QUARTERLY REPORT
DECEMBER 31, 2021

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.

Business Update

On February 9, 2022, Magellan announced it had been awarded a contract from MDA Ltd. ("MDA") to provide spacecraft avionics for their next Earth observation mission named CHORUS. The new spacecraft builds on MDA's RADARSAT heritage and will continue the work of RADARSAT-2, which remains operational serving its worldwide customer base. The avionics subsystems for CHORUS will be developed at Magellan's Winnipeg facility, home of western Canada's Advanced Satellite Integration Facility. Magellan has expertise in the development of satellite buses and spacecraft avionics. For MDA's CHORUS mission, Magellan will be responsible for the design, manufacture, test, and delivery of the bus avionics system for the C-band Synthetic Aperture Radar satellite. The bus avionics include the satellite bus power control and distribution, communications, attitude control, orbit determination, and on-board telemetry data collection. Key avionics deliverables include Magellan's Power Control Unit and Command and Data Handling Unit.

Impact of COVID-19

The COVID-19 pandemic has had and continues to have a significant impact on the global economy, our customers' businesses and on the Corporation's operations, financial and operating results and planning ability. To attempt to mitigate the spread of the pandemic, there have been extraordinary and wide-ranging actions taken by international, federal, provincial and local public health and governmental authorities to contain and combat the outbreak of COVID-19 around the world. These actions include quarantines and "stay-at-home" orders, social distancing measures and travel restrictions, among others. Although from time to time there has been an easing of restrictions in certain jurisdictions, some of these restrictions have been reinstated in other jurisdictions.

In addition, the reopening of businesses and economies in certain countries is creating a variety of new challenges, including, for example, higher prices for goods and services, limited availability of products, disruptions to supply chains and labour shortages. During the later part of 2021, certain facilities of the Corporation began to experience supply chain disruptions and labour shortages, which have negatively impacted their production of goods resulting in lower absorption of manufacturing costs and, in some cases, delays in shipments to customers. We are taking actions to manage the potential impacts of these matters and we will continue to assess the actual and expected impacts and the need for further actions.

In response to the COVID-19 impacts on our businesses, the Corporation has been and continues to adjust production schedules to accommodate changes in demand. The Corporation has also been taking measures to align its cost structure including headcount reductions and re-balancing workforce, restructuring businesses, eliminating all non-essential travel, entertaining and other discretionary spending, reducing capital expenditures, and applying for government subsidies, such as Canada Emergency Wage Subsidy ("CEWS") for its Canadian employees. Magellan continues to monitor ongoing developments and mitigate risks related to the COVID-19 pandemic and the impact on Magellan's operations, supply chain, and most importantly the health and safety of its employees.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2021 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for the fourth quarter ended December 31, 2021

The Corporation reported revenue in the fourth quarter of 2021 of $178.0 million, a $2.1 million decrease from the fourth quarter of 2020 revenue of $180.1 million. Gross profit and net loss for the fourth quarter of 2021 were $7.0 million and $5.8 million, respectively, in comparison to a $11.6 million gross profit and $22.9 net loss for the fourth quarter of 2020.

Consolidated Revenue

Expressed in thousands of dollars	Three month period ended December 31			Twelve month period ended December 31		
	2021	2020	Change	**2021**	2020	Change
Canada	**86,881**	84,733	2.5%	**315,805**	338,883	(6.8%)
United States	**40,258**	46,181	(12.8%)	**174,260**	202,284	(13.9%)
Europe	**50,873**	49,143	3.5%	**198,293**	203,247	(2.4%)
Total revenue	**178,012**	180,057	(1.1%)	**688,358**	744,414	(7.5%)

Revenue in Canada increased 2.5% in the fourth quarter of 2021 compared to the corresponding period in 2020 largely due to volume increases, mainly for proprietary products, offset in part by volume decrease for wide-body aircrafts and repair and overhaul services, and unfavourable foreign exchange impact driven by the weakening of the United States dollar relative to the Canadian dollar. On a currency neutral basis, Canadian revenues in the fourth quarter of 2021 increased by 5.5% over the same period of 2020.

