MAGELLAN AEROSPACE

QUARTERLY REPORT

DECEMBER 31, 2019

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

Magellan announced on January 13, 2020 an agreement with Collins Aerospace Systems for the supply of nose landing gear assemblies for the B737 aircraft. The assemblies comprised of complex machined titanium components will be delivered through 2024 from Magellan's facility in Kitchener, Ontario. In order to provide the best solution for Collins Aerospace Systems, Magellan's vertically integrated deliverable will utilize its global resources in Ontario, New York, India, and Poland.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2019 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for fourth quarter ended December 31, 2019

The Corporation reported revenue in the fourth quarter of 2019 of $246.7 million as compared to $254.4 million in the fourth quarter of 2018. Gross profit and net income for the fourth quarter of 2019 were $34.0 million and $9.4 million, respectively, in comparison to the gross profit of $43.9 million and net income of $29.6 million for the fourth quarter of 2018.

Consolidated Revenue

		Three month period ended December 31			**Twelve month period ended December 31**	
Expressed in thousands of dollars	**2019**	2018	Change	**2019**	2018	Change
Canada	**93,423**	90,205	3.6%	**366,565**	320,838	14.3%
United States	**78,407**	81,109	(3.3%)	**322,970**	325,739	(0.9%)
Europe	**74,848**	83,070	(9.9%)	**326,684**	320,176	2.0%
Total revenues	**246,678**	254,384	(3.0%)	**1,016,219**	966,753	5.1%

Revenues in Canada increased 3.6% in the fourth quarter of 2019 as compared to the fourth quarter of 2018, primarily driven by increased volume for proprietary and casting products.

Revenues in United States decreased by 3.3% in the fourth quarter of 2019 compared to the corresponding period in 2018 when measured in Canadian dollars mainly due to volume decreases for single aisle aircraft and aeroengine parts, offset in part by higher spare sales.

European revenues decreased 9.9% in the fourth quarter of 2019 compared to the same period in 2018 primarily driven by lower repair and overhaul sales, volume decreases for wide-body aircraft and a slightly unfavourable foreign exchange impact.

Gross Profit

		Three month period ended December 31			**Twelve month period ended December 31**	
Expressed in thousands of dollars	**2019**	2018	Change	**2019**	2018	Change
Gross profit	**33,973**	43,882	(22.6%)	**156,958**	163,275	(3.9%)
Percentage of revenues	**13.8%**	17.3%		**15.4%**	16.9%	

Gross profit of $34.0 million for the fourth quarter of 2019 was lower than the $43.9 million for the fourth quarter of 2018, while gross profit as a percentage of revenues was 13.8% for the fourth quarter of 2019, a decrease from 17.3% for the same quarter in 2018. The gross profit in the current quarter was mainly driven by volume decreases in certain programs, production inefficiencies in certain of our operating divisions, higher manufacturing costs and an accrual recorded in the fourth quarter in relation to the wind-down of the A380 program.

Administrative and General Expenses

	Three month period ended December 31			Twelve month period ended December 31		
Expressed in thousands of dollars	**2019**	2018	Change	**2019**	2018	Change
Administrative and general expenses	**15,527**	14,343	8.3%	**62,312**	57,337	8.7%
Percentage of revenues	**6.3%**	5.6%		**6.1%**	5.9%	

Administrative and general expenses as a percentage of revenues were 6.3% for the fourth quarter of 2019, higher than 5.6% in the corresponding period of 2018. Administrative and general expenses of $15.5 million in the fourth quarter of 2019 increased $1.2 million as compared to the fourth quarter of 2018 due to higher employee related costs, additional costs related to the Corporation's newly acquired businesses, lower rental income and higher repairs and maintenance in the Corporation's new Mississauga facility.

