MAGELLAN

DECEMBER 31, 2017

QUARTERLY REPORT

1. Overview

A summary of Magellan's business and significant updates

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, 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.

Magellan operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul, and sale of systems and components for defence and civil aviation.

Business Update

An announcement was made on November 15, 2017 that Magellan had hosted a ground-breaking ceremony for the Corporation's new manufacturing and assembly facility in India. Magellan was honoured to have Canada's federal minister of International Trade, The Honourable François-Philippe Champagne participate in the event that was also attended by an esteemed group of customers, government officials and local business colleagues. The new 140,000 square foot building will be constructed on seven acres in Hitech Defence and Aerospace Park (Aerospace SEZ Sector) in Devanahalli, Bengaluru, near the Bangalore International Airport, already an established presence in India's aerospace sector for more than a decade. Construction of the plant will be in two phases with the first phase planned to be operational near the end of 2018. The plant will employ approximately 120 high technology and support positions, and will be equipped with a comprehensive range of high speed 4 and 5-axis machining centres, selected to optimize manufacturing efficiency.

Magellan announced on January 22, 2018 that it had delivered the first of three Power Control Units ("PCU's") for a planned space mission. In 2016, Magellan was selected by the Laboratory for Atmospheric and Space Physics ("LASP") at the University of Colorado in Boulder, Colorado to provide satellite technology for a future Deep Space Interplanetary Mission. Under the contract, Magellan's facility in Winnipeg, Manitoba will deliver three PCU's and subsystems for three jointly developed Control and Data Handling ("C&DH") units. Magellan will provide its flight-proven PCU's and C&DH subsystems that utilize expertise developed by Magellan for past and current Canadian Space Agency missions.

An announcement was made on February 22, 2018 by Magellan and Robinson that a Magellan designed and manufactured WSPS™ is now available for the Robinson R66 Helicopter platform. Robinson and Magellan engineering worked in a partnership to develop an R66-specific installation that is simple, lightweight and meets all industry-standard wire protection criteria.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2017 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for fourth quarter ended December 31, 2017

The Corporation reported revenue in the fourth quarter of 2017 of $235.6 million as compared to $247.1 million in the fourth quarter of 2016. Gross profit and net income for the fourth quarter of 2017 were $45.4 million and $32.1 million, respectively, in comparison to the gross profit of $45.6 million and net income of $24.0 million for the fourth quarter of 2016.

Consolidated Revenue

	Three month period ended December 31			Twelve month period ended December 31		
Expressed in thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Canada	**81,040**	92,322	(12.2%)	**315,398**	341,006	(7.5%)
United States	**78,729**	76,846	2.5%	**314,767**	338,969	(7.1%)
Europe	**75,866**	77,904	(2.6%)	**338,789**	323,868	4.6%
Total revenues	**235,635**	247,072	(4.6%)	**968,954**	1,003,843	(3.5%)

Consolidated revenues for the three months ended December 31, 2017 were $235.6 million, an $11.5 million decrease from the $247.1 million recorded for the same period in 2016. Revenues in Canada decreased 12.2% in the fourth quarter of 2017 as compared to the fourth quarter of 2016, primarily driven by decreases in production volumes and construction contract revenues, and unfavourable foreign exchange impact due to the weakening of the United States dollar relative to the

Canadian dollar. On a currency neutral basis, Canadian revenues in the fourth quarter of 2017 decreased by 9.6% over the same period of 2016.

Revenues in United States increased by 2.5% in the fourth quarter of 2017 compared to the corresponding period in 2016 when measured in Canadian dollars mainly due to production volume increases in aerostructure and aeroengine parts and spares, offset by unfavourable foreign exchange impact due to the weakening of the United States dollar against the Canadian dollar. On a currency neutral basis, revenues in the United States increased 7.4% in the fourth quarter of 2017 over the same period in 2016.

European revenues decreased 2.6% in the fourth quarter of 2017 compared to the same period in 2016 primarily driven by unfavourable foreign exchange impact on the United States dollar exposures as the British pound strengthened relative to the United States dollar, offset by increased production volumes for single aisle aircraft. On a constant currency basis, revenues in the fourth quarter of 2017 in Europe increased by 1.5% compared to the same period in 2016.

