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NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – August 8, 2023 – Magellan Aerospace Corporation ("Magellan" or the "Corporation") released its financial results for the second quarter of 2023. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of Canadian dollars, except per share amounts	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenue	219,651	192,662	14.0%	443,027	380,371	16.5%
Gross Profit	23,012	12,477	84.4%	45,274	23,387	93.6%
Net Income (Loss)	1,979	540	266.5%	5,839	(1,485)	493.2%
Net Income (Loss) per Share	0.03	0.01	200.0%	0.10	(0.03)	433.3%
Adjusted EBITDA	19,552	13,998	39.7%	38,128	25,474	49.7%
Adjusted EBITDA per Share	0.34	0.24	41.7%	0.66	0.44	50.0%

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 risks, uncertainties and assumptions, which may cause actual results to be materially different from those expressed or implied. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

This news release 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 news release, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (net income before interest, income taxes, depreciation and amortization, goodwill impairment and restructuring), which the Corporation considers to be indicative measures of operating performance and a metric 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.

MAGELLAN AEROSPACE

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.

The Industry, the Supply Chain and Russia's invasion of Ukraine

Though global air travel has seen signs of recovery with revenue passenger kilometers approaching pre-COVID 19 pandemic levels, Magellan's financial results and operations continue to be influenced by overhanging impacts from the pandemic. These impacts include customer build rate adjustments (and the impact on production scheduling), higher prices for goods and services, limited availability of products, disruptions to supply chains and labour shortages. Magellan continues to monitor these developments and strives to mitigate the impact on Magellan's operations, supply chain, and most importantly the health and safety of its employees.

The ongoing invasion of Ukraine by Russia continues to disrupt supply chains and cause instability in the global economy. The extent and potential magnitude of the economic impacts on the aerospace industry remains uncertain.

Business Update

On May 25, 2023, Magellan renewed its normal course issuer bid ("2023 NCIB") under which allows the Corporation to purchase for cancellation up to 2,868,106 of its common shares during the 12-month period commencing May 27, 2023 and ending May 26, 2024 through facilities of the Toronto Stock Exchange or other alternative Canadian trading systems.

On May 30, 2023, Magellan announced the signing of a contract extension with The Boeing Company ("Boeing"), providing for the continued manufacture of large and complex nacelle exhaust systems for the Boeing 767 program. The fabricated metallic assemblies will be produced and delivered from Magellan's facility in Middletown, Ohio. The continuation of this agreement with Boeing will ensure the continued supply by Magellan of acoustic plug and nozzle exhaust assemblies for the Boeing 767 program. Magellan utilizes internally manufactured metallic honeycomb in the production process. The metallic honeycomb is manufactured utilizing materials suitable for higher temperatures and offers advantages in weight savings and acoustic attenuation.

On June 23, 2023, the Corporation extended its $75 million bank credit facility for an additional 2 year period expiring on June 30, 2025. Refer to the "Liquidity and Capital Resources" section below for more information on the credit facility.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2022 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for the second quarter ended June 30, 2023

The Corporation reported revenue in the second quarter of 2023 of $219.7 million, a $27.0 million increase from second quarter of 2022 revenue of $192.7 million. Gross profit and net income for the second quarter of 2023 were $23.0 million and $2.0 million, respectively, in comparison to gross profit of $12.5 million and net income of $0.5 million for the second quarter of 2022.

Consolidated Revenue

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of dollars	**2023**	2022	Change	**2023**	2022	Change
Canada	94,517	85,650	10.4%	192,623	170,444	13.0%
United States	60,788	47,711	27.4%	117,222	92,645	26.5%
Europe	64,346	59,301	8.5%	133,182	117,282	13.6%
Total revenue	219,651	192,662	14.0%	443,027	380,371	16.5%

Revenue in Canada increased 10.4% in the second quarter of 2023 compared to the corresponding period in 2022, primarily due to higher casting product revenues and increased volume for single aisle aircraft parts. On a currency neutral basis, Canadian revenues in the second quarter of 2023 increased by 7.2% over the same period of 2022.

