MAGELLAN
AEROSPACE

QUARTERLY REPORT

SEPTEMBER 30, 2015

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 and nine month periods ended September 30, 2015, and the audited annual consolidated financial statements for the year ended December 31, 2014 (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 September 30, 2015 relative to the three month period ended September 30, 2014. The information contained in this report is as at November 10, 2015. 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 generally accepted earnings measures 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.

During the third quarter of 2015, the Corporation reported the progress on a previously announced contract with MacDonald, Dettwiler and Associates Ltd. ("MDA"), a prime contractor for Canada's RADARSAT Constellation Mission ("RCM"). Magellan has achieved key milestones in the contract with the delivery of the structure for the first two payload modules to MDA. These major assemblies will house the electronics for the radar payload being developed by MDA. They were designed and built by Magellan Aerospace, Winnipeg, the company's centre of excellence for space systems. The

Corporation has been contracted by MDA to deliver three spacecraft buses, including three payload modules, for the Canadian Space Agency's RCM mission.

The Corporation also announced on September 15, 2015, that it had entered into an international partnership agreement with the Student Spaceflight Experiment Program ("SSEP"). This is a US-based program launched by the National Center for Earth and Space Science Education that gives students the ability to design and propose microgravity experiments to fly in low Earth orbit on the International Space Station. As an international partner, Magellan increases the opportunity for more communities to participate in SSEP and sees this funding as an investment in the youth of Canada.

On October 5, 2015, Magellan announced that it had been awarded a follow on contract to provide nose and main landing gear assemblies to Messier-Bugatti Dowty for major commercial aircraft customers. These complex machined components are manufactured in Magellan Aerospace, New York and Magellan Aerospace, Kitchener and are expected to generate USD $80.0 million in revenues for the period of 2017 through 2021.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2014 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for the third quarter ended September 30, 2015

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 were not material in the three and nine month periods ended September 30, 2015 and, at present, they are not expected to be material in future periods.

Increased revenues were reported by the Corporation in the third quarter of 2015 of $236.2 million when compared to the third quarter of 2014 of $202.5 million. Gross profit and net income for the third quarter of 2015 were $39.9 million and $18.5 million, respectively, an increase from the third quarter of 2014 gross profit of $31.7 million and net income of $13.0 million.

Consolidated Revenue

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2015**	2014	Change	**2015**	2014	Change
Canada	**81,114**	73,794	9.9%	**237,960**	243,596	(0.02)%
United States	**83,925**	67,589	24.2%	**251,357**	203,385	23.6%
Europe	**71,168**	61,159	16.4%	**209,582**	187,113	12.0%
Total revenues	**236,207**	202,542	16.6%	**698,899**	634,094	10.2%

Consolidated revenues for the third quarter of 2015 of $236.2 million were 16.6% higher than revenues of $202.5 million in the third quarter of 2014. Revenues in Canada in the third quarter of 2015 increased 9.9% from the same period in 2014 as the Corporation benefited from the weakening of the Canadian dollar against the US dollar during the quarter. On a constant currency basis, Canadian revenues in the current quarter remained consistent with those reported in the third quarter of 2014. Decreased revenues earned on proprietary products in the current quarter were offset by higher volumes on various defence and commercial platforms. Revenues increased by 24.2% in the United States in the third quarter of 2015 in comparison to the third quarter of 2014 primarily as a result of increased production rates on a number of the Corporation's commercial aircraft programs and the appreciation of the United States dollar in comparison to the Canadian dollar. On a constant currency basis, revenues in the United States increased by 20.8% in the third quarter of 2015 over the same period in 2014. European revenues in the third quarter of 2015 increased 16.4% over revenues in the same period in 2014. The business acquisition of Euravia Engineering & Supply Co. ("Euravia") in the second quarter of 2015 and the strengthening of the British pound in comparison to the Canadian dollar were the primary contributors to the increased revenues in Europe in the third quarter of 2015 when compared to the same period in 2014. On a constant currency basis, revenues in the third quarter of 2015 in Europe increased by 12.2% over the same period in 2014.

Gross Profit

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2015**	2014	Change	**2015**	2014	Change
Gross profit	**39,855**	31,651	25.9%	**119,545**	95,624	25.0%
Percentage of revenues	**16.9%**	15.6%		**17.1%**	15.1%	

Gross profit of $39.9 million (16.9% of revenues) was reported for the third quarter of 2015 compared to $31.7 million (15.6% of revenues) during the same period in 2014. The strengthening year over year of the United States dollar and British pound against the Canadian dollar increased gross profit in the third quarter of 2015 over the same period in 2014. Efficiency gains from increased volumes and a favourable mix of revenues across the Corporation's geographic locations also contributed to the increase quarter over quarter. During the current quarter, gross margin was negatively impacted by additional amortization expense of $712 recorded in relation to intangible assets recognized as a result of the business acquisition of Euravia.