Gross Profit

	Three month period ended December 31			**Twelve month period ended December 31**		
Expressed in thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Gross profit	**45,410**	45,552	(0.3%)	**175,847**	178,886	(1.7%)
Percentage of revenues	**19.3%**	18.4%		**18.1%**	17.8%	

Gross profit of $45.4 million for the fourth quarter of 2017 was slightly lower than the $45.6 million for the fourth quarter of 2016, while gross profit as a percentage of revenues was 19.3% for the fourth quarter of 2017, an increase from 18.4% for the same quarter in 2016. The gross profit in the current quarter was mainly driven by volume increases and higher investment tax credits recorded as a reduction of cost of revenues, offset by the unfavourable foreign exchange due to the weakening of the United States dollar against the British pound and the Canadian dollar year over year.

Administrative and General Expenses

	Three month period ended December 31			**Twelve month period ended December 31**		
Expressed in thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Administrative and general expenses	**15,026**	14,778	1.7%	**59,549**	57,557	3.5%
Percentage of revenues	**6.4%**	6.0%		**6.1%**	5.7%	

Administrative and general expenses as a percentage of revenues were 6.4% for the fourth quarter of 2017, higher than 6.0% in the corresponding period of 2016. Administrative and general expenses of $15.0 million in the fourth quarter of 2017 were relatively consistent with the fourth quarter of 2016.

Other

	Three month period ended December 31		**Twelve month period ended December 31**	
Expressed in thousands of dollars	**2017**	2016	**2017**	2016
Foreign exchange loss (gain)	**123**	(1,894)	**6,034**	(4,630)
Business closure costs	–	(254)	–	1,954
Loss (gain) on disposal of property, plant and equipment	**72**	202	**(26,533)**	442
Gain on disposition of investment property	–	–	**(2,183)**	–
Other	–	–	**4,010**	–
Total other	**195**	(1,946)	**(18,672)**	(2,234)

Other expense of $0.2 million for the fourth quarter of 2017 consisted of $0.1 million foreign exchange loss compared to a $1.9 million foreign exchange gain recorded in the corresponding period of 2016. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange loss or gain recorded in a quarter.

Interest Expense

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2017	2016	**2017**	2016
Interest on bank indebtedness and long-term debt	**352**	1,103	**2,435**	4,249
Accretion charge on borrowings and long-term debt	**(85)**	166	**611**	842
Discount on sale of accounts receivable	**453**	103	**1,665**	1,058
Total interest expense	**720**	1,372	**4,711**	6,149

Total interest expense of $0.7 million in the fourth quarter of 2017 was lower than the $1.4 million in the fourth quarter of 2016, mainly due to lower interest on bank indebtedness and long-term debt driven by lower principal amounts outstanding during the fourth quarter of 2017 than the same period in 2016, offset by a higher discount on sale of accounts receivables due to a larger volume of receivables sold under factoring programs for the fourth quarter of 2017 as compared to the same period in the prior year.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2017	2016	**2017**	2016
Current income tax expense	**3,518**	317	**15,557**	12,780
Deferred income tax (recovery) expense	**(6,198)**	7,031	**3,425**	16,054
Income tax (recovery) expense	**(2,680)**	7,348	**18,982**	28,834
Effective tax rate	**(9.1%)**	23.4%	**14.6%**	24.6%

During the three months ended December 30, 2017, a $2.7 million income tax recovery was recorded in comparison to $7.3 million income tax expenses for the same period of 2016. The decrease in the effective tax rate is primarily attributed to the reduction in the deferred tax liability in the United States as a result of new legislation which lowered the United States federal corporate income tax rate. The change in mix of income across the different jurisdictions in which the Corporation operates also impacts the change in the effective tax rate and the current and deferred income taxes expenses.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars except per share information				**2017**				2016
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	Mar 31	Jun 30	Sep 30	Dec 31
Revenues	**247.2**	**253.5**	**232.6**	**235.6**	266.1	252.7	238.0	247.1
Income before taxes	**48.5**	**26.9**	**25.4**	**29.5**	31.3	29.6	25.2	31.3
Net income	**39.4**	**20.4**	**19.3**	**32.1**	23.4	22.3	18.8	24.0
Net income per common share								
Basic and Diluted	**0.68**	**0.35**	**0.33**	**0.55**	0.40	0.38	0.32	0.41
EBITDA [1]	**62.3**	**40.4**	**37.6**	**41.2**	45.8	44.7	38.4	45.3

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

Revenues and net income reported in the table above were impacted by the movements in the Canadian dollar relative to the United States dollar and British pound when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average exchange rate of United States dollar relative to the Canadian dollar fluctuated between a high of 1.3748 in the first quarter of 2016 and a low of 1.2526 in the third quarter of 2017. The average exchange rate of British pound relative to the Canadian dollar moved from a high of 1.9674 in the first quarter of 2016 to a low of 1.6398 in the third quarter of 2017. The average exchange rate of the British pound relative to the United States dollar reached its high of 1.4347 in the second quarter of 2016 and hit a low of 1.2395 in the first quarter of 2017.