Revenue in the United States increased by 27.4% in the second quarter of 2023 compared to the second quarter of 2022, largely due to increased volume for single aisle aircraft as Boeing continued to ramp up production of the 737 aircraft, higher casting product revenues and favourable foreign exchange impacts due to the strengthening of the United States dollar relative to the Canadian dollar. On a currency neutral basis, revenues in the United States increased 21.2% in the second quarter of 2023 over the same period in 2022.

European revenue in the second quarter of 2023 increased 8.5% compared to the corresponding period in 2022 primarily driven by volume increases for single aisle aircraft and favourable foreign exchange impacts resulting from the strengthening of the United States dollar relative to the British pound. On a currency neutral basis, European revenues in the second quarter of 2023 increased by 3.4% when compared to the same period in 2022.

Gross Profit

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of dollars	**2023**	2022	Change	**2023**	2022	Change
Gross profit	23,012	12,477	84.4%	45,274	23,387	93.6%
Percentage of revenue	10.5%	6.5%		10.2%	6.1%	

Gross profit of $23.0 million for the second quarter of 2023 was $10.5 million higher than the $12.5 million gross profit for the second quarter of 2022, and gross profit as a percentage of revenues of 10.5% for the second quarter of 2023 increased from 6.5% recorded in the same period in 2022. The gross profit in the current quarter increased from the same quarter in the prior year as a result of volume and price increases on certain programs and favourable product mix, offset in part by supply chain disruptions and price increases of purchased materials and supplies.

Administrative and General Expenses

	Three month period ended June 30			Six month period ended June 30		
Expressed in thousands of dollars	**2023**	2022	Change	**2023**	2022	Change
Administrative and general expenses	**14,108**	12,625	11.7%	**28,455**	25,439	11.9%
Percentage of revenue	**6.4%**	6.6%		**6.4%**	6.7%	

Administrative and general expenses as a percentage of revenues was 6.4% for the second quarter of 2023, lower than the same period of 2022 percentage of revenues of 6.6%. Administrative and general expenses increased $1.5 million or 11.7% to $14.1 million in the second quarter of 2023 compared to $12.6 million in the second quarter of 2022 mainly due to higher salary and benefit costs, and short-term compensation accruals.

Restructuring

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Restructuring	**265**	17	**509**	82

Restructuring is primarily related to ongoing costs associated with the closure of the Bournemouth facility in the United Kingdom and dismantling its former manufacturing operations.

Other

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Foreign exchange loss (gain)	**1,520**	(2,169)	**2,742**	(3,297)
(Gain) loss on sale of capital assets	**(4)**	13	**(23)**	(108)
Other	**150**	—	**150**	—
Total Other	**1,666**	(2,156)	**2,869**	(3,405)

Other for the second quarter of 2023 included a $1.5 million foreign exchange loss compared to a $2.2 million foreign exchange gain in the second 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 June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Interest on bank indebtedness and long-term debt	**177**	143	**302**	243
Accretion charge on long-term debt and borrowings	**232**	192	**458**	351
Accretion charge for lease liabilities	**396**	421	**803**	851
Discount on sale of accounts receivable	**30**	22	**78**	32
Total interest expense	**835**	778	**1,641**	1,477

Total interest expense of $0.8 million in the second quarter of 2023 is slightly higher than the second quarter of 2022 due to higher interest on bank indebtedness and long-term debt and higher accretion interest.

Provision for Income Taxes

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Current income tax expense	**4,471**	2,314	**8,904**	4,161
Deferred income tax recovery	**(312)**	(1,641)	**(2,943)**	(2,882)
Income tax expense	**4,159**	673	**5,961**	1,279
Effective tax rate	**67.8%**	55.5%	**50.5%**	(620.9%)

Income tax expense for the three months ended June 30, 2023 was $4.2 million, representing an effective income tax rate of 67.8% compared to 55.5% for the same period of 2022. 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 and losses across the different jurisdictions in which the Corporation operates, the reversal of temporary differences and the Corporation no longer recognizing deferred tax assets for operating losses incurred in certain jurisdictions.

