QUARTERLY REPORT
MARCH 31, 2021

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto for the three month period ended March 31, 2021, and the audited annual consolidated financial statements for the year ended December 31, 2020 (available on SEDAR at www.sedar.com). Unless otherwise noted, all financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the three month period ended March 31, 2021 relative to the three month period ended March 31, 2020. The information contained in this report is as at May 4, 2021. 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. In particular and without limitation there are forward looking statements under the heading "Overview", "Results of Operations", "Liquidity and Capital Resources", "Risk Factors", "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. In particular, the Corporation has not adjusted or revised any forward-looking statements in this report to account for the potential disruption to its business from the novel coronavirus outbreak, the full impact from which is not immediately known or quantifiable. 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 Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, goodwill impairment and restructuring), which the Corporation considers to be indicative measures of operating performance and metrics to evaluate profitability. EBITDA and Adjusted EBITDA are not generally accepted earnings measures and should not be considered as alternatives 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 and Adjusted EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA and Adjusted 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. Through its wholly owned subsidiaries, controlled entity and joint venture, Magellan designs, 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 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.

Impact of COVID-19

In March 2020, due to the worsening public health crisis associated with the novel coronavirus ("COVID-19"), the World Health Organization ("WHO") declared COVID-19 a global pandemic. Governments worldwide, including those countries in which Magellan operates, enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand in the aerospace industry. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions and vaccination programs have been introduced to inoculate people against COVID-19; however, the situation continues to evolve (including the prevalence of virus variants), and the long-term success of these interventions is not yet determinable.

In the first quarter of 2021, the disruption to air travel and commercial activities, particularly within the aerospace and commercial airline industries continued to negatively impact global supply, demand and distribution capabilities. There are some positive signs of recovery in the market, however, the COVID-19 pandemic continues to adversely affect Magellan's customers and their demand for the Corporation's products and services. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation remains unknown at this time.

Financial impacts

The challenging economic climate may have material adverse impact on Magellan including, but not limited to, significant declines in revenue as the Corporation's customers are concentrated in the aerospace industry; impairment charges to the Corporation's property, plant and equipment, intangible assets and goodwill due to declines in revenue and cash flows; and restructuring charges as Magellan aligns its structure and personnel to the dynamic environment. Estimates and judgements made in the preparation of financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

Magellan has implemented measures to align its cost structure during the current market conditions, including headcount reductions and re-balancing work force; elimination of all non-essential travel, entertaining and other discretionary spending; and reductions to the capital expenditure plan. The carrying value of the Corporation's long-lived assets are reviewed for indications of impairment at the end of each reporting period. At March 31, 2021, the Corporation reviewed each cash-generating unit and did not identify indications of impairment.

Operational impacts

During this pandemic, the aerospace manufacturing industry, in the jurisdictions the Corporation operates in, has been classified as an "essential service". As a result, the Corporation's operations remained open, but at reduced levels of activity during the first quarter of 2021.

To manage the additional safety risks presented by COVID-19, Magellan implemented standardized tools and methods to keep its employees safe and well informed. Magellan has implemented additional safety, sanitization and physical distancing procedures, including remote work sites where possible, and ceased all non-essential business travel. Magellan's procedures are designed to align with recommendations from the WHO, the United States' Centers for Disease Control and Prevention, and applicable federal, state and provincial government health authorities.

Liquidity

As at March 31, 2021, the Corporation ended with a cash balance of $71.3 million and $70.5 million of available borrowing capacity under Magellan's operating credit facility, providing the Corporation with $141.8 million of total liquidity. The credit facility agreement also includes a $75 million uncommitted accordion provision that provides the Corporation with the option to increase the size of the operating credit facility to $150 million. Magellan expects that cash provided by operations, cash on hand and its sources of financing will be sufficient to meet the Corporation's debt obligations and fund committed and future capital expenditures.

Business Update

On March 16, 2021, Magellan Aerospace announced the signing of a five year renewal agreement with Avio Aero, a GE Aviation Company, for the supply of magnesium and aluminum castings. The castings will be produced primarily at Magellan's Haley, Ontario facility, with several also being produced at its Glendale, Arizona facility.

