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NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – November 10, 2020 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the third quarter of 2020. 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 | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Revenues | 163,377 | 235,575 | (30.6%) | 564,357 | 769,541 | (26.7%) |
| Gross Profit | 22,742 | 35,074 | (35.2%) | 84,857 | 122,985 | (31.0%) |
| Net Income | 11 | 15,847 | (99.9%) | 26,188 | 57,972 | (54.8%) |
| Net Income per Share | 0.00 | 0.27 | (100.0%) | 0.45 | 1.00 | (55.0%) |
| Adjusted EBITDA | 21,824 | 34,125 | (36.0%) | 88,892 | 117,293 | (24.2%) |
| Adjusted EBITDA per Share | 0.38 | 0.59 | (35.6%) | 1.53 | 2.02 | (24.3%) |

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 (earnings before interest expense, income taxes, depreciation and amortization, and restructuring), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA and Adjusted 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 and Adjusted EBITDA may not be directly comparable with similarly titled measures used by other companies.

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.

Impact of COVID-19

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

In the third quarter of 2020, the continued disruption to air travel and commercial activities, particularly within the aerospace and commercial airline industries negatively impacted global supply, demand and distribution capabilities. In particular, the significant decrease in air travel resulting from the COVID-19 pandemic is adversely affecting Magellan's customers and their demand for the Corporation's products and services. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation remains unknown at this time.

Financial impacts

The current challenging economic climate may have material adverse impact on Magellan including, but not limited to significant declines in revenue in addition to what Magellan experienced in the third quarter of 2020 as the Corporation's customers are concentrated in the aerospace industry; impairment charges to the Corporation's property, plant and equipment and intangible assets due to declines in revenue and cash flows; and restructuring charges as Magellan aligns its structure and personnel to the dynamic environment. Estimates and judgements made in the preparation of financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

Magellan has implemented measures to align its cost structure and maximize cash preservation during the current market conditions, including headcount reductions and re-balancing work force; elimination of all non-essential travel, entertaining and other discretionary spending; and reductions to the 2020 capital expenditure plan. The Corporation also applied and received the Canada Emergency Wage Subsidy ("CEWS") for its Canadian employees. The carrying value of the Corporation's long-lived assets are reviewed for indications of impairment at the end of each reporting period. At September 30, 2020, the Corporation reviewed each cash-generating unit and did not identify indications of impairment.

The fourth quarter of 2020 will be challenging for Magellan's revenue on a year over year basis as COVID-19 continues to impact aircraft production rates over the short and medium term. In response to this impact, Magellan implemented cost savings initiatives designed to reduce operating costs. Subsequent to the third quarter of 2020, a restructuring plan was approved as part of the Corporation's strategy to reorganize its European operations resulting in the closure of its Bournemouth manufacturing facilities in the United Kingdom, which will result in the Corporation incurring a restructuring charge relating to the closure of approximately \$8 million. Magellan will continue to operate its treatments center in Bournemouth. Magellan continues to actively monitor the COVID-19 situation and reassesses its operating plan as program updates become available.

Operational impacts

During this pandemic, in regions where the local authorities have ordered non-essential business closures and implemented "stay at home" orders, the aerospace manufacturing industry has been classified as an "essential service". As a result, the Corporation's operations remained open, but at reduced levels of activity during the third quarter of 2020.

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

Liquidity

During the third quarter of 2020, Magellan improved its overall liquidity position despite the challenges posed by COVID-19. The Corporation ended the quarter with a cash balance of \$91.2 million and \$70.4 million of available borrowing capacity under Magellan's operating credit facility, providing the Corporation with \$161.6 million of total liquidity as compared with \$103.3 million at March 31, 2020. The credit facility agreement also includes a \$75 million uncommitted accordion provision that provides the Corporation with the option to increase the size of the operating credit facility to \$150 million. Magellan expects that cash provided by operations, cash on hand and its sources of financing will be sufficient to meet the Corporation's debt obligations and fund committed and future capital expenditures.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2019 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for third quarter ended September 30, 2020

The Corporation reported revenue in the third quarter of 2020 of \$163.4 million, a \$72.2 million decrease from the third quarter of 2019 of \$235.6 million. Gross profit and net income for the third quarter of 2020 were \$22.7 million and breakeven, respectively, in comparison to gross profit of \$35.1 million and net income of \$15.8 million for the third quarter of 2019.