MAGELLAN AEROSPACE

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2023		2022				2021
Expressed in millions of dollars, except per share amounts	**Jun 30**	Mar 31	Dec 31	Sep 30	**Jun 30**	Mar 31	Dec 31	Sep 30
Revenue	**219.7**	223.4	193.1	191.1	192.7	187.7	178.0	166.4
Income (loss) before taxes	**6.1**	5.7	(20.9)	2.5	1.2	(1.4)	(6.2)	1.3
Net income (loss)	**1.9**	3.9	(20.8)	0.6	0.5	(2.0)	(5.8)	0.5
Net income (loss) per share								
Basic and diluted	**0.03**	0.07	(0.36)	0.01	0.01	(0.04)	(0.10)	0.01
EBITDA[1]	**19.3**	18.3	(8.5)	14.7	14.0	11.4	6.5	16.1
Adjusted EBITDA[1]	**19.5**	18.6	(4.8)	14.8	14.0	11.5	7.3	16.7

[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.

Revenues and net income in the quarter were also 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 in the quarterly financial information table above, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3580 in the fourth quarter of 2022 and a low of 1.2600 in the fourth quarter of 2021. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.7367 in the third quarter of 2021 and hit a low of 1.5350 in the third quarter of 2022. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3782 in the third quarter of 2021 and hit a low of 1.1649 in the third quarter of 2022.

Revenue for the second quarter of 2023 of $219.7 million was higher than that in the second quarter of 2022. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the second quarter of 2023 was 1.3431 versus 1.2765 in the same period of 2022. The average quarterly exchange rate of the British pound relative to the Canadian dollar increased from 1.6031 in the second quarter of 2022 to 1.6814 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar decreased from 1.2601 in the second quarter of 2022 to 1.2520 in the current quarter. Had the foreign exchange rates remained at levels experienced in the second quarter of 2022, reported revenues in the second quarter of 2023 would have been lower by $8.7 million.

The Corporation's results have been negatively impacted by the continued effects of the COVID-19 pandemic via reduced volumes and supply chain disruptions. In addition, continued high inflation on material, supplies, utilities and labour has impacted results. Compared to the third quarter of 2021, the Corporation has seen modest, albeit uneven, growth in quarterly revenues 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 $3.8 million in the fourth quarter of 2021, and reduced the expense that the subsidy offsets (none in 2022 or 2023). In the fourth quarter of 2022, the Corporation continued the restructuring efforts in Europe of a plan initiated in 2020 to lower its production cost base and recognized a $2.8 million restructuring charge, including a $1.8 million impairment loss related to assets made obsolete as a result of the plan.

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 (net income before interest, income taxes and depreciation and amortization) and Adjusted EBITDA (net income before interest, income taxes, depreciation and amortization, goodwill impairment and restructuring) in this MD&A. The Corporation has provided these measures 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 these measures 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 June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Net income (loss)	**1,979**	540	**5,839**	(1,485)
Add back:				
Interest	**835**	778	**1,641**	1,477
Taxes	**4,159**	673	**5,961**	1,279
Depreciation and amortization	**12,314**	11,990	**24,178**	24,121
EBITDA	**19,287**	13,981	**37,619**	25,392
Add back:				
Restructuring	**265**	17	**509**	82
Adjusted EBITDA	**19,552**	13,998	**38,128**	25,474

Adjusted EBITDA in the second quarter of 2023 increased $5.6 million to $19.6 million in comparison to $14.0 million in the same quarter of 2022 mainly as a result of higher net income driven largely by the gross margin improvements discussed earlier.

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 June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Increase in accounts receivable	**(7,441)**	(12,326)	**(36,654)**	(25,747)
Increase in contract assets	**(2,132)**	(2,729)	**(5,953)**	(4,795)
(Increase) decrease in inventories	**(5,448)**	1,231	**(17,447)**	(5,100)
Decrease (increase) in prepaid expenses and other	**706**	(1,273)	**421**	(1,048)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(14,225)**	9,059	**3,087**	21,558
Decrease in contract liabilities	**(4,730)**	—	**(8,919)**	—
Changes in non-cash working capital balances	**(33,270)**	(6,038)	**(65,465)**	(15,132)
Cash (used in) provided by operating activities	**(18,927)**	5,340	**(37,294)**	5,292

