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NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – November 8, 2022 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the third quarter of 2022. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

Expressed in thousands of Canadian dollars, except per share amounts	Three month period ended September 30			Nine month period ended September 30		
	2022	2021	Change	2022	2021	Change
Revenues	191,099	166,427	14.8%	571,470	510,346	12.0%
Gross Profit	12,571	10,585	18.8%	35,958	41,300	(12.9%)
Net Income	563	458	22.9%	(922)	4,780	(119.3%)
Net Income per Share	0.01	0.01	-	(0.02)	0.08	(125.0%)
Adjusted EBITDA	14,838	16,673	(11.0%)	40,312	51,566	(21.8%)
Adjusted EBITDA per Share	0.26	0.29	(10.3%)	0.70	0.89	(21.3%)

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 (net income before interest, income taxes, depreciation and amortization, goodwill impairment and restructuring), which the Corporation considers to be indicative measures of operating performance and a metric to evaluate profitability. EBITDA and Adjusted EBITDA are not generally accepted earnings measures and should not be considered as alternatives to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA and Adjusted EBITDA may not be directly comparable with similarly titled measures used by other companies.



1. Overview

A summary of Magellan's business and significant updates

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, controlled entity and joint venture, Magellan designs, engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through supply of spare parts as well as performing repair and overhaul services.

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

On October 11, 2022, Magellan Aerospace announced a contract award from Sikorsky Aircraft Corporation ("Sikorsky"), a Lockheed Martin Company for low rate initial production (LRIP) of assemblies to support the production of the CH-53K@ LRIP configuration helicopter. The multi-year, multi-million dollar agreement will be delivered from Magellan's New York facility commencing in 2023. The contract consists of hard metal, machined deliverables for the U.S. Marine Corps (USMC) for the production of the CH-53K King Stallion, the next generation heavy-lift helicopter being produced to replace the CH-53E Super Stallion. The CH-53K achieved initial operating capability in 2022 and is on track to deploy to the fleet in 2024. The Marine Corps plans to deploy the first CH-53K Marine Expeditionary Unit detachment in fiscal year 2024. The USMC's procurement objective is 200 helicopters.

Impact of COVID-19 and Russia's invasion of Ukraine

The COVID-19 pandemic and its variants continued to disrupt global health and impact economic conditions. Though global air travel has seen signs of recovery, Magellan's financial results and operations continued to be impacted by the COVID-19 pandemic by way of production schedule changes, either by its customers' build rate adjustments or due to a broader government directive which resulted in the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain. While governments have eased some COVID-19 restrictions, the reopening of businesses and economies in certain countries is creating a variety of new challenges, including, for example, higher prices for goods and services, limited availability of products, disruptions to supply chains and labour shortages. Magellan continues to monitor ongoing developments and mitigate risks related to the COVID-19 pandemic and the impact on Magellan's operations, supply chain, and most importantly the health and safety of its employees.

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

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

2. Results of Operations

A discussion of Magellan's operating results for the third quarter ended September 30, 2022

The Corporation reported revenue in the third quarter of 2022 of \$191.1 million, a \$24.7 million increase from third quarter of 2021 revenue of \$166.4 million. Gross profit and net income for the third quarter of 2022 were \$12.6 million and \$0.6 million, respectively, in comparison to gross profit of \$10.6 million and net income of \$0.5 million for the third quarter of 2021.

Consolidated Revenue

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2022	2021	Change	2022	2021	Change
Canada	77,238	72,068	7.2%	247,683	228,924	8.2%
United States	48,434	46,075	5.1%	141,079	134,001	5.3%
Europe	65,427	48,284	35.5%	182,708	147,421	23.9%
Total revenue	191,099	166,427	14.8%	571,470	510,346	12.0%

Revenue in Canada increased 7.2% in the third quarter of 2022 compared to the corresponding period in 2021, benefiting from increased volumes for space, proprietary and casting products and favourable foreign exchange impact driven by the strengthening of the United States dollar relative to the Canadian dollar. These increases were offset in part by volume

decreases for certain programs resulted from scheduling changes. On a currency neutral basis, Canadian revenues in the third quarter of 2022 increased by 4.9% over the same period in 2021.

Revenue in the United States increased by 5.1% in the third quarter of 2022 compared to the third quarter of 2021, largely due to the favourable foreign exchange impact of the strengthening of the United States dollar relative to the Canadian dollar and increased volumes for single aisle aircraft and spare parts as Boeing continued to ramp up production for 737 MAX, offset in part by volume decreases for wide-body aircraft products. On a currency neutral basis, revenues in the United States increased 1.4% in the third quarter of 2022 over the same period in 2021.