Other

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2019**	2018	**2019**	2018
Foreign exchange loss (gain)	**5,150**	(481)	**1,874**	(2,993)
Loss on disposal of property, plant and equipment	**50**	185	**32**	313
Other	**332**	(9,676)	**3,112**	(9,676)
Total other	**5,532**	(9,972)	**5,018**	(12,356)

Other of $5.5 million for the fourth quarter of 2019 consisted of $5.2 million foreign exchange loss compared to $0.5 million gain in the same period of 2018. 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. In the fourth quarter of 2018, the Corporation recorded a net gain of $9.7 million related to prior acquisitions.

Interest Expense

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2019**	2018	**2019**	2018
Interest on bank indebtedness and long-term debt	**55**	2	**101**	884
Accretion charge on borrowings, lease liabilities and long-term debt	**661**	292	**2,478**	1,006
Discount on sale of accounts receivable	**498**	668	**2,053**	2,224
Total interest expense	**1,214**	962	**4,632**	4,114

Total interest expense of $1.2 million in the fourth quarter of 2019 was higher than the $1.0 million in the fourth quarter of 2018 mainly due to higher accretion charge for lease liabilities as a result of adoption of the new lease accounting standard, partially offset by decreased discount on sale of accounts receivable due to reduced level of receivables sold in the current quarter.

Provision for Income Taxes

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2019**	2018	**2019**	2018
Current income tax (recovery) expense	**(1,047)**	(1,573)	**6,105**	9,402
Deferred income tax expense	**3,338**	10,542	**11,510**	15,658
Income tax expense	**2,291**	8,969	**17,615**	25,060
Effective tax rate	**19.6%**	23.3%	**20.7%**	21.9%

Income tax expense for the three months ended December 31, 2019 was $2.3 million, representing an effective income tax rate of 19.6% compared to 23.3% for the same period of 2018. The change in mix of income across the different jurisdictions in which the Corporation operates 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	2019				2018			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenues	**246.7**	235.6	264.1	269.9	254.4	226.5	241.2	244.6
Income before taxes	**11.7**	19.6	27.8	25.9	38.5	23.4	29.8	22.5
Net income	**9.4**	15.8	21.7	20.4	29.5	18.6	23.5	17.5
Net income per common share								
Basic and Diluted	**0.16**	0.27	0.37	0.35	0.51	0.32	0.40	0.30
EBITDA [1]	**27.9**	34.1	42.7	40.5	50.7	35.5	41.8	34.1

[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 the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3375 in the second quarter of 2019 and a low of 1.2648 in the first quarter of 2018. The average exchange rate of the British pound relative to the Canadian dollar moved from a high of 1.7607 in the first quarter of 2018 to a low of 1.6280 in the third quarter of 2019. The average exchange rate of the British pound relative to the United States dollar reached its high of 1.3920 in the first quarter of 2018 and hit a low of 1.2327 in the third quarter of 2019. Had the foreign exchange rates remained at levels experienced in the fourth quarter of 2018, reported revenues in the fourth quarter of 2019 would have been higher by $0.3 million.

As discussed above, net income reported in the quarterly information was also impacted by the foreign exchange movements. In the fourth quarter of 2018, the Corporation recorded a net gain of $9.7 million related to prior acquisitions. The fourth quarter of 2019 was impacted by volume decrease in Europe, production inefficiencies in certain of our operating divisions and an accrual recorded in relation to the wind-down of the A380 program.

4. Reconciliation of Net Income to EBITDA

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

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

	Three month period ended December 31		**Twelve month period ended December 31**	
Expressed in thousands of dollars	**2019**	2018	**2019**	2018
Net income	**9,409**	29,580	**67,381**	89,120
Interest	**1,214**	962	**4,632**	4,114
Taxes	**2,291**	8,969	**17,615**	25,060
Depreciation and amortization	**15,014**	11,206	**55,593**	43,809
EBITDA	**27,928**	50,717	**145,221**	162,103

EBITDA decreased $22.8 million or 44.9% to $27.9 million for the fourth quarter of 2019, compared to $50.7 million in the fourth quarter of 2018 mainly as a result of lower net income and taxes, offset by higher interest and depreciation and amortization expenses mainly driven by the implementation of new lease accounting standard. Lower net income in the fourth quarter of 2019 when compared to the fourth quarter 2018 was mainly attributable to lower operating margins, foreign exchange fluctuation and a settlement gain recorded in 2018.