For the three months ended June 30, 2023, the Corporation used $18.9 million from operating activities, compared to generating $5.3 million in the second quarter of 2022. Changes in non-cash working capital items used cash of $33.3 million, $27.3 million more when compared to $6.0 million cash used in the prior year. The quarter over quarter changes were largely attributable to increases in accounts receivables from higher revenues and timing of customer payments, increases in contract assets due to timing of production and billing related to products transferred over time, increases in inventories due to material purchases and timing of production and shipment, and decreases in accounts payable, accrued liabilities and provisions primarily driven by timing of supplier payments.

Investing Activities

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Purchase of property, plant and equipment	**(2,226)**	(4,353)	**(5,789)**	(8,709)
Proceeds from disposal of property, plant and equipment	**12**	211	**178**	473
Increase in intangible and other assets	**(404)**	(281)	**(1,066)**	(1,155)
Cash used in investing activities	**(2,618)**	(4,423)	**(6,677)**	(9,391)

Investing activities used $2.6 million cash for the second quarter of 2023 compared to $4.4 million cash used in the same quarter of the prior year, a decrease of $1.8 million primarily due to lower levels of investment in property, plant and equipment.

Financing Activities

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	**2023**	2022	**2023**	2022
Increase in bank indebtedness	**11,390**	—	**11,390**	—
Decrease in long-term debt	**(516)**	(549)	**(1,066)**	(969)
Lease liability payments	**(1,474)**	(1,397)	**(2,860)**	(2,862)
Increase (decrease) in borrowings subject to specific conditions, net	**1,551**	—	**227**	(1,327)
Increase (decrease) in long-term liabilities and provisions	**310**	(698)	**311**	(931)
Common share repurchases	**(418)**	(258)	**(626)**	(258)
Common share dividends	**(1,433)**	(4,617)	**(2,869)**	(10,678)
Cash provided by (used in) financing activities	**9,410**	(7,519)	**4,517**	(17,025)

Financing activities provided $9.4 million cash for the second quarter of 2023 compared to $7.5 million cash used in the same quarter of the prior year. In the current quarter, cash provided by bank indebtedness and borrowings subject to specific conditions was partly offset by lease liability payments, decreases in long-term debt, common share repurchases and common share dividend payments.

On June 14, 2023, the Corporation extended its Bank Credit Facility Agreement ("Agreement") with a syndicate of lenders for an additional two-year period expiring on June 30, 2025. The Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of $75 million. Interest applicable to the facility is at banker's acceptance or adjusted SOFR rates plus a spread of 1.00%. 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.

As at June 30, 2023, the Corporation had contractual commitments to purchase $9.2 million of capital assets.

Dividends

During each of the first and second quarter of 2023, the Corporation declared quarterly cash dividends of $0.025 per common share and paid aggregate dividends of $2.9 million.

Subsequent to June 30, 2023, the Corporation declared dividends to holders of common shares in the amount of $0.025 per common share payable on September 29, 2023, to shareholders of record at the close of business on September 15, 2023. The Board of Directors of the Corporation continues to review its dividends on a quarterly basis to ensure that the dividend declared balances the return of capital to shareholders while maintaining adequate financial flexibility and investment in growth initiatives.

Normal Course Issuer Bid

On May 25, 2023, the Corporation's application to extend its normal course issuer bid was approved and the 2023 NCIB allows the Corporation to purchase up to 2,868,106 common shares, over a 12-month period commencing May 27, 2023 and ending May 26, 2024. During the six month period ended June 30, 2023, the Corporation purchased a total of 86,618 common shares for cancellation at a volume weighted average price of $7.23 per common share at a cost of $0.6 million. During the same period in the prior year, the Corporation purchased 34,100 common shares for cancellation at a volume weighted average price of $7.56 per common share at a cost of $0.3 million.

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 August 4, 2023, 57,359,516 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 (forwards and collars), the Corporation is obligated to purchase specified amounts of currency – generally either the United States dollar ("USD") or British Pound ("GBP") - at predetermined dates and exchange rates if certain conditions are met. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. A number of these contracts are designated as cash flow hedges.

