



FOR IMMEDIATE RELEASE VIA THE CANADIAN CUSTOM DISCLOSURE NETWORK

NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS
AND ANNOUNCES NEW PRESIDENT

Toronto, Ontario – May 13th, 2014 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the first quarter of 2014. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

| | Three month period ended | | |
|--|--------------------------|---------|--------|
| | March 31 | | |
| | 2014 | 2013 | Change |
| Expressed in thousands of Canadian dollars, except per share amounts | | | |
| Revenues | 210,502 | 185,293 | 13.6% |
| Gross Profit | 29,476 | 24,812 | 18.8% |
| Net Income | 12,079 | 8,015 | 50.7% |
| Net Income per Share | 0.21 | 0.14 | 50.0% |
| EBITDA | 27,130 | 21,271 | 27.5% |
| EBITDA per Share | 0.47 | 0.37 | 27.0% |

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), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not generally accepted earnings measure and should not be considered as an alternative 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 may not be directly comparable with similarly titled measures used by other companies.

Overview

A summary of Magellan's business and significant updates

Magellan is a diversified supplier of components to the aerospace industry and in certain circumstances for power generation projects. Through its wholly owned subsidiaries, Magellan designs, engineers, and manufactures aeroengine and aerostructure components for aerospace markets, advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through supply of spare parts as well as performing repair and overhaul services and supplies in certain circumstances parts and equipment for power generation projects.

The Corporation's strategy has been to focus on several core competencies within the aerospace industry. These include precision machining of a wide variety of aerospace material, composites, complex high technology magnesium and aluminum alloy castings, repair and overhaul technologies and design of structures. The Corporation is now seeking to leverage these core competencies by achieving growth in applications where these abilities are critical in meeting customer needs.

Business Update

In line with Magellan's succession planning process, the Board of Directors announced effective today the appointment of Mr. Phillip C. Underwood as President of Magellan Aerospace Corporation. Mr. Underwood has held key leadership roles within Magellan for more than 10 years, most recently as Vice President, European Operations. Mr. James S. Butyniec, Magellan's current President and Chief Executive Officer, will continue to serve as Chief Executive Officer for a period of time as he guides Mr. Underwood in his new role within the Corporation.

In the first quarter of 2014, the Corporation announced that an agreement had been reached with Airbus securing a work package to manufacture and supply complex 5-axis machined wing ribs for the single aisle A320 product family, including the A320 NEO. The package is expected to generate revenues of approximately US \$20 million over the next five years.

On March 3, 2014, the Corporation announced the first flight of a Magellan-manufactured horizontal tail assembly installed on an F-35A Lightning II aircraft. Magellan is under contract with BAE Systems to produce horizontal tail assemblies for the CTOL (Conventional Take Off and Landing) variant and is expected to produce more than 1,000 ship sets.

Also on April 7, 2014, Magellan announced the award of a contract for engine repair and overhaul (R&O) for the F404 engine that powers Canada's fleet of CF-188 Hornet aircraft. The anticipated revenues on this contract of CDN \$55 million include CDN \$16 million for the initial 1 year term, an additional estimated CDN \$16 million for a one year option period and material content of CDN \$23 million over the contracted term and the option period.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2013 Annual Report available on www.sedar.com.

Results of Operations

A discussion of Magellan's operating results for first quarter ended March 31, 2014

The Corporation reported higher revenue in its Aerospace segment and lower revenue in its Power Generation Project segment in the first quarter of 2014 when compared to the first quarter of 2013. Gross profit and net income for the first quarter of 2014 were \$29.5 million and \$12.1 million, respectively, an increase from the first quarter of 2013 gross profit of \$24.8 million and from the first quarter of 2013 net income of \$8.0 million.

