

MAGELLAN

PRESS RELEASE

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014



FOR IMMEDIATE RELEASE VIA THE CANADIAN CUSTOM DISCLOSURE NETWORK

NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – November 10, 2014 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the third quarter of 2014. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three month period ended September 30			Nine month period ended September 30		
	2014	2013	Change	2014	2013	Change
Expressed in thousands of Canadian dollars, except per share amounts						
Revenues	202,542	181,010	11.9%	634,094	556,166	14.0%
Gross Profit	31,651	26,080	21.4%	95,624	79,662	20.0%
Net Income	13,032	9,553	36.4%	38,717	28,731	34.8%
Net Income per Share	0.22	0.16	37.5%	0.67	0.49	36.7%
EBITDA	28,277	22,847	23.8%	85,598	69,710	22.8%
EBITDA per Share	0.49	0.39	25.6%	1.47	1.20	22.5%

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 risks, uncertainties and assumptions, which may cause actual results to be materially different from those expressed or implied. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

This news release presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles (“GAAP”). Throughout this news release, 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.

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 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.

Business Update

Magellan participated, as it does every two years, with an exhibit at the Farnborough International Air Show from July 14th – 20th in Farnborough, UK. This event, which is held on alternate years to the Paris Air Show, is one of the key venues during the year where Magellan is able to meet with key customers to discuss the alignment of its business strategies. The Magellan exhibit theme was "Integrated Solutions For Future Platforms" emphasising the alignment of the Corporation's strategies through its centres of excellence with those of its customers on major new programs.

On July 30th, 2014, the Corporation announced that it had been selected to provide landing gear kits to Boeing Commercial Airplanes for the new 737 MAX aircraft. The program is expected to generate revenues up to \$50 million USD annually over the contract period with the manufacture and integration of the kits to be carried out at Magellan's New York facilities.

On September 30th, 2014, Magellan also announced the successful launch of a Black Brant IX rocket from the NASA Wallops Flight Facility in Wallops Island, Virginia. The launch mission was a test of a new sub-payload deployment method for suborbital rockets and the release of vapor tracers to help measure the wind in the transition region between the Earth's atmosphere and space. Magellan's Winnipeg, Manitoba facility has been designing and manufacturing Black Brant rockets for more than 50 years.

The Power Generation Project segment is a specialty product complimentary to the Corporation's principal business. The Corporation's sole product in the Power Generation Project segment is an electric power generation project in the Republic of Ghana that was substantially completed in 2013. A number of power generation project opportunities are being considered as follow-on business.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2013 Annual Report available on www.sedar.com.

Results of Operations

A discussion of Magellan's operating results for third quarter ended September 30, 2014

The Corporation reported higher revenue in both its Aerospace segment and its Power Generation Project segment in the third quarter of 2014 when compared to the third quarter of 2013. Gross profit and net income for the third quarter of 2014 were \$31.7 million and \$13.0 million, respectively, an increase from the third quarter of 2013 gross profit and net income of \$26.1 million and \$9.6 million, respectively.

Consolidated Revenue

Overall, the Corporation's consolidated revenues in the third quarter of 2014 increased by 11.9% when compared to the third quarter of 2013.

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2014	2013	Change	2014	2013	Change
Aerospace	202,297	181,010	11.8%	632,125	552,688	14.4%
Power Generation Project	245	—	—	1,969	3,478	(43.4)%
Revenues	202,542	181,010	11.9%	634,094	556,166	14.0%

Consolidated revenues of \$202.5 million for the third quarter ended September 30, 2014 were higher than the \$181.0 million of revenue in the third quarter of 2013. Higher volumes of production on both new and legacy commercial aircraft platforms and the appreciation of the United States dollar and the British Pound against the Canadian dollar, when compared to the prior year quarter, increased revenues by 11.8% year over year in the Aerospace segment. The increase in the Power Generation Project segment represents revenue earned on the additional scope of work package signed in the second quarter of 2014 with the Republic of Ghana.