As at June 30, 2023, foreign exchange contracts of USD $16.2 million and GBP £23.5 million were outstanding with an immaterial mark-to-market fair value loss. In addition, the Corporation had foreign exchange collar contracts outstanding of USD $86.4 million, which extend over the period of the next three years ending June 2025, with a mark-to-market fair value loss of $1.5 million.

As at June 30, 2023, the Corporation has $1.5 million of derivative liabilities as the fair value of its derivative contracts [December 31, 2022 - $4.3 million] in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

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 June 30, 2023, the Corporation had no material transactions with related parties as defined in IAS 24, *Related Party Disclosures*.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

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

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2022 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2022, which have been filed with SEDAR at www.sedar.com.

9. Outlook

The outlook for Magellan's business in 2023

Magellan Aerospace exhibited at the 2023 Paris Air Show in Le Bourget France from June 19th to June 22nd. The air show returns for the first time after the COVID-19 pandemic, making it four years since the last one took place in 2019. Show officials reported that 2,498 exhibitors representing 48 countries were in attendance. Record breaking commercial aircraft orders were announced at the show with the largest single airline order in aviation history coming from India's IndiGo for 500 Airbus A320 aircraft. Another large order announcement was from Air India where they firmed up orders for 470 Airbus and Boeing, single aisle and wide body aircraft. Such large orders confirm the industry is returning to a period of strong demand for new commercial aircraft.

Boeing released it latest 20-year commercial aircraft market outlook which forecasts global demand for 42,595 new passenger and freighter aircraft (1,810 regionals; 32,420 narrow bodies; 7,440 wide bodies; 925 freighters) worth USD $8 trillion over the next 20 years. Approximately 50% of the new aircraft demand is expected to replace the current fleet while the other 50% is expected to satisfy growth. The forecast assumes a 4% annual passenger traffic growth rate.

The International Air Transport Association ("IATA") noted in their semi-annual report that industry-wide revenue passenger-kilometers reached 88% of pre-pandemic levels in the first quarter of 2023. IATA also reported that the airline industry is returning to profitability, three years after a historic loss of USD $140 billion in 2020.

Boeing and Airbus production and delivery rates are increasing. Boeing plans to increase 737 production rates to 38 aircraft per month in August 2023, then to 42 aircraft per month later this year and ramp up to 52 aircraft per month by 2025. Despite their various setbacks with the 737 program, Boeing still expects to deliver 400 to 450 aircraft in 2023. Boeing raised their 787 production rates to 3 aircraft per month this year and has plans to ramp up to 5 aircraft per month in late 2023, and 10 aircraft per month in the 2025/2026 timeframe. Deliveries of the 787 aircraft were paused again in early June as a new quality issue was discovered with horizontal stabilizer fittings. Reports indicated that 90 aircraft in Boeing's inventory would require fixes. Meanwhile, the 767 program is running at a rate of 3 aircraft per month, which is a mix of KC-46 tankers (based on the 767-2C) and 767-300 freighters. With a few orders remaining for 777-300ER aircraft, Boeing's 777 production line is outputting primarily freighters at a rate of between 2 and 3 aircraft per month. Considering the delay in the 777X certification program Boeing does not expect to begin delivering a combined rate of 4 aircraft per month until 2025.

Airbus is targeting 720 commercial aircraft deliveries in 2023. Airbus continues to ramp-up the A320 production towards a monthly rate of 65 aircraft by the end of 2024. Airbus recently announced a decision to add a second Final Assembly Line ("FAL") in Tianjin China that will result in 10 FAL's globally for the A320 family, supporting Airbus' plans to produce 75 aircraft per month in 2026. The flight test program for the A321XLR is progressing, with entry-into-service expected to take place in the second quarter of 2024. The ramp-up on the A220 program continues to step towards a monthly production rate of 14 aircraft by the middle of the decade. Airbus announced that it was exploring a stretched version of the A220. On the A350 program, Airbus is targeting a move from 5 aircraft per month to 6 aircraft per month by 2024 and 9 aircraft per month by the end of 2025.

