**	9,678	**(55,898)**	8,984
Cash provided by operating activities	**6,065**	25,800	**4,240**	47,109

For the three months ended June 30, 2026, operating activities provided $6.1 million of cash compared to providing cash of $25.8 million in the second quarter of 2025. Changes in non-cash working capital items used cash of $25.6 million, $35.3 million higher when compared to the cash provided by working capital of $9.7 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 and increases in inventory due to timing of production and shipment. These increases were offset in part by decreases in prepaid expenses and other, increases in accounts payable, accrued liabilities and provisions primarily driven by timing of material purchases and supplier payments and increases in contract liabilities due to timing of customer deposits.

Investing Activities

Expressed in thousands of dollars	Three month period ended June 30 2026	2025	Six month period ended June 30 2026	2025
Purchase of property, plant and equipment	**(12,696)**	(6,747)	**(27,012)**	(19,245)
Increase in intangible assets	**(657)**	(1,514)	**(1,800)**	(2,258)
Cash used in investing activities	**(13,353)**	(8,261)	**(28,812)**	(21,503)

Investing activities used $13.4 million of cash in the second quarter of 2026 compared to $8.3 million cash used in the same quarter of the prior year, an increase of $5.1 million. The increase in cash usage was primarily due to higher levels of investment in property, plant and equipment offset in part by lower spending on intangible assets.

Cash Flow from Financing Activities

Expressed in thousands of dollars	Three month period ended June 30		Six month period ended June 30	
	2026	**2025**	**2026**	**2025**
Increase in bank indebtedness	**881**	13,342	**3,368**	8,809
Increase in long-term debt	**—**	**—**	**8,000**	**—**
Lease liability payments	**(1,758)**	(1,626)	**(3,531)**	(3,290)
Decrease in borrowings subject to specific conditions, net	**—**	**—**	**(1,454)**	(1,391)
Common share repurchases	**—**	**—**	**—**	(4)
Common share dividends	**(2,854)**	(2,857)	**(5,708)**	(4,285)
Cash (used in) provided by financing activities	**(3,731)**	8,859	**675**	(161)

Financing activities used $3.7 million of cash in the second quarter of 2026 compared to $9.0 million of cash provided in the same quarter of the prior year, a decrease of $12.7 million. The decrease in cash provided by financing activities was primarily driven by decreases in cash provided from bank indebtedness.

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

Middletown is a defendant in a legal action related to the environmental remediation of a former operating site in Torrance, California. The trial that commenced in March 2026 concluded in May 2026, however a final judgement has not been entered. At this time, management cannot predict with certainty the extent of Middletown's liability, if any, the total costs of remediation, Middletown'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. Refer to "Chapter 11 Proceedings" for more information.

Middletown is also involved in an investigation for soil vapour intrusion at a former site in San Diego, California. Middletown was made aware of this investigation in February 2026 and an environmental order was subsequently issued to Middletown for mitigation, investigation and remedial-feasibility work. At this time, the actual liability to Middletown remains highly uncertain due to the recent timing of this claim, the unknown history of the contamination, and the unknown scope of remediation costs involved. Refer to "Chapter 11 Proceedings" for more information.

Commitments

As at June 30, 2026, the Corporation had contractual commitments to purchase $31.7 million of capital assets.

Chapter 11 Proceedings

On July 22, 2026, Middletown filed for voluntary Chapter 11 relief in the U.S. Bankruptcy Court for the Southern District of Ohio (the "Filing"). Middletown will continue to operate as a debtor-in-possession ("DIP") under the jurisdiction of the U.S. Bankruptcy Court.

The Filing resulted from the decline of Middletown's core business activities compounded by escalating legal defence and environmental program spending related to legacy environmental liabilities impacting Middletown's liquidity. Refer to "Legal Proceedings and Environmental Orders" for more information. At the time of Filing, Middletown had no secured debt. As a result of the Filing, all pre-petition liabilities are subject to compromise and pre-petition legal proceedings are stayed by court order. Concurrent with the Filing, Middletown entered into a DIP financing agreement with Magellan Aerospace, USA, Inc. to provide a debtor-in-possession revolving credit facility of up to USD $20 million to support ongoing operations.