Revenue for the fourth quarter of 2017 of $235.6 million was $11.5 million lower than the fourth quarter of 2016. The average exchange rate of the United States dollar relative to the Canadian dollar in the fourth quarter of 2017 was 1.2715 versus 1.3340 in the same period of 2016. The average exchange rate of British pound relative to the Canadian dollar moved from 1.6564 in the fourth quarter of 2016 to 1.6883 during the current quarter. The average exchange rate of the British pound relative to the United States dollar increased from 1.2417 in the fourth quarter of 2016 to 1.3278 in the current quarter. Had the foreign exchange rates remained at levels experienced in the fourth quarter of 2016, reported revenues in the fourth quarter of 2017 would have been higher by $9.4 million.

As discussed above, net income reported in the quarterly information was also impacted by the foreign exchange movements. The Corporation reported its highest net income in the first quarter of 2017 mainly driven by the recognition of the gain on the sale of the land and building of its Mississauga facility. In the third quarter of 2017, the Corporation recorded a gain of $2.2 million on the disposition of an investment property. In the fourth quarter of 2017, the Corporation recognized the future tax benefit attributable to the reduction in the United States federal corporate income tax as a result of new legislation. The Corporation recorded business closure costs related to the closure of a small operating facility in the United States in the second quarter of 2016, and a margin adjustment related to one of its construction contracts in the third quarter of 2016.

4. Reconciliation of Net Income to EBITDA

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

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest expense, income taxes and depreciation and amortization) in this quarterly statement. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in the various jurisdictions. Each of the components of this measure is 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 December 31		**Twelve month period ended December 31**	
Expressed in thousands of dollars	**2017**	2016	**2017**	2016
Net income	**32,149**	24,000	**111,277**	88,580
Interest	**720**	1,372	**4,711**	6,149
Taxes	**(2,680)**	7,348	**18,982**	28,834
Depreciation and amortization	**10,962**	12,595	**46,516**	50,713
EBITDA	**41,151**	45,315	**181,486**	174,276

EBITDA decreased by 9.2% to $41.2 million for the fourth quarter of 2017 from the $45.3 million in the fourth quarter of 2016 as a result of lower interest, taxes and depreciation and amortization expenses, offset by higher net income.

5. Liquidity and Capital Resources

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

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

Cash Flow from Operations

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2017**	2016	**2017**	2016
Decrease (increase) in accounts receivable	**16,303**	8,539	**6,766**	(13,460)
Decrease (Increase) in inventories	**12,391**	1,610	**8,011**	(7,548)
Decrease (increase) in prepaid expenses and other	**2,790**	(1,294)	**3,992**	(2,762)
Increase (decrease) in accounts payable, accrued liabilities and provisions	**1,673**	30,917	**(17,320)**	30,427
Changes to non-cash working capital	**33,157**	39,772	**1,449**	6,657
Cash provided by operating activities	**67,900**	81,710	**129,949**	155,001

The Corporation generated $67.9 million in cash during the fourth quarter of 2017 from operating activities, compared to $81.7 million in the fourth quarter of 2016. The decrease in cash flow from operations was primarily impacted by lower deferred taxes offset by higher net income. Changes to non-cash working capital largely due to decreases in accounts receivable resulted from the sale of receivables under a new factoring program and decreases in inventories mainly due to timing of shipments, offset by increases in accounts payable, accrued liabilities and provisions due to timing of payments.

Investing Activities

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2017**	2016	**2017**	2016
Purchase of property, plant and equipment	**(26,679)**	(24,845)	**(64,151)**	(45,421)
Proceeds of disposals of property, plant and equipment	**21**	537	**32,742**	760
Proceeds on disposition of investment property	**–**	–	**3,900**	–
Decrease (increase) in intangible and other assets	**9,658**	1,445	**3,105**	(7,580)
Change in restricted cash	**3,900**	234	**3,665**	5,657
Cash used in investing activities	**(13,100)**	(22,629)	**(20,739)**	(46,584)

Cash used in investing activities for the fourth quarter of 2017 was $13.1 million compared to $22.6 million in the same quarter of 2016, a decrease of $9.5 million primarily attributed to lower deposits recorded in other assets. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs. Restricted cash relates to the release of amounts deposited in an escrow account in related to the sale of the investment property in the third quarter of 2017.