On March 31, 2021, Magellan Aerospace announced an agreement with Boeing Commercial Airplanes on a contract extension for the supply of landing gear kits and other complex structural components for the 737, 767, and 777 airplanes. The significant, long term contract extension will see product delivered from Magellan's facilities in Kitchener, Ontario and New York City, New York. Magellan's solution for Boeing Commercial Airplanes employs a vertical integration strategy utilizing global resources in Kitchener, New York City, and India. Magellan will deliver the kits and hardware direct to Boeing's assembly facilities in Renton and Everett, Washington.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2020 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for the first quarter ended March 31, 2021

The Corporation reported revenue in the first quarter of 2021 of $176.3 million, a $62.5 million decrease from the first quarter of 2020 revenue of $238.8 million. Gross profit and net income for the first quarter of 2021 were $17.1 million and $3.3 million, respectively, in comparison to gross profit of $36.8 million and net income of $20.1 million for the first quarter of 2020.

Consolidated Revenue

		Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020	Change
Canada	**81,036**	94,243	(14.0%)
United States	**45,809**	64,718	(29.2%)
Europe	**49,436**	79,852	(38.1%)
Total revenues	**176,281**	238,813	(26.2%)

The COVID-19 pandemic and resulting economic contraction, including the continued disruption to air travel and commercial activities, particularly within the commercial aerospace industry, continue to have a negative impact on demand for the Corporation's aerospace products and services.

Revenues in Canada decreased 14.0% in the first quarter of 2021 compared to the corresponding period in 2020, primarily due to decreased volumes for casting and proprietary products.

Revenues in the United States decreased by 29.2% in the first quarter of 2021 compared to the first quarter of 2020, primarily due to volume decreases for wide-body aircraft and aeroengine products.

European revenues in the first quarter of 2021 decreased 38.1% compared to the corresponding period in 2020 primarily driven by build rate reductions for both single aisle and wide-body aircraft.

Gross Profit

		Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020	Change
Gross profit	**17,079**	36,772	(53.6%)
Percentage of revenues	**9.7%**	15.4%	

Gross profit of $17.1 million for the first quarter of 2021 was $19.7 million lower than the $36.8 million gross profit for the first quarter of 2020, and gross profit as a percentage of revenues of 9.7% for the first quarter of 2021 decreased from 15.4% recorded in the same period in 2020. The gross profit in the current quarter was primarily impacted by volume decreases, higher production costs and unfavourable product mix.

Administrative and General Expenses

		Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020	Change
Administrative and general expenses	**11,644**	15,676	(25.7%)
Percentage of revenues	**6.6%**	6.6%	

Administrative and general expenses as a percentage of revenues of 6.6% for the first quarter of 2021 were consistent with the same period of 2020. Administrative and general expenses decreased $4.0 million or 25.7% to $11.6 million in the first quarter of 2021 compared to $15.7 million in the first quarter of 2020 mainly due to lower salary and related expenses and lower discretionary spending to align with current business volumes.

Restructuring

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Restructuring	176	—

Restructuring cost of $176 incurred in the first quarter of 2021 mainly related to the closure of the Bournemouth manufacturing facilities announced in the fourth quarter of 2020.

Other

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Foreign exchange gain	**(849)**	(5,785)
(Gain) loss on disposal of property, plant and equipment	**(7)**	19
Other	—	(172)
Total other	**(856)**	(5,938)

Other income for the first quarter of 2021 included a $0.8 million foreign exchange gain compared to a $5.8 million foreign exchange gain in the first quarter of the prior year. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange gain or loss recorded in a quarter.

Interest Expense

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Interest on bank indebtedness and long-term debt	**62**	66
Accretion charge for borrowings, lease liabilities and long-term debt	**645**	814
Discount on sale of accounts receivable	**194**	320
Total interest expense	**901**	1,200

Total interest expense of $0.9 million in the first quarter of 2021 decreased $0.3 million compared to the first quarter of 2020 mainly due to lower accretion charge on lease liabilities and long-term debt as principal amounts decreased, and lower discount on sale of accounts receivables due to lower volume of receivables sold in the current quarter.