Middletown intends to use the Filing to preserve its business as a going concern while addressing its legacy liabilities and has not yet determined whether it will pursue a standalone plan of reorganization, a sale under section 363 of the U.S. Bankruptcy Code

or another strategic transaction. The outcome of the Filing process is uncertain and depends on court decisions, negotiations with creditors, and the successful development and confirmation of a plan of reorganization.

Dividends
During the first and second quarters of 2026, the Corporation declared quarterly cash dividends of $0.05 per common share, and paid aggregate dividends of $5.7 million.

Subsequent to June 30, 2026, the Corporation declared dividends to holders of common shares in the amount of $0.05 per common share payable on September 29, 2026, to shareholders of record at the close of business on September 15, 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.

On June 11, 2026, the Corporation's application to extend its normal course issuer bid ("2026 NCIB") was approved. The 2026 NCIB allows the Corporation to purchase up to 2,853,953 common shares, over a 12-month period, commencing June 15, 2026, and ending June 14, 2027.

During the six month period ended June 30, 2026, the Corporation did not purchase any common shares for cancellation under the 2025 NICB and 2026 NCIB program. 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 August 6, 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 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 June 30, 2026, foreign exchange contracts of GBP 23.5 million were outstanding and the Corporation has recorded $0.2 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 June 30, 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, both of 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 critical to determining Magellan's financial results

In the 2025 audited annual consolidated financial statements and MD&A, 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 in 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 June 30, 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, 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 remains cautiously optimistic, supported by strong commercial aircraft demand and an unprecedented order backlog at both Airbus and Boeing. While aircraft production continues to recover, global supply chain constraints—including shortages of aero engines, castings and forgings, titanium, electronic components, and skilled labour—continue to limit manufacturers' ability to increase production rates. The following commercial aircraft orders, backlog and delivery data was extracted from Forecast International's ("FI") Flight Plan publication dated July 22, 2026 and verified with Airbus and Boeing official first half 2026 announcements.

During the first half of 2026, Boeing delivered 314 commercial aircraft, representing its strongest first-half delivery performance since 2018. Deliveries included 243 Boeing 737 aircraft, 40 Boeing 787 aircraft, 16 Boeing 767 aircraft and 15 Boeing 777 aircraft. Boeing continues to focus on increasing production rates and improving manufacturing stability as it works through a commercial backlog approaching 7,000 aircraft.

Airbus delivered 351 commercial aircraft during the first six months of 2026, a 15% increase over the same period in 2025, including a particularly strong June with 89 aircraft delivered. Airbus remains on track to achieve its official full-year delivery target of 870 aircraft, with company leadership indicating that improving engine availability has supported a stronger production ramp-up during the second quarter. Airbus continues to maintain the industry's largest commercial aircraft backlog, exceeding 8,700 aircraft, with the A320neo Family representing the majority of outstanding orders.

The combined Airbus and Boeing commercial backlog remains well above 15,000 aircraft, representing many years of production at current manufacturing rates. Narrowbody aircraft continue to dominate future demand, with the Airbus A220/A320 and Boeing 737 aircraft families accounting for the overwhelming majority of outstanding orders. This sustained backlog provides long-term production visibility across the global aerospace supply chain.

Defence Aerospace Market

The defence market is positioned for sustained growth through the remainder of the decade. Rising geopolitical tensions, continued conflict in Ukraine, instability in the Middle East, increasing Indo-Pacific security concerns, and NATO's expanded defence spending commitments continue to drive record investment in military capability. Per a February 2026 publication in the Military Balance, global military expenditures reached USD $2.63 trillion in 2025, with industry forecasts projecting continued growth throughout 2026 and beyond as governments accelerate modernization programs, missile defence, autonomous systems, space capabilities, and advanced aerospace technologies.