Consolidated Revenue

| Expressed in thousands of dollars | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|-----------------------------------|---------------------------------------|---------|---------|--------------------------------------|---------|---------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Canada | 76,313 | 86,256 | (11.5%) | 254,150 | 273,142 | (7.0%) |
| United States | 46,097 | 76,616 | (39.8%) | 156,103 | 244,563 | (36.2%) |
| Europe | 40,967 | 72,703 | (43.7%) | 154,104 | 251,836 | (38.8%) |
| Total revenues | 163,377 | 235,575 | (30.6%) | 564,357 | 769,541 | (26.7%) |

Revenues in Canada decreased 11.5% in the third quarter of 2020 in comparison to the same period in 2019 primarily due to decreased volumes in proprietary and casting products, partially offset by higher volumes in a number of defence programs.

Revenues in United States decreased by 39.8% in the third quarter of 2020 when compared to the third quarter of 2019, largely due to volume decreases for both single aisle, specifically the Boeing 737 MAX, and wide-body aircraft.

European revenues decreased 43.7% in the third quarter of 2020 compared to the corresponding period in 2019 primarily driven by build rate reductions for both single aisle and wide-body aircraft.

Gross Profit

| Expressed in thousands of dollars | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|-----------------------------------|---------------------------------------|--------|---------|--------------------------------------|---------|---------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Gross profit | 22,742 | 35,074 | (35.2%) | 84,857 | 122,985 | (31.0%) |
| Percentage of revenues | 13.9% | 14.9% | | 15.0% | 16.0% | |

Gross profit of \$22.7 million for the third quarter of 2020 was \$12.3 million lower than the third quarter of 2019 gross profit of \$35.1 million, and gross profit as a percentage of revenues of 13.9% for the third quarter of 2020 was lower than the third quarter of 2019 of 14.9%. The lower gross profit in the current quarter when compared to the same quarter in 2019 was primarily driven by decreased volumes in a number of commercial programs, offset in part by production efficiencies realized on certain programs, and recognition of \$9.7 million in subsidies from the CEWS program.

Administrative and General Expenses

| Expressed in thousands of dollars | Three month period ended September 30 | | | Nine month period ended September 30 | | |
|-------------------------------------|---------------------------------------|--------|---------|--------------------------------------|--------|---------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Administrative and general expenses | 11,431 | 15,195 | (24.8%) | 39,704 | 46,785 | (15.1%) |
| Percentage of revenues | 7.0% | 6.5% | | 7.0% | 6.1% | |



Administrative and general expenses as a percentage of revenues of 7.0% for the third quarter of 2020 were 0.5% higher than the same period of 2019. Administrative and general expenses decreased \$3.8 million to \$11.4 million in the third quarter of 2020 compared to \$15.2 million in the third quarter of 2019 mainly due to lower discretionary expenses, lower salary and related expenses, subsidies of \$0.7 million received from the CEWS program and cost reductions across the majority of the expense categories to align with current business volumes.

Restructuring

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|-----------------------------------|--|------|---|------|
| Expressed in thousands of dollars | 2020 | 2019 | 2020 | 2019 |
| Restructuring | 5,554 | — | 6,263 | — |

During the third quarter of 2020, Magellan implemented cost savings initiatives designed to reduce operating costs by re-balancing its workforce and recognized severance costs of \$5,554.

Other

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|--|---------|---|---------|
| Expressed in thousands of dollars | 2020 | 2019 | 2020 | 2019 |
| Foreign exchange loss (gain) | 2,508 | (2,623) | (2,271) | (3,276) |
| Gain on disposal of property, plant and equipment | (22) | (17) | (65) | (67) |
| Other | — | 1,821 | (172) | 2,829 |
| Total other | 2,486 | (819) | (2,508) | (514) |

Total other for the third quarter of 2020 included a \$2.5 million foreign exchange loss compared to a \$2.6 million foreign exchange gain in the same period of 2019, mainly driven by the movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates. In addition, \$1.8 million of one-time relocation expenses were included in the third quarter of 2019.