Revenue in the United States in the fourth quarter of 2021 decreased 12.8% from the fourth quarter of 2020 largely driven by volume decreases, mainly in wide-body aircraft, and unfavourable foreign exchange impact due to due to the weakening of the United State dollar relative to the Canadian dollar, offset in part by volume increases for single aisle aircraft, specifically the Boeing 737 MAX as aircraft build rates increased. On a currency neutral basis, revenues in the United States decreased 9.7% in the fourth quarter of 2021 over the same period in 2020.

European revenue in the fourth quarter of 2021 increased 3.5% compared to the corresponding period in 2020 primarily driven by build rate recovery for single aisle aircraft, offset partially by the weakening of the United States dollar relative to the British pound. On a currency neutral basis, European revenues in the fourth quarter of 2021 increased by 7.8% when compared to the same period in 2020.

Gross Profit

Expressed in thousands of dollars	Three month period ended December 31			Twelve month period ended December 31		
	2021	2020	Change	**2021**	2020	Change
Gross profit	**7,030**	11,634	(39.6%)	**48,330**	96,491	(49.9%)
Percentage of revenue	**3.9%**	6.5%		**7.0%**	13.0%	

Gross profit of $7.0 million for the fourth quarter of 2021 was $4.6 million lower than the $11.6 million gross profit for the fourth quarter of 2020, and gross profit as a percentage of revenues of 3.9% for the fourth quarter of 2021 decreased from 6.5% recorded in the same period in 2020. Decrease in gross profit was primarily driven by continued lower post pandemic volumes, unfavourable product mix, higher material and manufacturing costs and unfavourable foreign exchange impact due to the weakening of the United States dollar relative to the Canadian dollar and the British pound, offset in part by volume increases and new businesses in certain programs and higher subsidies recorded mainly from Canada Emergency Wage Subsidy ("CEWS") program. The implementation of the Corporation's plan to restructure its European operations in the year resulted in higher operating costs as programs were transitioned within internal facilities. In addition, during the second half of 2021, certain facilities of the Corporation began to experience supply chain disruptions and labour shortages, which negatively impacted their production of goods and, thus, resulted in lower absorption of manufacturing costs.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended December 31			Twelve month period ended December 31		
	2021	2020	Change	**2021**	2020	Change
Administrative and general expenses	**11,109**	12,371	(10.2%)	**44,559**	52,075	(14.4%)
Percentage of revenues	**6.2%**	6.9%		**6.5%**	7.0%	

Administrative and general expenses as a percentage of revenues was 6.2% for the fourth quarter of 2021, lower than the same period of 2020 percentage of revenues of 6.9%. Administrative and general expenses were lower than the fourth quarter of 2020 mainly due to lower salary, pension and related expenses, higher CEWS subsidies recorded, and lower discretionary spending to align with current business volumes.

MAGELLAN AEROSPACE

Restructuring

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
Workforce reduction	**—**	653	**—**	6,916
Closure costs	**773**	3,236	**2,182**	3,236
Impairment of property, plant and equipment	**—**	2,385	**—**	2,385
Restructuring	**773**	6,274	**2,182**	12,537

Restructuring costs of $0.8 million incurred in the fourth quarter of 2021 as compared to $6.3 million in the fourth quarter of 2020 mainly related to the closure of the Bournemouth manufacturing facilities announced in the fourth quarter of 2020.

Other

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
Foreign exchange loss (gain)	**379**	3,409	**(2,548)**	1,138
Loss on sale of property, plant and equipment	**365**	182	**336**	117
Gain on disposal of investment properties	**—**	—	**(608)**	—
Other	**132**	—	**(355)**	(172)
Total Other	**876**	3,591	**(3,175)**	1,083

Other for the fourth quarter of 2021 included a $0.4 million foreign exchange loss compared to a $3.4 million foreign exchange loss in the fourth 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

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
Interest (income) expenses on bank indebtedness and long-term debt	**(193)**	80	**43**	305
Accretion charge for borrowings, lease liabilities and long-term debt	**639**	676	**2,604**	3,129
Discount on sale of accounts receivable	**25**	191	**248**	924
Total interest expense	**471**	947	**2,895**	4,358