Provision for Income Taxes

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Expense of current income taxes	**3,237**	2,047
Expense of deferred income taxes	**(1,285)**	3,713
Total expense of income taxes	**1,952**	5,760
Effective tax rate	**37.4%**	22.3%

Income tax expense for the three months ended March 31, 2021 was $2.0 million, representing an effective income tax rate of 37.4% compared to 22.3% for the same period of 2020. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in mix of income across the different jurisdictions in which the Corporation operates and reversal of temporary differences.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2021	2020						2019
Expressed in millions of dollars, except per share amounts	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Revenues	**176.3**	180.1	163.4	162.2	238.8	246.7	235.6	264.1
Income before taxes	**5.2**	(23.6)	2.2	10.0	25.8	11.7	19.6	27.8
Net Income	**3.3**	(22.9)	0.0	6.1	20.1	9.4	15.8	21.7
Net Income per share								
Basic and diluted	**0.06**	(0.40)	0.00	0.10	0.34	0.16	0.27	0.37
EBITDA[1]	**19.2**	(6.8)	16.3	24.8	41.5	27.9	34.1	42.7
Adjusted EBITDA[1]	**19.3**	11.5	21.8	25.5	41.5	27.9	34.1	42.7

[1] EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 4 the "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" section for more information.

Commencing in March 2020, the outbreak of the COVID-19 pandemic caused disruption to air travel and commercial activities, particularly within the commercial aerospace industry, and negatively impacted global supply, demand and distribution capabilities. As a result, there was a decrease in demand for the Corporation's aerospace products and services that led to lower revenues and profits.

Revenues and net income reported in the quarterly financial information were also 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 the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3859 in the second quarter of 2020 and a low of 1.2666 in the current quarter. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.7461 in the first quarter of 2021 and hit its lowest rate of 1.6280 in the third quarter of 2019. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3788 in the first quarter of 2021 and hit a low of 1.2327 in the third quarter of 2019.

Revenue for the first quarter of 2021 of $176.3 million was lower than that in the first quarter of 2020. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the first quarter of 2021 was 1.2666 versus 1.3442 in the same period of 2020. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.7185 in the first quarter of 2020 to 1.7461 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar increased from 1.2805 in the first quarter of 2020 to 1.3788 in the current quarter. Had the foreign exchange rates remained at levels experienced in the first quarter of 2020, reported revenues in the first quarter of 2021 would have been higher by $6.7 million.

As discussed above, net income reported in the quarterly information was impacted by the foreign exchange movements. The fourth quarter of 2019 was impacted by volume decreases in Europe, production inefficiencies in certain operating divisions and an accrual recorded in relation to the wind-down of the A380 program. Results for the first quarter of 2021 and the second, third and fourth quarter of 2020 were impacted by volume decreases in a number of commercial programs due to COVID-19. During the third quarter of 2020, Magellan implemented cost savings initiatives designed to reduce operating costs by re-balancing its workforce and recognized severance costs of $5.6 million. A $3.4 million cost recovery was recorded against cost of sales as a result of the cancellation of A320neo program in the third quarter of 2020. In the fourth quarter of 2020, the Corporation committed to a plan to restructure its manufacturing divisions in Europe due to a decrease in demand as a result of a deterioration in economic conditions stemming from COVID-19 and recognized a $5.6 million restructuring charge including a $2.4 million impairment loss related to assets made obsolete as a result of the plan. Further, a $12.0 million goodwill impairment charge was recorded in the fourth quarter of 2020. The Corporation recognized $8.6 million, $10.4 million, and $1.0 million in respect of the government subsidy relating to the CEWS program in the second, third and fourth quarter of 2020 respectively, and reduced the expense that the subsidy is intended to offset.

4. Reconciliation of Net Income to EBITDA and Adjusted 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, income taxes and depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, goodwill impairment and restructuring) in this 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 and Adjusted EBITDA are useful supplemental measures as they provide 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 component of this measure is calculated in accordance with IFRS, but EBITDA and Adjusted EBITDA are not recognized measures under IFRS, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, EBITDA and Adjusted EBITDA should not be used as alternatives to net income as determined in accordance with IFRS or as alternatives to cash provided by or used in operations.