Canada's new Defence Investment Agency ("DIA") continues to advance implementation as part of the federal government's broader defence procurement transformation. The DIA is intended to modernize defence procurement, accelerate project delivery, strengthen Canada's domestic industrial base, and improve collaboration with industry. Together with the newly established Defence Procurement Agency framework, these reforms are expected to provide more agile acquisition authorities and significantly improve the delivery of major defence capabilities.

In the United States, defence spending continues to grow under the current Administration, with continued emphasis on missile defence, next-generation aircraft, munitions production, shipbuilding, autonomous systems, and industrial base expansion. The U.S. Department of Defense continues to prioritize accelerating acquisition timelines and strengthening domestic and allied supply chains, creating significant opportunities for aerospace and defence manufacturers throughout North America.

Across Europe, defence modernization continues at an unprecedented pace. The European Union's ReArm Europe initiative is expected to mobilize approximately €800 billion in defence investment over the coming years through joint procurement, industrial expansion, and enhanced defence cooperation. This represents one of the largest coordinated defence industrial investments in European history and creates substantial opportunities for allied suppliers, including Canadian companies participating through the Canada-EU Security and Defence Partnership.

Overall Aerospace Market Outlook

The overall positive outlook for both the commercial and defence aerospace markets is tempered by common structural challenges. Persistent shortages of skilled labour, constrained availability of raw materials and specialized aerospace components, and ongoing supply chain bottlenecks remain the principal constraints on production growth. As commercial production rates continue to increase while defence procurement accelerates globally, competition for critical materials, manufacturing capacity, and skilled workers is expected to intensify. 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. Industry research—including recent KPMG aerospace outlooks—continues to identify supply chain resilience, workforce development, and domestic industrial capacity as among the most significant strategic risks facing the global aerospace sector over the coming decade.

As we move through 2026 and military events in the Middle East continue, it remains to be seen what the net impact will be on the aerospace industry as a whole. On the defence side, the conflict reinforces government focus on military readiness and accelerates defence procurement. On the commercial side, the impact is more challenging to assess with potential impacts including tightening jet fuel supplies, airspace closures, flight cancellations or supply chain disruptions. To date, the commercial side of the industry has remained resilient through it all.

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Notes	Three month period ended June 30 2026	 2025	Six month period ended June 30 2026	 2025
Revenues	8	**305,582**	249,793	**590,684**	510,691
Cost of revenues		**258,441**	216,511	**502,930**	443,677
Gross profit		**47,141**	33,282	**87,754**	67,014
Administrative and general expenses		**18,754**	17,743	**36,131**	32,972
Other expense		**1,406**	6,348	**2,608**	9,281
Income before interest and income taxes		**26,981**	9,191	**49,015**	24,761
Interest expense		**875**	478	**1,509**	1,054
Income before income taxes		**26,106**	8,713	**47,506**	23,707
Income tax expense (recovery):					
Current	9	**7,684**	5,313	**13,602**	10,821
Deferred	9	**(1,410)**	(1,965)	**(2,403)**	(3,306)
		6,274	3,348	**11,199**	7,515
Net income		**19,832**	5,365	**36,307**	16,192
Other comprehensive income (loss):					
Items that may be reclassified to profit and loss in subsequent periods:					
Foreign currency translation		**8,799**	(13,896)	**11,274**	(7,586)
Unrealized gain on foreign currency contract hedges		**—**	1,109	**—**	1,599
Items not to be reclassified to profit and loss in subsequent periods:					
Actuarial income on defined benefit pension plans, net of tax	5	**195**	329	**375**	511
Comprehensive income (loss)		**28,826**	(7,093)	**47,956**	10,716
Net income per share					
Basic and diluted	6	**0.35**	0.09	**0.64**	0.28

