

MAGELLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016



Magellan Aerospace Corporation – Management’s Discussion & Analysis

March 31, 2016

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 condensed consolidated interim financial statements and the notes thereto for the three month period ended March 31, 2016, and the audited annual consolidated financial statements for the year ended December 31, 2015 (available on SEDAR at www.sedar.com). Unless otherwise noted, all financial information has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), specifically International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”), which is within the framework of International Financial Reporting Standards (“IFRS”). This MD&A provides a review of the significant developments that have impacted the Corporation’s performance during the three month period ended March 31, 2016 relative to the three month period ended March 31, 2015. The information contained in this report is as at May 10, 2016. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking information that represents the Corporation’s internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation’s future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward looking statements under the heading “Overview”, “Results of Operations”, “Liquidity and Capital Resources”, “Future 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), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation’s EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA to net income (loss) reported in accordance with IFRS are included in this MD&A.

1. Overview

A summary of Magellan’s business and significant updates

Magellan is a diversified supplier of components to the aerospace industry 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 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 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.

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Business Update

Magellan attended the HeliExpo show held in Louisville, Kentucky from February 29th through March 3rd, 2016. During the show the Corporation announced that a Wire Strike Protection System™ would soon be available for the Robinson R66 helicopter platform with the anticipated issuance of a Supplemental Type Certificate. The R66 kit is expected to be available for R66 helicopters commencing in the fall of 2016.

On May 2, 2016, Magellan announced a contract extension between Magellan and Airbus for the supply of aluminium and titanium structural wing components from Magellan’s facilities located throughout Europe and its joint ventures in India. This contract, valued at approximately CDN \$700 million, is comprised of precision machined details and assemblies for use on the A320Family, the A330Family, and the A380 program. In addition to the contract extension for the machined components, Magellan was awarded a contract to supply certain A380 wing ribs to Airbus valued at approximately CDN \$20 million.

For additional information, please refer to the “Management’s Discussion and Analysis” section of the Corporation’s 2015 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan’s operating results for first quarter ended March 31, 2016

The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which include the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation. The Corporation continues to provide services to the Power Generation segment, however the Corporation has removed the disclosure of this segment as the activity in relation to these services was not material in the current quarter and, at present, it is not expected to be material in future periods.

The Corporation reported higher revenue in the first quarter of 2016 when compared to the first quarter of 2015. Gross profit and net income for the first quarter of 2016 were \$48.5 million and \$23.4 million, respectively, an increase from the gross profit of \$39.2 million and net income of \$19.2 million for the first quarter of 2015.

Consolidated Revenue

Overall, the Corporation’s consolidated revenues grew by 16.6% when compared to the first quarter of 2015.

	Three month period ended March 31		
Expressed in thousands of dollars	2016	2015	Change
Canada	92,342	78,551	17.6%
United States	88,357	82,706	6.8%
Europe	85,359	66,996	27.4%
Total revenues	266,058	228,253	16.6%

Consolidated revenues for the first quarter of 2016 were \$266.1 million, \$37.8 million or 16.6% higher than \$228.3 million recorded for the first quarter of 2015. Revenues in Canada increased 17.6% in the first quarter of 2016 compared to the same period in 2015, primarily due to higher volume revenues in both aerospace and defense markets, and the strengthening, on a year over year basis, of the US dollar against the Canadian dollar, partially offset by lower revenues related to space programs. On a currency neutral basis, Canadian revenues increased in the first quarter of 2016 by 10.7% over the same period of 2015.

Revenues in United States increased 6.8% in the first quarter of 2016 in comparison to the first quarter of 2015 when measured in Canadian dollars mainly due to favourable foreign exchange impact. On a currency neutral basis, revenues in the United States decreased by 3.1% in the first quarter of 2016 over the same period in 2015 largely due to timing of orders and non-recurring revenues in the first quarter of 2015; partially offset by revenue contribution from Ripak Aerospace Processing (“Ripak”), which was acquired by the Corporation in the fourth quarter of 2015.

European revenues increased \$18.4 million or 27.4% to \$85.4 million in the first quarter of 2016 compared to \$67.0 million during the same period in 2015, primarily due to higher sales as a result of increased production build rates, and the acquisition of Euravia Engineering & Supply Co. Limited (“Euravia”), which was acquired by the Corporation in the second quarter of 2015. In addition, the strengthening British pound in comparison to the Canadian dollar contributed favourably to

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revenues. On a constant currency basis, revenues in the first quarter of 2016 in Europe were up by 22.3% compared to the same period in 2015.