Consolidated Revenue

Overall, the Corporation's consolidated revenues grew by 13.6% when compared to the first quarter of 2013.

| Expressed in thousands of dollars | Three month period ended March 31 | | |
|-----------------------------------|-----------------------------------|---------|---------|
| | 2014 | 2013 | Change |
| Aerospace | 210,366 | 181,815 | 15.7% |
| Power Generation Project | 136 | 3,478 | (96.1)% |
| Total revenues | 210,502 | 185,293 | 13.6% |

Consolidated revenues of \$210.5 million for the first quarter ended March 31, 2014 were higher than the \$185.3 million of revenue in the first quarter of 2013. Increased revenues of 15.7% year over year in the Aerospace segment were due to the higher demand, volumes and the appreciation of the United States dollar and the British Pound over the Canadian dollar in the quarter. The increase in the Aerospace segment was slightly offset by the fall off of revenues earned in the Power Generation Project segment.

Aerospace Segment

Revenues for the Aerospace segment were as follows:

| | Three month period ended March 31 | | |
|-----------------------------------|--|---------|--------|
| Expressed in thousands of dollars | 2014 | 2013 | Change |
| Canada | 77,462 | 73,385 | 5.6% |
| United States | 67,687 | 57,654 | 17.4% |
| Europe | 65,217 | 50,776 | 28.4% |
| Total revenues | 210,366 | 181,815 | 15.7% |

Consolidated Aerospace revenues for the first quarter of 2014 of \$210.4 million were 15.7% higher than revenues of \$181.8 million in the first quarter of 2013. Revenues in Canada in the first quarter of 2014 increased 5.6% from the same period in 2013. Higher revenues generated in the first quarter of 2014 from the Corporation's proprietary products, in particular the space programs, were partially offset by the decline in volumes in the defence market. The favourable movement of the United States dollar in comparison to the Canadian dollar also contributed to the increased revenues in Canada in the first quarter of 2014 when compared to the same period in 2013. Increased revenues of 17.4% in the United States in the first quarter of 2014 in comparison to the first quarter of 2013 were due to increased volumes on several of the Corporation's single aisle and wide body commercial aircraft programs and due to the movement of the stronger United States dollar in comparison to the Canadian dollar during the same periods in 2014 and 2013. Production volume increases on new and existing Airbus statements of work and favourable movements of the GBP in comparison to the Canadian dollar contributed to a significant quarter-over-quarter increase of 28.4% in revenues in Europe in the first quarter of 2014 over revenues in the same period in 2013.

Power Generation Project Segment

Revenues for the Power Generation Project segment were as follows:

| | Three month period ended March 31 | | |
|-----------------------------------|--|-------|---------|
| Expressed in thousands of dollars | 2014 | 2013 | Change |
| Power Generation Project | 136 | 3,478 | (96.1)% |
| Total revenues | 136 | 3,478 | (96.1)% |

Revenues on the Ghana Power Generation Project (the "Project") decreased significantly quarter over quarter as the Project was substantially completed as at March 31, 2013. Additional revenues may be recorded as the Corporation continues to support the commercial operation of the Project; however, revenues from the Power Generation Project segment will continue to decrease on a year over year basis unless the Corporation receives further contracts in this area.

Gross Profit

| | Three month period ended March 31 | | |
|-----------------------------------|--|--------|--------|
| Expressed in thousands of dollars | 2014 | 2013 | Change |
| Gross profit | 29,476 | 24,812 | 18.8% |
| Percentage of revenues | 14.0% | 13.4% | |

Gross profit of \$29.5 million (14.0% of revenues) was reported for the first quarter of 2014 compared to \$24.8 million (13.4% of revenues) during the same period in 2013. Increased gross profit in the first quarter of 2014 over the same period in 2013 was primarily due to the weaker Canadian dollar in the first quarter of 2014 in comparison to the same period in the prior year. Increased volumes and favourable product mix also contributed to the improved margins.

Administrative and General Expenses

| | Three month period ended March 31 | | |
|-------------------------------------|--|--------|--------|
| Expressed in thousands of dollars | 2014 | 2013 | Change |
| Administrative and general expenses | 11,470 | 10,735 | 6.8% |
| Percentage of revenues | 5.5% | 5.8% | |

Administrative and general expenses were \$11.5 million (5.5% of revenues) in the first quarter of 2014 compared to \$10.7 million (5.8% of revenues) in the first quarter of 2013. Increased expenses were partially due to the growth in the Corporation's administrative support services and as a result of the impact upon translation of the weaker Canadian dollar in the first quarter of 2014 when compared to the same period of 2013.

