2012 FOURTH QUARTER REPORT

OVERVIEW

Magellan is a diversified supplier of components to the aerospace industry and in certain circumstances for power generation projects. Through its wholly owned subsidiaries, Magellan designs, engineers, and manufactures aeroengine and aerostructure components for aerospace markets, advanced products for military 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 and supplies in certain circumstances parts and equipment for power generation projects.

The Corporation's strategy has been to focus on several core competencies within the aerospace industry. These include precision machining of a wide variety of aerospace material, composites, complex high technology magnesium and aluminum alloy castings, repair and overhaul technologies and design of structures. The Corporation is now seeking to leverage these core competencies by achieving growth in applications where these abilities are critical in meeting customer needs.

BUSINESS UPDATE

With 70% of 2012 revenues coming from the commercial aircraft market, Magellan continues to be well positioned to take advantage of the current up cycle in this market segment. The year 2012 benefited from increased single and twin aisle production rates at Boeing and Airbus. Long term agreements secured with both Boeing and Airbus during 2012 confirmed Magellan's participation in key commercial aerospace programs and will serve to further augment the Corporation's strong positioning in this sector for the next decade.

While the defence market as a whole is contracting, Magellan is pleased that the Joint Strike Fighter ("JSF") Program achieved a number of key milestones over the course of 2012. Lockheed Martin delivered 30 aircraft in 2012, compared with 13 aircraft in 2011. The flight test program finished 9% ahead of plan for the year, which placed it at almost one third complete. Production orders Lots 5 and Lot 6 were confirmed for partnering countries in the period as well as orders for international customers. While the potential effects of the Budget Control Act and sequestration on the JSF program are unknown thus far, they are expected to be minimal in the near term. Magellan is anticipating moderate growth of JSF revenues over the next few years.

The power generation project segment provides specialty products complementary to the Corporation's principal business. The Corporation's sole project at present for the power generation project segment is a 132 megawatt thermal electric power generation plant in the Republic of Ghana. The work is being performed under contract with Canadian Commercial Corporation and is expected to be completed at the end of the first quarter of 2013. Installed capacity for electric power generation continues to lag current requirements in most developing nations with annual growth in demand often exceeding 10%. While interest in additional and complimentary opportunities remains high, at this time the Corporation does not have any additional committed projects.

Space products and services are expanding increasingly into everyday human activity, a circumstance that has protected the industry during a global recession, and will continue to propel the growth of the sector for the foreseeable future. The Space Report 2011 reported that the global space economy reached an estimated $276 billion in 2010 with the majority of the 7.7% growth occurring in the commercial sector. Like the aerospace sector the global space market is seeing the effect of rising activities in this market by non-North American and European nations like China, India, and areas across Asia, the Middle East and Africa. Recognizing this, the Government of Canada's Aerospace Space Review, published in November 2012 stated that, "advancing the national interest through space-based activity and fostering a competitive Canadian space industry will require resolve, clear priorities that are set at the highest levels, and effective plans and programs to translate these priorities into practice". In order to support Canada's national efforts, the report issued eight clear recommendations, crafted to define the concrete goals, predictable funding, and orderly implementation required to help Canada's Space sector thrive. This stabilization of direction is expected to assure that the ongoing funding for Canadian space programs is sustained.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2012 Annual Report that will be available shortly on www.sedar.com.

ANALYSIS OF OPERATING RESULTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2012

The Corporation reported higher revenue in the fourth quarter of 2012 than the fourth quarter of 2011, primarily as a result of higher revenues in the aerospace segment. Gross profit and net income for the fourth quarter of 2012 were $30.7 million and $22.1 million, respectively, an increase from the fourth quarter of 2011 gross profit of $30.1 million and an increase from the fourth quarter of 2011 net income of $16.6 million.

Consolidated Revenue

Overall, the Corporation's revenues increased when compared to the fourth quarter of 2011.