Administrative and General Expenses

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2015**	2014	Change	**2015**	2014	Change
Administrative and general expenses	**13,608**	12,608	7.9%	**41,326**	35,880	15.2%
Percentage of revenues	**5.8%**	6.2%		**5.9%**	5.7%	

Administrative and general expenses were $13.6 million (5.8% of revenues) in the third quarter of 2015 compared to $12.6 million (6.2% of revenues) in the third quarter of 2014. Administrative and general expenses increased during the current quarter relative to the same quarter of the prior year largely as a result of the effect on translation of the strengthening United States dollar and British pound exchange rates against the Canadian dollar and the recognition of additional expenses as a result of the business acquisition of Euravia. The increase quarter over quarter was partially offset by a reduction in administrative expenses in the third quarter of 2015 over the same period in 2014, as the prior year included a one-time charge of $0.8 million for a bad debt provision.

Other

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Foreign exchange gain	**(222)**	(397)	**(150)**	(83)
Loss on disposal of property, plant and equipment	**89**	39	**565**	803
Total other	**(133)**	(358)	**415**	720

Other income of $0.1 million in the third quarter of 2015 consisted of realized and unrealized foreign exchange gains, partially offset by losses recorded on the disposal of property, plant and equipment.

Interest Expense

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Interest on bank indebtedness and long-term debt	**1,118**	1,273	**3,091**	3,704
Accretion charge on borrowings and long-term debt	**242**	203	**722**	1,563
Discount on sale of accounts receivable	**227**	183	**659**	558
Total interest expense	**1,587**	1,659	**4,472**	5,825

Interest expense of $1.6 million in the third quarter of 2015 was slightly lower than the third quarter of 2014 amount of $1.7 million. Interest on bank indebtedness and long-term debt decreased quarter over quarter as the Corporation did not incur guarantee fees on the operating credit facility during the third quarter of 2015.

Provision for Income Taxes

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Current income tax expense	**1,521**	1,355	**5,803**	3,593
Deferred income tax expense	**4,739**	3,355	**13,577**	10,889
Income tax expense	**6,260**	4,710	**19,380**	14,482
Effective tax rate	**25.2%**	26.6%	**26.4%**	27.2%

The Corporation recorded an income tax expense of $6.3 million in the third quarter of 2015 as compared to an income tax expense of $4.7 million in the third quarter of 2014. The change in effective tax rates quarter over quarter is a result of a changing mix of income across the different jurisdictions in which the Corporation operates. The increase in deferred income tax expense in the third quarter of 2015 consisted primarily of changes in temporary differences in various jurisdictions.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2015			2014				2013
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	**236.2**	234.4	228.3	208.9	202.5	221.0	210.5	195.9
Income before taxes	**24.8**	21.8	26.8	23.9	17.7	18.8	16.7	21.0
Net Income	**18.5**	16.2	19.2	17.9	13.0	13.6	12.1	16.8
Net Income per share								
Basic and diluted	**0.32**	0.28	0.33	0.31	0.22	0.23	0.21	0.29
EBITDA	**37.8**	33.5	37.4	34.7	28.3	30.2	27.1	31.0

The Corporation reported its highest quarterly revenues in its history in the third quarter of 2015. Revenues and net income reported in the quarterly information were impacted positively by the fluctuations 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 2015 fluctuated reaching a low of 1.2425 and a high of 1.3066. During the third quarter of 2015, the British pound relative to the Canadian dollar fluctuated reaching a low of 1.9540 and a high of 2.0888. Had the foreign exchange rates remained at levels experienced in the third quarter of 2014, reported revenues in the third quarter of 2015 would have been lower by $29.4 million.

In the third, second and first quarters of 2015, movements of the US dollar and British pound in relation to the Canadian dollar favourably impacted net income. Somewhat offsetting the favourable transactional currency movement 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 2013 the Corporation recognized a reversal of previous impairment losses against intangible assets relating to various commercial aircraft programs and in the fourth quarter of 2013 and 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 MD&A. 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	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Net income	**18,533**	13,032	**53,952**	38,717
Interest	**1,587**	1,659	**4,472**	5,825
Taxes	**6,260**	4,710	**19,380**	14,482
Depreciation and amortization	**11,383**	8,876	**30,832**	26,574
EBITDA	**37,763**	28,277	**108,636**	85,598

EBITDA for the third quarter of 2015 was $37.8 million, compared to $28.3 million in the third quarter of 2014, an increase of 33.5% on a year-over-year basis. Increased gross profit in the third quarter of 2015 resulted in higher EBITDA when compared to the third quarter of 2014.

