**FOR IMMEDIATE RELEASE VIA THE CANADIAN CUSTOM DISCLOSURE NETWORK**

**NEWS RELEASE**

# MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

**Toronto, Ontario – November 13, 2019** – – Magellan Aerospace Corporation ("Magellan" or the "Corporation") released its financial results for the third quarter of 2019. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

| | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|---|---|---|---|---|---|---|
| Expressed in thousands of Canadian dollars, except per share amounts | **2019** | **2018** | **Change** | **2019** | **2018** | **Change** |
| Revenues | 235,575 | 226,523 | 4.0% | 769,541 | 712,369 | 8.0% |
| Gross Profit | 35,074 | 37,692 | (6.9)% | 122,985 | 119,393 | 3.0% |
| Net Income | 15,847 | 18,612 | (14.9)% | 57,972 | 59,540 | (2.6)% |
| Net Income per Share | 0.27 | 0.32 | (15.6)% | 1.00 | 1.02 | (2.0)% |
| EBITDA | 34,125 | 35,462 | (3.8)% | 117,293 | 111,386 | 5.3% |
| EBITDA per Share | 0.59 | 0.61 | (3.3)% | 2.02 | 1.91 | 5.8% |

**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 a 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.**

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, Magellan designs, engineers, and manufactures aeroengine and aerostructure components for aerospace markets, advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through supply of spare parts as well as performing repair and overhaul services.

Magellan operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul, and sale of systems and components for defence and civil aviation.

**Business Update**

On June 12, 2019 Magellan congratulated the Canadian Space Agency ("CSA") on the RADARSAT Constellation Mission ("RCM") that was launched successfully from Vandenberg, California aboard a SpaceX Falcon 9 rocket. The three identical RCM satellite buses were built by Magellan under subcontract to MDA, a Maxar Technologies company, the prime contractor for RCM.

Magellan will be attending the upcoming Dubai Airshow which is being held between November 17th and November 21st 2019. At this venue, the Corporation intends to meet with a number of current and potential customers primarily to further its engine repair and overhaul business.

**Acquisition**

On November 7, 2019, Magellan completed the acquisition of 100% of the outstanding shares of Service Inter Industrie ("SII"), an aerospace component supplier based in Marignane France. SII specializes in precision machining of critical components used in the manufacture of civil and military helicopters as well as components for the fixed wing commercial and defense aerospace markets. SII is in close proximity to its major customers, whom it serves for the serial production as well as maintenance, repair and overhaul services on select parts. The acquisition of SII provides a new growth vehicle for Magellan and is its first business acquired in France, close to major Airbus operations.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2018 Annual Report available on www.sedar.com.

## 2. Results of Operations

A discussion of Magellan's operating results for third quarter ended September 30, 2019

The Corporation reported revenue in the third quarter of 2019 of $235.6 million, an increase of $9.1 million from third quarter of 2018 revenue of $226.5 million. Gross profit and net income for the third quarter of 2019 were $35.1 million and $15.8 million, respectively, in comparison to gross profit of $37.7 million and net income of $18.6 million for the third quarter of 2018.

***Consolidated Revenue***

| | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|---|---|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Canada | **86,256** | 74,288 | 16.1% | **273,142** | 230,633 | 18.4% |
| United States | **76,616** | 81,545 | (6.0%) | **244,563** | 244,630 | 0.0% |
| Europe | **72,703** | 70,690 | 2.8% | **251,836** | 237,106 | 6.2% |
| Total revenues | **235,575** | 226,523 | 4.0% | **769,541** | 712,369 | 8.0% |

Revenues in Canada increased 16.1% in the third quarter of 2019 in comparison to the same period in 2018, primarily due to higher volumes in repair and overhaul services, proprietary and casting products, and the strengthening of the United States dollar relative to the Canadian dollar when compared to the prior period. On a currency neutral basis, Canadian revenues in the third quarter of 2019 increased by 15.6% over the same period of 2018.