Aerospace Segment

Revenues for the Aerospace segment were as follows:

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2014	2013	Change	2014	2013	Change
Canada	73,549	68,933	6.7%	241,627	215,706	12.0%
United States	67,589	56,484	19.7%	203,385	174,533	16.5%
Europe	61,159	55,593	10.0%	187,113	162,449	15.2%
Total revenues	202,297	181,010	11.8%	632,125	552,688	14.4%

Consolidated Aerospace revenues for the third quarter of 2014 of \$202.3 million were 11.8% higher than revenues of \$181.0 million in the third quarter of 2013. Revenues in Canada in the third quarter of 2014 increased 6.7% from the same period in 2013 primarily due to higher revenue earned on the Corporation's space programs, offset in part by reduced revenues earned on defence programs. The favourable movement in the United States dollar in comparison to the Canadian dollar also contributed to the increased revenues in Canada in the third quarter of 2014 when compared to the same period in 2013. Revenues increased by 19.7% in the United States in the third quarter of 2014 in comparison to the third quarter of 2013. The Corporation's continued participation on a number of single aisle and wide body commercial aircraft programs, that have increased in build rates when compared to the prior year and the strength in the United States dollar in comparison to the Canadian dollar during the same periods in 2014 versus 2013 were the primary contributors to the increased revenues quarter over quarter. European revenues in the third quarter of 2014 increased 10% over revenues in the same period in 2013 primarily due to the strength of the British Pound in comparison to the Canadian dollar.

Power Generation Project Segment

Revenues for the Power Generation Project segment were as follows:

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2014	2013	Change	2014	2013	Change
Power Generation Project	245	—	—	1,969	3,478	(43.4)%
Total revenues	245	—	—	1,969	3,478	

The original statement of work on the Ghana Power Generation Project (the "Project") was substantially completed and all revenue related to the original statement of work was recognized as at March 31, 2013. In the second quarter of 2014, the Corporation signed an amendment to the original Project contract which increased the statement of work for the Project. Revenues recorded in the quarter represent the progress made to date on the additional statement of work.

Gross Profit

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2014	2013	Change	2014	2013	Change
Gross profit	31,651	26,080	21.4%	95,624	79,662	20.0%
Percentage of revenues	15.6%	14.4%		15.1%	14.3%	

Gross profit of \$31.7 million (15.6% of revenues) was reported for the third quarter of 2014 compared to \$26.1 million (14.4% of revenues) during the same period in 2013. Increased gross profit in the third quarter of 2014 over the same period in 2013 resulted from a favourable mix of products, production efficiency gains, offset, in part, by new product introduction costs. The strengthening year over year of the United States dollar and British Pound against the Canadian dollar also contributed, in part, to increased margins quarter over quarter.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2014	2013	Change	2014	2013	Change
Administrative and general expenses	12,608	11,544	9.2%	35,880	33,608	6.8%
Percentage of revenues	6.2%	6.4%		5.7%	6.0%	

As a percentage of revenues, administrative and general expenses decreased to 6.2% of revenues for the quarter ended September 30, 2014 from 6.4% for the quarter ended September 30, 2013. In absolute terms, administrative and general expenses increased during the current quarter relative to the same quarter of the prior year as a result of a one-time charge of \$0.8 million incurred in the current quarter for a bad debt provision and the effect on translation of the strengthening United States dollar and British Pound exchange rates against the Canadian dollar.

Other

Expressed in thousands of dollars	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Foreign exchange (gain) loss	(397)	(538)	(83)	388
Loss on disposal of property, plant and equipment	39	48	803	262
Total other	(358)	(490)	720	650

Other income of \$0.4 million in the third quarter of 2014 consisted of realized and unrealized foreign exchange losses and losses recorded on the retirement and disposal of property, plant and equipment.