Gross Profit

	Three month period ended March 31		
Expressed in thousands of dollars	2016	2015	Change
Gross profit	48,525	39,195	23.8%
Percentage of revenues	18.2%	17.2%	

Gross profit increased \$9.3 million to \$48.5 million for the first quarter of 2016 compared to \$39.2 million for the first quarter of 2015 and gross profit as a percentage of revenues increased to 18.2% for the first quarter of 2016 compared to 17.2% for the same period in 2015. Increase in gross profit was primarily due to the strengthening year over year of the United States dollar and British pound against the Canadian dollar, favourable product mix and production efficiencies. The acquisitions of Euravia and Ripak also contributed to the increased gross profit in the first quarter of 2016 when compared to the same period in 2015.

Administrative and General Expenses

	Three month period ended March 31		
Expressed in thousands of dollars	2016	2015	Change
Administrative and general expenses	15,199	13,115	15.9%
Percentage of revenues	5.7%	5.7%	

Administrative and general expenses as a percentage of revenues were 5.7% for the first quarter of 2016, consistent with that in the corresponding period of 2015. Administrative and general expenses increased \$2.0 million or 15.9% to \$15.1 million in the first quarter of 2016 compared to \$13.1 million in the first quarter of 2015 mainly due to the acquisitions of Euravia and Ripak in 2015.

Other

	Three month period ended March 31	
Expressed in thousands of dollars	2016	2015
Foreign exchange loss (gain)	113	(2,179)
Loss on disposal of property, plant and equipment	124	101
Total other expenses (income)	237	(2,078)

For the first quarter of 2016, the Corporation recorded an expense of \$237 compared to income of \$2.1 million in the corresponding period of 2015. The movements in balances denominated in the foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange loss or gain recorded in a quarter.

Interest Expense

	Three month period ended March 31	
Expressed in thousands of dollars	2016	2015
Interest on bank indebtedness and long-term debt	1,281	971
Accretion charge for borrowings and long-term debt	207	212
Discount on sale of accounts receivable	331	207
Total interest expense	1,819	1,390

Interest expense of \$1.8 million in the first quarter of 2016 was \$0.4 million higher than the first quarter of 2015 amount of \$1.4 million. Higher principal amounts outstanding on bank indebtedness and long term debt during the first quarter of 2016 than those in the first quarter of 2015 resulted in increased interest expenses quarter over quarter.

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Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended March 31	
	2016	2015
Expense of current income taxes	3,588	1,490
Expense of deferred income taxes	4,254	6,056
Total expense of income taxes	7,842	7,546
Effective tax rate	25.1%	28.2%

Income tax expense for the first quarter ended March 31, 2016 was \$7.8 million, representing an effective income tax rate of 25.1% compared to 28.2% for the first quarter of 2015. The decrease in effective tax rate quarter over quarter was primarily due to an adjustment in corporation taxation rates in the income tax jurisdictions in which the Corporation operates. The increase in current income taxes expense during the current quarter was mainly due to full utilization of the net operating loss carry-forwards and certain tax credits in the United States in the second quarter of 2015. This also impacted the change in deferred income taxes expense.

3. Selected Quarterly Financial Information

A summary view of Magellan’s quarterly financial performance

Expressed in millions of dollars, except per share amounts	2016				2015				2014
	Mar 31	Mar 31	Jun 30	Sep 30	Dec 31	Jun 30	Sep 30	Dec 31	
Revenues	266.1	228.4	234.4	236.2	252.6	221.0	202.5	208.9	
Income before taxes	31.3	26.8	21.8	24.8	27.1	18.8	17.7	23.9	
Net Income	23.4	19.2	16.2	18.5	25.5	13.6	13.0	17.9	
Net Income per share									
Basic and diluted	0.40	0.33	0.28	0.32	0.44	0.23	0.22	0.31	
EBITDA ¹	45.8	37.4	33.5	37.8	43.1	30.2	28.3	34.7	

¹ EBITDA is not an IFRS financial measure. Please see the “Reconciliation of Net Income to EBITDA” section for more information.

The Corporation reported its highest quarterly revenues in its history in the first quarter of 2016. Revenues reported in the quarterly information were favourably impacted by a stronger United States dollar and British pound against the Canadian dollar. The average exchange rate of the United States dollar relative to the Canadian dollar in the first quarter of 2016 was 1.3749 versus 1.2412 in the same period of 2015. The average exchange rate of British pound relative to the Canadian dollar moved from 1.8792 in the first quarter of 2015 to 1.9675 during the current quarter. Had the foreign exchange rates remained at levels experienced in the first quarter of 2015, reported revenues in the first quarter of 2016 would have been lower by \$17.0 million.