Revenues in United States decreased 6.0% in the third quarter of 2019 compared to the third quarter of 2018 when measured in Canadian dollars mainly due to volume decreases for single aisle aircraft and timing of deliveries, partially offset by favourable foreign exchange impact due to the strengthening of the United States dollar against the Canadian dollar. On a currency neutral basis, revenues in the United States decreased 7.0% in the third quarter of 2019 over the same period in 2018.

European revenues increased 2.8% in the third quarter of 2019 compared to the corresponding period in 2018 primarily driven by increased production rates for single aisle and wide body aircraft, and the strengthening of the United States dollar relative to the British pound, offset partially by the unfavourable foreign exchange impact due to the weakening of the British pound against the Canadian dollar. On a constant currency basis, revenues in the third quarter of 2019 in Europe increased 2.9% when compared to the same period in 2018.

**Gross Profit**

| | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|---|---|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Gross profit | **35,074** | 37,692 | (6.9%) | **122,985** | 119,393 | 3.0% |
| Percentage of revenues | **14.9%** | 16.6% | | **16.0%** | 16.8% | |

Gross profit of $35.1 million for the third quarter of 2019 decreased $2.6 million from the third quarter of 2018 gross profit of $37.7 million, and gross profit as a percentage of revenues of 14.9% for the third quarter of 2019 was 1.7% lower than the same period in 2018. The gross profit in the current quarter was primarily driven by lower production volumes on certain programs, production inefficiencies and higher manufacturing costs, offset in part by higher volumes in repair and overhaul services and proprietary products in Canada, and the favourable foreign exchange due to the strengthening year over year of the United States dollar against the Canadian dollar and the British pound.

**Administrative and General Expenses**

| | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|---|---|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Administrative and general expenses | **15,195** | 14,182 | 7.1% | **46,785** | 42,994 | 8.8% |
| Percentage of revenues | **6.5%** | 6.3% | | **6.1%** | 6.0% | |

Administrative and general expenses as a percentage of revenues of 6.5% for the third quarter of 2019 were slightly higher than the same period of 2018. Administrative and general expenses increased $1.0 million to $15.2 million in the third quarter of 2019 compared to $14.2 million in the third quarter of 2018 mainly due to costs incurred by the Corporation for its phased implementation of a new ERP program and higher costs in relation to the Corporation's India facilities.

**Other**

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | **2019** | 2018 |
| Foreign exchange gain | **(2,623)** | (908) | **(3,276)** | (2,512) |
| (Gain) loss on disposal of property, plant and equipment | **(17)** | 16 | **(67)** | 128 |
| Other | **1,821** | — | **2,829** | — |
| Total other | **(819)** | (892) | **(514)** | (2,384) |

Other for the third quarter of 2019 included a $2.6 million foreign exchange gain compared to a $0.9 million gain in the same period of 2018, mainly driven by the movements in balances denominated in the foreign currencies and the fluctuations of the foreign exchange rates. In addition, $1.8 million of one-time relocation expenses were incurred for the Corporation's Mississauga facility on its movement into a new operating plant.

**Interest Expense**

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | **2019** | 2018 |
| Interest on bank indebtedness and long-term debt | **(80)** | 208 | **46** | 882 |
| Accretion charge for borrowings, lease liabilities and long-term debt | **644** | 204 | **1,817** | 714 |
| Discount on sale of accounts receivable | **495** | 592 | **1,555** | 1,556 |
| Total interest expense | **1,059** | 1,004 | **3,418** | 3,152 |

Total interest expense of $1.1 million in the third quarter of 2019 was relatively consistent with the third quarter of 2018 amount of $1.0 million. Accretion charge for lease liabilities as a result of adoption of the new lease accounting standard was partially offset by decreased interest on bank indebtedness and long-term debt, due to reduced principal amounts outstanding during the quarter compared to the same period in 2018.