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 to fund liabilities as they become due, finance capital expenditures, fund debt repayments, pay dividends and provide flexibility for new investment opportunities. 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	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Decrease (increase) in accounts receivable	**2,707**	299	**(21,224)**	(16,385)
Increase in inventories	**(4,792)**	(5,314)	**(12,551)**	(9,060)
Increase in prepaid expenses and other	**(975)**	(1,831)	**(2,691)**	(2,198)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(8,063)**	4,044	**6,090**	(1,194)
Changes in non-cash working capital balances	**(11,123)**	(2,802)	**(30,376)**	(28,837)
Cash provided by operating activities	**22,407**	20,284	**65,439**	43,943

In the quarter ended September 30, 2015, the Corporation generated $22.4 million in cash from operations, compared to $20.3 million in the third quarter of 2014. Cash was generated mainly by increased gross profit and decreased accounts receivable offset in part by increased inventories and prepaid expenses and decreased accounts payable and accrued liabilities.

Investing Activities

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Acquisition	**313**	-	**(50,149)**	-
Purchase of property, plant and equipment	**(7,883)**	(7,252)	**(22,863)**	(18,782)
Proceeds of disposals of property plant and equipment	**161**	115	**460**	445
(Increase) decrease in intangibles and other assets	**(4,881)**	3,907	**(8,414)**	(4,864)
Cash used in investing activities	**(12,290)**	(3,230)	**(80,966)**	(23,201)

The Corporation's capital expenditures for the third quarter of 2015 were $7.9 million compared to $7.3 million in capital expenditures in the third quarter of 2014. Capital expenditures were incurred primarily to enhance the Corporation's manufacturing capabilities in various geographies and to support new customer programs. Increased expenditures for intangibles and other assets related primarily to deposits made on capital equipment during the third quarter of 2015.

Financing Activities

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
(Decrease) increase in bank indebtedness	**(2,760)**	(10,030)	**38,355**	(14,157)
(Decrease) increase in debt due within one year	**(1,313)**	1,154	**1,979**	7,299
Decrease in long-term debt	**(1,035)**	(1,194)	**(4,990)**	(3,709)
Increase in long-term debt	**-**	-	**276**	-
(Decrease) increase in long-term liabilities and provisions	**(944)**	87	**(176)**	(342)
Increase (decrease) in borrowings	**34**	524	**218**	(10)
Common share dividend	**(3,202)**	(2,329)	**(9,605)**	(6,985)
Cash (used in) provided by financing activities	**(9,220)**	(11,788)	**26,057**	(17,904)

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 US dollar limit of US$35.0 million, and the addition of a British pound limit of £11.0 million with a maturity date of September 30, 2018. The operating credit agreement also includes a Canadian $50.0 million uncommitted accordion provision which provides the Corporation with the option to increase the size of the operating credit facility. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the operating credit agreement, the guarantee of the operating credit facility by the Chairman of the Board of the Corporation, which had supported the Corporation since 2005, was released.

As at September 30, 2015 the Corporation has made contractual commitments to purchase $12.7 million of capital assets.

Dividends
During the third quarter of 2015, the Corporation declared and paid quarterly cash dividends of $0.055 per common share representing an aggregating dividend payment of $3.2 million.

Subsequent to September 30, 2015 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 December 31, 2015 to shareholders of record at the close of business on December 10, 2015.

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, 2015, 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 forward foreign exchange contracts outstanding as at September 30, 2015.

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

During the three month period ended September 30, 2014, the Corporation paid guarantee fees in the amount of $0.2 million to the Chairman of the Board of the Corporation. Upon renewal of the operating credit facility on September 30, 2014, the guarantee provided by the Chairman of the Board of the Corporation was released.

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, 2014 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, 2015 and have been applied in preparing the consolidated interim financial statements.

Employee Benefits
In November 2013, Defined Benefit Plans: Employee Contributions was issued to amend IAS 19, *Employee Benefits*. These narrow scope amendments simplify the accounting for contributions to defined benefit plans. These amendments are effective for annual periods beginning on, or after, July 1, 2014, with earlier application permitted. As at January 1, 2015, the Corporation adopted the amendments and there was no material impact on the condensed interim financial statements.

Operating Segments
The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS, *Operating Segments*. This standard has been amended to require (i) disclosure of judgements made by a company's management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when a measure of segment is reported to the Chief Operating Decision Maker. These amendments are effective for annual periods beginning on or after July 1, 2014. As at January 1, 2015, the Corporation adopted this pronouncement and there was no material impact on the condensed 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 September 30, 2015, 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 2014 audited annual consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*
    - On September 11, 2015, the IASB confirmed the deferral of the effective date of the standard by one year to January 1, 2018 by issuing a formal amendment to the revenue standard.
- IFRS 9, *Financial Instruments*
- Amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*
- Amendments to IFRS 11, *Joint Arrangements*
- Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*

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 2014 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 annual consolidated financial statements for the year ended December 31, 2014 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 September 30, 2015 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 2015

Market analysts continue to look for signs that commercial aerospace OEM's are overbuilding aircraft during this unprecedented growth cycle. They suggest that passenger traffic growth rates will be hard pressed to match global seat capacity growth and that airlines may extend the lives of less fuel-efficient aircraft due to prolonged low oil prices. Boeing and Airbus maintain that they have strong order backlogs aligned with future demand and that airlines are taking a longer term view with respect to more fuel-efficient aircraft. It is also said that since low fuel prices and low interest rates represent a tailwind for airline profitability, it increases the opportunity for airlines to invest in newer aircraft. Regardless of which prediction is correct, the industry is confident In the backlog strength, and In any case, saying that aircraft scheduled for delivery within any 24 month period are typically quite secure due to pre-delivery payment obligations.