Total interest expense of $0.5 million in the fourth quarter of 2021 decreased $0.5 million compared to the fourth quarter of 2020 mainly due to lower discount on sale of accounts receivables due to lower volume of receivables sold in the current quarter.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
Current income tax expense	**331**	4,498	**8,898**	7,140
Deferred income tax (recovery) expense	**(773)**	(5,218)	**(6,052)**	3,939
Income tax (recovery) expense	**(442)**	(720)	**2,846**	11,079
Effective tax rate	**7.1%**	3.1%	**152.3%**	77.0%

Income tax recovery for the fourth quarter ended December 31, 2021 was $0.4 million, representing an effective income tax rate of 7.1% compared to 3.1% for the same period of 2020. The change in the 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.

MAGELLAN AEROSPACE

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars, except per share amounts	2021 Dec 31	Sep 30	Jun 30	Mar 31	2020 Dec 31	Sep 30	Jun 30	Mar 31
Revenues	**178.0**	166.4	167.6	176.3	180.1	163.4	162.2	238.8
(Loss) income before taxes	**(6.2)**	1.3	1.6	5.2	(23.6)	2.2	10.0	25.8
Net (loss) income	**(5.8)**	0.5	1.1	3.3	(22.9)	0.0	6.1	20.1
Net (loss) income per share								
Basic and diluted	**(0.10)**	0.01	0.02	0.06	(0.40)	0.00	0.10	0.34
EBITDA[1]	**6.5**	16.1	14.9	19.2	(6.8)	16.3	24.8	41.5
Adjusted EBITDA[1]	**7.3**	16.7	15.6	19.3	11.5	21.8	25.5	41.5

[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.

Revenues and net income in the quarter were impacted by the movements of 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 1.2280 in the second quarter of 2021. 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 a low of 1.6991 in the fourth quarter of 2021. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3974 in the second quarter of 2021 and hit a low of 1.2388 in the second quarter of 2020.

Revenue for the fourth quarter of 2021 of $178.0 million was lower than that in the fourth quarter of 2020. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the fourth quarter of 2021 was 1.2600 versus 1.3176 in the same period of 2020. The average quarterly exchange rate of the British pound relative to the Canadian dollar decreased from 1.7207 in the fourth quarter of 2020 to 1.6991 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar strengthened from 1.3205 in the fourth quarter of 2020 to 1.3478 in the current quarter. Had the foreign exchange rates remained at levels experienced in the fourth quarter of 2020, reported revenues in the fourth quarter of 2021 would have been higher by $6.1 million.

Revenues and net income were also negatively impacted by COVID-19 pandemic driven volume decreases in a number of commercial programs. 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 commencing in the second quarter of 2020. Since the second quarter of 2021, the Corporation began to see modest sequential growth as global domestic air travel continues to recover to pre COVID-19 levels.

In response to COVID-19, the Corporation applied and recognized the CEWS subsidy of $8.6 million, $10.4 million and $1.0 million in the second, third and fourth quarter of 2020, respectively, and $3.9 million and $3.8 million in the second and fourth quarters of 2021, and reduced the expense that the subsidy offsets. 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 revenues as a result of the cancellation of the Airbus 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 decreased 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.

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 December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2021**	2020	**2021**	2020
Net (loss) income	**(5,757)**	(22,875)	**(977)**	3,313
Add back:				
Interest	**471**	947	**2,895**	4,358
Taxes	**(442)**	(720)	**2,846**	11,079
Depreciation and amortization	**12,227**	15,872	**51,892**	57,103
EBITDA	**6,499**	(6,776)	**56,656**	75,853
Add back:				
Restructuring	**773**	6,274	**2,182**	12,537
Goodwill impairment	**—**	12,046	**—**	12,046
Adjusted EBITDA	**7,272**	11,544	**58,838**	100,436

Adjusted EBITDA in the fourth quarter of 2021 decreased $4.2 million or 36.5% to $7.3 million in comparison to $11.5 million in the same quarter of 2020 mainly as a result of nil goodwill impairment recorded in the quarter, lower restructuring costs, depreciation and amortization expense, and interest, offset by higher taxes and lower net loss. In addition, during the second half of 2021, certain facilities of the Corporation began to experience supply chain disruptions and labour shortages, which negatively impacted their production of goods and, thus, resulted in lower absorption of manufacturing costs leading to lower EBITDA.