Interest Expense

Expressed in thousands of dollars	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Interest on bank indebtedness and long-term debt	1,273	1,695	3,704	5,242
Accretion charge for borrowings and long-term debt	203	(95)	1,563	(117)
Discount on sale of accounts receivable	183	182	558	513
Total interest expense	1,659	1,782	5,825	5,638

Interest expense of \$1.7 million in the third quarter of 2014 was slightly lower than the third quarter of 2013 amount of \$1.8 million primarily as a result of a decrease in interest on bank indebtedness and long-term debt, offset in part by an increase in non-cash accretion expense in the current quarter due to changes in the long-term bond rate. The decrease in interest on bank indebtedness and long-term debt quarter over quarter is mainly due to the Corporation repaying a significant portion of its long-term debt in the last quarter of 2013.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Expense of current income taxes	1,355	1,009	3,593	3,550
Expense of deferred income taxes	3,355	2,682	10,889	7,485
Total expense of income taxes	4,710	3,691	14,482	11,035
Effective tax rate	26.6%	27.9%	27.2%	27.7%

The Corporation recorded an income tax expense of \$4.7 million in the third quarter of 2014 compared to an income tax expense of \$3.7 million in the third quarter of 2013. Current income taxes for the third quarter of 2014 consisted primarily of the tax expense in jurisdictions with current taxes payable. Deferred income taxes for the third quarter of 2014 consisted primarily of net deferred income tax expense for changes in temporary differences in various jurisdictions.

Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2014				2013				2012 ¹
	Expressed in millions of dollars, except per share amounts	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenues	202.5	221.0	210.5	195.9	181.0	189.9	185.3	186.4	
Income before taxes	17.7	18.8	16.7	21.0	13.2	15.5	11.0	18.0	
Net Income	13.0	13.6	12.1	16.8	9.5	11.2	8.0	21.8	
Net Income per share									
Basic and diluted	0.22	0.23	0.21	0.29	0.16	0.19	0.14	0.37	
EBITDA	28.3	30.2	27.1	31.0	22.9	25.6	21.3	28.9	

¹Certain 2012 figures have been restated due to the implementation of IFRS 11, *Joint Arrangements* and revised IAS 19, *Employee Benefits* in 2013. Please refer to note 2 to the 2013 audited consolidated financial statements.

The Corporation reported its highest quarterly revenues in its history in the second quarter of 2014. Revenues and net income reported in the third quarter of 2014 were impacted positively by the weakness in the Canadian dollar exchange rate in comparison to the United States dollar and British Pound. The United States dollar/Canadian dollar exchange rate in the third quarter of 2014 fluctuated reaching a low of 1.0640 and a high of 1.1156. During the third quarter of 2014, the British Pound relative to the Canadian dollar fluctuated reaching a low of 1.7637 and a high of 1.8461. Had the foreign exchange rates remained at levels experienced in the third quarter of 2013, reported revenues in the third quarter of 2014 would have been lower by \$11.9 million.

Net income for the fourth quarter of 2013 and 2012 of \$16.8 million and \$21.8 million, respectively, was higher than all other quarterly net income disclosed in the table above. In the fourth quarter of 2013 and 2012 the Corporation recognized partial reversals of previous impairment losses against intangible assets relating to various commercial aircraft programs and in the fourth quarter of 2012 the Corporation recognized previously unrecognized investment tax credits and other deferred tax assets as the Corporation determined that it will be able to benefit from these assets. Continued improvements in gross margin have contributed to higher net income in each of the quarters of 2014.

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, 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.

	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Expressed in thousands of dollars				
Net income	13,032	9,553	38,717	28,731
Interest	1,659	1,782	5,825	5,638
Taxes	4,710	3,691	14,482	11,035
Depreciation and amortization	8,876	7,821	26,574	24,306
EBITDA	28,277	22,847	85,598	69,710

EBITDA for the third quarter of 2014 was \$28.3 million, compared to \$22.8 million in the third quarter of 2013, an increase of 23.8% on a year-over-year basis. Increased revenue and gross profit for the third quarter of 2014 relative to the same quarter of 2013 is the primary cause for the current increase in EBITDA.