Other

| | Three month period ended March 31 | |
|--|--------------------------------------|------|
| | 2014 | 2013 |
| Expressed in thousands of dollars | | |
| Foreign exchange (gain) loss | (296) | 948 |
| (Gain) loss on disposal of property, plant and equipment | (47) | 32 |
| Total other | (343) | 980 |

Other income of \$0.3 million in the first quarter of 2014 consisted of realized and unrealized foreign exchange gains and gains recorded on the disposal of property, plant and equipment.

Interest Expense

| | Three month period ended March 31 | |
|--|--------------------------------------|-------|
| | 2014 | 2013 |
| Expressed in thousands of dollars | | |
| Interest on bank indebtedness and long-term debt | 1,359 | 1,810 |
| Accretion charge for borrowings and long-term debt | 80 | 154 |
| Discount on sale of accounts receivable | 259 | 160 |
| Total interest expense | 1,698 | 2,124 |

Interest expense of \$1.7 million in the first quarter of 2014 was lower than the first quarter of 2013 amount of \$2.1 million, as interest on bank indebtedness and long-term debt decreased mainly due to lower principal amounts outstanding during the first quarter of 2014 than those in the first quarter of 2013. Increased volumes of receivables sold in first quarter of 2014 in comparison to those to the same quarter in the prior year resulted in higher interest charges in the quarter.

Provision for Income Taxes

| | Three month period ended March 31 | |
|-----------------------------------|--------------------------------------|-------|
| | 2014 | 2013 |
| Expressed in thousands of dollars | | |
| Expense of current income taxes | 1,224 | 1,204 |
| Expense of deferred income taxes | 3,348 | 1,754 |
| Total expense of income taxes | 4,572 | 2,958 |
| Effective tax rate | 27.5% | 27.0% |

The Corporation recorded an income tax expense of \$4.6 million in the first quarter of 2014 as compared to an income tax expense of \$3.0 million in the first quarter of 2013. Current income taxes for the first quarter of 2014 consisted primarily of the tax expense in jurisdictions with current taxes payable. Deferred income taxes for the first quarter of 2014 consisted primarily of net deferred income tax recoveries for changes in temporary differences in various jurisdictions.

Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

| | 2014 | | | 2013 | | | 2012 | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Expressed in millions of dollars, except per share amounts | Mar 31 | Mar 31 | Jun 30 | Sep 30 | Dec 31 | Jun 30 | Sep 30 | Dec 31 |
| Revenues | 210.5 | 185.3 | 189.9 | 181.0 | 196.0 | 169.3 | 161.4 | 186.4 |
| Income before taxes | 16.7 | 11.0 | 15.5 | 13.2 | 21.0 | 10.9 | 18.0 | 18.0 |
| Net Income | 12.1 | 8.0 | 11.2 | 9.5 | 16.8 | 8.9 | 14.9 | 21.8 |
| Net Income per share | | | | | | | | |
| Basic and diluted | 0.21 | 0.14 | 0.19 | 0.16 | 0.29 | 0.15 | 0.26 | 0.37 |
| EBITDA | 27.1 | 21.3 | 25.6 | 22.9 | 31.0 | 21.2 | 27.7 | 28.9 |

¹Certain 2012 figures have been restated due to the implementation of IFRS 11, *Joint Arrangements* and revised IAS 19, *Employee Benefits* in 2013. Please refer to note 2 to the 2013 audited consolidated financial statements.

The Corporation reported its highest quarterly revenues in its history in the first quarter of 2014. Revenues and net income reported in the quarterly information were impacted positively by the fluctuations in the Canadian dollar exchange rate in comparison to the United States dollar and British Pound. The United States dollar/Canadian dollar exchange rate in the first quarter of 2014 fluctuated reaching a low of 1.0627 and a high of 1.1019. During the first quarter of 2014, the British Pound relative to the Canadian dollar fluctuated reaching a low of 1.7429 and a high of 1.8234. Had the foreign exchange rates remained at levels experienced in the first quarter of 2013, reported revenues in the first quarter of 2014 would have been lower by \$18.5 million.