**Provision for Income Taxes**

| Expressed in thousands of dollars | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Current income tax expense | **1,841** | 3,285 | **7,152** | 10,975 |
| Deferred income tax expense | **1,951** | 1,501 | **8,172** | 5,116 |
| Income tax expense | **3,792** | 4,786 | **15,324** | 16,091 |
| Effective tax rate | **19.3%** | 20.5% | **20.9%** | 21.3% |

Income tax expense for the three months ended September 30, 2019 was $3.8 million, representing an effective income tax rate of 19.3% compared to 20.5% for the same period of 2018. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to change in mix of income across the different jurisdictions in which the Corporation operates.

## 3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

| Expressed in millions of dollars, except per share amounts | 2019 | | | | | | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31[2] |
| Revenues | 235.6 | 264.1 | 269.9 | 254.4 | 226.5 | 241.2 | 244.6 | 232.7 |
| Income before taxes | 19.6 | 27.8 | 25.9 | 38.5 | 23.4 | 29.8 | 22.5 | 28.4 |
| Net Income | 15.8 | 21.7 | 20.4 | 29.5 | 18.6 | 23.5 | 17.5 | 31.9 |
| Net Income per share | | | | | | | | |
| Basic and diluted | 0.27 | 0.37 | 0.35 | 0.51 | 0.32 | 0.40 | 0.30 | 0.55 |
| EBITDA[1] | 34.1 | 42.7 | 40.5 | 50.7 | 35.5 | 41.8 | 34.1 | 40.1 |

[1] EBITDA is not an IFRS financial measure. Please see the "Reconciliation of Net Income to EBITDA" section for more information.

[2] Restated using revenue recognition policies in accordance with IFRS 15, *Revenue from Contracts with Customers.*

Revenues and net income reported in the quarterly financial information were impacted by the movements in the Canadian dollar relative to the United States dollar and British pound when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3375 in the second quarter of 2019 and a low of 1.2648 in the first quarter of 2018. The average exchange rate of the British pound relative to the Canadian dollar moved from a high of 1.7607 in the first quarter of 2018 to a low of 1.6280 in the third quarter of 2019. The average exchange rate of the British pound relative to the United States dollar reached its high of 1.3920 in the first quarter of 2018 and hit a low of 1.2327 in the third quarter of 2019.

Revenue for the third quarter of 2019 of $235.6 million was higher than that in the third quarter of 2018. The average exchange rate of the United States dollar relative to the Canadian dollar in the third quarter of 2019 was 1.3206 versus 1.3069 in the same period of 2018. The average exchange rate of British pound relative to the Canadian dollar decreased from 1.7039 in the third quarter of 2018 to 1.6280 during the current quarter. The average exchange rate of the British pound relative to the United States dollar decreased from 1.3037 in the third quarter of 2018 to 1.2327 in the current quarter. Had the foreign exchange rates remained at levels experienced in the third quarter of 2018, reported revenues in the third quarter of 2019 would have been lower by $1.2 million.

As discussed above, net income reported in the quarterly information was also impacted by the foreign exchange movements. In the third quarter of 2017, the Corporation recorded a gain of $2.2 million on the disposition of an investment property. In the fourth quarter of 2017, the Corporation recognized the future tax benefit attributable to a reduction in the United States federal corporate income tax as a result of new legislation. In the fourth quarter of 2018, the Corporation recorded a net gain of $9.7 million related to prior acquisitions.

## 4. Reconciliation of Net Income to EBITDA

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

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

| | **Three month period ended September 30** | | **Nine month period ended September 30** | |
|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | **2019** | 2018 |
| Net income | **15,847** | 18,612 | **57,972** | 59,540 |
| Interest | **1,059** | 1,004 | **3,418** | 3,152 |
| Taxes | **3,792** | 4,786 | **15,324** | 16,091 |
| Depreciation and amortization | **13,427** | 11,060 | **40,579** | 32,603 |
| EBITDA | **34,125** | 35,462 | **117,293** | 111,386 |

EBITDA decreased $1.3 million or 3.8% to $34.1 million for the third quarter of 2019, compared to $35.5 million in the third quarter of 2018 mainly as a result of lower net income and taxes, offset by higher depreciation and amortization expenses mainly driven by the implementation of new accounting standard.