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 September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Expressed in thousands of dollars				
Decrease (increase) in accounts receivable	299	6,280	(16,385)	(16,367)
Increase in inventories	(5,314)	(5,011)	(9,060)	(12,475)
Increase in prepaid expenses and other	(1,831)	(925)	(2,198)	(3,188)
Increase (decrease) in accounts payable, accrued liabilities and provisions	4,044	1,659	(1,194)	7,677
Changes to non-cash working capital balances	(2,802)	2,003	(28,837)	(24,353)
Cash provided by operating activities	20,284	19,940	43,943	31,689

In the third quarter ended September 30, 2014, the Corporation generated \$20.3 million in cash from operations, compared to \$19.9 million generated in the third quarter of 2013. The increase in cash generated from operations was primarily due to increased gross profit in the third quarter of 2014 compared to the same period in 2013. Change in accounts payable and accrued liabilities was primarily driven by the timing of purchases and payments, and the change in inventories reflects increased inventory levels primarily to support forecasted customer volume increases.

Investing Activities

	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Expressed in thousands of dollars				
Investment in joint venture	-	(3,994)	-	(3,994)
Purchase of property, plant and equipment	(7,252)	(5,153)	(18,782)	(13,471)
Proceeds of disposals of property plant and equipment	115	237	445	364
Decrease (increase) in intangibles and other assets	3,907	(6,262)	(4,864)	(10,705)
Cash used in investing activities	(3,230)	(15,172)	(23,201)	(27,806)

The Corporation's capital expenditures for the third quarter of 2014 were \$7.3 million compared to \$5.2 million in the third quarter of 2013. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs. Lower deposits on property, plant and equipment plus a reduction in long-term receivables accounted for the majority of the decrease in intangibles and other assets.

Financing Activities

	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Expressed in thousands of dollars				
Decrease in bank indebtedness	(10,030)	(5,790)	(14,157)	(10,651)
Increase (decrease) in debt due within one year	1,154	(659)	7,299	120
Decrease in long-term debt	(1,194)	(1,430)	(3,709)	(6,779)
Increase (decrease) in long-term liabilities and provisions	87	(225)	(342)	(344)
Increase (decrease) in borrowings	524	210	(10)	796
Common share dividends	(2,329)	(1,746)	(6,985)	(1,746)
Cash used by financing activities	(11,788)	(9,640)	(17,904)	(18,604)

On September 30, 2014, 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 amended to a Canadian dollar limit of \$95.0 million (down from \$115.0 million) plus a United States dollar limit of \$35.0 million, and the addition of an £9,000 limit with a maturity date of September 30, 2018. The operating credit agreement also includes a Canadian \$50.0 million uncommitted accordion provision which will provide Magellan with the option to increase the size of the operating credit facility to \$200.0 million. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the

Corporation. The guarantee of the facility by the Chairman of the Board of the Corporation, which has supported the Corporation since 2005, has now been released.

As at September 30, 2014 the Corporation has made contractual commitments to purchase \$22.2 million of capital assets.

Dividends

During the third quarter of 2014, the Corporation declared and paid quarterly cash dividends of \$0.04 per common share representing an aggregating dividend payment of \$2.3 million.

On November 7th, 2014, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.055 per common share. The dividend will be payable on December 31, 2014 to shareholders of record at the close of business on December 12, 2014.

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 October 31, 2014, 58,209,001 common shares were outstanding.

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 foreign exchange contracts outstanding as at September 30, 2014.

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.

Related Party Transactions

A summary of Magellan's transactions with related parties

During the three month period ended September 30, 2014, the Corporation paid guarantee fees, in respect to a guarantee of the Corporation's operating credit facility, in the amount of \$0.2 million to the Chairman of the Board of the Corporation. Upon the renewal of the operating credit agreement on September 30, 2014, this guarantee provided by the Chairman of the Board of the Corporation was removed.

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, 2013 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2013, which have been filed with SEDAR at www.sedar.com.

Outlook

The outlook for Magellan's business in 2014

The strength of the commercial aircraft market is holding. Boeing and Airbus maintain their positions that future demand for these aircraft is real. Boeing announced that it will increase 737 build rates to 52 per month in 2018 in response to strong global market demand. This is up from 42 per month currently and a planned rate of 47 per month in 2017. Comparatively, Airbus reaffirms its A320 production rate will increase to 46 per month from 42 per month by 2016 and, although it is considering potentially higher rates, there are presently no firm plans to move beyond this rate.

The engine manufacturers powering these new engine options, narrow-body aircraft are Pratt & Whitney with their PW1000G and CFM International with their LEAP X. The PW1000G engine holds a 34% market share while CFM's LEAP X holds 66%. Both organizations have targeted aggressive ramp ups in new engine build rates over the next 5 years to support this market.