Net income in the third quarter of 2012 was higher than each of the first two quarters of 2012 as the Corporation recognized an after tax gain on bargain purchase of \$7.4 million on an acquisition as the consideration paid was lower than the fair value of the identifiable tangible assets acquired at the time of purchase. Net income for the fourth quarter of 2013 and 2012 of \$16.8 million and \$21.8 million, respectively, was higher than all other quarterly net income disclosed in the table above. In the fourth quarter of 2013 and 2012 the Corporation recognized a reversal of previous impairment losses against intangible assets relating to various commercial aircraft programs and in the fourth quarter of 2012 the Corporation recognized previously unrecognized investment tax credits and other deferred tax assets as the Corporation determined that it will be able to benefit from these assets.

Reconciliation of Net Income to EBITDA

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

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

| | Three month period ended March 31 | |
|-----------------------------------|--|--------|
| Expressed in thousands of dollars | 2014 | 2013 |
| Net income | 12,079 | 8,015 |
| Interest | 1,698 | 2,124 |
| Taxes | 4,572 | 2,958 |
| Depreciation and amortization | 8,781 | 8,174 |
| EBITDA | 27,130 | 21,271 |

EBITDA for the first quarter of 2014 was \$27.1 million, compared to \$21.3 million in the first quarter of 2013, an increase of 27.5% on a year-over-year basis. Increased gross profit and gains recognized on foreign exchange in the first quarter of 2014 resulted in higher EBITDA when compared to the first quarter of 2013.

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 and capital expenditures. 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 | 2014 | 2013 |
| Increase in accounts receivable | (13,478) | (21,534) |
| Increase in inventories | (4,002) | (840) |
| Decrease (increase) in prepaid expenses and other | 293 | (2,032) |
| (Decrease) increase in accounts payable, accrued liabilities and provisions | (3,675) | 1,652 |
| Changes to non-cash working capital balances | (20,862) | (22,754) |
| Cash provided by operating activities | 1,950 | (5,998) |

In the quarter ended March 31, 2014, the Corporation generated \$1.9 million in cash from operations, compared to \$6.0 million used in the first quarter of 2013. The increase in cash generated from operations was primarily due to favorable changes to the Corporation's working capital requirements in the first quarter of 2014 compared to the same period in 2013. Changes in accounts receivable reflects increased volumes, the change in accounts payable and accrued liabilities was primarily driven by the timing of purchases and payments, and the change in inventories reflects increased inventory levels primarily to support new customer programs and increased customer forecasts.

Investing Activities

| | Three month period ended March 31 | |
|--|-----------------------------------|---------|
| | 2014 | 2013 |
| Expressed in thousands of dollars | | |
| Purchase of property, plant and equipment | (6,564) | (4,101) |
| Proceeds of disposal of property plant and equipment | 71 | 46 |
| Increase in other assets | (3,099) | (2,712) |
| Cash used in investing activities | (9,592) | (6,767) |

The Corporation's capital expenditures for the first quarter of 2014 were \$6.6 million compared to \$4.1 million in the first quarter of 2013. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs.

Financing Activities

| | Three month period ended March 31 | |
|---|-----------------------------------|---------|
| | 2014 | 2013 |
| Expressed in thousands of dollars | | |
| Increase in bank indebtedness | 5,497 | 6,481 |
| Increase in debt due within one year | 5,743 | 499 |
| Decrease in long-term debt | (1,345) | (2,435) |
| Increase (decrease) in long-term liabilities and provisions | 107 | (41) |
| Increase in borrowings | — | 318 |
| Common share dividend | (2,328) | — |
| Cash provided by financing activities | 7,674 | 4,822 |

On December 21, 2012, the Corporation amended its operating credit agreement with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was decreased to a Canadian dollar limit of \$115.0 million (down from \$125.0 million) plus a United States dollar limit of \$35.0 million (down from United States \$50.0 million), with a maturity date of December 21, 2014. The Bank Facility Agreement also includes a Canadian \$50.0 million uncommitted accordion provision which will provide Magellan with the option to increase the size of the operating credit facility to \$200.0 million. The facility is extendible for unlimited future one year renewal periods, subject to mutual consent of the syndicate of lenders and the Corporation. The operating credit facility continues to be fully guaranteed until December 21, 2014 by the Chairman of the Board of the Corporation in consideration of the continued payment by the Corporation of an annual fee, payable monthly, equal to 0.50% (down from 0.63%) of the loan amount.