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	Notes	**June 30 2026**	December 31 2025
Current assets			
Cash		**40,798**	64,047
Trade and other receivables		**315,283**	241,891
Contract assets		**74,288**	58,082
Inventories		**299,937**	278,769
Prepaid expenses and other		**13,468**	12,174
		743,774	654,963
Non-current assets			
Property, plant and equipment		**399,508**	386,026
Right-of-use assets		**33,108**	34,491
Investment properties		**6,815**	6,786
Intangible assets		**35,347**	35,710
Goodwill		**24,215**	23,507
Other assets	5	**25,652**	14,311
Deferred tax assets		**10,296**	10,032
		534,941	510,863
Total assets		**1,278,715**	1,165,826
Current liabilities			
Bank indebtedness	4	**27,781**	23,850
Accounts payable, accrued liabilities and provisions		**204,616**	157,005
Contract liabilities	8	**50,827**	46,095
Debt due within one year	7	**11,853**	11,216
		295,077	238,166
Non-current liabilities			
Long-term debt	7	**6,345**	—
Lease liabilities		**28,096**	29,631
Borrowings subject to specific conditions	7	**22,600**	23,911
Other long-term liabilities and provisions	5	**29,206**	17,324
Deferred tax liabilities		**29,313**	30,964
		115,560	101,830
Equity			
Share capital	6	**249,500**	249,500
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**540,782**	509,808
Accumulated other comprehensive income		**58,810**	47,536
Equity attributable to equity holders of the Corporation		**864,701**	822,453
Non-controlling interest		**3,377**	3,377
Total equity		**868,078**	825,830
Total liabilities and equity		**1,278,715**	1,165,826

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE

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, 2024	249,762	2,044	13,565	480,638	53,431	799,440	3,377	802,817
Net income for the period	—	—	—	16,192	—	16,192	—	16,192
Other comprehensive income (loss) for the period	—	—	—	511	(5,987)	(5,476)	—	(5,476)
Common share repurchases	(2)	—	—	(2)	—	(4)	—	(4)
Common share dividends	—	—	—	(4,285)	—	(4,285)	—	(4,285)
June 30, 2025	**249,760**	**2,044**	**13,565**	**493,054**	**47,444**	**805,867**	**3,377**	**809,244**
December 31, 2025	249,500	2,044	13,565	509,808	47,536	822,453	3,377	825,830
Net income for the period	—	—	—	36,307	—	36,307	—	36,307
Other comprehensive income for the period	—	—	—	375	11,274	11,649	—	11,649
Common share dividends	—	—	—	(5,708)	—	(5,708)	—	(5,708)
June 30, 2026	**249,500**	**2,044**	**13,565**	**540,782**	**58,810**	**864,701**	**3,377**	**868,078**

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Notes	Three month period ended June 30 2026	Three month period ended June 30 2025	Six month period ended June 30 2026	Six month period ended June 30 2025
Cash flow from operating activities					
Net income		**19,832**	5,365	**36,307**	16,192
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment		**12,207**	11,943	**23,951**	23,656
(Gain) loss on disposal of property, plant and equipment		**(89)**	2	**152**	2
Decrease in defined benefit plans		**380**	296	**757**	920
Accretion of financial liabilities		**700**	618	**1,342**	1,280
Deferred taxes		**(1,410)**	(1,964)	**(2,403)**	(3,306)
Income on investments in joint ventures		**(491)**	(176)	**(757)**	(458)
Other		**(93)**	—	**(93)**	—
Changes to non-cash working capital		**(25,612)**	9,678	**(55,898)**	8,984
(Increase) decrease in other assets [1]		**(11,291)**	(75)	**(10,754)**	3
Increase (decrease) in long-term liabilities and provisions [1]		**11,932**	113	**11,636**	(164)
Net cash provided by operating activities [1]		**6,065**	25,800	**4,240**	47,109
Cash flow from investing activities					
Purchase of property, plant and equipment		**(12,696)**	(6,747)	**(27,012)**	(19,245)
Increase in intangible assets [1]		**(657)**	(1,514)	**(1,800)**	(2,258)
Net cash used in investing activities [1]		**(13,353)**	(8,261)	**(28,812)**	(21,503)
Cash flow from financing activities					
Increase in bank indebtedness		**881**	13,342	**3,368**	8,809
Increase in long-term debt	7	**—**	—	**8,000**	—
Lease liability payments		**(1,758)**	(1,626)	**(3,531)**	(3,290)
Decrease in borrowings subject to specific conditions, net		**—**	—	**(1,454)**	(1,391)
Common share repurchases	6	**—**	—	**—**	(4)
Common share dividends	6	**(2,854)**	(2,857)	**(5,708)**	(4,285)
Net cash (used in) provided by financing activities [1]		**(3,731)**	8,859	**675**	(161)
(Decrease) increase in cash during the period		**(11,019)**	26,398	**(23,897)**	25,445
Cash at beginning of the period		**51,268**	55,545	**64,047**	56,437
Effect of exchange rate differences		**549**	(556)	**648**	(495)
Cash at end of the period		**40,798**	81,387	**40,798**	81,387