In the wide-body market, Airbus is studying a planned rate increase on their A350 to 13 per month in 2018, while A380 rates remain at 30 per year. Boeing is ramping 787 rates to a planned 14 aircraft per month from the current 10 per month rate. Boeing's 777 build rate remains at 8.3 per month. Preparing for the A330NEO transition, Airbus announced it will reduce the rate for its A330 family from 10 to 9 per month in the fourth quarter of 2015.

In the business jet market, despite indicators suggesting that demand should be stronger, a lack of confidence in potential economic growth has been weighing on new aircraft purchases. Confidence now seems to be building as recent forecasts released by Textron and Honeywell suggest that operators plan to replace 23% of their fleets with new jets over the next five years. Recovery is now apparent in all segments of the market instead of just the large jets. The General Aviation Manufacturers Association reported that mid-year 2014 deliveries over mid-year 2013 were up 27% in the light segment, 17% in the medium segment and 3% in the large segment. Forecast International predicts a steady increase through 2020, but notes that it does not expect that previous peak 2008 production levels will be achieved in the period.

In the regional aircraft market, Mitsubishi recently rolled out its MRJ aircraft to begin its flight test program. It is powered by one of Pratt & Whitney's PW1000G models. To expand the market for its Q400 aircraft, Bombardier announced the building of an 86 passenger Q400 NextGen turboprop for Thailand's Nok Air. China's AVIC announced it was entering the regional turboprop market with its MA700 aircraft, designed to stretch to 90 passengers. This was an area of the market that both Bombardier and ATR have been considering but hesitating to enter.

The current rise in military activity in the Middle East to defeat Islamic State militants is not expected to have a near-term impact on defence programs. Of course, prolonged deployments of existing aircraft fleets can have an effect on spares and R&O activities. Of more specific interest will be the potential effect on extended service life and prolonged production of platforms due to be replaced in the near term horizon. While US forces await deliveries of new fifth generation F-35 aircraft, production of US-destined F-15 aircraft has ended and is scheduled to be ending for F-18 and F-16 platforms. Regardless of some negative sentiment expressed in the media over the Joint Strike Fighter program, the F-35 remains crucial to the United States' future air superiority, as well as allied international forces. Short term decisions will be driven by immediate operational needs and current budget constraints.

The F-35 program continues to advance towards achieving major program milestones, despite the setback of an engine fire in June. A permanent solution to address the problem has been developed and is being tested prior to incorporation into the fleet of delivered aircraft. Some flight testing, necessary to further validate software, has been delayed. International support remains strong with Korea announcing their intention to finalize a formal agreement with the United States Government to purchase 40 F-35As. The 8th Low Rate Initial Production contract did not get issued within the third quarter. It is expected to be issued at any time.

Defence helicopter manufacturers are battling for foreign market share as domestic budget constraints leave them with smaller order books. One current competition has Airbus, Sikorsky and AgustaWestland vying for a piece of Poland's increasing defence budget with their EC725, S-70i Black Hawk and AW149 rotorcraft respectively. This is one of Europe's largest procurement programs since the economic crisis with an estimated value of \$3.0 billion. Further market expansion is forecast to come from China, India and Malaysia where "buy and make in-country" strategies are expected to influence final decisions. The civil rotorcraft market remains flat at this time.

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 heading "Overview" which outlines certain expectations for future operations. 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.

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For additional information contact:

James S. Butyniec
Chief Executive Officer
T: (905) 677-1889 ext. 233
E: jim.butyniec@magellan.aero

John B. Dekker
Chief Financial Officer & Corporate Secretary
T: (905) 677-1889 ext. 224
E: john.dekker@magellan.aero