As at March 31, 2014 the Corporation has made contractual commitments to purchase \$18.9 million of capital assets.

Dividends

During the first quarter of 2014, the Corporation declared and paid quarterly cash dividends of \$0.04 per common shares representing an aggregating dividend payment of \$2.3 million.

On May 13th 2014, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.04 per common share. The dividend will be payable on June 30, 2014 to shareholders of record at the close of business on June 13, 2014.

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 1, 2014, 58,209,001 common shares were outstanding.

Financial Instruments

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major



financial institutions with high credit ratings. The Corporation had no foreign exchange contracts outstanding as at March 31, 2014.

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.

Related Party Transactions

A summary of Magellan's transactions with related parties

During the three month period ended March 31, 2014, the Corporation paid guarantee fees in the amount of \$0.2 million to the Chairman of the Board of the Corporation.

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, 2013 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2013, which have been filed with SEDAR at www.sedar.com.

Outlook

The outlook for Magellan's business in 2014

Magellan's participation on new aircraft platforms such as the Airbus A320 NEO and A350, the Boeing B737 MAX, B787 and the F-35 remains as a good counterbalance to maturing legacy programs and budget-reduced United States defence programs. One of Magellan's key messages to be conveyed at the upcoming 2014 Farnborough International Air Show will be that the Corporation is strategically positioning itself on new future platforms leveraging its investment in centres of excellence and technology development.

In the commercial aerospace market, positive momentum continues as Boeing and Airbus manage increasing rates for current generation aircraft platforms, and prepare for an aggressive ramp-up of new generation platform production rates. The Airbus A320 NEO and the Boeing B737 MAX rates are planned to achieve peak rates in 2014 and beyond over a compressed period of time to meet the growing demand for more fuel-efficient aircraft.

Within the United States defence market, prioritization of programs continues to be the focus. The conflict between budget capacity and operational capability is forcing the Pentagon to focus on fewer orders for more highly capable equipment. This focus should bode well for programs such as the F-35. It also benefits H-60 Blackhawk and AH-64 Apache rotorcraft programs that are critical to current operations. Magellan is fortunate to participate on a number of these prioritized programs.

The business jet market has now been clearly truncated into two distinct markets, one being light jets with the other medium to long range jets. While the light jet market demand appears to have been reset at new lower levels compared to the peak in 2008, the larger jets are now experiencing a decent recovery. Magellan benefits from participation in the latter market through aeroengine manufacturers such as Pratt & Whitney Canada.

Civil helicopter and para-public markets are growing with OEM's like AgustaWestland, Bell Helicopter and Eurocopter (now Airbus Helicopters) benefiting from this momentum. Magellan in turn benefits through sales of its proprietary Wire Strike Protection Systems (WSPS™) outfitted on certain of these aircraft.

The Corporation anticipates that with strong backlogs in the commercial aerospace part of the business, 2014 will continue to exhibit results reflecting that strength. In addition, Magellan will continue leveraging core competencies and technology development to position itself on new future platforms and seek complimentary opportunities to enhance core capabilities.



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", "may", "project", "could", "plan", "intend", "should", "believe" and similar words suggesting future events or future performance. In particular there are forward looking statements contained under the heading "Overview" which outlines certain expectations for future operations. These statements assume the continuation of the current regulatory and legal environment; the continuation of trends for passenger airliner and defence production and are subject to the risks contained herein and outlined in our annual information form. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| (unaudited) (expressed in thousands of Canadian dollars, except per share amounts) | Three month period ended March 31 | |
|--|--------------------------------------|---------|
| | 2014 | 2013 |
| Revenues | 210,502 | 185,293 |
| Cost of revenues | 181,026 | 160,481 |
| Gross profit | 29,476 | 24,812 |
| Administrative and general expenses | 11,470 | 10,735 |
| Other | (343) | 980 |
| Income before interest and income taxes | 18,349 | 13,097 |
| Interest | 1,698 | 2,124 |
| Income before income taxes | 16,651 | 10,973 |
| Income taxes | | |
| Current | 1,224 | 1,204 |
| Deferred | 3,348 | 1,754 |
| | 4,572 | 2,958 |
| Net income | 12,079 | 8,015 |
| Other comprehensive income (loss) | | |
| Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods: | | |
| Foreign currency translation | 9,301 | (384) |
| Other comprehensive loss that may be reclassified to profit and loss in subsequent periods: | | |
| Actuarial losses on defined benefit pension plans, net of tax | (3,203) | — |
| Total comprehensive income, net of tax | 18,177 | 7,631 |
| Net income per share | | |
| Basic and diluted | 0.21 | 0.14 |