The Corporation regularly assesses its market position and exposure due to prevailing market segment trends and it believes that its current strategies reflect a sound and appropriate approach to achieving a long term vision of profitable growth.

Boeing's current narrow-body forecast has the 737 build rate going from the current 42 per month to 47 per month in 2017, and 52 per month in 2018. Airbus' A320 production rate is also at 42 aircraft per month and is ramping to 50 aircraft per month beginning in the first quarter of 2017.

In the wide-body market, the Airbus A350XWB rate is planned to exceed 10 per month by 2018, with the A350-900 representing approximately 75% of that rate. Airbus' A380 is currently at 2.7 per month. Their A330 rate is still planned to be reduced to 5.5 aircraft per month, from the current 8.5 aircraft per month. Boeing's B777X is scheduled to begin production in 2017 with the first aircraft delivery in 2020. Their B777 production rate continues at 8.3 per month. But it is anticipated that a modest reduction to 7 aircraft per month in 2016 is being considered. The B787 rate is planned to go from 10 per month to 12 per month in 2016. Boeing will reduce the 747 build rate to 1 aircraft per month in the first quarter 2016 due to the softening cargo market. The 767 build rate is still planned to reach 2 aircraft per month by the second quarter of 2016.

In the regional market, a clear definition of what is considered to be a regional aircraft today is becoming somewhat blurred by individual carrier's strategies with respect to the number of seats they fly, whether they fly a turboprop or turbofan aircraft, or whether or not they are a low cost carrier. Today, the future growth in this particular market lies primarily in the 90 – 110 seat jet segment. It appears this will be dominated over the next 10 years by Embraer with their new E2 series of aircraft, as they are expected to garner approximately 54% market share. By comparison, the next largest market share is Bombardier with 11%. Contrary to the regional jet segment growth, the forecast for the regional turboprop segment is more or less flat in the near term, and generally in decline over the next 10 year period.

The bifurcation of the business jet market continues but may be finally showing signs of re-balancing. Large cabin manufacturers considerably outperformed light/medium jet manufacturers in 2013 and 2014, but demand is now improving for light and medium jets in the US as the economy improves. The market for these is most heavily concentrated in the US. Higher corporate profits are beginning to unlock latent demand that was curbed due to economic uncertainty. Current forecasts suggest a gradual growth in the overall market during the next 5 years.

In the defense market, the US is the largest customer of North American defense contractors, but the question remains; where will the trough settle given the US budget uncertainty? A positive effect of the budget uncertainty is that some legacy platforms such as F15 and F18 may see additional orders and an extended service life. Also, some predict a stimulus for the defense market generated by the 2016 US presidential election. Analysts indicate that within seven out of nine presidential election years since 1980, defense spending was strong. The Bank of America's Merrill Lynch stated in a recent report: "the president is the most significant factor that affects defense spending". Another potential stimulus may come from pressure on the US due to increased defense spending by countries like China. Finally, an acknowledged strategy by defense contractors to help mitigate US budget cuts has been to increase Foreign Military Sales (FMS) on certain programs. Unfortunately, the international defense market is becoming more competitive with examples such as Brazil choosing to buy 36 SAAB Grippen fighters over Boeing's F/A 18 Super Hornet and Kuwait buying 22 Eurofighter Typhoons. This is making it tougher to gain those additional FMS sales.

Regarding the F-35 Lightening II, Lockheed Martin is planning to deliver 45 F-35's in 2015, and is expecting to reach a rate of approaching 170 aircraft per year, from assembly sites in the US, Italy and Japan, by 2020. There are over 150 aircraft in the field today. Numerous program milestones were achieved this past quarter. Some of these achievements include the attainment of initial operational capability for the F-35B variant in July, the inaugural European flight of the first F-35 assembled in Italy's final assembly checkout facility, and the rollout of the first F-35 aircraft for the Norwegian Armed Forces. Magellan has commenced activities supporting the increased rate production at the Magellan divisions producing F-35 components.

The Corporation has been investing capital and resources in support of the F-35 program since 2002. With the recent Federal election, the incoming government has made statements that are not supportive of maintaining the previous government's position on the future procurement of the F-35. In the event the Canadian government does not proceed with this planned procurement, the Corporation anticipates that current and potential new work opportunities could be significantly reduced or eliminated. Magellan currently employs approximately 150 people in direct support of the F-35 program, expected to increase by three to four times as the F-35 achieves full production rates over the next few years.