Financing Activities

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2017**	2016	**2017**	2016
Decrease in bank indebtedness	**(18,637)**	(48,082)	**(43,159)**	(88,873)
Decrease in debt due within one year	**(3,956)**	(4,070)	**(7,951)**	(3,718)
Decrease in long-term debt	**(611)**	(1,119)	**(13,520)**	(4,526)
(Decrease) increase in long-term liabilities and provisions	**(170)**	(214)	**1,071**	(183)
Increase in borrowings subject to specific conditions	**531**	2,596	**3,493**	5,391
Common share dividend	**(4,948)**	(3,784)	**(16,299)**	(13,825)
Cash used in financing activities	**(27,791)**	(54,673)	**(76,365)**	(105,734)

The Corporation has an operating credit facility, with a syndicate of banks, with a Canadian dollar limit of $95.0 million, a US dollar limit of US$35.0 million and a British pound limit of £11.0 million. Under the terms of the amended credit agreement, the operating credit facility expires on September 30, 2018. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a Canadian $50.0 million uncommitted accordion provision which provides the Corporation with the option to increase the size of the operating credit facility. As of December 31, 2017, the Corporation is debt-free under its credit facility.

The Corporation used $27.8 million in the fourth quarter of 2017 mainly to repay bank indebtedness, debt due within one year, long-term debt, and to pay dividends.

As at December 31, 2017 the Corporation has made contractual commitments to purchase $12.4 million of capital assets.

Dividends
During the fourth quarter of 2017, the Corporation declared and paid quarterly cash dividends of $0.085 per common shares representing an aggregating dividend payment of $4.9 million.

Subsequent to December 31, 2017, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.085 per common share. The dividend will be payable on March 30, 2018 to shareholders of record at the close of business on March 16, 2018.

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 March 2, 2018, 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 foreign exchange contracts outstanding as at December 31, 2017.

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three and twelve month periods ended December 31, 2017, the Corporation had no material transactions with related parties as defined in IAS 24 - *Related Party Disclosures*.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

The Corporation manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without hindering the ability to maximize returns. Management has procedures to help identify and manage significant operational and financial risks.

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2017 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2017, which have been filed with SEDAR at www.sedar.com.

9. Outlook

The outlook for Magellan's business in 2018

It was another record year for commercial aircraft in 2017. The worldwide commercial fleet grew by 4% during the year resulting in a new total of 31,000 aircraft in service. Boeing booked 912 orders and Airbus booked 1,109 orders building backlogs of 8.7 years and 10.4 years respectively, the highest of any time.

According to industry experts, this unprecedented commercial jetliner production supercycle will continue through to the end of the decade at which point annual deliveries will have reached $138 billion in value, 3.5 times that which was experienced in 2004. Although order bookings in 2017 were lower than the peak in 2014, Boeing and Airbus continue to fulfill their record orders with steadily increasing monthly build rates. Boeing's combined production rates for B737 and B737 MAX programs are planned to increase from the current 47 aircraft per month to 52 aircraft per month mid-2018, and then 57.7 aircraft per month in 2019. Airbus' build rate for the A320 and its variants steps up from 54 aircraft to 57 aircraft in 2018, and then to 60 aircraft per month in 2019. Boeing's B787 and B777 programs remain steady at 12 aircraft per month and 5 aircraft per month respectively. Airbus' new A350XWB and Boeing's B777X continue their ramp up towards full rate production. The A350XWB rate is currently at 8.4 aircraft per month and is planned to hit 13 aircraft per month by 2020. Boeing is building 3 B777X's in 2018 and is expected to reach between 8 aircraft and 9 aircraft per month by 2024. Wide body market recent sales announcements have added to Airbus' A380 and Boeing's B747-8 backlogs stabilizing production rates going forward.