## 5. Liquidity and Capital Resources

A discussion of Magellan's cash flow, liquidity, credit facilities and other disclosures

The Corporation's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its credit facility and accounts receivable securitization program, and long-term debt and equity capacity. Principal uses of cash are for operational requirements, capital expenditures and dividend payments. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

**Cash Flow from Operations**

| | **Three month period ended September 30** | | **Nine month period ended September 30** | |
|---|---|---|---|---|
| Expressed in thousands of dollars | **2019** | 2018 | **2019** | 2018 |
| Decrease (increase) in accounts receivable | **14,456** | 10,333 | **770** | (3,966) |
| (Increase) decrease in contract assets | **(8,201)** | 3,297 | **(26,525)** | (20,615) |
| Increase in inventories | **(9,317)** | (8,645) | **(17,341)** | (7,147) |
| Increase in prepaid expenses and other | **(511)** | (2,161) | **(3,927)** | (7,581) |
| Increase (decrease) in accounts payable, accrued liabilities and provisions | **26** | (2,057) | **4,501** | (15,522) |
| Changes in non-cash working capital balances | **(3,547)** | 767 | **(42,522)** | (54,831) |
| Cash provided by operating activities | **27,568** | 30,606 | **61,340** | 39,185 |

For the three months ended September 30, 2019 the Corporation generated $27.6 million from operating activities, compared to $30.6 million in the third quarter of 2018. The quarter over quarter decrease in cash flow from operations was as a result of the unfavourable movement of non-cash working capital balances, largely due to increase in contract assets from the timing of production and billing related to products transferred over time, partially offset by the decrease in accounts receivable, increase in accounts payable, accrued liabilities and provisions due to the nature of purchases and timing of payments, and favourable change in prepaid expenses due to timing of payments.

### Investing Activities

| Expressed in thousands of dollars | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Business combination, net of cash acquired | **—** | — | **(2,661)** | — |
| Purchase of property, plant and equipment | **(16,322)** | (8,456) | **(34,668)** | (21,519) |
| Proceeds of disposals of property, plant and equipment | **67** | 4 | **426** | 203 |
| Decrease (increase) in intangible and other assets | **3,102** | (5,939) | **(6,127)** | (3,862) |
| Cash used in investing activities | **(13,153)** | (14,391) | **(43,030)** | (25,178) |

Investing activities used $13.2 million in cash for the third quarter of 2019 compared to $14.4 million in the same quarter of the prior year, a decrease of $1.2 million from the prior year primarily due to lower deposits recorded in the other assets during the quarter offset by higher level of investment in property, plant and equipment and intangible assets. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs.

### Financing Activities

| Expressed in thousands of dollars | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Decrease in bank indebtedness | **(42)** | (7,172) | **(173)** | (221) |
| Increase (decrease) in debt due within one year | **589** | 2,300 | **(7,895)** | (3,522) |
| Decrease in long-term debt | **(612)** | (646) | **(2,061)** | (14,520) |
| Lease liability payments | **(1,073)** | — | **(2,757)** | — |
| Increase (decrease) in long-term liabilities and provisions | **23** | 87 | **(156)** | (44) |
| Increase (decrease) in borrowings subject to specific conditions, net | **19** | 180 | **(803)** | 1,490 |
| Common share dividend | **(5,821)** | (4,947) | **(17,463)** | (14,843) |
| Cash used in financing activities | **(6,917)** | (10,198) | **(31,308)** | (31,660) |

On September 13, 2018, the Corporation amended its credit agreement with its existing lenders. The Corporation has a multi-currency operating credit facility with a syndicate of banks, with a Canadian dollar limit of $75 million. Under the terms of the amended credit agreement, the operating credit facility expires on September 13, 2020. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a $75 million uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. Subsequent to September 30, 2019, the Corporation extended the expiration of the credit agreement to September 13, 2021.

The Corporation used $6.9 million in financing activities in the third quarter of 2019 mainly to repay long-term debt and the payments of lease liabilities and dividends.

As at September 30, 2019 the Corporation had made contractual commitments to purchase $9.8 million of capital assets.