		Three month period ended December 31			Twelve month period ended December 31	
Expressed in thousands of Canadian dollars	**2012**	**2011**	**Change**	**2012**	**2011**	**Change**
Aerospace	**178,524**	162,583	9.8%	**$ 659,301**	$ 609,942	8.1%
Power Generation Project	**8,037**	10,707	(24.9)%	**45,278**	81,468	(44.4)%
Total revenues	**186,561**	173,290	7.7%	**704,579**	691,410	1.9%

Consolidated sales for the fourth quarter ended December 31, 2012 increased 7.7% to $186.6 million from $173.3 million in the fourth quarter of 2011, due mainly to increased revenues earned in the aerospace segment partially offset by decreased revenues earned in the power generation project segment. As the Corporation moves into 2013, revenues earned on the current power generation project are expected to be completed and the Corporation does not anticipate additional revenues from this segment unless the Corporation receives further contracts in this area.

Aerospace Segment

Revenues for the Aerospace segment were as follows:

		Three month period ended December 31			Twelve month period ended December 31	
Expressed in thousands of Canadian dollars	**2012**	2011	Change	2012	2011	Change
Canada	**$ 80,112**	$ 79,845	0.3%	**$ 292,754**	$ 284,385	2.9%
United States	**49,665**	47,434	4.7%	**199,917**	187,658	6.5%
Europe	**48,747**	35,304	38.1%	**166,630**	137,899	20.8%
Total revenues	**178,524**	162,583	9.8%	**659,301**	609,942	8.1%

Consolidated aerospace revenues for the fourth quarter of 2012 of $178.5 million were 9.8% higher than revenues of $162.6 million in the fourth quarter of 2011. Revenues in Canada in the fourth quarter of 2012 remained consistent with those from the same period in 2011. Revenues in the United States in the fourth quarter of 2012 increased slightly from the fourth quarter of 2011 as production rates on single aisle aircraft continue to increase. Revenues in Europe in the fourth quarter of 2012 increased over revenues in the same period in 2011 mainly as a result of higher customer demand in 2012 on both single aisle and wide body aircraft when compared to 2011. The increase in Europe revenues can also be partially attributed to the contribution of revenue from John Huddleston Engineering Limited ("JHE"), a company acquired in the third quarter of 2012.

Power Generation Project Segment

Revenues for the Power Generation Project segment were as follows:

		Three month period ended December 31			Twelve month period ended December 31	
Expressed in thousands of Canadian dollars	**2012**	**2011**	**Change**	**2012**	**2011**	**Change**
Power Generation Project	**$ 8,037**	$ 10,707	(24.9)%	**$ 45,278**	$ 81,468	(44.4)%
Total revenues	**8,037**	10,707	(24.9)%	**45,278**	81,468	(44.4)%

Decreased revenues in the fourth quarter of 2012 over the same period in 2011 represents the Corporation's activity level on the Ghana electric power generation project in the period in comparison to the activity level made in the previous comparable quarter, as the project moves to final completion. As the Corporation moves into 2013, revenue from the power generation project segment will decrease on a year over year basis unless the Corporation receives further contracts in this area.

Gross Profit

Expressed in thousands of Canadian dollars	Three month period ended December 31 2012	2011	Change	Twelve month period ended December 31 2012	2011	Change
Gross profit	**$ 30,649**	$ 30,106	1.8%	**$ 100,692**	$ 97,410	3.4%
Percentage of revenues	**16.4%**	17.4%		**14.3%**	14.1%	

Gross profit of $30.6 million (16.4% of revenues) was reported for the fourth quarter of 2012 compared to $30.1 million (17.4% of revenues) during the same period in 2011. Gross profit in the most recent quarter of 2012, as a percentage of revenues, decreased over the same period in 2011, as the Corporation recorded a reversal of impairment on intangible assets in the fourth quarter of 2011 of $1.8 million in comparison to a net impairment charge of $1.3 million in the fourth quarter of 2012. Also during the fourth quarter of 2012, the Corporation recorded additional investment tax credits ("ITC's") of $7.0 million when compared to the same quarter in the prior year, which directly increased gross profit in the fourth quarter of 2012 by such amount. The additional ITC's of $7.0 million relates to activities of prior periods in which these tax benefits had not been recognized. Additional costs incurred in the quarter for the Ghana electric power generation project also reduced gross profit in the fourth quarter of 2012, when compared to the fourth quarter of 2011.