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 December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	**2021**	2020	**2021**	2020
(Increase) decrease in accounts receivable	**(1,658)**	20,417	**(50,347)**	64,398
Decrease in contract assets	**6,237**	6,563	**3,895**	7,336
Decrease (increase) in inventories	**6,466**	9,696	**3,234**	(16,803)
Decrease in prepaid expenses and other	**7,192**	6,245	**2,224**	8,299
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(5,788)**	(17,048)	**7,237**	(41,475)
Changes in non-cash working capital balances	**12,449**	25,873	**(33,757)**	21,755
Cash provided by operating activities	**17,523**	32,931	**12,526**	105,970

For the three months ended December 31, 2021, the Corporation generated $17.5 million from operating activities, compared to $32.9 million in the fourth quarter of 2020. Changes in non-cash working capital items generated cash of $12.4 million as compared to $25.9 million in the same quarter of the prior year. The quarter over quarter decreases of $13.4 million were largely attributable to increases in accounts receivables from lower volume of receivables sold and timing of customer payments, and slower burn down inventories due to production delay and timing of material purchases, offset in part by higher accounts payable, accrued liabilities and provisions at the year-end primarily driven by timing of material purchases and supplier and milestone payments and decreases in prepaid expenses due to timing of payments.

Investing Activities

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
Purchase of property, plant and equipment	**(9,127)**	(11,599)	**(17,675)**	(24,575)
Proceeds from disposal of property, plant and equipment	**163**	70	**509**	177
Proceeds from disposal of investment property	**—**	—	**1,000**	—
(Increase) decrease in intangible and other assets	**(2,124)**	1,279	**(4,638)**	(1,417)
Cash used in investing activities	**(11,088)**	(10,250)	**(20,804)**	(25,815)

Investing activities used $11.1 million of cash for the fourth quarter of 2021 compared to $10.3 million of cash used in the same quarter of the prior year, an increase of $0.8 million primarily due to increases in long-term receivables and deposits recorded in other assets offset in part by lower level of property, plant and equipment investment in the current quarter when compared to the same quarter of 2020.

Financing Activities

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
(Decrease) increase in debt due within one year	**(17)**	9,520	**(39,441)**	285
(Decrease) increase in long-term debt	**(151)**	(307)	**(1,516)**	(754)
Lease liability payments	**(1,816)**	(1,917)	**(6,707)**	(6,970)
Increase (decrease) in long-term liabilities and provisions	**273**	341	**6**	(545)
Increase (decrease) in borrowings subject to specific conditions, net	**—**	6	**(1,104)**	37
Common share repurchases	**—**	(1,361)	**—**	(3,407)
Common share dividend	**(6,062)**	(6,055)	**(24,247)**	(24,372)
Cash used in financing activities	**(7,773)**	227	**(73,009)**	(35,726)

On June 30, 2021, the Corporation extended its Bank Credit Facility Agreement (“Agreement”) with a syndicate of lenders for an additional two-year period expiring on June 30, 2023. The Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of $75 million. The 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. Extensions of the Agreement are subject to mutual consent of the syndicate of lenders and the Corporation.

The Corporation used $7.8 million in the fourth quarter of 2021 primarily for the payment of common share dividends, lease liabilities and long-term debt repayments.

As at December 31, 2021, the Corporation had contractual commitments to purchase $4.9 million of capital assets.

Dividends

During each of the four quarters of 2021, the Corporation declared and paid quarterly cash dividends of $0.105 per common shares representing an aggregating dividend payment of $24.2 million.

Subsequent to December 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 March 31, 2022 to shareholders of record at the close of business on March 29, 2022. Although the impacts of the COVID-19 pandemic continued to impact the Corporation in the fourth quarter of 2021, the Corporation’s liquidity and strong balance sheet has allowed the Corporation to continue its quarterly dividend payment for the current quarter. The follow on impacts of COVID-19 and the ongoing invasion of Ukraine are expected to impact world economic markets and particular areas of the aerospace industry. These and other relevant factors will be considered by the Board of Directors of the Corporation, on a quarterly basis when future dividends are reviewed to ensure that any dividends declared balance the return of capital to shareholders while maintaining adequate financial flexibility as the Corporation recovers from these impacts and invests in growth initiatives.