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Net income	**3,262**	20,074
Interest	**901**	1,200
Taxes	**1,952**	5,760
Depreciation and amortization	**13,041**	14,509
EBITDA	**19,156**	41,543
Add back:		
Restructuring	**176**	—
Adjusted EBITDA	**19,332**	41,543

EBITDA in the first quarter of 2021 decreased $22.4 million or 53.9% to $19.2 million in comparison to $41.5 million in the same quarter of 2020 mainly as a result of lower net income driven by volume reductions, taxes, depreciation and amortization expense, and interest. Adjusted EBITDA decreased $22.2 million or 53.5% as compared to $41.5 million in 2020.

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, repurchase common shares 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 March 31	
Expressed in thousands of dollars	**2021**	2020
Increase in trade receivables	**(24,703)**	(29,933)
Increase in contract assets	**(10,390)**	(6,713)
Increase in inventories	**(2,178)**	(13,549)
Increase in prepaid expenses and other	**(1,588)**	(4,421)
Increase (decrease) in accounts payable, accrued liabilities and provisions	**2,207**	(2,834)
Changes to non-cash working capital balances	**(36,652)**	(57,450)
Cash used in operating activities	**(20,898)**	(18,992)

For the three months ended March 31, 2021, the Corporation used $20.9 million from operating activities, compared to $19.0 million used in the first quarter of 2020. Changes in non-cash working capital items used cash of $36.7 million, $20.8 million lower when compared to the usage of $57.5 million in the prior year largely attributable to the favourable quarter over quarter changes in inventories driven by volume reductions and timing of material purchases; in accounts receivable from lower revenues and timing of payments; in prepaid expenses due to timing of payments; and in accounts payable, accrued liabilities and provisions primarily driven by timing of supplier payments and receipt of milestone payments. This was offset in part by higher contract assets from the timing of production and billing related to products transferred over time.

Investing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Purchase of property, plant and equipment	**(2,663)**	(4,210)
Proceeds of disposal of property plant and equipment	**86**	—
Increase in intangible and other assets	**(1,003)**	(1,728)
Change in restricted cash	—	(1,246)
Cash used in investing activities	**(3,580)**	(7,184)

Investing activities used $3.6 million cash for the first quarter of 2021 compared to $7.2 million cash used in the same quarter of the prior year, a reduction of $3.6 million primarily due to lower levels of investment in property, plant and equipment and intangibles, and timing of restricted cash.

Financing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2021**	2020
Decrease in debt due within one year	**(8,877)**	(2,997)
Decrease in long-term debt	**(458)**	(592)
Lease liability payments	**(1,677)**	(1,758)
Decrease in long-term liabilities and provisions	**(180)**	(255)
(Decrease)/increase in borrowings subject to specific conditions, net	**(1,104)**	29
Common share dividend	**(6,062)**	(6,112)
Cash used in financing activities	**(18,358)**	(11,685)

The Corporation has a Bank Credit Facility Agreement with a syndicate of lenders, of which there were no drawings under as of March 31, 2021. 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 $18.4 million in the first quarter of 2021 mainly for the repayment of debt due within one year, the payment of common share dividends, lease liabilities and borrowing subject to specific conditions.

As at March 31, 2021, the Corporation had contractual commitments to purchase $5.0 million of capital assets.

Dividends

During the first quarter of 2021, 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 March 31, 2021, 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 June 30, 2021 to shareholders of record at the close of business on June 16, 2021.

Normal Course Issuer Bid

On May 27, 2020, the Corporation commenced a normal course issuer bid to repurchase for cancellation up to 2,910,450 of the Corporation's issued and outstanding common shares. As of March 31, 2021, under the program the Corporation purchased for cancellation 479,895 common shares. The program will terminate on May 26, 2021, subject to renewal.

Outstanding Share Information
The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at May 4, 2021, 57,729,106 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 March 31, 2021, $5.5 million of foreign exchange contracts were outstanding with an immaterial fair value.

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 month period ended March 31, 2021, 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.

The worldwide COVID-19 pandemic continues to cause material disruption to businesses globally. The introduction of vaccines has led to optimism; however, the situation continues to evolve (including the prevalence of virus variants). The extent and duration of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty and, accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty.

The Corporation is susceptible to risks relating to production disruption caused by unionized employees, including work stoppages or work slowdowns. The recent labour strike at the Corporation's Haley, Ontario facility which commenced at the end of the first quarter of 2021 is causing work slowdowns. The extent and duration is uncertain. The strike could adversely affect deliveries to the Corporation's customers and the Corporation's financial performance.