Administrative and General Expenses

Expressed in thousands of Canadian dollars	Three month period ended December 31 2012	2011	Change	Twelve month period ended December 31 2012	2011	Change
Administrative and general expenses	**9,948**	10,618	(6.3)%	**39,203**	38,264	2.5%
Percentage of revenues	**5.3%**	6.1%		**5.6%**	5.5%	

Administrative and general expenses were $9.9 million (5.3% of revenues) in the fourth quarter of 2012 compared to $10.6 million (6.1% of revenues) in the fourth quarter of 2011.

Other

Expressed in thousands of Canadian dollars	Three month period ended December 31 2012	2011	Twelve month period ended December 31 2012	2011
Foreign exchange (gain) loss	**(259)**	200	**(623)**	238
Loss on disposal of property, plant and equipment	**285**	81	**363**	198
Total other	**26**	281	**(260)**	436

Other expense of $0.03 million in the fourth quarter of 2012 consisted of realized and unrealized foreign exchange gains offset by losses on the sale of property, plant and equipment.

Gain on Bargain Purchase

Expressed in thousands of Canadian dollars	Three month period ended December 31 2012	2011	Twelve month period ended December 31 2012	2011
Gain on bargain purchase	**—**	—	**(9,597)**	—
Gain on bargain purchase	**—**	—	**(9,597)**	—

On August 31, 2012, the Corporation purchased all of the issued and outstanding shares of the capital stock of JHE. As a result of such purchase, the Corporation recognized a gain on bargain purchase in 2012 of $9.6 million on such acquisition of JHE as the consideration paid for the identifiable tangible assets acquired was lower than the fair value, as determined by an independent valuation specialist.

MAGELLAN AEROSPACE

Interest Expense

Expressed in thousands of Canadian dollars	Three month period ended December 31		Twelve month period ended December 31	
	2012	**2011**	**2012**	**2011**
Interest on bank indebtedness and long-term debt	**2,154**	1,910	**7,982**	9,397
Convertible debenture interest	**–**	1,008	**66**	4,000
Accretion charge for convertible debenture, borrowings and long-term debt	**(112)**	2,376	**541**	3,155
Discount on sale of accounts receivable	**196**	86	**648**	447
Interest expense	**2,238**	5,380	**9,237**	16,999

Interest expense of $2.2 million in the fourth quarter of 2012 was lower than the fourth quarter of 2011 amount of $5.4 million, largely due to the elimination of interest and accretion on convertible debentures which were not outstanding in the fourth quarter of 2012. Interest on bank indebtedness and long-term debt increased as the expense in 2012 includes interest costs incurred by JHE, a company the Corporation acquired in the third quarter of 2012. Negative accretion charge for the quarter resulted from changes in discount rates in the period. The increase in the discount on sale of accounts receivable in the fourth quarter of 2012 over the same period in 2011 resulted from an increased amount of receivables sold in the fourth quarter of 2012 when compared to the fourth quarter of 2011.

Income Taxes

Expressed in thousands of Canadian dollars	Three month period ended December 31		Twelve month period ended December 31	
	2012	**2011**	**2012**	**2011**
Expense (recovery) of current income taxes	**373**	(856)	**2,925**	280
(Recovery) expense of deferred income taxes	**(4,034)**	(1,963)	**889**	3,708
Total (recovery) expense of income taxes	**(3,661)**	(2,819)	**3,814**	3,988
Effective tax rate	**(19.9)%**	(20.4)%	**6.1%**	9.6%

The Corporation recorded an income tax recovery of $3.7 million in the fourth quarter of 2012, compared to an income tax recovery of $2.8 million for the fourth quarter of 2011. The Corporation recognized deferred tax assets in Canada of $5.8 million in the fourth quarter of 2012 and $0.6 million in the fourth quarter of 2011 due to a reduction of the deferred income tax expense as the benefit from previously unrecorded loss carry forwards and other deferred tax assets of the Corporation were assessed as recoverable. The change in effective tax rates is also a result of a changing mix of income across the different jurisdictions in which the Corporation operates.