Interest Expense

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|--|-------|---|-------|
| Expressed in thousands of dollars | 2020 | 2019 | 2020 | 2019 |
| Interest on bank indebtedness and long-term debt | 80 | (80) | 225 | 46 |
| Accretion charge for borrowings, lease liabilities and long-term debt | 844 | 644 | 2,453 | 1,817 |
| Discount on sale of accounts receivable | 179 | 495 | 733 | 1,555 |
| Total interest expense | 1,103 | 1,059 | 3,411 | 3,418 |

Total interest expense of \$1.1 million in the third quarter of 2020 was consistent with the third quarter of 2019 amount of \$1.1 million mainly due to lower discount on sale of accounts receivables offset by higher accretion charge on lease liabilities.

Provision for Income Taxes

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|-----------------------------------|--|-------|---|--------|
| Expressed in thousands of dollars | 2020 | 2019 | 2020 | 2019 |
| Current income tax expense | 731 | 1,841 | 2,642 | 7,152 |
| Deferred income tax expense | 1,426 | 1,951 | 9,157 | 8,172 |
| Income tax expense | 2,157 | 3,792 | 11,799 | 15,324 |
| Effective tax rate | 99.5% | 19.3% | 31.1% | 20.9% |

Income tax expense for the three months ended September 30, 2020 was \$2.2 million, representing an effective income tax rate of 99.5% compared to 19.3% for the same period of 2019. 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 and loss 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 | 2020 | | | | 2019 | | | | 2018 |
|---|--------------|--------|--------|--------|--------|--------|--------|--------|------|
| | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | |
| Revenues | 163.4 | 162.2 | 238.8 | 246.7 | 235.6 | 264.1 | 269.9 | 254.4 | |
| Income before taxes | 2.2 | 10.0 | 25.8 | 11.7 | 19.6 | 27.8 | 25.9 | 38.5 | |
| Net Income | 0.0 | 6.1 | 20.1 | 9.4 | 15.8 | 21.7 | 20.4 | 29.5 | |
| Net Income per share | | | | | | | | | |
| Basic and diluted | 0.00 | 0.10 | 0.34 | 0.16 | 0.27 | 0.37 | 0.35 | 0.51 | |
| EBITDA ¹ | 16.3 | 24.8 | 41.5 | 27.9 | 34.1 | 42.7 | 40.5 | 50.7 | |

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

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 quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3859 in the second quarter of 2020 and a low of 1.3200 in the fourth quarter of 2019. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from its high of 1.7315 in the first quarter of 2019 to its lowest rate of 1.6280 in the third quarter of 2019. The average quarterly exchange rate of the British pound relative to the United States dollar reached its high of 1.2887 in the third quarter of 2020 and hit a low of 1.2327 in the third quarter of 2019.

Revenue for the third quarter of 2020 of \$163.4 million was lower than that in the third quarter of 2019. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the third quarter of 2020 was 1.3316 versus 1.3206 in the same period of 2019. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.6280 in the third quarter of 2019 to 1.7212 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar strengthened from 1.2327 in the third quarter of 2019 to 1.2887 in the current quarter. Had the foreign exchange rates remained at levels experienced in the third quarter of 2019, reported revenues in the third quarter of 2020 would have been lower by \$1.2 million.

As discussed above, net income reported in the quarterly information was impacted by the foreign exchange movements. In the fourth quarter of 2018, the Corporation recorded a net gain of \$9.7 million related to prior acquisitions. The fourth quarter of 2019 was impacted by volume decrease in Europe, production inefficiencies in certain operating divisions and an accrual recorded in relation to the wind-down of the A380 program. Results for the second and third quarter of 2020 were impacted by volume decreases in a number of commercial programs due to COVID-19. During the third quarter of 2020, Magellan implemented cost savings initiatives designed to reduce operating costs by re-balancing its workforce and recognized severance costs of \$5.6 million. In addition, the Corporation recognized \$8.6 million and \$10.4 million government subsidy relating to the CEWS program in the second and third quarter respectively, and reduced the expense that the subsidy is intended to offset. Last, a \$3.4 million cost recovery was also recorded against cost of sales as a result of the cancellation of A320neo program in the third quarter of 2020.

4. Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest expense, income taxes and depreciation and amortization) and Adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, and restructuring) in this quarterly statement. 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 of the components 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 an alternative to net income as determined in accordance with IFRS or as an alternative to cash provided by or used in operations.

| Expressed in thousands of dollars | Three month period ended September 30 | | Nine month period ended September 30 | |
|-----------------------------------|--|--------|---|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Net income | 11 | 15,847 | 26,188 | 57,972 |
| Add back: | | | | |
| Interest | 1,103 | 1,059 | 3,411 | 3,418 |
| Taxes | 2,157 | 3,792 | 11,799 | 15,324 |
| Depreciation and amortization | 12,999 | 13,427 | 41,231 | 40,579 |
| EBITDA | 16,270 | 34,125 | 82,629 | 117,293 |
| Add back: | | | | |
| Restructuring | 5,554 | — | 6,263 | — |
| Adjusted EBITDA | 21,824 | 34,125 | 88,892 | 117,293 |

Adjusted EBITDA decreased \$12.3 million or 36.0% to \$21.8 million for the third quarter of 2020, compared to \$34.1 million in the third quarter of 2019 mainly as a result of lower net income, taxes and depreciation and amortization driven by volume reductions offset by \$5.6 million restructuring expenses recorded in the third quarter of 2020.

5. Liquidity and Capital Resources

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

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

Cash Flow from Operations

| Expressed in thousands of dollars | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|--|---------|---|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Decrease in accounts receivable | 18,287 | 14,456 | 43,981 | 770 |
| Decrease (increase) in contract assets | 4,978 | (8,201) | 773 | (26,525) |
| Decrease (increase) in inventories | 3,328 | (9,317) | (26,499) | (17,341) |
| Decrease (increase) in prepaid expenses and other | 2,340 | (511) | 2,054 | (3,927) |
| Increase (decrease) in accounts payable, accrued liabilities and provisions | 2,846 | (16) | (24,427) | 4,328 |
| Changes in non-cash working capital balances | 31,779 | (3,589) | (4,118) | (42,695) |
| Cash provided by operating activities | 45,292 | 27,526 | 73,039 | 61,167 |

For the three months ended September 30, 2020 the Corporation generated \$45.3 million from operating activities, compared to \$27.5 million in the third quarter of 2019, mainly driven by a favourable working capital change offset by lower net income. The favourable movement of non-cash working capital balances was largely due to decreases in accounts receivable from lower revenues; lower contract assets from the timing of production and billing related to products transferred over time; decreases in inventories driven by volume reductions and reduced material purchases; increases in accounts payable, accrued liabilities and provisions primarily driven by higher advance payments received from customers partially offset by lower level of purchases and timing of payments; and lower prepaid expenses.

Investing Activities

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|--|----------|---|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Expressed in thousands of dollars | | | | |
| Business combination, net of cash acquired | — | — | — | (2,661) |
| Purchase of property, plant and equipment | (6,291) | (16,322) | (12,976) | (34,668) |
| Proceeds from disposal of property, plant and equipment | — | 67 | 107 | 426 |
| Decrease (increase) in intangible and other assets | 4,511 | 3,102 | (2,696) | (6,127) |
| Cash used in investing activities | (1,780) | (13,153) | (15,565) | (43,030) |

Investing activities used \$1.8 million in cash for the third quarter of 2020 compared to \$13.2 million in the same quarter of the prior year, a reduction of \$11.4 million primarily due to lower levels of investment in property, plant and equipment.

Financing Activities

| | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|--|---------|---|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Expressed in thousands of dollars | | | | |
| (Decrease) increase in debt due within one year | (5,287) | 589 | (9,235) | (7,895) |
| Increase in long-term debt | 1,409 | — | 1,409 | — |
| Decrease in long-term debt | (618) | (612) | (1,856) | (2,061) |
| Lease liability payments | (1,586) | (1,073) | (5,053) | (2,757) |
| (Decrease) increase in long-term liabilities and provisions | (84) | 23 | (886) | (156) |
| (Decrease) increase in borrowings subject to specific conditions, net | (8) | 19 | 31 | (803) |
| Common share repurchases | (1,560) | — | (2,046) | — |
| Common share dividend | (6,095) | (5,821) | (18,317) | (17,463) |
| Cash used in financing activities | (13,829) | (6,875) | (35,953) | (31,135) |

The Corporation has a Bank Credit Facility Agreement with a syndicate of lenders, under which there were no drawings as of September 30, 2020. The Bank Credit Facility Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of \$75 million. The Bank Credit Facility Agreement also includes a \$75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to \$150 million. Under the terms of the Bank Credit Facility Agreement, the operating credit facility expires on September 13, 2021. Any extensions of the operating credit facility are subject to mutual consent of the lenders and the Corporation.