Normal Course Issuer Bid

On May 27, 2021, the Corporation’s application was approved for a Normal Course Issuer Bid to purchase through the facilities of the Toronto Stock Exchange and alternative Canadian trading platforms up to 2,886,455 common shares, over a 12-month period commencing May 27, 2021 and ending May 26, 2022. As of December 31, 2021, under the program the Corporation had not purchased common shares for cancellation.

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 17, 2022, 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 December 31, 2021, foreign exchange contracts of US$6.7 million and £9.5 million 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 December 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 disrupt global health and the economy in 2021. 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 recent escalation in conflict between Russia and Ukraine ("Conflict") and the resulting imposition of sanctions and counter sanctions have disrupted supply chains and caused instability in the global economy. The short and long-term implications of the conflict are difficult to predict at this time. The ongoing conflict could result in the imposition of future economic sanctions, which may have a greater adverse effect on economic markets and could result in an even greater impact related to global supply and pricing of electricity and materials.

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, 2021 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2021, which have been filed with SEDAR at www.sedar.com.

9. Outlook

The outlook for Magellan's business in 2022

The COVID-19 pandemic has made it extremely challenging for airlines to forecast near or medium-term commercial air travel demand. At the end of 2021, the rapidly spreading Omicron variant triggered a new series of government restrictions around the globe and caused widespread disruptions for most major airlines. Notwithstanding the added impact of significant weather events, airlines were forced to cancel flights due to shortages of pilots and employees who became sick or were quarantined due to the virus. Despite a discouraging end to the year for airlines, commercial air travel still showed improvement over the previous 2020 year.

The International Air Transport Association ("IATA") reported that despite Omicron disruptions, global revenue passenger kilometers ("RPK's") reached 55% of December 2019 levels by the end of 2021. For reference, RPK's were at 38% of 2019 levels at December 2020. IATA's 2021 data indicated that domestic air travel reached 78% of pre-COVID levels in 2021, while international travel reached only 42%. Industry experts currently predict that global domestic air travel will return to pre-pandemic levels in 2023, while international air travel will follow by approximately twelve to fifteen months.

Aircraft manufacturers are already increasing single aisle aircraft build rates in response to improving commercial air travel volumes. These build rates are expected to return to pre-pandemic levels late in 2023. Considering the impact of the pandemic on what was already a softening wide body market, forecasters predict a marginal recovery in corresponding build rates through 2030.

Airbus and Boeing delivered 611 aircraft and 340 aircraft, respectively in 2021. Airbus' gross order intake totaled 773 aircraft and with cancellations of 264 aircraft, they ended the year with net orders of 509 aircraft. Boeing booked 909 gross aircraft orders and received cancellations for 430 aircraft, resulting in netted 479 aircraft orders in 2021. Airbus ended 2021 with total unfilled orders of 7,082 aircraft versus 7,184 aircraft at December 31, 2020, while Boeing ended with 5,136 aircraft unfilled orders in 2021 compared to 4,997 aircraft in 2020.

Airbus increased A320 build rates from 40 aircraft per month to 45 aircraft per month in 2021. Airbus began 2022 at a rate of 49 aircraft per month with a plan to reach 54 aircraft per month in the fourth quarter of 2022. Airbus expects to ramp up from 59 aircraft to 66 aircraft per month in 2023, which is delayed by three years from their original pre-pandemic forecast. At the close of 2021, the A330 build rate was at 2.2 aircraft per month and is forecasted to reach 2.8 aircraft per month late in 2022. The A350 build rate plan continues at 5 aircraft per month until the latter part of 2022 when 6 aircraft per month is planned. Airbus' A220 rate is planned to reach 5.4 to 6.6 aircraft per month in 2022, 6.6 to 9.8 aircraft in 2023, and ramp up to 14 aircraft per month by mid of 2025, which advances this rate by 6 months from previous forecasts.