SELECTED QUARTERLY FINANCIAL INFORMATION

Expressed in millions of Canadian dollars except per share information				2012				2011
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**
Revenues	**187.0**	**169.5**	**161.6**	**186.5**	170.5	186.0	161.6	173.3
Income before taxes	**14.0**	**11.3**	**18.4**	**18.4**	10.1	7.0	10.4	13.8
Net income	**11.8**	**9.2**	**15.2**	**22.1**	7.2	4.9	8.6	16.6
Net income per common share								
Basic	**0.21**	**0.16**	**0.26**	**0.38**	0.40	0.27	0.47	0.90
Diluted	**0.20**	**0.16**	**0.26**	**0.38**	0.14	0.10	0.17	0.31
EBITDA	**23.5**	**21.7**	**28.1**	**29.1**	22.7	18.5	20.8	29.6

Revenues and net income reported in the quarterly information was impacted by the fluctuations in the Canadian dollar exchange rate in comparison to the US dollar and British Pound. The US dollar/Canadian dollar exchange rate in 2012 fluctuated reaching a low of 0.9675 and a high of 1.0413. During 2012, the US dollar relative to the Canadian dollar moved from an exchange rate of 1.0170 at the start of the 2012 calendar year to an exchange rate of 0.9949 by December 31, 2012. The British Pound/Canadian dollar exchange rate in 2012 fluctuated reaching a low of 1.5515 and a high of 1.6162. During 2012, the British Pound relative to the Canadian dollar moved from an exchange rate of 1.5799 at the start of the 2012 calendar year to an exchange rate of 1.6178 by December 31, 2012. Had exchange rates remained at levels experienced in 2011, reported revenues in 2012 would have been lower by $1.2 million in the first quarter, $5.6 million in the second quarter and $3.3 million in the third quarter and $1.7 million higher in the fourth quarter.

Net income in the third quarter of 2012 was higher than each of the first two quarters of 2012 as the Corporation recognized an after tax gain on bargain purchase of $7.4 million on the acquisition of JHE as the consideration paid was lower than the fair value of the identifiable tangible assets acquired at the time of purchase. Net income for the fourth quarter of 2011 and 2012 of $16.6 million and $22.1 million respectively were higher than most other quarterly net income disclosed in the table above. In the fourth quarter of 2011 the Corporation recognized a reversal of previous impairment losses against intangible assets relating to various civil aircraft programs and in both the fourth quarter of 2011 and 2012 the Corporation recognized previously unrecognized investment tax credits as discussed above in the "Gross Profit" section, and recognized other deferred tax assets as discussed above in the "Income Taxes" section as the Corporation determined that it will be able to benefit from these assets,

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes certain measures in this news release, including EBITDA (as net income before interest, dividends on preference shares, income taxes, stock-based compensation and depreciation and amortization). The Corporation has provided these measures because it believes this information is used by certain investors to assess financial performance and EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in the various jurisdictions. Each of the components of this measure are calculated in accordance with IFRS, but EBITDA is not a recognized measure under IFRS, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, EBITDA should not be used as an alternative to net earnings as determined in accordance with IFRS or as an alternative to cash provided by or used in operations.

	Three month period ended December 31		**Twelve month period ended December 31**	
Expressed in thousands of Canadian dollars	**2012**	**2011**	**2012**	**2011**
Net income	**22,098**	16,646	**58,295**	37,413
Interest	**2,238**	5,380	**9,237**	16,999
Dividends on preference shares	**—**	—	**—**	310
Taxes	**(3,661)**	(2,819)	**3,814**	3,988
Stock-based compensation	**—**	18	**3**	68
Depreciation and amortization	**8,386**	10,411	**31,029**	32,835
EBITDA	**29,061**	29,636	**102,378**	91,613