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	**2019**	2018	**2019**	2018
Decrease (increase) in accounts receivable	**11,413**	(9,258)	**12,183**	(13,224)
Decrease (increase) in contract assets	**13,655**	2,280	**(12,870)**	(18,335)
(Increase) decrease in inventories	**(3,755)**	9,015	**(21,096)**	1,868
Decrease (increase) in prepaid expenses and other	**2,803**	2,169	**(1,124)**	(5,412)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(8,302)**	9,476	**(3,974)**	(6,046)
Changes in non-cash working capital balances	**15,814**	13,682	**(26,881)**	(41,149)
Cash provided by operating activities	**43,000**	60,812	**104,205**	99,997

The Corporation generated $43.0 million in cash during the fourth quarter of 2019 from operating activities, compared to $60.8 million in the fourth quarter of 2018. The decrease in cash flow from operations was mainly impacted by the lower net income partially offset by higher depreciation and amortization expenses. The quarter over quarter increase in non-cash working capital balances was largely due to decreases in accounts receivables and contract assets from the timing of production and billing related to products transferred over time, partially offset by higher inventory levels to support increased demand and schedule changes, and the decrease in accounts payable, accrued liabilities and provisions due to the nature of purchases and timing of payments.

Investing Activities

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2019**	2018	**2019**	2018
Business combination, net of cash acquired	**(2,858)**	–	**(5,519)**	–
Purchase of property, plant and equipment	**(17,152)**	(26,827)	**(51,820)**	(48,346)
Proceeds of disposals of property, plant and equipment	–	208	**388**	411
Decrease (increase) in intangible and other assets	**826**	1,134	**(5,301)**	(2,728)
Change in restricted cash	–	3,329	–	3,329
Cash used in investing activities	**(19,184)**	(22,156)	**(62,252)**	(47,334)

Cash used in investing activities for the fourth quarter of 2019 was $19.2 million compared to $22.2 million in the same quarter of 2018, a decrease of $3.0 million primarily attributed to lower purchase of capital assets, partially offset by cash used for a business combination and change in restricted cash. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs.

Financing Activities

	Three month period ended December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2019**	2018	**2019**	2018
Decrease in bank indebtedness	–	(43)	–	(264)
Increase (Decrease) in debt due within one year	**6,175**	7,414	**(1,720)**	3,892
Decrease in long-term debt	**(2,063)**	(645)	**(4,124)**	(15,165)
Lease liability payments	**(1,215)**	–	**(3,972)**	–
Increase (Decrease) in long-term liabilities and provisions	**112**	(901)	**(44)**	(945)
(Decrease) increase in borrowings, net	–	(188)	**(803)**	1,302
Common share dividend	**(6,112)**	(5,821)	**(23,575)**	(20,664)
Cash used in financing activities	**(3,103)**	(184)	**(34,238)**	(31,844)

The Corporation has a Bank Credit Facility Agreement with a syndicate of lenders. The Bank Credit Facility Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of $75 million. The Bank Credit Facility Agreement also includes a $75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to $150 million. Under the terms of the Bank Credit Facility Agreement, the operating credit facility expires on September 13, 2021. Any extensions of the operating credit facility are subject to mutual consent of the lenders and the Corporation.

The Corporation used $3.1 million in the fourth quarter of 2019 mainly from the payment of common share dividends and lease liabilities, and repayment of long term debt offset by higher sale of accounts receivables.

As at December 31, 2019 the Corporation has made contractual commitments to purchase $8.5 million of capital assets.