Finally addressing the civil helicopter industry, a recent Flight International article reported that optimism persists within this market despite falling sales. The rapid decline in oil prices led to a rapid market downturn which now appears more prolonged than initially expected. While the light/medium helicopter segment was the first victim, the heavy helicopter segment has now been affected with Sikorsky's S92 and Airbus' H225 being hit the hardest. Despite the market conditions, manufacturers are still developing new programs, banking on the market returning to strength and on operators believing that more efficient super-medium models will allow higher load factors.

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Notes	Three month period ended September 30 2015	 2014	Nine month period ended September 30 2015	 2014
Revenues	12	**236,207**	202,542	**698,899**	634,094
Cost of revenues		**196,352**	170,891	**579,354**	538,470
Gross profit		**39,855**	31,651	**119,545**	95,624
Administrative and general expenses		**13,608**	12,608	**41,326**	35,880
Other		**(133)**	(358)	**415**	720
Income before interest and income taxes		**26,380**	19,401	**77,804**	59,024
Interest		**1,587**	1,659	**4,472**	5,825
Income before income taxes		**24,793**	17,742	**73,332**	53,199
Income taxes					
Current	8	**1,521**	1,355	**5,803**	3,593
Deferred	8	**4,739**	3,355	**13,577**	10,889
		6,260	4,710	**19,380**	14,482
Net income		**18,533**	13,032	**53,952**	38,717
Other comprehensive income					
Items that may be reclassified to profit and loss in subsequent periods:					
Foreign currency translation gain		**18,658**	6,398	**39,837**	9,620
Items not to be reclassified to profit and loss in subsequent periods:					
Actuarial gain (loss) on defined benefit pension plans, net of tax		**252**	-	**2,462**	(4,376)
Total comprehensive income, net of tax		**37,443**	19,430	**96,251**	43,961
Net income per share					
Basic and diluted	9	**0.32**	0.22	**0.93**	0.67

See accompanying notes to condensed consolidated interim financial statements

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	Notes	September 30 2015	December 31 2014
Current assets			
Cash	4	**14,104**	2,645
Trade and other receivables		**205,377**	160,989
Inventories		**211,641**	176,870
Prepaid expenses and other		**16,393**	12,396
		447,515	352,900
Non-current assets			
Property, plant and equipment		**379,769**	351,057
Investment properties		**4,792**	4,370
Goodwill and intangible assets	4,5	**109,640**	60,588
Other assets		**31,315**	23,139
Deferred tax assets		**34,148**	42,499
		559,664	481,653
Total assets		**1,007,179**	834,553
Current liabilities			
Accounts payable and accrued liabilities and provisions		**162,742**	136,976
Debt due within one year		**46,053**	40,016
		208,795	176,992
Non-current liabilities			
Bank indebtedness	6	**124,383**	81,442
Long-term debt		**41,138**	43,866
Borrowings subject to specific conditions		**19,192**	18,777
Other long-term liabilities and provisions	7	**28,436**	26,562
Deferred tax liabilities		**38,993**	27,318
		252,142	197,965
Equity			
Share capital		**254,440**	254,440
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**213,207**	166,398
Accumulated other comprehensive income		**62,986**	23,149
		546,242	459,596
Total liabilities and equity		**1,007,179**	834,553

See accompanying notes to condensed consolidated interim financial statements

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited) (expressed in thousands of Canadian dollars)	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation	Total equity
December 31, 2014	254,440	2,044	13,565	166,398	23,149	459,596
Net income for the period	-	-	-	53,952	-	53,952
Other comprehensive income for the period	-	-	-	2,462	39,837	42,299
Common share dividend	-	-	-	(9,605)	-	(9,605)
September 30, 2015	254,440	2,044	13,565	213,207	62,986	546,242
December 31, 2013	254,440	2,044	13,565	129,464	8,645	408,158
Net income for the period	-	-	-	38,717	-	38,717
Other comprehensive (loss) income for the period	-	-	-	(4,376)	9,620	5,244
Common share dividend	-	-	-	(6,985)	-	(6,985)
September 30, 2014	254,440	2,044	13,565	156,820	18,265	445,134