EBITDA for the fourth quarter of 2012 was $29.1 million compared to $29.6 million in the fourth quarter of 2011. EBITDA for the twelve month period ended December 31, 2012 includes a $9.6 million gain on bargain purchase on the acquisition of JHE and approximately $10.4 million (versus approximately $5.2 million in fiscal 2011) of investment tax credits recognized as a reduction of cost of revenues, both of which are not likely to recur in future periods.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operating Activities

	Three month period ended December 31		**Twelve month period ended December 31**	
Expressed in thousands of Canadian dollars	**2012**	**2011**	**2012**	**2011**
Increase in accounts receivable	**(7,373)**	(2,460)	**(20,114)**	(10,908)
Decrease (increase) in inventories	**7,839**	(1,752)	**(17,310)**	24,704
Decrease (increase) in prepaid expenses and other	**592**	3,812	**(1,792)**	6,559
Increase (decrease) in accounts payable, accrued liabilities and provisions	**5,742**	(1,273)	**13,861**	(32,881)
Changes to non-cash working capital balances	**6,800**	(1,673)	**(25,355)**	(12,526)
Cash provided by operating activities	**22,564**	21,858	**35,890**	51,444

In the quarter ended December 31, 2012, the Corporation generated $22.6 million of cash from its operations, compared to cash generated by operations of $21.9 million in the fourth quarter of 2011.

Investing Activities

Expressed in thousands of Canadian dollars	Three month period ended December 31 2012	Three month period ended December 31 2011	Twelve month period ended December 31 2012	Twelve month period ended December 31 2011
Acquisition of JHE	**—**	—	**(13,641)**	—
Purchase of property, plant & equipment	**(11,190)**	(33,423)	**(33,829)**	(59,260)
Proceeds from disposals of property, plant & equipment	**120**	168	**187**	514
Decrease (increase) in other assets	**2,896**	17,393	**(6,654)**	10,381
Cash used in investing activities	**(8,174)**	(15,862)	**(53,937)**	(48,365)

In the fourth quarter of 2012, the Corporation invested $11.2 million in property, plant and equipment to upgrade and enhance capabilities for current and future programs.

Financing Activities

Expressed in thousands of Canadian dollars	Three month period ended December 31 2012	Three month period ended December 31 2011	Twelve month period ended December 31 2012	Twelve month period ended December 31 2011
(Decrease) increase in bank indebtedness	**(18,381)**	(7,092)	**(7,812)**	2,704
Increase (decrease) in debt due within one year	**3,083**	(12,725)	**20,604**	(3,617)
Decrease in long-term debt	**(1,416)**	(2,937)	**(8,849)**	(17,221)
Increase in long-term debt	**6,334**	15,802	**6,334**	21,011
Increase in long-term liabilities and provisions	**164**	1,079	**497**	824
Increase in borrowings	**761**	3,315	**3,223**	6,353
Redemption of preference shares	**—**	—	**—**	(12,000)
Cash (used in) provided by financing activities	**(9,455)**	(2,558)	**13,997**	(1,946)

On December 21, 2012, the Corporation amended its operating credit agreement with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was decreased to a Canadian dollar limit of $115.0 million (down from $125.0 million) plus a US dollar limit of $35.0 million (down from US $50.0 million), with a maturity date of December 21, 2014. The Bank Facility Agreement also includes a Cdn$50 million uncommitted accordion provision which will provide Magellan with the option to increase the size of the operating credit facility to $200 million. The facility is extendible for unlimited future one year renewal periods, subject to mutual consent of the syndicate of lenders and the Corporation. The operating credit facility continues to be fully guaranteed until December 21, 2014 by Mr. Edwards in consideration of the continued payment by the Corporation of an annual fee, payable monthly, equal to 0.50% (down from 0.63%) of the loan amount.

On December 21, 2012, the Corporation also extended the 7.5% loan payable (“Original Loan”) to Edco Capital Corporation ("Edco"), a corporation controlled by the Chairman of the Board of the Corporation to January 1, 2015 in consideration of the payment of a fee to Edco equal to 0.75% of the principal amount outstanding at the time of extension. The Corporation has the right to repay the Original Loan at any time without penalty.