(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

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, 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 August 7, 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 June 30, 2026, the Corporation had drawn $31,718 [December 31, 2025 - $27,737] under the operating credit facility, including letters of credit totaling $3,937 [December 31, 2025 - $3,887] such that $43,282 [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:

	June 30 2026	December 31 2025
Included in Other assets - Pension benefit plans	4,612	4,862
Included in Other long-term liabilities and provisions - Other benefit plan	(645)	(607)
	3,967	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 decreased the assumed discount rate for the Canadian pension plans to 4.75% as at June 30, 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 six month period ended June 30, 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 $375 of actuarial gains being recorded in other comprehensive income in the six month period ended June 30, 2026.

NOTE 6. SHARE CAPITAL

Net income per share

	Three month period ended June 30		Six month period ended June 30	
	2026	2025	2026	2025
Net income	19,832	5,365	36,307	16,192
Weighted average number of shares (in thousands)	57,079	57,139	57,079	57,139
Basic and diluted net income per share	0.35	0.09	0.64	0.28

Dividends

During the first and second quarter of 2026, the Corporation declared quarterly cash dividends of $0.05 per common share, respectively, and paid aggregate dividends of $5,708.

Subsequent to June 30, 2026, the Corporation declared dividends to holders of common shares in the amount of $0.05 per common share payable on September 29, 2026, to shareholders of record at the close of business on September 15, 2026.

Normal Course Issuer Bid

On June 11, 2026, the Corporation extended its previous normal course issuer bid ("NCIB"). The June 2026 NCIB allows the Corporation to purchase up to 2,853,953 common shares, over a 12-month period commencing June 15, 2026, and ending June 14, 2027.

During the six month period ended June 30, 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 at a cost of $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 June 30, 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 June 30, 2026, the Corporation recorded $206 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 June 30, 2026, the carrying amount of the Corporation's long-term debt of $9,173 [December 31, 2025 – $2,727] approximates its fair value. During the first quarter of 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 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 June 30, 2026, the Corporation has recognized $24,294 [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.

The Corporation's primary sources of revenue

	Three month period ended June 30		Six month period ended June 30	
	2026	2025	2026	2025
Sale of goods	256,669	208,828	498,341	427,428
Services	48,913	40,965	92,343	83,263
	305,582	249,793	590,684	510,691

Timing of revenue recognition based on transfer of control

	Three month period ended June 30		Six month period ended June 30	
	2026	2025	2026	2025
At a point of time	198,014	163,986	382,724	331,511
Over time	107,568	85,807	207,960	179,180
	305,582	249,793	590,684	510,691

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 June 30, 2026, contract liabilities were $63,927 [December 31, 2025 – $46,095]. The long-term portion of contract liabilities is included in Other long-term liabilities and provisions on the interim condensed consolidated statement of financial position.