Dividends
During the fourth quarter of 2019, the Corporation declared and paid quarterly cash dividends of $0.105 per common shares representing an aggregating dividend payment of $6.1 million.

Subsequent to December 31, 2019, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.105 per common share. The dividend will be payable on March 31, 2020 to shareholders of record at the close of business on March 20, 2020.

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 6, 2020, 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. As at December 31, 2019, there were no foreign exchange contracts outstanding.

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, 2019, 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, 2019 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2019, which have been filed with SEDAR at www.sedar.com.

9. Outlook

The outlook for Magellan's business in 2020

Growth in the global commercial aerospace market is expected to continue through 2020; however, forecasters are highlighting several areas to be watched. The air traffic growth rate slowed to 4.2% in 2019 compared to an annual average of 6.2% experienced between 2009 and 2018. Slower air traffic growth could have a tempering effect on the current up cycle. As the single-aisle aircraft represents the largest segment within this market, the timing of Boeing's 737 MAX return-to-service and production restart is an important factor in the overall outlook. Finally, a weakness in demand for wide-body aircraft appears to be signaling a reset for that market segment.

Both Boeing and Airbus closed 2019 with lower order backlogs than the prior year. Boeing closed with a backlog of 5,625 aircraft, a net decrease of 326 aircraft. Airbus closed with a backlog of 7,482 aircraft, a net decrease of 95 aircraft.

The single-aisle market saw Boeing cut the 737 production rate in early second quarter of 2019 from 52 aircraft per month to 42 per month and then in December 2019 Boeing announced that it would pause production starting in January 2020. There are approximately 400 undelivered 737 MAX aircraft parked on the ground and another 387 delivered aircraft that need to be returned to service once authorization has been given by the regulators. In its latest statement, Boeing estimated that the ungrounding would begin during mid-2020.

Boeing's competitor Airbus is currently building its single-aisle A320 aircraft at a rate of 59 aircraft per month which is lower than the 63 aircraft per month that was planned for by the fourth quarter of 2019. The higher rate is now expected to begin by the end of 2020.

The wide-body aircraft market is weak. Responding to a low order intake, Boeing will reduce its 787 aircraft build rate from 14 aircraft per month to 12 aircraft per month late in 2020. In February 2019, Airbus announced that it would wind down the A380 program following the cancellation of orders by the program's largest customer, Emirates. The program will officially cease production in 2020. Several new wide-body programs experienced setbacks in 2019 including Boeing's 777-8 aircraft, which is on hold until 2021. Their 777-9 program and Airbus' A330neo were both delayed in 2019 due to engine issues. Production of the A350 aircraft has dropped from 9.8 aircraft per month to 9.4 aircraft per month for the next few years. A new threat to the wide-body market is the success of Airbus' new A321XLR long range aircraft that was launched in June 2019 in Paris. With the A321XLR model, airlines will be able to operate a lower-cost single-aisle aircraft on longer and less heavily travelled routes, many of which can now only be served by larger and less efficient wide-body aircraft.

In the regional jet market, the A220 aircraft backlog has increased strongly since Airbus assumed ownership of the program from Bombardier. Their new Alabama facility is slated to deliver up to 4 aircraft per month with Canadian facilities having a capacity to deliver up to 10 aircraft per month. The Boeing/Embraer commercial aircraft division deal was expected to close by the end of 2019, but due to unexpected European Union regulatory delays, completion is now pushed into the first quarter of 2020. Embraer achieved the first flight of its new E175-E2 in December 2019. The other two aircraft in the series, the E190-E2 and E195-E2, are both performing well with order backlogs of around 44 and 124 aircraft respectively. In 2019, Mitsubishi acquired Bombardier's CRJ regional jet operations. Their domestic MRJ program now rebranded as SpaceJet has been plagued with delays. The program had orders for 490 aircraft at the end of 2019. The first delivery of the M90 is expected in 2020 with the M100 planned for 2023.