The terms of the amended operating credit agreement continue to permit the Corporation to repay, in whole or in part, the Original Loan from Edco provided there is no current default or event of default under the operating credit facility and after the repayment of the loan the Corporation has at least $25.0 million in availability under the operating credit facility.

As at December 31, 2011, the Corporation had retracted all outstanding Preference Shares Series A and reduced the outstanding principal amount of the Original Loan to $33.5 million. During 2012, the Corporation repaid the Original Loan by an additional $3.5 million resulting in an outstanding principal amount of $30.0 million as at December 31, 2012.

On December 31, 2011, the Chairman of the Board exercised his conversion rights under the debenture agreement and $38.0 million principal amount of the 10% convertible secured subordinated debentures (“Convertible Debentures”) were converted into 38,000,000 common shares of the Corporation. On April 30, 2012, an additional $2.0 million of the Convertible Debentures were converted into 2,000,000 common shares of the Corporation.

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 uses 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 the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in US dollars.

The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. The Corporation had no foreign exchange contracts outstanding as at December 31, 2012.

SHARE DATA

The authorized capital of the Corporation consists of an unlimited number of Preference Shares, issuable in series, and an unlimited number of common shares. As at March 22, 2013, 58,209,001 common shares were outstanding.

RISKS AND UNCERTAINTIES

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, 2012 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2012, which have been filed with SEDAR at www.sedar.com.

OUTLOOK

Over the next number of years the global commercial aerospace market is expected to reach record levels of production based on the need to replace older aircraft with new more fuel efficient models and on passenger travel growth in Asia and the Middle East. In contrast, the global defence market is in decline as the pressure to realize budget cuts is at the forefront of most government agendas.

The global defence market is expected to see a decline due to decreased spending in the US and European markets. With the US representing 50% of global defence procurement any growth in other countries is unable to effectively offset the potential reductions. Uncertainty in the US defence market is perpetuated by the unknowns of sequestration. In the absence of absolute directives, the US Department of Defense recently issued a memo suggesting that budgets focus primarily on readiness and urgent operational needs. It also suggested the cutting of future units, freezing civilian hiring and canceling certain maintenance activities. All procurement programs are expected to see reduced buys in the magnitude of 10 to 15%. European markets are similarly facing the challenge of reallocating expenditures as a consequence of the current financial and budgetary crisis. As the Western defence industry reacts to the shrinking market new competitive pressures will emerge as the focus shifts towards South American, Middle East and Asian markets.

In contrast to defence, the global commercial aerospace market is in a strong up cycle. Backlogs are expected to continue growing, as airlines update their fleets with new fuel-efficient aircraft in order to stay competitive. Boeing and Airbus delivered 601 and 588 aircraft respectively in 2012, as compared with 477 and 534 aircraft delivered in 2011. Production rates for 2013 are forecasted to increase again to 665 and 641 respectively. The 737 program is increasing to 38 per month in the second quarter of 2013 and the A320 is running at 42 per month. The B787 program will no doubt experience some delay due to the recent battery issues, however, firm orders of just under 800 aircraft should see Boeing ramp from 5 per month to 7 per month in 2013 and then to 10 per month in 2014. Airbus has the A330 rate planned to ramp up from 9 per month to 11 per month by the fourth quarter of 2014 and the A380 to increase from 3 per month to 3.5 per month.

Prospects exist for regional aircraft market growth with the greatest opportunity to come from Asia/Pacific, Latin America and the Middle East regions. In the near term, two regional segments are expected to be particularly dynamic, the first being the 70 seat turboprop segment and the second the 90 to 120 seat jet market. The first segment has continued to grow due to persistently high fuel prices and the need for larger aircraft to accommodate increasing passenger traffic. Although the Bombardier Q400 is currently suffering a lower order backlog of less than one year, ATR is increasing 72-Series annual production to 80 aircraft in 2013 to satisfy an almost three year backlog. This market is better positioned to grow considering new scope clause agreements between regional airlines and pilots unions. Regional airlines will be replacing their older 35 to 50 seat, in-service fleet with larger turboprop or regional jet aircraft.