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, 2020 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2020, 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, 2021 and have been applied in preparing the consolidated interim financial statements.

- Interest Rate Benchmark Reform – amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*. The adoption did not have a material impact on the Corporation's financial results.

The IASB has issued the following new standards and amendments that are not yet adopted by the Corporation and could have an impact on future periods. The Corporation is currently assessing the potential impact on its consolidated financial statements.

- Amendments to IAS 1, *Presentation of Financial Statements*, clarifying the requirements for classifying liabilities as current or non-current.
- Amendments to IAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*, clarifying the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use.
- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, clarifying the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- Amendments to IAS 8 – *Definition of Accounting Estimates* to help entities distinguish changes in accounting estimates from changes in accounting policies.
- Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*, providing guidance and examples to help entities apply materiality judgements to accounting policy disclosures**.**

10. Critical Accounting Estimates

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

In the 2020 audited annual consolidated financial statements and management's discussion and analysis, the Corporation identified the accounting policies and estimates that are critical to the understanding of the business and results of operations. Please refer to note 1 to the audited consolidated financial statements for the year ended December 31, 2020 for a discussion regarding the critical accounting estimates.

11. Controls and Procedures

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

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2021 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.

12. Outlook

The outlook for Magellan's business in 2021

Despite another wave of escalating COVID-19 cases around the world, the global airline industry is beginning to see signs of recovery within certain geographic regions. While global commercial flight cycles improved in the first quarter to 63.5% of 2019 levels compared to 61% at the end of 2020, North American and Asia-Pacific markets showed the greatest improvement, with flight cycles reaching approximately 80% compared to 2019. Europe and the Middle East lagged behind these regions with flight cycles at 36.7% and 53.9% respectively versus 2019. Considering the pent-up demand for travel, economic stimulus and access to vaccines, some forecasters now predict that the North American market will reach full recovery in 2022.

As a result of improving flight cycles, commercial aerospace original equipment manufacturers are beginning to express optimism for a possible V-shaped recovery of the market. Magellan continues to take a conservative approach towards the timing of market recovery and to manage its business accordingly. Notwithstanding this, Magellan remains ready to respond as aircraft program build rates increase back to pre-COVID levels.

Although Airbus and Boeing recorded improved new order activity in the first quarter of 2021, both manufacturers' order backlogs dropped in the period. Airbus' order backlog decreased from 7,184 to 6,988 aircraft and Boeing's dropped from 4,223 to 4,054. Airbus delivered 125 aircraft, received orders for 39 aircraft and saw order cancellations totaling 100 aircraft in the quarter. Meanwhile Boeing delivered 77 aircraft and received orders for 282 aircraft in the quarter. In the first quarter of 2021, Boeing saw order cancellations of 213, of which 156 related to 737 MAX aircraft. Boeing's revenue recognition accounting adjustments removed a further 161 aircraft from the backlog during the quarter.

Airbus is maintaining its A320 build plan which will see rates increase from 40 aircraft per month to 43 aircraft per month starting July 2021, then to 45 aircraft per month by October 2021, 49 aircraft per month by January 2022 and 55 aircraft per month by mid-2022. Airbus' A330 build rate remains at 2 aircraft per month and A350 rate at 5 aircraft per month.

Boeing continues to face challenges as it ramps up the 737 Max aircraft production. A new electrical problem on the aircraft is currently impacting 16 airlines and nearly 100 aircraft. The company delivered 89 of 737 Max since the grounding was lifted in November 2020. It intends to deliver 225 of the 450 previously grounded aircraft in 2021 and the remainder in 2022. Boeing is planning to ramp up 737 production to 17 aircraft per month during 2021, 31 aircraft per month in 2022 with a goal to reach 52.5 aircraft per month in the latter half of 2023. Boeing also restarted 787 aircraft deliveries in March 2021 after a five-month pause due to fuselage fit-up issues. The 787 build rate is planned at 5 aircraft per month for 2021 and 2022. Meanwhile, Boeing will lower the 777 aircraft build rate from 5 aircraft per month to 2 aircraft per month in 2021. Boeing still plans to wind down 747 aircraft production in September 2022.