Net income for the first quarter of 2016 and fourth quarter of 2015 of \$23.4 million and \$25.5 million, respectively, was higher than all other quarterly net income shown in the table above. Favourable foreign exchange impact as discussed above contributed to higher net income for the first quarter of 2016 and all four quarters of 2015. The favourable foreign exchange impact in the current quarter was somewhat offset by higher income taxes expenses recorded. In the second quarter of 2015, the Corporation recorded a loss on translation of its foreign currency liabilities within Canada and Europe. In the fourth quarter of 2014, the Corporation recognized previously unrecognized investment tax credits.

4. Reconciliation of Net Income to EBITDA

A description and reconciliation of certain non-IFRS measures used by management

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest expense, income taxes and depreciation and amortization) in this quarterly statement. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation’s principal business activities prior to consideration of how these activities are financed and how the results are taxed in the various jurisdictions. Each 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 income as determined in accordance with IFRS or as an alternative to cash provided by or used in operations.

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	Three month period ended March 31	
	2016	2015
Expressed in thousands of dollars		
Net income	23,428	19,222
Interest	1,819	1,390
Taxes	7,842	7,546
Depreciation and amortization	12,737	9,194
EBITDA	45,826	37,352

EBITDA increased \$8.5 million or 22.7% to \$45.8 million for the first quarter of 2016, compared to \$37.4 million in the first quarter of 2015 primarily as a result of higher net income and higher add-back of depreciation and amortization expenses.

5. Liquidity and Capital Resources

A discussion of Magellan’s cash flow, liquidity, credit facilities and other disclosures

The Corporation’s liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its credit facility and accounts receivable securitization program, and long-term debt and equity capacity. Principal uses of cash are for operational requirements and capital expenditures. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

Cash Flow from Operations

	Three month period ended March 31	
	2016	2015
Expressed in thousands of dollars		
Increase in trade receivables	(18,436)	(26,659)
Increase in inventories	(2,319)	(6,817)
Decrease in prepaid expenses and other	639	833
Increase in accounts payable, accrued liabilities and provisions	7,049	5,985
Changes to non-cash working capital balances	(13,067)	(26,658)
Cash provided by operating activities	25,401	6,962

For the first quarter ended March 31, 2016, the Corporation generated \$25.4 million from operating activities, compared to \$6.9 million in the first quarter of 2015. The increase in cash flow from operations was significantly impacted by higher net income and lower working capital investment in the first quarter of 2016.

Investing Activities

	Three month period ended March 31	
	2016	2015
Expressed in thousands of dollars		
Purchase of property, plant and equipment	(3,634)	(6,059)
Proceeds of disposal of property plant and equipment	159	192
Increase in other assets	(4,645)	(2,612)
Change in restricted cash	776	-
Cash used in investing activities	(7,344)	(8,479)

Cash used in investing activities for the first quarter of 2016 was \$7.3 million compared to \$8.5 million in the first quarter of 2015, primarily consisting of capital expenditures of \$3.6 million, investments in other assets of \$4.6 million and cash inflow of \$0.8 million from changes in restricted cash. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs.

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Financing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	2016	2015
(Decrease) increase in bank indebtedness	(10,704)	1,367
(Decrease) increase in debt due within one year	(2,217)	2,969
Decrease in long-term debt	(1,108)	(994)
Increase in long-term debt	-	276
(Decrease) increase in long-term liabilities and provisions	(253)	740
Increase in borrowings subject to specific conditions	110	85
Common share dividend	(3,347)	(3,202)
Cash (used) provided by financing activities	(17,519)	1,241

The Corporation has an operating credit facility, with a syndicate of banks, with a Canadian dollar limit of \$95,000, a US dollar limit of US\$35,000 and a British pound limit of £11,000. Under the terms of the amended credit agreement, the operating credit facility expires on September 30, 2018. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a Canadian \$50,000 uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by a US dollar limit US\$10,000, which expired on March 4, 2016.

The Corporation used \$17.5 million in financing activities in the first quarter of 2016 mainly due to the repayment of the short term bridge credit facility.

As at March 31, 2015 the Corporation has made contractual commitments to purchase \$15.3 million of capital assets.

Dividends

During the first quarter of 2016, the Corporation declared and paid quarterly cash dividends of \$0.0575 per common shares representing an aggregating dividend payment of \$3.3 million.