The 90 to 120 seat regional jet segment is somewhat limited by pilot scope clause agreements, however some predict that the market is poised for growth as Asia/Pacific regions could overtake Europe as the second largest market for regional aircraft. With the 50 seat segment disappearing, this will force airlines to replace this older in-service fleet (52% of the total) with larger turboprops and regional jets. As well, an American/US Air merger is expected to result in additional new orders as the airline adds seats to its regional fleet. Of course there are new fuel-efficient platforms entering this segment such as the Bombardier C-Series, the Mitsubishi MRJ, the Irkuit MS-21 that will increase market competition.

Forecast International describes the current business jet market as “sluggish” and “struggling to recover from the wake of the global and financial collapse”. The industry is frustrated that recovery has not yet happened despite that all key indicators continue to point in the right direction. Current forecasts suggest that the market is expected to pick up somewhat in the second half of 2013 as equity markets stabilize and corporate profits continue to grow. A positive sign in the market is that Bombardier reported net orders of 343 business jets in 2012 versus 191 in fiscal year 2011. The medium to large cabin jets continue to be more resilient than light jets during this cycle as buyers of the latter are much more sensitive to the economic environment. China is in the process of liberalizing its air space which could lead the growth in business jet aircraft due to the increasing number of wealthy individuals in that country. The Middle East is expected to follow the same pattern. Overall, recovery in this market is expected to be gradual in its year-to-year growth.

Finally, the global helicopter market has experienced some contraction because its largest segment, that of defence at 72% of the total, is being trimmed. The combination of the Iraq/Afghanistan withdrawal and US sequestration budget cuts will cause further contraction before recovery can be expected. Prior to this reversal, the industry was experiencing good growth and was anticipating a strong five year period to follow. Where North America dominated the industry to date, rise in military spending and economic growth amongst BRIC (Brazil, Russia, India & China) nations is expected to drive future industry growth.

ADDITIONAL INFORMATION

Additional information relating to Magellan Aerospace Corporation, including the Corporation’s annual information form, can be found on the SEDAR web site at www.sedar.com.

FORWARD LOOKING STATEMENTS

This news release contains certain forward-looking statements that reflect the current views and/or expectations of the Corporation with respect to its performance, business and future events. Such statements are subject to a number of uncertainties and assumptions, which may cause actual results to be materially different from those expressed or implied. These forward looking statements can be identified by the words such as "anticipate", "continue", "estimate", "forecast", "may", "project", "could", "plan", "intend", "should", "believe" and similar words suggesting future events or future performance. In particular there are forward looking statements contained under the headings: "Overview" which outlines certain expectations for future operations and "Outlook" which outlines certain expectations for the future. These statements assume the continuation of the current regulatory and legal environment; the continuation of trends for passenger airliner and defence production and are subject to the risks contained herein and outlined in our annual information form. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended December 31		Twelve month period ended December 31	
	2012	2011	**2012**	2011
Revenues	**186,561**	173,290	**704,579**	691,410
Cost of revenues	**155,912**	143,184	**603,887**	594,000
Gross profit	**30,649**	30,106	**100,692**	97,410
Administrative and general expenses	**9,948**	10,618	**39,203**	38,264
Other	**26**	281	**(260)**	436
Gain on bargain purchase	—	—	**(9,597)**	—
Dividends on preference shares	—	—	—	310
	20,675	19,207	**71,346**	58,400
Interest	**2,238**	5,380	**9,237**	16,999
Income before income taxes	**18,437**	13,827	**62,109**	41,401
Income taxes				
Current	**373**	(856)	**2,925**	280
Deferred	**(4,034)**	(1,963)	**889**	3,708
	(3,661)	(2,819)	**3,814**	3,988
Net income	**22,098**	16,646	**58,295**	37,413
Other comprehensive (loss) income				
Foreign currency translation	**(2,743)**	(5,601)	**(1,116)**	4,149
Actuarial loss on defined benefit pension plans	**(7,361)**	(17,530)	**(7,361)**	(17,530)
Comprehensive income (loss)	**11,994**	(6,485)	**49,818**	24,032
Net income per share				
Basic	**0.38**	0.90	**1.01**	2.04
Diluted	**0.38**	0.31	**1.00**	0.73