Despite the contraction in the world economy during 2020 due to COVID-19, global defense spending is expected to rise by 2.7 percent in 2021, according to Forecast International. Forecast International predicts slower growth in defense spending in 2022 and 2023 as countries cope with the after-effects of the pandemic. Its latest report forecasts that global defense spending will grow at a compounded average annual rate of 2.4% through 2025.

Limited market visibility continues to be problematic during this very dynamic period. Any estimate of the length and severity of market impact is subject to significant uncertainty. The Corporation continues to closely monitor the COVID-19 situation and reassess its operating plan as program updates become available.

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Notes	Three month period ended March 31 2021	 2020
Revenues	8	**176,281**	238,813
Cost of revenues		**159,202**	202,041
Gross profit		**17,079**	36,772
Administrative and general expenses		**11,644**	15,676
Restructuring		**176**	—
Other		**(856)**	(5,938)
Income before interest and income taxes		**6,115**	27,034
Interest		**901**	1,200
Income before income taxes		**5,214**	25,834
Income taxes			
Current	9	**3,237**	2,047
Deferred	9	**(1,285)**	3,713
		1,952	5,760
Net income		**3,262**	20,074
Other comprehensive income			
Other comprehensive (loss) income that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation		**(6,385)**	34,178
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial income (loss) on defined benefit pension plans, net of taxes	5	**9,783**	(4,759)
Comprehensive income		**6,660**	49,493
Net income per share			
Basic and diluted	6	**0.06**	0.34

See accompanying notes to condensed consolidated interim financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	Notes	March 31 2021	December 31 2020
Current assets			
Cash		**71,310**	113,938
Trade and other receivables		**138,466**	114,404
Contract assets		**80,476**	70,388
Inventories		**214,230**	213,120
Prepaid expenses and other		**14,424**	12,915
		518,906	524,765
Non-current assets			
Property, plant and equipment		**410,293**	420,340
Right-of-use assets		**38,301**	40,098
Investment properties		**2,120**	2,127
Intangible assets		**53,569**	55,155
Goodwill		**21,806**	21,982
Other assets		**7,142**	7,301
Deferred tax assets		**995**	834
		534,226	547,837
Total assets		**1,053,132**	1,072,602
Current liabilities			
Accounts payable and accrued liabilities and provisions	8	**118,231**	114,706
Debt due within one year		**40,856**	50,098
		159,087	164,804
Non-current liabilities			
Long-term debt		**4,350**	4,865
Lease liabilities		**33,840**	35,222
Borrowings subject to specific conditions		**24,065**	24,984
Other long-term liabilities and provisions	5	**8,216**	21,539
Deferred tax liabilities		**37,097**	35,309
		107,568	121,919
Equity			
Share capital		**252,342**	252,342
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**499,664**	492,681
Accumulated other comprehensive income		**15,485**	21,870
Equity attributable to equity holders of the Corporation		**783,100**	782,502
Non-controlling interest		**3,377**	3,377
		786,477	785,879
Total liabilities and equity		**1,053,132**	1,072,602

See accompanying notes to condensed consolidated interim financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) **(expressed in thousands of Canadian dollars)**	Attributable to equity holders of the Corporation							
	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation	Total	Non-controlling interest	Total equity
December 31, 2020	252,342	2,044	13,565	492,681	21,870	782,502	3,377	785,879
Net income for the period	—	—	—	3,262	—	3,262	—	3,262
Other comprehensive income (loss) for the period	—	—	—	9,783	(6,385)	3,398	—	3,398
Common share dividend	—	—	—	(6,062)	—	(6,062)	—	(6,062)
March 31, 2021	252,342	2,044	13,565	499,664	15,485	783,100	3,377	786,477
December 31, 2019	254,440	2,044	13,565	516,911	25,539	812,499	3,377	815,876
Net income for the period	—	—	—	20,074	—	20,074	—	20,074
Other comprehensive (loss) income for the period	—	—	—	(4,759)	34,178	29,419	—	29,419
Common share dividend	—	—	—	(6,112)	—	(6,112)	—	(6,112)
March 31, 2020	254,440	2,044	13,565	526,114	59,717	855,880	3,377	859,257