Subsequent to March 31, 2016 the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.0575 per common share. The dividend will be payable on June 30, 2016 to shareholders of record at the close of business on June 10, 2016.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of Preference Shares, issuable in series, and an unlimited number of common shares. As at May 10, 2016, 58,209,001 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 the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. The Corporation had no material foreign exchange contracts outstanding as at March 31, 2016.

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

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expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

7. Related Party Transactions

A summary of Magellan’s transactions with related parties

For the three month period ended March 31, 2016, 2015, 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, 2015 and to the information under “Risks Inherent in Magellan’s Business” in the Corporation’s Annual Information Form for the year ended December 31, 2014, which have been filed with SEDAR at www.sedar.com.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2016 and have been applied in preparing the consolidated interim financial statements.

Property, Plant and Equipment and Intangibles Assets

In 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* (“IAS 16”) and IAS 38, *Intangible Assets* (“IAS 38”) to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. As at January 1, 2016, the Corporation adopted the amendments and there was no material impact on the condensed consolidated interim financial statements.

Joint Arrangements

In 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* (“IFRS 11”) to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. As at January 1, 2016, the Corporation adopted the amendments and there was no impact on the condensed consolidated interim financial statements.

10. Future Changes in Accounting Policies

A description of new accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the interim period ended March 31, 2016, and have not been applied in preparing these condensed consolidated interim financial statements. These changes are not yet adopted by the Corporation and could have an impact on future periods. These changes are described in detail in the Corporation’s 2015 audited annual consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*
- IFRS 9, *Financial Instruments*
- Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*
- IFRS 16, *Leases*

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The Corporation is in the process of evaluating the impact of adopting these standards on the Corporation’s consolidated financial statements.

11. Critical Accounting Estimates

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

In the 2015 audited annual consolidated financial statements and management’s discussion and analysis, the Corporation identified the accounting policies and estimates that are critical to the understanding of the business and results of operations. Please refer to note 1 to the audited consolidated financial statements for the year ended December 31, 2015 for a discussion regarding the critical accounting estimates.

12. Controls and Procedures

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

Based on the current Canadian Securities Administrators (the “CSA”) rules under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2016 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.

13. Outlook

The outlook for Magellan’s business in 2016

The Corporation continues to benefit from its position and participation in the commercial aircraft market. It is expected that the positive trend set in 2015 will continue as commercial aircraft order backlogs remain at record levels. Magellan is contracted with both Boeing and Airbus on all their commercial programs, as such the Corporation is successfully supporting the production ramp up in the single aisle market. The current 2016 production rates for the single aisle models the A320 family (including the A320neo) and the B737 family (including the B737max) are at an average of 43 aircraft per month. Both Airbus and Boeing continue to project progressively increasing rates up to approximately 60 aircraft per month by 2019. As well, Magellan continues its participation on new platforms for Airbus’s A330neo, A350XWB, and Boeing’s family of B787 aircraft. These new programs are all maturing into production rates as projected by the OEM’s. In the large aircraft products, specifically the Airbus A380 and the Boeing B747-8, the Corporation has planned for anticipated scheduled rate reductions. The impact will be partially offset by announced schedule rate increases on the A330 and B767 programs.

In the regional market, improving trends have been noted. Recent announcements by regional aircraft OEM’s indicate a growing opportunity in the 90 to 100 seat marketplace. This is a potential market for the Corporation’s existing Aero Engine and Castings products.

The defense aerospace market remains generally budget-constrained causing certain fleet modernizations programs to be delayed and certain legacy platforms to be life extended. Magellan is currently positioned in both segments. On legacy programs, the Corporation supports the GE F404/F414 engine programs, where Magellan manufactures major engine

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components, plus performs repair and overhaul of engines powering various Boeing F/A-18 fleets. On the new program side, Lockheed Martin’s F-35 fighter program has matured to the point where previously projected production rates are being realized. Magellan is proceeding with plans to increase F-35 horizontal stabilizer production rate capability accordingly.

Helicopter sales both civil and military, light/medium and heavy airframes remain at very low levels. The market downturn in oil prices is expected to continue to suppress any recovery in this segment of the market in 2016.

At the HeliExpo show held in Louisville, KY, helicopter manufacturers displayed the new models and technologies they are developing to take advantage of the market rebound when it takes place. Being challenged today with weakness in both commercial and defense markets, manufacturers are developing new platforms to respond to the changing customer needs and market dynamics.

In Space Rockets and Communications the Corporation remains focussed on progressing our current programs to completions while exploring our business beyond our traditional customer base.