In the regional turboprop market, ATR continues to hold the strongest position with an order backlog at the end of 2019 of 486 ATR 42's and 1,234 ATR 72's. Comparatively, De Havilland Canada closed 2019 with a Q400 order backlog of approximately 45 aircraft.

Business jet deliveries were 10% higher in 2019 compared to 2018, a growth driven primarily by new products introduced to stimulate demand. According to Forecast International, this market is expected to grow modestly in 2020 and then decline in 2021 and 2022 before resuming growth in 2023.

Flight International has stated that worldwide defence spending will grow by 3 to 4% in 2020 and by 3% annually through at least 2023 due to increasing global security concerns. In the United States, the Government's fiscal year 2020 Defense

Appropriations Bill, which was approved last December, increased spending by US$18.9 billion over fiscal year 2019. Some key programs benefiting from this bill were F-35 and F/A-18E/F fighters, UH-60 Blackhawk and AH-64 Apache helicopters, KC-46 Tankers and C130J transport aircraft.

Lockheed Martin's F-35 Fighter Program achieved a number of key milestones in 2019 including the delivery of 134 aircraft, 3 aircraft ahead of plan, and reduced the F-35A price to $77.9 million, which was ahead of the $80.0 million goal, one year earlier than planned. In 2020 Lockheed plans to deliver 141 F-35's while preparing to increase volume year-over-year to reach a peak of around 170 aircraft in 2022, as demand for the aircraft remains strong for the U.S. Department of Defense and international customers. There are currently more than 490 aircraft operating from 21 bases in eight nations around the globe.

Canada's Future Fighter replacement program has three competitors remaining in the $19.0 billion contest: Lockheed Martin with its F-35; Boeing with the Super Hornet; and Saab, which is offering an updated version of its Gripen fighter. Proposals are due to the Canadian Government by June 30, 2020. A down selection is expected in 2020 or 2021 followed by the identification of the selected bidder in early 2022 and first aircraft delivery planned in 2025.

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.

-30-

For additional information contact:

Phillip C. Underwood
President & Chief Executive Officer
T: (905) 677-1889
E: phil.underwood@magellan.aero

Elena M. Milantoni
Chief Financial Officer
T: (905) 677-1889
E: elena.milantoni@magellan.aero

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended December 31 **2019**	 2018	Twelve month period ended December 31 **2019**	 2018
Revenues	**246,678**	254,384	**1,016,219**	966,753
Cost of revenues	**212,705**	210,502	**859,261**	803,478
Gross profit	**33,973**	43,882	**156,958**	163,275
Administrative and general expenses	**15,527**	14,343	**62,312**	57,337
Other	**5,532**	(9,972)	**5,018**	(12,356)
Income before interest and income taxes	**12,914**	39,511	**89,628**	118,294
Interest	**1,214**	962	**4,632**	4,114
Income before income taxes	**11,700**	38,549	**84,996**	114,180
Income taxes				
Current	**(1,047)**	(1,573)	**6,105**	9,402
Deferred	**3,338**	10,542	**11,510**	15,658
	2,291	8,969	**17,615**	25,060
Net income	**9,409**	29,580	**67,381**	89,120
Other comprehensive income (loss)				
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation	**8,010**	21,905	**(18,839)**	26,171
Items not to be reclassified to profit and loss in subsequent periods:				
Actuarial gain (loss) on defined benefit pension plans, net of taxes	**4,194**	(10,163)	**(141)**	(5,203)
Total comprehensive income, net of taxes	**21,613**	41,322	**48,401**	110,088
Net income per share				
Basic and diluted	**0.16**	0.51	**1.16**	1.53