The Corporation used \$13.8 million in financing activities in the third quarter of 2020 mainly to repay debt due within one year, long-term debt, and lease liabilities, repurchase common shares and pay dividends.

As at September 30, 2020, the Corporation had made contractual commitments to purchase \$7.8 million of capital assets.

Dividends

During the first, second and third quarter of 2020, the Corporation declared and paid quarterly cash dividends of \$0.105 per common shares representing an aggregating dividend payment of \$18.3 million.

Subsequent to September 30, 2020, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.105 per common share. The dividend will be payable on December 31, 2020 to shareholders of record at the close of business on December 17, 2020.

Normal Course Issuer Bid

On May 25, 2020, the Toronto Stock Exchange (“TSX”) accepted the Corporation’s intention to commence a normal course issuer bid (“NCIB”) which allows the Corporation to repurchase up to 2,910,450 of the Corporation’s issued and outstanding common shares in the open market or otherwise permitted by the TSX. Common shares purchased by the Corporation are cancelled. The program commenced on May 27, 2020 and will terminate on May 26, 2021, or on such earlier date as the Corporation completes its purchase pursuant to the NCIB. During the three-month period ended September 30, 2020, 211,385 common shares were purchased for cancellation for \$1.6 million at a volume weighted average price paid of \$7.36 per share.

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 6, 2020, 57,789,416 common shares were outstanding and no preference shares were outstanding.

6. Financial Instruments

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. As at September 30, 2020, there were no foreign exchange contracts outstanding.

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, 2020, 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.

In March 2020, the WHO declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation's consolidated financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

The Corporation's customers and supply chain in the commercial aerospace sector were negatively affected in the third quarter of 2020. The Corporation will continue to closely monitor the COVID-19 situation and should the duration, spread or intensity of the pandemic further develop in 2020 or beyond, the supply chain and customer demand will likely be further negatively affected. These factors may further impact the Corporation's operating plan, its liquidity and cash flows.

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, 2019 and to the

information under “Risks Inherent in Magellan’s Business” in the Corporation’s Annual Information Form for the year ended December 31, 2019, which have been filed with SEDAR at www.sedar.com.

9. Outlook

The outlook for Magellan’s business in 2020

The current extreme economic uncertainty resulting from the ongoing COVID-19 pandemic renders it difficult to issue a specific outlook concerning industry and market conditions over the next 12 months and as such, the following market information is subject to a high degree of risk.

Stalled air travel recovery in August and September forced the International Air Transport Association (“IATA”) to downgrade its air travel forecast for the balance of 2020. IATA had previously forecasted global air travel in revenue passenger kilometres (“RPK”) to improve to 45% of pre-pandemic levels by the end of 2020 however, IATA has since lowered the forecast to 32%. The RPK rebounded by 10% in the second quarter of 2020, but rising COVID-19 cases in the third quarter of 2020 stopped further progress.

Commercial airlines are struggling to align with current and future demand under these unpredictable market conditions. IATA warns that airlines are using cash at such a rate that without continued government support programs, there could be “large swathes of the industry” approaching bankruptcy. An average of 35% of the global commercial fleet remains parked, with wide body aircraft ranking the highest at 50% to 95% parked depending upon the model. New aircraft deliveries have been low, forcing aircraft manufacturers to implement deep cost cutting measures to protect their businesses while the entire industry attempts to manage through this crisis.

Airbus’ order backlog decreased to 7,441 as of September 30, 2020 compared to 7,584 at June 30, 2020, and 7,482 at the close of 2019. Airbus delivered 341 aircraft and received net orders for 300 aircraft year to date as of September 30, 2020. Order cancellations in the period totaled 70 aircraft. Boeing’s order backlog decreased by 1,300 aircraft in 2020 net of shipments and order cancellations, including 821 aircraft removed due to revenue recognition accounting adjustments. The 737 MAX order backlog fell by 1,006 aircraft. Only 98 Boeing aircraft were delivered year to date as of September 30, 2020. Boeing’s total aircraft order backlog at the end of third quarter of 2020 was 4,325 compared to 5,625 at the close of 2019.