The commercial aerospace market is currently going through some changes, the first being vertical integration and the second being emerging new partnership agreements. For various reasons original equipment manufacturers are pursuing vertical integration strategies which will ultimately challenge lower tier suppliers to realign their strategies, including those that rely heavily on aftermarket for their profits. The second change comes with announcements that Airbus has partnered with Bombardier on the C-Series program, and Boeing and Embraer are in talks to reach a possible merger agreement. The impact of these initiatives on Magellan's market positions is not expected to be material. Magellan currently has supply agreements on all Airbus and Boeing commercial fixed wing platforms.

With new business jets about to enter service and more set for certification in 2018, the business jet industry hopes to see deliveries begin to recover after hitting another low point in 2017. The industry continues to introduce new models that are more attractive and more competitive than the previous ones in an attempt to stimulate demand, however some argue it is getting more difficult to find a niche to target. The latest focus by some manufacturers is on aircraft speed, such as with Bombardier's new Global platform and the new Gulfstream offerings which are capable of flying close to supersonic speeds. This may provide some stimulus in the market however experts continue to struggle in identifing new leading indicators that will signal that this market is in sustained recovery.

In the rotorcraft market, helicopter manufacturers are finally seeing signs of stability. Airbus predicted that the global market would need at least 22,000 helicopters over the next 20 years, with emerging economies providing most of the growth potential. Commercial sales increased by 3% in 2017 driven mainly by a preference for smaller lighter upper-medium models such as Bell's 525 and Leonardo's AW189. Further growth opportunity comes as a result of the opening up of the Chinese civil helicopter market, which is generating a boom in sales for light single and twin rotorcraft. In contrast, large helicopters for oil and gas such as Airbus' H225 and Sikorsky's S-92 appear unlikely to fully recover to the volumes expected prior to the downturn in the energy market. Magellan services the rotorcraft industry through its engine MRO capabilities and Wire Strike Protection System products. In addition, the Corporation's casting facilities in Haley, Ontario and Glendale, Arizona provide aeroengine castings in support of both the business jet and helicopter markets.

In the defense market, the United States market is entering its second consecutive year of growth. United States lawmakers acknowledge that their forces require fleet modernization and repair, and are therefore recommending funding increases for almost every aviation platform. For example, the Pentagon asked for an additional 70 F-35's and Congress wants to fund 90 of them. Allied nations' budgets are also expected to grow similarly to that of the United States.

Lockheed Martin's F-35 Lightening II aircraft ("F-35") completed a successful year in 2017. By the end of the year, 241 F-35's were in service worldwide and international final assembly lines in Italy and Japan had begun operations. In November, Denmark purchased the first of its 27 planned F-35's after selecting it over the Eurofighter and Super Hornet. In 2018, the U.S. Navy is set to declare the F-35C operational, the UK will begin F-35B carrier testing and Turkey will take delivery of its first F-35 fighters. Although Lockheed did not secure any new customers in 2017 for F-35, the fighter is expected to be successful in several upcoming next-generation fighter competitions such as in Belgium, Austria, Finland, Switzerland and Poland. Late in 2017, Canada announced that a tender for a new fighter would be put out in 2019, with the new fighter entering service by the mid 2020's. The competition will be open to all qualified bidders including Lockheed and Boeing. The Corporation has been a long term supplier to both the Boeing F-18 and Lockheed F-35 programs.

While some aerospace markets remain depressed, the industry outlook overall continues to be positive. Commercial airline markets are maintaining record levels of production output and defense markets are beginning to rebound. Growth opportunities are developing as current new programs ramp up to full production and a spate of innovative new programs variants emerge. Considering its diversified capabilities, Magellan is well positioned to benefit from current and future market opportunities.

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", "expect", "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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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended December 31		Twelve month period ended December 31	
	2017	2016	**2017**	2016
Revenues	**235,635**	247,072	**968,954**	1,003,843
Cost of revenues	**190,225**	201,520	**793,107**	824,957
Gross profit	**45,410**	45,552	**175,847**	178,886
Administrative and general expenses	**15,026**	14,778	**59,549**	57,557
Other	**195**	(1,946)	**(18,672)**	(2,234)
Income before interest and income taxes	**30,189**	32,720	**134,970**	123,563
Interest	**720**	1,372	**4,711**	6,149
Income before income taxes	**29,469**	31,348	**130,259**	117,414
Income taxes				
Current	**3,518**	317	**15,557**	12,780
Deferred	**(6,198)**	7,031	**3,425**	16,054
	(2,680)	7,348	**18,982**	28,834
Net income	**32,149**	24,000	**111,277**	88,580
Other comprehensive income (loss)				
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation income (loss)	**4,676**	(590)	**(8,411)**	(44,977)
Items not to be reclassified to profit and loss in subsequent periods:				
Actuarial (loss) gain on defined benefit pension plans, net of taxes	**(1,350)**	7,791	**334**	208
Total comprehensive income	**34,475**	31,201	**103,200**	43,811
Net income per share				
Basic and diluted	**0.55**	0.41	**1.91**	1.52