In a fourth quarter 2021 report, Boeing stated that they were engaged in discussions with the Federal Aviation Administration regarding actions required to resume deliveries of their 787 aircraft after a series of quality issues forced them to pause deliveries. Boeing disclosed that they had an inventory of 110 undelivered 787 aircraft at the end of 2021, and that they would continue building at 2 aircraft per month until deliveries resume. Boeing's 737 build rate increased from 17 aircraft per month in 2021 to 24 aircraft per month beginning January 2022. Boeing is planning 31 aircraft per month by the second half of 2022 and 52 aircraft per month by the second half of 2023. Boeing's 777 aircraft build rate is expected to remain at 2 aircraft per month and is planned to increase to 3 aircraft per month by 2023, and then 3.5 aircraft per month by 2024. The launch of the 777-8 freighter version is expected to further delay the entry-into-service of the 777X passenger variant and correspondingly impact build rates.

The defence industry remains considerably more insulated from the global impact of COVID-19 than the commercial aerospace industry. Experts are confident that most major defense spending nations will remain committed to strengthening their military budgets, despite the pandemic's economic impact on fiscal deficits. Certain European countries including the United Kingdom have recommitted or increased defence spending during the COVID-19 crisis, further removing a degree of near-term budget uncertainty. In the U.S., the President's budget proposal requested a fiscal year 2022 budget for national defense that was up 2% year over year.

In 2021, Lockheed Martin delivered 142 F-35 aircraft, which was up from 123 aircraft in 2020 and which exceeded their plan to deliver between 133 and 139 aircraft. Lockheed Martin's production plans include 151 to 153 aircraft delivered in 2022, and a peak rate of 156 aircraft delivered annually from 2023 onward. During 2021, the F-35 gained two new customers as it was chosen by Switzerland and Finland in their respective fighter competitions. The F-35 remains in contention for Canada's Future Fighter program along with Saab's Grippen. In December 2021, an announcement was made that Boeing's F/A-18 Super Hornet was eliminated from the competition. Canada's final selection is expected in 2022.

The Corporation believes there will be no immediate impact on defence aircraft procurement as a result of the recent conflict between Ukraine and Russia. With the conflict being in early stages, the extent and potential magnitude of impact on global defence markets is still being assessed by the industry.

Aerospace and defence manufacturers have undergone a challenging period since the global pandemic began in early 2020. As commercial passenger air travel volumes recover, there is improving confidence in the near to medium term outlook for the industry. Experts are hopeful the horizon is becoming clearer and that aerospace and defence manufacturers can look forward to switching from mitigation plans to growth management.

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

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended December 31 2021	 2020	Twelve month period ended December 31 2021	 2020
Revenue	**178,012**	180,057	**688,358**	744,414
Cost of revenue	**170,982**	168,423	**640,028**	647,923
Gross profit	**7,030**	11,634	**48,330**	96,491
Administrative and general expenses	**11,109**	12,371	**44,559**	52,075
Restructuring	**773**	6,274	**2,182**	12,537
Goodwill impairment	—	12,046	—	12,046
Other	**876**	3,591	**(3,175)**	1,083
Income before interest and income taxes	**(5,728)**	(22,648)	**4,764**	18,750
Interest expense	**471**	947	**2,895**	4,358
Income before income taxes	**(6,199)**	(23,595)	**1,869**	14,392
Income taxes				
Current	**331**	4,498	**8,898**	7,140
Deferred	**(773)**	(5,218)	**(6,052)**	3,939
	(442)	(720)	**2,846**	11,079
Net (loss) income	**(5,757)**	(22,875)	**(977)**	3,313
Other comprehensive (loss) income				
Other comprehensive loss that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation	**(2,229)**	(12,093)	**(7,339)**	(3,669)
Items not to be reclassified to profit and loss in subsequent periods:				
Re-measurements on defined benefit pension and other post-employment benefit plans, net of taxes	**1,456**	5,033	**12,508**	(1,862)
Comprehensive (loss) income	**(6,530)**	(29,935)	**4,192**	(2,218)
Net (loss) income per share				
Basic and diluted	**(0.10)**	(0.40)	**(0.02)**	0.06