### Dividends

During the first, second and third quarter of 2019, the Corporation declared and paid quarterly cash dividends of $0.10 per common shares representing an aggregating dividend payment of $17.5 million.

Subsequent to September 30, 2019, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.105 per common share, an increase of 5% over the dividend paid in the previous quarter. The dividend will be payable on December 31, 2019 to shareholders of record at the close of business on December 17, 2019.

### 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 November 8, 2019, 58,209,001 common shares were outstanding and no preference shares were outstanding.

# MAGELLAN AEROSPACE

## 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 September 30, 2019, the Corporation had $11.0 million USD/CAD foreign exchange contracts outstanding with an immaterial fair value, expiring monthly until December 2019.

**Off Balance Sheet Arrangements**

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

## 7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three and nine month periods ended September 30, 2019, the Corporation had no material transactions with related parties as defined in IAS 24 *Related Party Disclosures*.

## 8. Risk Factors

A summary of risks and uncertainties facing Magellan

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

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2018 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2018, which have been filed with SEDAR at www.sedar.com...

## 9. Outlook

The outlook for Magellan's business

As of September 30, 2019, Airbus' order backlog decreased from 7,276 aircraft to 7,133 aircraft and Boeing's backlog decreased from 5,733 to 5,705 aircraft compared to June 30, 2019.

In the single aisle market, Boeing and regulators continue to review changes to the 737 MAX aircraft. The current prediction is for Boeing to hand over its final package of changes to regulators in the fourth quarter of 2019. Boeing remains optimistic that the 737 MAX will fly again in the first quarter of 2020. As authorities thoroughly scrutinize Boeing's and the FAA's justifications, the main risk to the reintroduction of aircraft into service is alignment amongst global airworthiness regulators. In the meantime, Boeing continues to build the 737 MAX aircraft at a reduced production rate of 42 aircraft per month.

Airbus is currently producing their A320 single aisle aircraft at a rate of 58 aircraft per month, with plans to reach 63 aircraft per month. In August, Airbus announced it had officially begun manufacturing the A220 aircraft in the United States. By the mid-2020's, the U.S. production facility is expected to produce between 40 and 50 aircraft per year.

The wide-body market is currently undergoing several new program delays. Boeing has placed the development of their 777-8 aircraft on hold until 2021 while their 777-9 program is delayed due to GE9X engine issues. Airbus' A330neo certification program has also been delayed due to issues with the RR Trent 7000 engine. Other wide-body programs remain on schedule. Boeing's 787 aircraft is running at 14 aircraft per month, up from a rate of 12 aircraft per month in the first quarter of 2019. Airbus' A350 XWB is running at 9.8 aircraft per month. As of August 31, 2019, Airbus secured 913 firm orders from 51 customers worldwide for A350 XWB's, making it one of the most successful wide-body aircraft. Finally, Airbus is continuing its plans to end A380 aircraft production in July 2020.

The turboprop aircraft market is currently forecasted to grow by 2.5% Compound Annual Growth Rate ("CAGR") from 2019 through 2024. While North America held a major share in this aircraft market up to 2018, demand has shifted towards the Asia-Pacific region with China, India, Singapore, Australia and Thailand generating the highest CAGR in this market.

Business jets are facing headwinds in traditionally strong European and Chinese markets, according to Flight International. The dip in Europe is said to be partially attributed to the uncertainty over Brexit, whereas trade tensions between the USA and China have caused that market to be flat. Since the US economy is buoyant that market remains relatively active for business jets.

According to Forecast International, the U.S. Army confirmed that while new vertical lift programs are crucial to delivering a future step change in speed, range and lethality, the modernization of existing defense helicopter platforms is vitally important on today's battlefield. The UH-60 Black Hawk, the CH47 Chinook and AH-64 Apache platforms each have ongoing modernization programs which are helping to keep the market active. This includes the development of General Electric's new Improved Turbine Engine Program (ITEP) T901 engine that will increase power, reduce fuel consumption and increase engine service life for AH-64 and UH-60's. The first contract has been awarded to GE to develop the T901 engine for integration into the AH-64 helicopter.