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Current assets		
Cash and cash equivalents	**40,394**	7,606
Restricted cash	**3,233**	7,125
Trade and other receivables	**189,867**	205,609
Inventories	**197,857**	208,964
Prepaid expenses and other	**14,155**	18,007
	445,506	447,311
Non-current assets		
Property, plant and equipment	**401,855**	389,825
Investment properties	**2,414**	4,377
Intangible assets	**61,495**	67,443
Goodwill	**33,441**	33,797
Other assets	**24,908**	28,142
Deferred tax assets	**14,313**	22,007
	538,426	545,591
Total assets	**983,932**	992,902
Current liabilities		
Accounts payable and accrued liabilities and provisions	**161,575**	178,566
Debt due within one year	**51,834**	50,787
	213,409	229,353
Non-current liabilities		
Bank indebtedness	–	43,314
Long-term debt	**11,202**	35,364
Borrowings subject to specific conditions	**23,866**	22,867
Other long-term liabilities and provisions	**15,153**	18,617
Deferred tax liabilities	**26,070**	36,056
	76,291	156,218
Equity		
Share capital	**254,440**	254,440
Contributed surplus	**2,044**	2,044
Other paid in capital	**13,565**	13,565
Retained earnings	**405,976**	310,664
Accumulated other comprehensive income	**18,207**	26,618
	694,232	607,331
Total liabilities and equity	**983,932**	992,902

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended December 31		Twelve month period ended December 31	
	2017	2016	**2017**	2016
Cash flow from operating activities				
Net income	**32,149**	24,000	**111,277**	88,580
Amortization/depreciation of intangible assets and property, plant and equipment	**10,962**	12,595	**46,516**	50,713
Impairment of property, plant and equipment	**–**	(212)	**2,900**	923
Loss (gain) on disposal of property, plant and equipment	**43**	201	**(26,533)**	442
Gain on sale of investment property	**–**	–	**(2,183)**	–
Decrease in defined benefit plans	**(1,120)**	(720)	**(2,623)**	(1,923)
Accretion	**(85)**	165	**611**	842
Deferred taxes	**(7,051)**	6,053	**(1,134)**	9,502
Income on investments in joint ventures	**(155)**	(144)	**(331)**	(735)
Changes to non-cash working capital	**33,157**	39,772	**1,449**	6,657
Net cash provided by operating activities	**67,900**	81,710	**129,949**	155,001
Cash flow from investing activities				
Purchase of property, plant and equipment	**(26,679)**	(24,845)	**(64,151)**	(45,421)
Proceeds from disposal of property, plant and equipment	**21**	537	**32,742**	760
Proceeds on disposition of investment property	**–**	–	**3,900**	–
Decrease (increase) in intangible and other assets	**9,658**	1,445	**3,105**	(7,580)
Change in restricted cash	**3,900**	234	**3,665**	5,657
Net cash used in investing activities	**(13,100)**	(22,629)	**(20,739)**	(46,584)
Cash flow from financing activities				
Decrease in bank indebtedness	**(18,637)**	(48,082)	**(43,159)**	(88,873)
Decrease in debt due within one year	**(3,956)**	(4,070)	**(7,951)**	(3,718)
Decrease in long-term debt	**(611)**	(1,119)	**(13,520)**	(4,526)
(Decrease) increase in long-term liabilities and provisions	**(170)**	(214)	**1,071**	(183)
Increase in borrowings subject to specific conditions	**531**	2,596	**3,493**	5,391
Common share dividend	**(4,948)**	(3,784)	**(16,299)**	(13,825)
Net cash used in financing activities	**(27,791)**	(54,673)	**(76,365)**	(105,734)
Increase in cash during the period	**27,009**	4,408	**32,845**	2,683
Cash at beginning of the period	**13,253**	3,378	**7,606**	5,538
Effect of exchange rate differences	**132**	(180)	**(57)**	(615)
Cash at end of the period	**40,394**	7,606	**40,394**	7,606