Revenues from the Corporation's two largest customers accounted for 33.3% and 35.2% respectively of total sales for the three and six month periods ended June 30, 2026 [June 30, 2025 – two largest customers accounted for 33.2% and 32.9% respectively of total sales for the three and six month periods ended].

The Corporation's revenue information split by geographic segment

	Three month period ended June 30		Six month period ended June 30	
	2026	2025	2026	2025
Revenue				
Canada	115,846	101,397	224,034	206,772
United States	94,974	71,752	174,848	146,785
Europe	94,762	76,644	191,802	157,134
	305,582	249,793	590,684	510,691
Export revenue[1]				
Canada	80,214	68,833	160,818	136,672
United States	25,531	17,979	42,635	38,937
Europe	27,388	17,272	55,267	39,505
	133,133	104,084	258,720	215,114

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

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

	June 30 2026	December 31 2025
Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
Canada	165,846	162,003
United States	153,236	149,876
Europe	173,096	167,855
	492,178	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 and six month periods ended June 30, 2026 was 24.0% and 23.6% respectively [38.40% and 31.7% respectively for the three and six month periods ended June 30, 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 convertible debentures, if applicable.

Total managed capital as at June 30, 2026 of $895,310 [December 31, 2025 - $849,030] is comprised of shareholders' equity attributable to equity holders of the Corporation of $864,701 [December 31, 2025 - $822,453] and interest-bearing debt of $30,609 [December 31, 2025 - $26,577]. 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 11. CONTINGENT LIABILITES 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, Magellan Aerospace, Middetown, Inc. ("Middletown"), 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 commenced in March 2026 concluded in May 2026, however a final judgement has not been entered. At this time, management cannot predict with certainty the extent of MIddletown's liability, if any, total costs of remediation, Middletown'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. Refer to Note 12 below for more information.

Also in the U.S., Middletown is involved in an investigation being conducted by the state Department of Toxic Substances Control ("DTSC") for soil vapour intrusion at a former site in San Diego, California. Middletown was made aware of this investigation in February 2026 and an environmental order was subsequently issued to Middletown for mitigation, investigation and remedial-feasibility work. At this time, the actual liability to Middletown remains highly uncertain due to the recent timing of this claim, the unknown history of the contamination, and the unknown scope of remediation costs involved. Refer to Note 12 below for more information.

Commitments

At June 30, 2026, capital commitments in respect of purchase of property, plant and equipment totalled $31,734 [December 31, 2025 – $27,060], all of which had been ordered. There were no other material capital commitments at the end of the period.

NOTE 12. SUBSEQUENT EVENTS

Chapter 11 Proceedings

On July 22, 2026, Middletown filed for voluntary Chapter 11 relief in the U.S. Bankruptcy Court for the Southern District of Ohio (the "Filing"). Middletown will continue to operate as a debtor-in-possession ("DIP") under the jurisdiction of the U.S. Bankruptcy Court. The filing has been treated as a non-adjusting event occurring after the reporting period and no adjustments have been made to the condensed consolidated financial statements.

The Filing resulted from the decline of Middletown's core business activities compounded by escalating legal defence and environmental program spending related to legacy environmental liabilities impacting Middletown's liquidity. Refer to Note 11 above for more information. At the time of Filing, Middletown had no secured debt. As a result of the Filing, all pre-petition liabilities are subject to compromise and pre-petition legal proceedings are stayed by court order. Concurrent with the Filing, Middletown entered into a DIP financing agreement with Magellan Aerospace, USA, Inc. to provide a debtor-in-possession revolving credit facility of up to USD $20 million to support ongoing operations.

Middletown intends to use the Filing to preserve its business as a going concern while addressing its legacy liabilities and has not yet determined whether it will pursue a standalone plan of reorganization, a sale under section 363 of the U.S. Bankruptcy Code, or another strategic transaction. The outcome of the Filing process is uncertain and depends on court decisions, negotiations with creditors, and the successful development and confirmation of a plan of reorganization.