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 September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Revenues	202,542	181,010	634,094	556,166
Cost of revenues	170,891	154,930	538,470	476,504
Gross profit	31,651	26,080	95,624	79,662
Administrative and general expenses	12,608	11,544	35,880	33,608
Other	(358)	(490)	720	650
Income before interest and income taxes	19,401	15,026	59,024	45,404
Interest	1,659	1,782	5,825	5,638
Income before income taxes	17,742	13,244	53,199	39,766
Income taxes				
Current	1,355	1,009	3,593	3,550
Deferred	3,355	2,682	10,889	7,485
	4,710	3,691	14,482	11,035
Net income	13,032	9,553	38,717	28,731
Net income per share				
Basic and diluted	0.22	0.16	0.67	0.49
Net Income	13,032	9,553	38,717	28,731
Other comprehensive income that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation gain	6,398	443	9,620	6,863
Other comprehensive (loss) income that will not be reclassified to profit and loss in subsequent periods:				
Actuarial (loss) gain on defined benefit pension plans, net of tax	-	-	(4,376)	9,498
Total comprehensive income, net of tax	19,430	9,996	43,961	45,092

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	September 30 2014	December 31 2013
Current assets		
Cash	10,880	7,760
Trade and other receivables	166,734	146,969
Inventories	173,486	160,269
Prepaid expenses and other	14,953	12,461
	366,053	327,459
Non-current assets		
Property, plant and equipment	337,655	331,940
Investment properties	4,361	4,663
Intangible assets	59,318	60,365
Other assets	24,713	24,472
Deferred tax assets	41,777	43,011
	467,824	464,451
Total assets	833,877	791,910
Current liabilities		
Bank indebtedness	–	115,930
Accounts payable and accrued liabilities and provisions	139,673	137,625
Debt due within one year	38,329	30,932
	178,002	284,487
Non-current liabilities		
Bank indebtedness	102,875	–
Long-term debt	44,429	46,154
Borrowings subject to specific conditions	18,514	17,637
Other long-term liabilities and provisions	19,393	15,713
Deferred tax liabilities	25,530	19,761
	210,741	99,265
Equity		
Share capital	254,440	254,440
Contributed surplus	2,044	2,044
Other paid in capital	13,565	13,565
Retained earnings	156,820	129,464
Accumulated other comprehensive income	18,265	8,645
	445,134	408,158
Total liabilities and equity	833,877	791,910

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended September 30		Nine month period ended September 30	
	2014	2013	2014	2013
Cash flow from operating activities				
Net income	13,032	9,553	38,717	28,731
Amortization/depreciation of intangible assets and property, plant and equipment	8,876	7,821	26,574	24,306
Loss on disposal of property, plant and equipment	39	74	803	288
Increase (decrease) in defined benefit plans	336	(945)	849	(1,246)
Accretion	205	(93)	1,527	(116)
Deferred taxes	682	1,541	4,510	4,063
(Gain) loss on investment in joint venture	(84)	(14)	(200)	16
(Increase) decrease in non-cash working capital	(2,802)	2,003	(28,837)	(24,353)
Net cash provided by operating activities	20,284	19,940	43,943	31,689
Cash flow from investing activities				
Investment in joint venture	–	(3,994)	–	(3,994)
Purchase of property, plant and equipment	(7,252)	(5,153)	(18,782)	(13,471)
Proceeds from disposal of property, plant and equipment	115	237	445	364
Decrease (increase) in other assets	3,907	(6,262)	(4,864)	(10,705)
Net cash used in investing activities	(3,230)	(15,172)	(23,201)	(27,806)
Cash flow from financing activities				
Decrease in bank indebtedness	(10,030)	(5,790)	(14,157)	(10,651)
Increase (decrease) in debt due within one year	1,154	(659)	7,299	120
Decrease in long-term debt	(1,194)	(1,430)	(3,709)	(6,779)
Increase (decrease) in long-term liabilities and provisions	87	(225)	(342)	(344)
Increase (decrease) in borrowings	524	210	(10)	796
Common share dividend	(2,329)	(1,746)	(6,985)	(1,746)
Net cash used in financing activities	(11,788)	(9,640)	(17,904)	(18,604)
Increase (decrease) in cash during the period	5,266	(4,872)	2,838	(14,721)
Cash at beginning of the period	5,521	12,770	7,760	22,423
Effect of exchange rate differences	93	314	282	510
Cash at end of the period	10,880	8,212	10,880	8,212