See accompanying notes to condensed consolidated interim financial statements

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited) (expressed in thousands of Canadian dollars)	Notes	Three month period ended September 30 2015	2014	Nine month period ended September 30 2015	2014
Cash flow from operating activities					
Net income		**18,533**	13,032	**53,952**	38,717
Amortization/depreciation of intangible assets and property, plant and equipment		**11,383**	8,876	**30,832**	26,574
Loss on disposal of property, plant and equipment		**164**	39	**640**	803
(Decrease) increase in defined benefit plans		**(31)**	336	**(209)**	849
Accretion		**206**	205	**687**	1,527
Deferred taxes		**3,536**	682	**10,073**	4,510
Income on investments in joint ventures		**(261)**	(84)	**(160)**	(200)
Decrease in non-cash working capital		**(11,123)**	(2,802)	**(30,376)**	(28,837)
Net cash provided by operating activities		**22,407**	20,284	**65,439**	43,943
Cash flow from investing activities					
Acquisition		**313**	-	**(50,149)**	-
Purchase of property, plant and equipment		**(7,883)**	(7,252)	**(22,863)**	(18,782)
Proceeds from disposal of property, plant and equipment		**161**	115	**460**	445
(Increase) decrease in other assets		**(4,881)**	3,907	**(8,414)**	(4,864)
Net cash used in investing activities		**(12,290)**	(3,230)	**(80,966)**	(23,201)
Cash flow from financing activities					
(Decrease) increase in bank indebtedness	6	**(2,760)**	(10,030)	**38,355**	(14,157)
(Decrease) increase in debt due within one year		**(1,313)**	1,154	**1,979**	7,299
Decrease in long-term debt		**(1,035)**	(1,194)	**(4,990)**	(3,709)
Increase in long-term debt		**-**	-	**276**	-
(Decrease) increase in long-term liabilities and provisions		**(944)**	87	**(176)**	(342)
Increase (decrease) in borrowings		**34**	524	**218**	(10)
Common share dividend	9	**(3,202)**	(2,329)	**(9,605)**	(6,985)
Net cash (used in) provided by financing activities		**(9,220)**	(11,788)	**26,057**	(17,904)
Increase in cash during the period		**897**	5,266	**10,530**	2,838
Cash at beginning of the period		**12,665**	5,521	**2,645**	7,760
Effect of exchange rate differences		**542**	93	**929**	282
Cash at end of the period		**14,104**	10,880	**14,104**	10,880

See accompanying notes to condensed consolidated interim financial statements

NOTE 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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

The Corporation is a diversified supplier of components to the aerospace industry and in certain circumstances for power generation projects. Through its wholly owned subsidiaries, Magellan engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through supply of spare parts as well as through repair and overhaul services and supplies in certain circumstances parts and equipment for power generation projects.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Corporation's consolidated financial statements and the notes thereto for the year ended December 31, 2014, except for the new accounting pronouncements which have been adopted as disclosed in Note 3.

The Corporation accounts for business combinations using the acquisition method, under which the acquirer measures the cost of the business combination as the total of the fair values, at the date of exchange, of the assets transferred, liabilities incurred and equity instruments issued by the acquirer in exchange for control of the acquiree. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date. Transaction costs, other than those associated with issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2014, which are available at www.sedar.com and on the Corporation's website at www.magellan.aero.

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

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Corporation on November 10, 2015.

NOTE 3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The Corporation has adopted the new and amended International Financial Reporting Standards ("IFRS") pronouncements listed below as at January 1, 2015, in accordance with the transitional provisions outlined in the respective standards.

a) Employee Benefits
In November 2013, Defined Benefit Plans: Employee Contributions was issued to amend IAS 19, *Employee Benefits*. These narrow scope amendments simplify the accounting for contributions to defined benefit plans. These amendments are effective for annual periods beginning on or after July 1, 2014, with earlier application permitted. As at January 1, 2015, the Corporation adopted the amendments and there was no material impact on the condensed consolidated interim financial statements.

b) Operating Segments
The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS 8, *Operating Segments*. This standard has been amended to require (i) disclosure of judgements made by a company's management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when a measure of segment assets is reported to the Chief Operating Decision Maker. These amendments are effective for annual periods beginning on or after July 1, 2014. As at January 1, 2015, the Corporation adopted this pronouncement and there was no material impact on the condensed consolidated interim financial statements.

c) Recent accounting pronouncements not yet adopted

The IASB has issued new standards and amendments to existing standards. 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 2014 consolidated financial statements.

• IFRS 15, *Revenue from Contracts with Customers*
  - On September 11, 2015, the IASB confirmed the deferral of the effective date of the standard by one year to January 1, 2018 by issuing a formal amendment to the revenue standard.
  -

• IFRS 9, *Financial Instruments*
• Amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*
• Amendments to IFRS 11, *Joint Arrangements*
• Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*

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

NOTE 4. ACQUISITION

On May 15, 2015, the Corporation purchased all of the issued and outstanding shares of the capital stock of Euravia Engineering & Supply Co. Limited ("Euravia"), an aviation company that provides maintenance, repair and overhaul solutions for a wide range of aircraft and helicopter gas turbine engines. This acquisition in the United Kingdom complements the Corporation's existing repair and overhaul capabilities in North America.