In the defence market, the Pentagon's latest fiscal year 2024 budget request seeks USD $842 billion, an increase of USD $26 billion (or 3.2 percent) over the fiscal year 2023 enacted base budget. In addition, the President is expected to make an emergency supplemental funding request to Congress to address growing national security concerns including more funding in the fiscal year 2024 budget for the support of Ukraine.

Geopolitical factors such as the Russian invasion of Ukraine and rising tensions in the Asia/Pacific region are expected to buoy defence aircraft production levels, which in the rotorcraft market will translate into continuing production of legacy platforms through this decade. By the end of the decade however, the segment will begin to undergo considerable change with production of new generation military rotorcraft ramping up. The U.S. Army's Future Attack Reconnaissance Aircraft ("FARA") program and Future Long Range Assault Aircraft ("FLRAA") program, the NATO Next Generation Rotorcraft program, and possibly other new rotorcraft designed to meet various U.S. and international military requirements will begin replacing legacy rotorcraft. Some of these programs such as FLRAA and FARA have the potential for significant production volumes in the future.

In the defence fixed wing segment, the F-35 fighter program is targeting to complete its 1,000th fighter by the end of 2023. While production output is set to level out at 156 aircraft per year, according to Defense Daily, the US Department of Defence is emphasizing preparedness for potential surge production should the need arise. There are currently 18 countries that participate in the F-35 program after the Czech Republic became the most recent to be approved by Washington to acquire the fighter.

Finally, while the defence aerospace segment is strong, confidence is also being restored in the long term outlook for the commercial aerospace segment. With global air travel volumes approaching pre-pandemic levels, record-breaking commercial aircraft orders announced in Paris, and aircraft OEM's ramping up aircraft production rates, the commercial aerospace segment is showing signs of strengthening.

Additional Information

Additional information relating to Magellan Aerospace Corporation, including the Corporation's annual information form, can be found on the SEDAR web site at www.sedar.com.

Forward Looking Statements

This news release contains certain forward-looking statements that reflect the current views and/or expectations of the Corporation with respect to its performance, business and future events. Such statements are subject to a number of uncertainties and assumptions, which may cause actual results to be materially different from those expressed or implied. These forward looking statements can be identified by the words such as "anticipate", "continue", "estimate", "forecast", "expect", "may", "project", "could", "plan", "intend", "should", "believe" and similar words suggesting future events or future performance. In particular there are forward looking statements contained under the heading "Overview" which outlines certain expectations for future operations. These statements assume the continuation of the current regulatory and legal environment; the continuation of trends for passenger airliner and defence production and are subject to the risks contained herein and outlined in our annual information form. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

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MAGELLAN AEROSPACE

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

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended June 30 2023	2022	Six month period ended June 30 2023	2022
Revenue	**219,651**	192,662	**443,027**	380,371
Cost of revenue	**196,639**	180,185	**397,753**	356,984
Gross profit	**23,012**	12,477	**45,274**	23,387
Administrative and general expenses	**14,108**	12,625	**28,455**	25,439
Restructuring	**265**	17	**509**	82
Other	**1,666**	(2,156)	**2,869**	(3,405)
Income before interest and income taxes	**6,973**	1,991	**13,441**	1,271
Interest expense	**835**	778	**1,641**	1,477
Income (loss) before income taxes	**6,138**	1,213	**11,800**	(206)
Income taxes				
Current	**4,471**	2,314	**8,904**	4,161
Deferred	**(312)**	(1,641)	**(2,943)**	(2,882)
	4,159	673	**5,961**	1,279
Net income (loss)	**1,979**	540	**5,839**	(1,485)
Other comprehensive (loss) income				
Items that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation	**(5,232)**	(1,077)	**(1,798)**	(13,761)
Unrealized gain on foreign currency contract hedges	**1,316**	—	**2,084**	—
Items not to be reclassified to profit and loss in subsequent periods:				
Actuarial loss on defined benefit pension plans, net of tax	**(425)**	(41)	**(250)**	(305)
Comprehensive (loss) income	**(2,362)**	(578)	**5,875**	(15,551)
Net income (loss) per share				
Basic and diluted	**0.03**	0.01	**0.10**	(0.03)