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

| (unaudited) (expressed in thousands of Canadian dollars) | March 31 2014 | December 31 2013 |
|---|------------------|---------------------|
| Current assets | | |
| Cash | 8,124 | 7,760 |
| Trade and other receivables | 163,472 | 146,969 |
| Inventories | 167,991 | 160,269 |
| Prepaid expenses and other | 12,580 | 12,461 |
| | 352,167 | 327,459 |
| Non-current assets | | |
| Property, plant and equipment | 339,698 | 331,940 |
| Investment properties | 4,470 | 4,663 |
| Intangible assets | 60,830 | 60,365 |
| Other assets | 25,473 | 24,472 |
| Deferred tax assets | 43,538 | 43,011 |
| | 474,009 | 464,451 |
| Total assets | 826,176 | 791,910 |
| Current liabilities | | |
| Bank indebtedness | 122,267 | 115,930 |
| Accounts payable and accrued liabilities and provisions | 137,665 | 137,625 |
| Debt due within one year | 36,942 | 30,932 |
| | 296,874 | 284,487 |
| Non-current liabilities | | |
| Long-term debt | 46,015 | 46,154 |
| Borrowings subject to specific conditions | 17,837 | 17,637 |
| Other long-term liabilities and provisions | 19,300 | 15,713 |
| Deferred tax liabilities | 22,143 | 19,761 |
| | 105,295 | 99,265 |
| Equity | | |
| Share capital | 254,440 | 254,440 |
| Contributed surplus | 2,044 | 2,044 |
| Other paid in capital | 13,565 | 13,565 |
| Retained earnings | 136,012 | 129,464 |
| Accumulated other comprehensive income | 17,946 | 8,645 |
| | 424,007 | 408,158 |
| Total liabilities and equity | 826,176 | 791,910 |

Magellan Aerospace Corporation – Management’s Discussion & Analysis
 March 31, 2014

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

| (unaudited) (expressed in thousands of Canadian dollars) | Three month period Ended March 31 | |
|--|--------------------------------------|----------------|
| | 2014 | 2013 |
| Cash flow from operating activities | | |
| Net income | 12,079 | 8,015 |
| Amortization/depreciation of intangible assets and property, plant and equipment | 8,781 | 8,174 |
| (Gain) loss on disposal of property, plant and equipment | (47) | 32 |
| Decrease in defined benefit plans | (421) | (18) |
| Accretion | 290 | 153 |
| Deferred taxes | 2,210 | 400 |
| Loss on investment in joint venture | (80) | - |
| Decrease in working capital | (20,862) | (22,754) |
| Net cash provided (used) by operating activities | 1,950 | (5,998) |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (6,564) | (4,101) |
| Proceeds from disposal of property, plant and equipment | 71 | 46 |
| Increase in other assets | (3,099) | (2,712) |
| Net cash used in investing activities | (9,592) | (6,767) |
| Cash flow from financing activities | | |
| Increase in bank indebtedness | 5,497 | 6,481 |
| Increase in debt due within one year | 5,743 | 499 |
| Decrease in long-term debt | (1,345) | (2,435) |
| Increase (decrease) in long-term liabilities and provisions | 107 | (41) |
| Increase in borrowings | - | 318 |
| Common share dividends | (2,328) | - |
| Net cash provided by financing activities | 7,674 | 4,822 |
| Increase (decrease) in cash during the period | 32 | (7,943) |
| Cash at beginning of the period | 7,760 | 22,423 |
| Effect of exchange rate differences | 332 | (134) |
| Cash at end of the period | 8,124 | 14,346 |