Airbus confirmed targeted A320 build rates of 40 aircraft per month into 2021. The targeted A330 rates are down to 2 aircraft per month and are anticipated to drop to 1 aircraft per month in 2021. A350 targeted rates are being adjusted to between 4.5 aircraft per month to 5 aircraft per month.

Boeing’s targeted 737 build rate is at 7 aircraft per month with targeted planned increases in 2021 reaching up to 17 aircraft per month. The 737 MAX recertification process continues with a number of milestones remaining before the aircraft’s return-to-service. Boeing expects that regulators will certify the MAX in time for deliveries to resume in the fourth quarter of 2020. Meanwhile, Boeing is currently building the 777 aircraft at 5 aircraft per month and is expected to reduce it to 2 aircraft per month in 2021. The 787 rate is currently at 10 aircraft per month and will drop to 6 aircraft per month in 2021.

Defence markets have been mostly unaffected by the pandemic to date as spending was advanced on various programs to help support vulnerable supply chains through the crisis. While this has been positive for the aerospace market, concerns still remain that growing fiscal deficits may necessitate a re-prioritization of government funds to other areas at some point in the future.

The Canadian government received bid responses from Boeing, Saab and Lockheed Martin for Canada’s Future Fighter replacement program. An initial evaluation is expected by spring 2021 followed by the identification of the selected bidder in early 2022. The first aircraft delivery is planned to be in 2025.

The fourth quarter of 2020 will be challenging for Magellan’s revenue on a year over year basis as COVID-19 continues to impact aircraft production rates over the short and medium term. In response to this impact, Magellan has implemented cost savings initiatives designed to reduce operating costs by re-balancing its workforce. Subsequent to the third quarter of 2020, a restructuring plan was approved as part of the Corporation’s strategy to reorganize its European operations resulting in the closure of its Bournemouth manufacturing facilities in the United Kingdom. Magellan will continue to operate its treatments center in Bournemouth. Management estimates the restructuring costs relating to the closure to be approximately \$8 million, which will be finalized and provided for in the fourth quarter.



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

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 CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| (unaudited) (expressed in thousands of Canadian dollars, except per share amounts) | Three month period ended September 30 | | Nine month period ended September 30 | |
|--|--|---------|---|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | 163,377 | 235,575 | 564,357 | 769,541 |
| Cost of revenues | 140,635 | 200,501 | 479,500 | 646,556 |
| Gross profit | 22,742 | 35,074 | 84,857 | 122,985 |
| Administrative and general expenses | 11,431 | 15,195 | 39,704 | 46,785 |
| Restructuring | 5,554 | — | 6,263 | — |
| Other | 2,486 | (819) | (2,508) | (514) |
| Income before interest and income taxes | 3,271 | 20,698 | 41,398 | 76,714 |
| Interest expense | 1,103 | 1,059 | 3,411 | 3,418 |
| Income before income taxes | 2,168 | 19,639 | 37,987 | 73,296 |
| Income taxes | | | | |
| Current | 731 | 1,841 | 2,642 | 7,152 |
| Deferred | 1,426 | 1,951 | 9,157 | 8,172 |
| | 2,157 | 3,792 | 11,799 | 15,324 |
| Net income | 11 | 15,847 | 26,188 | 57,972 |
| Other comprehensive income | | | | |
| Other comprehensive (loss) income that may be reclassified to profit and loss in subsequent periods: | | | | |
| Foreign currency translation | (807) | (3,805) | 8,424 | (26,849) |
| Items not to be reclassified to profit and loss in subsequent periods: | | | | |
| Actuarial gain (loss) on defined benefit pension plans, net of taxes | 871 | (1,234) | (6,895) | (4,335) |
| Total comprehensive income, net of taxes | 75 | 10,808 | 27,717 | 26,788 |
| Net income per share | | | | |
| Basic and diluted | 0.00 | 0.27 | 0.45 | 1.00 |