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	**December 31 2021**	December 31 2020
Current assets		
Cash	**32,482**	113,938
Trade and other receivables	**164,234**	114,404
Contract assets	**66,337**	70,388
Inventories	**208,577**	213,120
Prepaid expenses and other	**9,664**	12,915
	481,294	524,765
Non-current assets		
Property, plant and equipment	**396,845**	420,340
Right-of-use assets	**34,389**	40,098
Investment properties	**1,659**	2,127
Intangible assets	**47,772**	55,155
Goodwill	**21,792**	21,982
Other assets	**11,587**	7,301
Deferred tax assets	**8,480**	834
	522,524	547,837
Total assets	**1,003,818**	1,072,602
Current liabilities		
Accounts payable and accrued liabilities and provisions	**123,382**	114,706
Debt due within one year	**10,266**	50,098
	133,648	164,804
Non-current liabilities		
Long-term debt	**2,755**	4,865
Lease liabilities	**30,644**	35,222
Borrowings subject to specific conditions	**24,101**	24,984
Other long-term liabilities and provisions	**7,223**	21,539
Deferred tax liabilities	**39,623**	35,309
	104,346	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	**479,965**	492,681
Accumulated other comprehensive income	**14,531**	21,870
Equity attributable to equity holders of the Corporation	**762,447**	782,502
Non-controlling interest	**3,377**	3,377
Total equity	**765,824**	785,879
Total liabilities and equity	**1,003,818**	1,072,602

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended December 31		Twelve month period ended December 31	
	2021	2020	**2021**	2020
Cash flow from operating activities				
Net (loss) income	**(5,757)**	(22,875)	**(977)**	3,313
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment	**12,227**	15,872	**51,892**	57,103
Restructuring	**—**	5,227	**—**	5,227
Impairment of goodwill	**—**	12,046	**—**	12,046
Loss on disposal of property, plant and equipment	**365**	182	**336**	117
Gain on disposal of investment properties	**—**	—	**(608)**	—
(Decrease) increase in defined benefit plans	**(300)**	(272)	**585**	(282)
Accretion	**626**	676	**2,604**	3,129
Deferred taxes	**(2,024)**	(3,899)	**(7,555)**	3,545
(Income) loss on investments in joint venture	**(63)**	101	**6**	17
Changes to non-cash working capital	**12,449**	25,873	**(33,757)**	21,755
Net cash provided by operating activities	**17,523**	32,931	**12,526**	105,970
Cash flow from investing activities				
Purchase of property, plant and equipment	**(9,127)**	(11,599)	**(17,675)**	(24,575)
Proceeds from disposal of property, plant and equipment	**163**	70	**509**	177
Proceeds from disposal of investment properties	**—**	—	**1,000**	—
(Increase) decrease in intangible and other assets	**(2,124)**	1,279	**(4,638)**	(1,417)
Net cash used in investing activities	**(11,088)**	(10,250)	**(20,804)**	(25,815)
Cash flow from financing activities				
(Decrease) increase in debt due within one year	**(17)**	9,520	**(39,441)**	285
(Decrease) increase in long-term debt	**(151)**	(307)	**(1,516)**	(754)
Lease liability payments	**(1,816)**	(1,917)	**(6,707)**	(6,970)
Increase (decrease) in long-term liabilities and provisions	**273**	341	**6**	(545)
Increase (decrease) in borrowings subject to specific conditions, net	**—**	6	**(1,104)**	37
Common share repurchases	**—**	(1,361)	**—**	(3,407)
Common share dividend	**(6,062)**	(6,055)	**(24,247)**	(24,372)
Net cash (used in) provided by financing activities	**(7,773)**	227	**(73,009)**	(35,726)
(Decrease) increase in cash during the period	**(1,338)**	22,908	**(81,287)**	44,429
Cash at beginning of the period	**33,960**	91,200	**113,938**	69,637
Effect of exchange rate differences	**(140)**	(170)	**(169)**	(128)
Cash at end of the period	**32,482**	113,938	**32,482**	113,938