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	**December 31 2019**	December 31 2018
Current assets		
Cash	**69,637**	63,316
Trade and other receivables	**177,801**	187,897
Contract assets	**77,967**	66,436
Inventories	**196,823**	175,082
Prepaid expenses and other	**21,127**	20,058
	543,355	512,789
Non-current assets		
Property, plant and equipment	**439,102**	428,878
Right-of-use assets	**44,692**	—
Investment properties	**2,180**	2,305
Intangible assets	**65,373**	62,745
Goodwill	**34,137**	35,104
Other assets	**8,770**	19,666
Deferred tax assets	**3,556**	11,393
	597,810	560,091
Total assets	**1,141,165**	1,072,880
Current liabilities		
Accounts payable and accrued liabilities and provisions	**151,907**	154,407
Debt due within one year	**48,144**	44,393
	200,051	198,800
Non-current liabilities		
Long-term debt	**6,876**	9,064
Lease liabilities	**39,794**	—
Borrowings subject to specific conditions	**24,098**	24,510
Other long-term liabilities and provisions	**20,289**	19,668
Deferred tax liabilities	**34,181**	33,165
	125,238	86,407
Equity		
Share capital	**254,440**	254,440
Contributed surplus	**2,044**	2,044
Other paid in capital	**13,565**	13,565
Retained earnings	**516,911**	473,246
Accumulated other comprehensive income	**25,539**	44,378
Equity attributable to equity holders of the Corporation	**812,499**	787,673
Non-controlling interest	**3,377**	—
Total liabilities and equity	**1,141,165**	1,072,880

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended December 31 **2019**	 2018	Twelve month period ended December 31 **2019**	 2018
Cash flow from operating activities				
Net income	**9,409**	29,580	**67,381**	89,120
Amortization/depreciation of intangible assets, right-of-use assets, and property, plant and equipment	**15,014**	11,206	**55,593**	43,809
Loss on disposal of property, plant and equipment	**50**	186	**32**	313
Gain on disposal of joint venture investment	**—**	—	**(881)**	—
(Decrease) increase in defined benefit plans	**(226)**	187	**(68)**	(597)
Accretion of financial liabilities	**661**	292	**2,478**	1,006
Deferred taxes	**2,389**	5,944	**7,041**	8,164
Income on investments in joint ventures	**(111)**	(265)	**(490)**	(669)
Changes to non-cash working capital	**15,814**	13,682	**(26,881)**	(41,149)
Net cash provided by operating activities	**43,000**	60,812	**104,205**	99,997
Cash flow from investing activities				
Business combination, net of cash acquired	**(2,858)**	—	**(5,519)**	—
Purchase of property, plant and equipment	**(17,152)**	(26,827)	**(51,820)**	(48,346)
Proceeds from disposal of property, plant and equipment	**—**	208	**388**	411
Decrease (increase) in intangible and other assets	**826**	1,134	**(5,301)**	(2,728)
Change in restricted cash	**—**	3,329	**—**	3,329
Net cash used in investing activities	**(19,184)**	(22,156)	**(62,252)**	(47,334)
Cash flow from financing activities				
Decrease in bank indebtedness	**—**	(43)	**—**	(264)
Increase (decrease) in debt due within one year	**6,175**	7,414	**(1,720)**	3,892
Decrease in long-term debt	**(2,063)**	(645)	**(4,124)**	(15,165)
Lease liability payments	**(1,215)**	—	**(3,972)**	—
Increase (decrease) in long-term liabilities and provisions	**112**	(901)	**(44)**	(945)
(Decrease) increase in borrowings, net	**—**	(188)	**(803)**	1,302
Common share dividend	**(6,112)**	(5,821)	**(23,575)**	(20,664)
Net cash used in financing activities	**(3,103)**	(184)	**(34,238)**	(31,844)
Increase in cash during the period	**20,713**	38,472	**7,715**	20,819
Cash at beginning of the period	**48,228**	22,943	**63,316**	40,394
Effect of exchange rate differences	**696**	1,901	**(1,394)**	2,103
Cash at end of the period	**69,637**	63,316	**69,637**	63,316