See accompanying notes to condensed consolidated interim financial statements

MAGELLAN AEROSPACE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Notes	Three month period ended March 31 **2021**	 2020
Cash flow from operating activities			
Net income		**3,262**	20,074
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment		**13,041**	14,509
(Gain) loss on disposal of property, plant and equipment		**(7)**	19
Increase in defined benefit plans		**120**	116
Accretion of financial liabilities		**650**	814
Deferred taxes		**(1,377)**	3,062
Loss (income) on investments in joint ventures		**65**	(136)
Changes to non-cash working capital		**(36,652)**	(57,450)
Net cash used in operating activities		**(20,898)**	(18,992)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(2,663)**	(4,210)
Proceeds from disposal of property, plant and equipment		**86**	—
Increase in intangible and other assets		**(1,003)**	(1,728)
Change in restricted cash		**—**	(1,246)
Net cash used in investing activities		**(3,580)**	(7,184)
Cash flow from financing activities			
Decrease in debt due within one year		**(8,877)**	(2,997)
Decrease in long-term debt		**(458)**	(592)
Lease liability payments		**(1,677)**	(1,758)
Decrease in long-term liabilities and provisions		**(180)**	(255)
(Decrease) increase in borrowings, net		**(1,104)**	29
Common share dividend	6	**(6,062)**	(6,112)
Net cash used in financing activities		**(18,358)**	(11,685)
Decrease in cash during the period		**(42,836)**	(37,861)
Cash at beginning of the period		**113,938**	69,637
Effect of exchange rate differences		**208**	654
Cash at end of the period		**71,310**	32,430

See accompanying notes to condensed consolidated interim financial statements

NOTE 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Magellan Aerospace Corporation (the "Corporation" or "Magellan") 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. Through its wholly owned subsidiaries, controlled entity and joint venture, Magellan designs, 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 the supply of spare parts as well as through repair and overhaul services.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated 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, 2020, except for the new accounting pronouncements which have been adopted as disclosed in note 3.

These unaudited interim condensed consolidated 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, 2020, which are available at www.sedar.com and on the Corporation's website at www.magellan.aero.

The timely preparation of the interim condensed consolidated 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 interim condensed consolidated financial statements.

The outbreak of the novel strain of coronavirus caused a pandemic identified as "COVID-19" and resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown and decreased demand in the aerospace industry. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The introduction of vaccines has led to optimism; however, the situation continues to evolve (including the prevalence of virus variants). The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgements, estimates and assumptions made by management during the preparation of the Corporation's interim condensed consolidated financial statements related to potential impacts of the COVID-19 pandemic on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on May 4, 2021.

NOTE 3. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Corporation adopted the following accounting standards and amendments that were effective January 1, 2021.

a) Interest Rate Benchmark Reform – amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*. The adoption did not have a material impact on the Corporation's financial results.

The IASB has issued the following new standards and amendments that are not yet adopted by the Corporation and could have an impact on future periods. The Corporation is currently assessing the potential impact on its consolidated financial statements.

b) Amendments to IAS 1, *Presentation of Financial Statements,* clarifying the requirements for classifying liabilities as current or non-current.
c) Amendments to IAS 16, *Property, Plant and Equipment – Proceeds before Intended Use,* clarifying the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use.
d) Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* clarifying the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
e) Amendments to IAS 8 – *Definition of Accounting Estimates* to help entities distinguish changes in accounting estimates from changes in accounting policies.
f) Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*, providing guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

NOTE 4. BANK INDEBTEDNESS

The Corporation has a multi-currency operating credit facility with a syndicate of banks, with a Canadian dollar limit of $75,000. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a $75,000 uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. The credit agreement expires on September 13, 2021. As at March 31, 2021, the Corporation was debt-free under its credit facility. Bank indebtedness bears interest at the bankers' acceptance or LIBOR rates plus 1.00%. At March 31, 2021, the Corporation had letters of credit outstanding totalling $4,545 such that $70,455 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 5. 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 interim condensed consolidated statement of financial position is as follows:

	March 31 2021	December 31 2020
Pension Benefit Plans	1,107	14,509
Other Benefit Plan	965	1,082
	2,072	15,591

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 a result of changes in the market interest rates of high-quality, fixed rate debt securities, the Corporation increased the assumed discount rate for the Canadian pension plans to 3.2% as at March 31, 2021 from the 2.4% rates used in calculating the pension obligation as at December 31, 2020. The return on plan assets exceeded the expected return during the three month period ended March 31, 2021. The change in the discount rate assumptions and the difference between the actual and expected rate of return on the plan assets resulted in an actuarial gain of $9,783, net of taxes of $3,402 recorded in other comprehensive income in the first quarter of 2021.