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	December 31 2012	December 31 2011
Current assets		
Cash	**22,431**	26,520
Trade and other receivables	**134,361**	106,480
Inventories	**147,382**	127,473
Prepaid expenses and other	**7,879**	5,326
	312,053	265,799
Non-current assets		
Property, plant and equipment	**316,441**	289,744
Investment properties	**2,875**	3,041
Intangible assets	**60,701**	66,134
Other assets	**12,697**	8,660
Deferred tax assets	**51,040**	28,360
	443,754	395,939
Total assets	**755,807**	661,738
Current liabilities		
Accounts payable, accrued liabilities and provisions	**121,644**	106,022
Debt due within one year	**32,425**	12,513
	154,069	118,535
Non-current liabilities		
Bank indebtedness	**112,666**	120,674
Long-term debt	**80,024**	81,768
Deferred tax liabilities	**14,761**	10,088
Borrowings subject to specific conditions	**20,768**	18,847
Other long-term liabilities and provisions	**39,003**	29,131
	267,222	260,508
Equity		
Share capital	**254,440**	252,440
Contributed surplus	**2,044**	2,041
Other paid in capital	**13,565**	13,565
Retained earnings	**71,826**	20,892
Accumulated other comprehensive loss	**(7,359)**	(6,243)
	334,516	282,695
Total liabilities and equity	**755,807**	661,738

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended December 31		Twelve month period ended December 31	
	2012	2011	**2012**	2011
Cash flow from operating activities				
Net income	**22,098**	16,646	**58,295**	37,413
Amortization/depreciation of intangible assets and property, plant and equipment	**8,386**	10,411	**31,029**	32,835
Net loss on disposal of assets	**352**	39	**430**	198
Decrease in defined benefit plans	**(1,591)**	(564)	**(4,767)**	(3,979)
Impairment reversal, net	**1,273**	(1,847)	**(270)**	(1,847)
Gain on bargain purchase	**—**	—	**(9,597)**	—
Stock-based compensation	**—**	18	**3**	68
Accretion	**(112)**	2,566	**541**	3,155
Deferred taxes	**(14,642)**	(3,738)	**(14,419)**	(3,873)
Decrease (increase) in working capital	**6,800**	(1,673)	**(25,355)**	(12,526)
Net cash provided by operating activities	**22,564**	21,858	**35,890**	51,444
Cash flow from investing activities				
Acquisition of JHE	**—**	—	**(13,641)**	—
Purchase of property, plant and equipment	**(11,190)**	(33,423)	**(33,829)**	(59,260)
Proceeds from disposal of property, plant and equipment	**120**	168	**187**	514
Decrease (increase) in other assets	**2,896**	17,393	**(6,654)**	10,381
Net cash used in investing activities	**(8,174)**	(15,862)	**(53,937)**	(48,365)
Cash flow from financing activities				
(Decrease) Increase in bank indebtedness	**(18,381)**	(7,092)	**(7,812)**	2,704
Increase (decrease) in debt due within one year	**3,083**	(12,725)	**20,604**	(3,617)
Decrease in long-term debt	**(1,416)**	(2,937)	**(8,849)**	(17,221)
Increase in long-term debt	**6,334**	15,802	**6,334**	21,011
Increase in long-term liabilities and provisions	**164**	1,079	**497**	824
Increase in borrowings	**761**	3,315	**3,223**	6,353
Redemption of preference shares	**—**	—	**—**	(12,000)
Net cash (used in) provided by financing activities	**(9,455)**	(2,558)	**13,997**	(1,946)
Increase (decrease) in cash during the period	**4,935**	3,438	**(4,050)**	1,133
Cash at beginning of the period	**17,104**	23,898	**26,520**	24,952
Effect of exchange rate differences	**392**	(816)	**(39)**	435
Cash at end of the period	**22,431**	26,520	**22,431**	26,520