It was announced this quarter that the U.S. government approved the sale of F-35A's to Poland. The potential sale is for 32 aircraft worth US $6.6 billion. A Lockheed company spokesman confirmed in August that "We have delivered more than 425 aircraft to date, doubled production since 2016, met our annual delivery targets two years in a row and continue to increase production rates, improve efficiencies and reduce costs year-over-year," he said. "We are confident the enterprise is prepared for full-rate production and ready to meet growing customer demand."

Airbus announced that it was pulling the Eurofighter Typhoon out of Canada's Future Fighter Replacement Program. The move leaves only three companies in the $19 billion contest: Lockheed Martin with its F-35; Boeing with the Super Hornet; and Saab, which is offering an updated version of its Gripen fighter. Two responses have been requested from the bidders by the Government. The first response is scheduled for fall of 2019 and the final proposal is due in the spring 2020. A down selection is expected in 2020 or 2021 followed by the identification of the selected bidder which is expected in early 2022. The first aircraft delivery is planned to be in 2025.

## Additional Information

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

## Forward Looking Statements

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

-30-

**For additional information contact:**


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

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

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

| (unaudited)<br>(expressed in thousands of Canadian dollars, except per share amounts) | Three month period ended September 30<br>**2019** | 2018 | Nine month period ended September 30<br>**2019** | 2018 |
|---|---|---|---|---|
| Revenues | **235,575** | 226,523 | **769,541** | 712,369 |
| Cost of revenues | **200,501** | 188,831 | **646,556** | 592,976 |
| Gross profit | **35,074** | 37,692 | **122,985** | 119,393 |
| Administrative and general expenses | **15,195** | 14,182 | **46,785** | 42,994 |
| Other | **(819)** | (892) | **(514)** | (2,384) |
| Income before interest and income taxes | **20,698** | 24,402 | **76,714** | 78,783 |
| Interest expense | **1,059** | 1,004 | **3,418** | 3,152 |
| Income before income taxes | **19,639** | 23,398 | **73,296** | 75,631 |
| Income taxes | | | | |
| Current | **1,841** | 3,285 | **7,152** | 10,975 |
| Deferred | **1,951** | 1,501 | **8,172** | 5,116 |
| | **3,792** | 4,786 | **15,324** | 16,091 |
| **Net income** | **15,847** | 18,612 | **57,972** | 59,540 |
| Other comprehensive income | | | | |
| Other comprehensive (loss) income that may be reclassified to profit and loss in subsequent periods: | | | | |
| Foreign currency translation | **(3,805)** | (10,767) | **(26,849)** | 4,266 |
| Items not to be reclassified to profit and loss in subsequent periods: | | | | |
| Actuarial (loss) gain on defined benefit pension plans, net of taxes | **(1,234)** | 3,046 | **(4,335)** | 4,960 |
| **Total comprehensive income, net of taxes** | **10,808** | 10,891 | **26,788** | 68,766 |
| **Net income per share** | | | | |
| Basic and diluted | **0.27** | 0.32 | **1.00** | 1.02 |