The total consideration payable to the seller at closing was $68,671 in cash, or $57,608 net of cash acquired of $11,063. Included in the cash consideration paid on the acquisition date, is an estimated contingent consideration payable of $7,459 to the seller of which $3,287 has been recorded in accounts payable and accrued liabilities and provisions and $4,172 has been recorded in other long-term liabilities and provisions. The estimated contingent consideration payable is based on the annual adjusted profit before interest and taxes of Euravia over a two year period, starting January 1, 2015. The contingent consideration payable provides for a minimum payment of $6,357 and a maximum payment of $10,429.

Accounting guidance requires that identifiable assets acquired and liabilities assumed be reported at fair value as of the acquisition date of a business combination. The following table summarizes the preliminary fair values of Euravia assets and liabilities at that date.

	Amount
Current assets	17,647
Non-current assets	1,556
Goodwill and intangible assets	47,932
Current liabilities	(4,818)
Deferred tax liabilities	(4,708)
	57,608
Cash in subsidiary acquired	11,063
Total purchase consideration[1]	68,671

[1]Includes amount of $7,459 deposited in an escrow account in connection with the acquisition.

During the third quarter of 2015, the Corporation reduced total purchase consideration by $1,538, reflecting changes made to working capital balances and the estimated contingent consideration payable. The fair value of the assets acquired and liabilities assumed remain subject to completion. Under IFRS, the preliminary allocation of the purchase price to the tangible and intangible assets and liabilities acquired may change up to a period of one year from the date of the acquisition. Accordingly, the Corporation may adjust the amounts recorded as of September 30, 2015 to reflect the final valuations of the assets acquired or liabilities assumed. Material adjustments, if any, to provisional amounts in subsequent periods, will be reflected retrospectively as required.

The Corporation incurred acquisition-related costs of $523 relating to external legal fees, consulting fees and due diligence costs that are included in administration and general expenses.

The goodwill and intangible assets recognized as part of the purchase is calculated as the excess of the aggregate consideration transferred, over the fair value of the identifiable assets acquired and liabilities assumed. The goodwill arising from the acquisition is attributable to expected future income and cash-flow projections and synergies the Corporation expects to achieve in its repair and overhaul operations. The amount of goodwill recognized from the Euravia acquisition is not deductible for tax purposes.

The Corporation's results of operations for the three and nine month period ended September 30, 2015 include revenues of $10,552 and net income of $2,111 for Euravia since May 15, 2015, the date on which the acquisition was consummated. If the acquisition had occurred on January 1, 2015, management estimates that consolidated revenue would have been approximately $709,685 and

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consolidated net income would have been approximately $54,431 for the nine months ended September 30, 2015. This pro forma information is for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated at that time, nor is it intended to be a projection of future results.

NOTE 5. GOODWILL AND INTANGIBLE ASSETS

The intangible assets reflected in the unaudited condensed interim financial statements are as follows:

	September 30 2015	December 31 2014
Technology Rights	13,086	15,014
Development Costs	46,293	45,574
Acquisition goodwill and intangible assets	50,261	—
	109,640	60,588

NOTE 6. BANK INDEBTEDNESS

On September 30, 2014, the Corporation amended its credit agreement with its existing lenders. 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 [$163,913 at September 30, 2015]. 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 CDN$50,000 uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. Bank indebtedness as at September 30, 2015 of $124,383 [December 31, 2014 - $81,442] bears interest at the bankers' acceptance or LIBOR rates plus 2.00% [2.58% at September 30, 2015 (2014 – bankers' acceptance or LIBOR rates plus 2.0% or 2.87%)). Included in the amount outstanding at September 30, 2015 is US$13,932 and £10,387 [December 31, 2014 - US$15,946 and £6,820]. At September 30, 2015, the Corporation had drawn $127,831 under the operating credit facility, including letters of credit totalling $3,448 such that $36,082 was unused and available. A fixed and floating charge debenture on accounts receivable, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

NOTE 7. EMPLOYEE FUTURE BENEFITS

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

The employee benefit obligation reflected in the unaudited condensed interim financial statements is as follows:

	September 30 2015	December 31 2014
Pension Benefit Plans	11,710	15,989
Other Benefit Plan	1,548	1,346
	13,258	17,335

The discount rate assumption used in determining the obligation for pension and other benefit plans is selected based on a review of current market interest rates of high-quality, fixed rate debt securities adjusted to reflect the duration of the expected future cash outflows for pension benefit payments. As at September 30, 2015, the market interest rate of high-quality, fixed rate debt securities increased from the December 31, 2014 discount rate of 3.9% to an assumed discount rate of 4.1%. In addition, the return on plan assets exceeded the expected return during the nine month period ended September 30, 2105. The change in assumptions resulted in an actuarial gain recorded in other comprehensive income in the three and nine month period ended September 30, 2015 of $251, net of taxes of $87 and $2,461, net of taxes of $855, respectively.