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	**June 30 2023**	December 31 2022
Current assets		
Cash	**1,816**	40,940
Trade and other receivables	**205,030**	169,562
Contract assets	**70,880**	65,456
Inventories	**244,072**	226,359
Prepaid expenses and other	**9,649**	9,967
	531,447	512,284
Non-current assets		
Property, plant and equipment	**365,459**	384,084
Right-of-use assets	**28,628**	30,825
Investment properties	**7,039**	1,621
Intangible assets	**38,879**	41,423
Goodwill	**22,162**	22,181
Other assets	**8,849**	9,745
Deferred tax assets	**9,369**	8,731
	480,385	498,610
Total assets	**1,011,832**	1,010,894
Current liabilities		
Bank indebtedness	**11,550**	—
Accounts payable, accrued liabilities and provisions	**138,320**	135,153
Contract liabilities	**27,273**	36,096
Debt due within one year	**9,617**	10,310
	186,760	181,559
Non-current liabilities		
Long-term debt	**—**	634
Lease liabilities	**25,841**	27,761
Borrowings subject to specific conditions	**23,090**	23,300
Other long-term liabilities and provisions	**6,428**	7,203
Deferred tax liabilities	**35,603**	38,707
	90,962	97,605
Equity		
Share capital	**250,726**	251,104
Contributed surplus	**2,044**	2,044
Other paid in capital	**13,565**	13,565
Retained earnings	**445,451**	442,979
Accumulated other comprehensive income	**18,947**	18,661
Equity attributable to equity holders of the Corporation	**730,733**	728,353
Non-controlling interest	**3,377**	3,377
Total equity	**734,110**	731,730
Total liabilities and equity	**1,011,832**	1,010,894

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended June 30 **2023**	2022	Six month period ended June 30 **2023**	2022
Cash flow from operating activities				
Net income (loss)	**1,979**	540	**5,839**	(1,485)
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment	**12,314**	11,990	**24,178**	24,121
(Gain) loss on disposal of property, plant and equipment	**(4)**	13	**(23)**	(108)
Increase (decrease) in defined benefit plans	**397**	189	**886**	(120)
Accretion of financial liabilities	**629**	613	**1,262**	1,200
Deferred taxes	**(664)**	(1,899)	**(3,645)**	(3,072)
Income on investments in joint ventures	**(133)**	(68)	**(151)**	(112)
Other	**(175)**	—	**(175)**	—
Changes to non-cash working capital	**(33,270)**	(6,038)	**(65,465)**	(15,132)
Net cash (used in) provided by operating activities	**(18,927)**	5,340	**(37,294)**	5,292
Cash flow from investing activities				
Purchase of property, plant and equipment	**(2,226)**	(4,353)	**(5,789)**	(8,709)
Proceeds from disposal of property, plant and equipment	**12**	211	**178**	473
Increase in intangible and other assets	**(404)**	(281)	**(1,066)**	(1,155)
Net cash used in investing activities	**(2,618)**	(4,423)	**(6,677)**	(9,391)
Cash flow from financing activities				
Increase in bank indebtedness	**11,390**	—	**11,390**	—
Decrease in long-term debt	**(516)**	(549)	**(1,056)**	(969)
Lease liability payments	**(1,474)**	(1,397)	**(2,860)**	(2,862)
Increase (decrease) in borrowings subject to specific conditions, net	**1,551**	—	**227**	(1,327)
Increase (decrease) in long-term liabilities and provisions	**310**	(698)	**311**	(931)
Common share repurchases	**(418)**	(258)	**(626)**	(258)
Common share dividends	**(1,433)**	(4,617)	**(2,869)**	(10,678)
Net cash provided by (used in) financing activities	**9,410**	(7,519)	**4,517**	(17,025)
Decrease in cash during the period	**(12,135)**	(6,602)	**(39,454)**	(21,124)
Cash at beginning of the period	**13,807**	18,050	**40,940**	32,482
Effect of exchange rate differences	**144**	(238)	**330**	(148)
Cash at end of the period	**1,816**	11,210	**1,816**	11,210