## MAGELLAN AEROSPACE CORPORATION
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

| (unaudited)<br>(expressed in thousands of Canadian dollars) | September 30 2019 | December 31 2018 |
|---|---|---|
| **Current assets** | | |
| Cash | **48,228** | 63,316 |
| Trade and other receivables | **185,796** | 187,897 |
| Contract assets | **92,103** | 66,436 |
| Inventories | **188,148** | 175,082 |
| Prepaid expenses and other | **23,102** | 20,058 |
| | **537,377** | 512,789 |
| **Non-current assets** | | |
| Property, plant and equipment | **427,226** | 428,878 |
| Right-of-use assets | **40,752** | — |
| Investment properties | **2,169** | 2,305 |
| Intangible assets | **60,555** | 62,745 |
| Goodwill | **33,275** | 35,104 |
| Other assets | **11,692** | 19,666 |
| Deferred tax assets | **7,715** | 11,393 |
| | **583,384** | 560,091 |
| **Total assets** | **1,120,761** | 1,072,880 |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities and provisions | **156,389** | 154,407 |
| Debt due within one year | **41,541** | 44,393 |
| | **197,930** | 198,800 |
| **Non-current liabilities** | | |
| Long-term debt | **7,379** | 9,064 |
| Lease liabilities | **35,806** | — |
| Borrowings subject to specific conditions | **23,850** | 24,510 |
| Other long-term liabilities and provisions | **25,226** | 19,668 |
| Deferred tax liabilities | **31,228** | 33,165 |
| | **123,489** | 86,407 |
| **Equity** | | |
| Share capital | **254,440** | 254,440 |
| Contributed surplus | **2,044** | 2,044 |
| Other paid in capital | **13,565** | 13,565 |
| Retained earnings | **509,420** | 473,246 |
| Accumulated other comprehensive income | **17,529** | 44,378 |
| Equity attributable to equity holder of the Corporation | **796,998** | 787,673 |
| Non-controlling interest | **2,344** | — |
| **Total equity** | **799,342** | 787,673 |
| **Total liabilities and equity** | **1,120,761** | 1,072,880 |

## MAGELLAN AEROSPACE CORPORATION
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

| (unaudited)<br>(expressed in thousands of Canadian dollars) | Three month period ended September 30<br>2019 | 2018 | Nine month period ended September 30<br>2019 | 2018 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Net income | **15,847** | 18,612 | **57,972** | 59,540 |
| Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment | **13,427** | 11,060 | **40,579** | 32,603 |
| (Gain) loss on disposal of property, plant and equipment | **(9)** | 15 | **(56)** | 127 |
| Gain on disposal of joint venture investment | **—** | — | **(881)** | — |
| Increase (decrease) in defined benefit plans | **25** | (391) | **158** | (784) |
| Accretion | **644** | 204 | **1,817** | 714 |
| Deferred taxes | **1,279** | 505 | **4,652** | 2,220 |
| Income on investments in joint ventures | **(98)** | (166) | **(379)** | (404) |
| Changes to non-cash working capital | **(3,547)** | 767 | **(42,522)** | (54,831) |
| **Net cash provided by operating activities** | **27,568** | 30,606 | **61,340** | 39,185 |
| **Cash flow from investing activities** | | | | |
| Business combination, net of cash acquired | **—** | — | **(2,661)** | — |
| Purchase of property, plant and equipment | **(16,322)** | (8,456) | **(34,668)** | (21,519) |
| Proceeds from disposal of property, plant and equipment | **67** | 4 | **426** | 203 |
| Decrease (increase) in intangible and other assets | **3,102** | (5,939) | **(6,127)** | (3,862) |
| **Net cash used in investing activities** | **(13,153)** | (14,391) | **(43,030)** | (25,178) |
| **Cash flow from financing activities** | | | | |
| Decrease in bank indebtedness | **(42)** | (7,172) | **(173)** | (221) |
| Increase (decrease) in debt due within one year | **589** | 2,300 | **(7,895)** | (3,522) |
| Decrease in long-term debt | **(612)** | (646) | **(2,061)** | (14,520) |
| Lease liability payments | **(1,073)** | — | **(2,757)** | — |
| Increase (decrease) in long-term liabilities and provisions | **23** | 87 | **(156)** | (44) |
| Increase (decrease) in borrowings subject to specific conditions, net | **19** | 180 | **(803)** | 1,490 |
| Common share dividend | **(5,821)** | (4,947) | **(17,463)** | (14,843) |
| **Net cash used in financing activities** | **(6,917)** | (10,198) | **(31,308)** | (31,660) |
| **Increase (decrease) in cash during the period** | **7,498** | 6,017 | **(12,998)** | (17,653) |
| Cash at beginning of the period | **41,373** | 17,462 | **63,316** | 40,394 |
| Effect of exchange rate differences | **(643)** | (536) | **(2,090)** | 202 |
| **Cash at end of the period** | **48,228** | 22,943 | **48,228** | 22,943 |