MAGELLAN AEROSPACE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

| (unaudited) (expressed in thousands of Canadian dollars) | September 30 2020 | December 31 2019 |
|---|----------------------|---------------------|
| Current assets | | |
| Cash | 91,200 | 69,637 |
| Trade and other receivables | 136,130 | 177,801 |
| Contract assets | 78,118 | 77,967 |
| Inventories | 224,987 | 196,823 |
| Prepaid expenses and other | 19,211 | 21,127 |
| | 549,646 | 543,355 |
| Non-current assets | | |
| Property, plant and equipment | 427,445 | 439,102 |
| Right-of-use assets | 42,395 | 44,692 |
| Investment properties | 2,188 | 2,180 |
| Intangible assets | 60,483 | 65,373 |
| Goodwill | 34,509 | 34,137 |
| Other assets | 9,028 | 8,770 |
| Deferred tax assets | 411 | 3,556 |
| | 576,459 | 597,810 |
| Total assets | 1,126,105 | 1,141,165 |
| Current liabilities | | |
| Accounts payable and accrued liabilities and provisions | 128,932 | 151,907 |
| Debt due within one year | 39,241 | 48,144 |
| | 168,173 | 200,051 |
| Non-current liabilities | | |
| Long-term debt | 6,764 | 6,876 |
| Lease liabilities | 37,686 | 39,794 |
| Borrowings subject to specific conditions | 24,768 | 24,098 |
| Other long-term liabilities and provisions | 28,636 | 20,289 |
| Deferred tax liabilities | 36,848 | 34,181 |
| | 134,702 | 125,238 |
| Equity | | |
| Share capital | 253,175 | 254,440 |
| Contributed surplus | 2,044 | 2,044 |
| Other paid in capital | 13,565 | 13,565 |
| Retained earnings | 517,106 | 516,911 |
| Accumulated other comprehensive income | 33,963 | 25,539 |
| Equity attributable to equity holders of the Corporation | 819,853 | 812,499 |
| Non-controlling interest | 3,377 | 3,377 |
| Total equity | 823,230 | 815,876 |
| Total liabilities and equity | 1,126,105 | 1,141,165 |

MAGELLAN AEROSPACE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

| (unaudited) (expressed in thousands of Canadian dollars) | Three month period ended September 30 | | Nine month period ended September 30 | |
|---|--|-----------------|---|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flow from operating activities | | | | |
| Net income | 11 | 15,847 | 26,188 | 57,972 |
| Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment | 12,999 | 13,427 | 41,231 | 40,579 |
| Gain on disposal of property, plant and equipment | (22) | (9) | (65) | (56) |
| Gain on disposal of joint venture investment | — | — | — | (881) |
| (Decrease) increase in defined benefit plans | (358) | 25 | (10) | 158 |
| Accretion | 844 | 644 | 2,453 | 1,817 |
| Deferred taxes | 17 | 1,279 | 7,444 | 4,652 |
| Loss (income) on investments in joint ventures | 22 | (98) | (84) | (379) |
| Changes to non-cash working capital | 31,779 | (3,589) | (4,118) | (42,695) |
| Net cash provided by operating activities | 45,292 | 27,526 | 73,039 | 61,167 |
| Cash flow from investing activities | | | | |
| Business combination, net of cash acquired | — | — | — | (2,661) |
| Purchase of property, plant and equipment | (6,291) | (16,322) | (12,976) | (34,668) |
| Proceeds from disposal of property, plant and equipment | — | 67 | 107 | 426 |
| Decrease (increase) in intangible and other assets | 4,511 | 3,102 | (2,696) | (6,127) |
| Net cash used in investing activities | (1,780) | (13,153) | (15,565) | (43,030) |
| Cash flow from financing activities | | | | |
| (Decrease) increase in debt due within one year | (5,287) | 589 | (9,235) | (7,895) |
| Increase in long-term debt | 1,409 | — | 1,409 | — |
| Decrease in long-term debt | (618) | (612) | (1,856) | (2,061) |
| Lease liability payments | (1,586) | (1,073) | (5,053) | (2,757) |
| (Decrease) increase in long-term liabilities and provisions | (84) | 23 | (886) | (156) |
| (Decrease) increase in borrowings subject to specific conditions, net | (8) | 19 | 31 | (803) |
| Common share repurchases | (1,560) | — | (2,046) | — |
| Common share dividend | (6,095) | (5,821) | (18,317) | (17,463) |
| Net cash used in financing activities | (13,829) | (6,875) | (35,953) | (31,135) |
| Increase (decrease) in cash during the period | 29,683 | 7,498 | 21,521 | (12,998) |
| Cash at beginning of the period | 61,730 | 41,373 | 69,637 | 63,316 |
| Effect of exchange rate differences | (213) | (643) | 42 | (2,090) |
| Cash at end of the period | 91,200 | 48,228 | 91,200 | 48,228 |