NOTE 8. TAXATION

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in, adjusted for the main permanent differences identified. The effective tax rate for the three and nine month period ended September 30, 2015 was 25.3% and 26.4% respectively [26.6% and 27.2% respectively for the three and nine month period ended September 30, 2014]. The difference between the effective tax rate and the standard tax rate is primarily attributable to the change in mix of income across the different jurisdictions in which the Corporation operates.

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NOTE 9. SHARE CAPITAL

Net income per share

	Three month period ended September 30		Nine month period ended September 30	
	2015	2014	2015	2014
Net income	18,533	13,032	53,952	38,717
Weighted average number of shares	58,209	58,209	58,209	58,209
Basic and diluted net income per share	0.32	0.22	0.93	0.67

Dividends

On March 31, 2015, June 30, 2015 and September 30, 2015, the Corporation paid quarterly dividends on 58,209,001 common shares of $0.055 per common share, amounting to $9,605.

Subsequent to September 30, 2015, the Corporation declared dividends to holders of common shares in the amount of $0.0575 per common share payable on December 31, 2015, for shareholders of record at the close of business on December 10, 2015.

NOTE 10. FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

Fair values

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

Cash, trade receivables, bank indebtedness and accounts payable and accrued liabilities

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated statement of financial positions are reasonable estimates of their fair values.

Foreign exchange contracts

The Corporation enters into foreign forward exchange contracts to mitigate future cash flow exposures in United States dollars and Euros. Under these contracts the Corporation is obliged to purchase specific amounts at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in United States dollars and Euros. The Corporation does not have any material forward foreign exchange contracts outstanding as at September 30, 2015.

Borrowings subject to specific conditions

As at September 30, 2015, the Corporation has recognized $19,192 as the amount repayable to Canadian government agencies. The contributions are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales.

Collateral

As at September 30, 2015, the carrying amount of the financial assets that the Corporation has pledged as collateral for its bank indebtedness and long-term debt facilities was $210,549.

NOTE 11. RELATED PARTY TRANSACTIONS

During the three and nine month period ended September 30, 2014, the Corporation paid guarantee fees in the amount of $191 and $575 respectively to the Chairman of the Board of the Corporation. Upon the renewal of the operating credit facility on September 30, 2014, the guarantee provided by the Chairman of the Board of the Corporation was released.

NOTE 12. SEGMENTED INFORMATION

Operating segments are defined as components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which 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 disclosed in the notes to the 2014 consolidated financial statements, however the Corporation has removed the disclosure of this segment as activities in relation to these services were not material in the the three and nine month period ended September 30, 2015 and they are not expected to be material in future periods.

The Corporation's primary sources of revenue are as follows:

	Three month period ended September 30		Nine month period ended September 30	
	2015	2014	2015	2014
Sale of goods	199,338	175,609	597,872	533,576
Construction contracts	10,196	12,226	27,516	50,502
Services	26,673	14,707	73,511	50,016
	236,207	202,542	698,899	634,094

At September 30, 2015, aggregate costs incurred under open construction contracts and recognized profits, net of recognized losses, amounted to $343,694 [December 31, 2014 - $335,440]. Advance payments received for construction contracts in progress at September 30, 2015 was $2,588 [December 31, 2014 - $2,521]. Retention in connection with construction contracts at September 30, 2015 was $1,335 [December 31, 2014 - $1,160]. Advance payments and retentions are included in accounts payable, accrued liabilities and provisions.

Revenues from the Corporation's two largest customers accounted for 37.4% and 37.3% respectively of total sales for the three and nine month period ended September 30, 2015 [September 30, 2014 – two largest customers accounted for 33.0% and 34.4% respectively of total sales in the three and nine month period].

Geographic segments:

	Three month period ended September 30							
	2015				2014			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Revenue	81,114	83,925	71,168	236,207	73,794	67,589	61,159	202,542
Export revenue[1]	49,842	21,804	11,515	83,161	48,101	16,013	2,252	66,366

	Nine month period ended September 30							
	2015				2014			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Revenue	237,960	251,357	209,582	698,899	243,596	203,385	187,113	634,094
Export revenue[1]	163,096	68,394	31,690	263,180	149,269	51,696	15,202	216,167

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

	September 30, 2015				December 31, 2014			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property, plant and equipment and intangible assets	172,899	163,277	153,233	489,409	179,881	146,722	85,042	411,645

NOTE 13. MANAGEMENT OF CAPITAL

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

Total managed capital as at September 30, 2015 of $757,816 is comprised of shareholders' equity of $546,242 and interest-bearing debt of $211,574.

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

NOTE 14. CONTINGENT LIABILITES AND COMMITMENTS

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims with, among others, customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although, it is not possible to accurately estimate the extent of the potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

At September 30, 2015 capital commitments in respect of purchase of property, plant and equipment totalled $12,701, all of which had been ordered. There were no other material capital commitments at the end of the period.