NOTE 6. SHARE CAPITAL

Net income per share

	Three month period ended March 31	
	2021	2020
Net income	3,262	20,074
Weighted average number of shares	57,729	58,209
Basic and diluted net income per share	0.06	0.34

Dividends
On March 31, 2021, the Corporation paid quarterly dividends on 57,729,106 common shares of $0.105 per common share, amounting to $6,062 in the aggregate.

Subsequent to March 31, 2021, the Corporation declared dividends to holders of common shares in the amount of $0.105 per
common share payable on June 30, 2021, for shareholders of record at the close of business on June 16, 2021.

Normal Course Issuer Bid
On May 27, 2020, the Corporation commenced a normal course issuer bid to repurchase for cancellation up to 2,910,450 of the Corporation's issued and outstanding common shares. As of March 31, 2021, under the program the Corporation purchased for cancellation 479,895 common shares. The program will terminate on May 26, 2021, subject to renewal.

NOTE 7. FINANCIAL INSTRUMENTS

Fair value hierarchy
The Corporation's financial assets and liabilities recorded at fair value on the interim condensed 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 and other receivables and accounts payable and accrued liabilities
Due to the short period to maturity of these instruments, the carrying values as presented in the interim condensed consolidated statement of financial positions approximate their fair values.

Foreign exchange contracts
The Corporation enters into foreign forward exchange contracts to mitigate future cash flow exposures in United States dollars. 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.

As at March 31,2021, the Corporation had forward foreign exchange contracts outstanding in the amount of $5,500, of which the fair value is determined to be immaterial and categorized within Level 2 of the fair value hierarchy.

Long-term debt
The carrying amount of the Corporation's long-term debt of $8,338 approximates its fair value as at March 31, 2021 and is categorized within Level 2 of the fair value hierarchy.

Borrowings subject to specific conditions
As at March 31, 2021, the Corporation has recognized $25,380 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 and categorized within Level 2 of the fair value hierarchy.

NOTE 8. 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 includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation.

Corporation's primary sources of revenue

	Three month period ended March 31 2021	2020
Sale of goods	142,684	201,218
Services	33,597	37,595
	176,281	238,813

Timing of revenue recognition based on transfer of control

	Three month period ended March 31 2021	2020
At a point of time	101,569	152,942
Over time	74,712	85,871
	176,281	238,813

Advance payments received for contracts in progress in excess of revenue recognized were recorded as contract liabilities and included in accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position. As at March 31, 2021 contract liabilities were $19,031 [December 31, 2020 - $16,528].

Revenues from the Corporation's three largest customers accounted for 41.3% of total sales for the three month period ended March 31, 2021 [March 31, 2020 – two largest customers accounted for 36.3% of total sales for the three month period ended].

Geographic segments

				Three month period ended March 31				
				2021				2020
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Revenue	81,036	45,809	49,436	176,281	94,243	64,718	79,852	238,813
Export revenue[1]	57,071	6,408	10,393	73,872	65,241	13,002	25,570	103,813

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

				March 31, 2021				December 31, 2020
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property, plant and equipment, right-of-use assets, intangible assets and goodwill	183,948	174,258	165,763	523,969	188,220	179,668	169,687	537,575

NOTE 9. 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 month period ended March 31, 2021 was 37.4% [22.3% for the three month period ended March 31, 2020]. 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.

NOTE 10. 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 March 31, 2021 of $822,017 is comprised of shareholders' equity attributable to equity holders of the Corporation of $783,100 and interest-bearing debt of $38,917.

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 11. 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 March 31, 2021 capital commitments in respect of purchase of property, plant and equipment totalled $4,976, all of which had been ordered. There were no other material capital commitments at the end of the period.