European revenue in the third quarter of 2022 increased 35.5% compared to the corresponding period in 2021 primarily driven by build rate recovery for single aisle aircraft, and the favourable foreign exchange impact resulted from the strengthening of the United States dollar relative to the British pound. On a currency neutral basis, European revenues in the third quarter of 2022 increased by 31.3% when compared to the same period in 2021.

Gross Profit

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2022	2021	Change	2022	2021	Change
Gross profit	12,571	10,585	18.8%	35,958	41,300	(12.9%)
Percentage of revenue	6.6%	6.4%		6.3%	8.1%	

Gross profit of \$12.6 million for the third quarter of 2022 was \$2.0 million higher than the \$10.6 million gross profit for the third quarter of 2021, and gross profit as a percentage of revenues of 6.6% for the third quarter of 2022 increased from 6.4% recorded in the same period in 2021. The increase in gross profit was due to higher production volumes at certain facilities and the favourable foreign exchange impact due to the strengthening of the United States dollar relative to the British pound and Canadian dollar, offset in part by higher material and production costs due to supply chain disruptions, inflation and arrears recovery on certain programs.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2022	2021	Change	2022	2021	Change
Administrative and general expenses	12,111	11,288	7.3%	37,550	33,450	12.3%
Percentage of revenues	6.3%	6.8%		6.6%	6.6%	

Administrative and general expenses as a percentage of revenues was 6.3% for the third quarter of 2022, lower than the same period of 2021 percentage of revenues of 6.8%. Administrative and general expenses increased \$0.8 million or 7.3% compared to the third quarter of 2021 mainly due to increased consulting and salary and benefit expenses, in addition to higher travel, accommodation and trade show expenses as travel restrictions were lifted.

Restructuring

Expressed in thousands of dollars	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Restructuring	122	557	204	1,409

Restructuring costs incurred mainly related to the closure of the Bournemouth manufacturing facilities.

Other

	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Expressed in thousands of dollars				
Foreign exchange gain	(2,772)	(2,591)	(6,068)	(2,927)
(Gain) loss on sale of capital assets	(191)	17	(300)	(29)
Gain on disposal of investment property	—	(258)	—	(608)
Other	—	(487)	—	(487)
Total Other	(2,963)	(3,319)	(6,368)	(4,051)

Other gain for the third quarter of 2022 included a \$2.8 million foreign exchange gain compared to a \$2.6 million foreign exchange gain in the third quarter of the prior year. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange gain or loss recorded in a quarter. In addition, a \$0.3 million and a \$0.6 million gain was recorded in the third quarter of 2021 relating to the disposal of an investment property and the release of an escrow relating to property previously sold, respectively.

Interest Expense

	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Expressed in thousands of dollars				
Interest on bank indebtedness and long-term debt	137	98	347	208
Accretion charge for borrowings, lease liabilities and long-term debt	624	670	1,826	1,965
Discount on sale of accounts receivable	33	23	98	251
Total interest expense	794	791	2,271	2,424

Total interest expense of \$0.8 million in the third quarter of 2022 is slightly higher when compared to the third quarter of 2021 mainly due to higher interest rates on bank indebtedness and long-term debt offset in part by lower accretion charge on lease liabilities and long-term debt as principal amounts decreased.

Provision for Income Taxes

	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Expressed in thousands of dollars				
Current income tax expense	2,785	2,714	6,946	8,567
Deferred income tax recovery	(841)	(1,904)	(3,723)	(5,279)
Income tax expense	1,944	810	3,223	3,288
Effective tax rate	77.5%	63.9%	140.1%	40.8%

Income tax expense for the three months ended September 30, 2022 was \$1.9 million, representing an effective income tax rate of 77.5% compared to 63.9% for the same period of 2021. The change in the effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in mix of income and losses across the different jurisdictions in which the Corporation operates and reversal of temporary differences.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2022				2021			
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Expressed in millions of dollars, except per share amounts								
Revenues	191.1	192.7	187.7	178.0	166.4	167.6	176.3	180.1
Income before taxes	2.5	1.2	(1.4)	(6.2)	1.3	1.6	5.2	(23.6)
Net Income	0.6	0.5	(2.0)	(5.8)	0.5	1.1	3.3	(22.9)
Net Income per share								
Basic and diluted	0.01	0.01	(0.04)	(0.10)	0.01	0.02	0.06	(0.40)
EBITDA ¹	14.7	14.0	11.4	6.5	16.1	14.9	19.2	(6.8)
Adjusted EBITDA ¹	14.8	14.0	11.5	7.3	16.7	15.6	19.3	11.5

¹ EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 4 the "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" section for more information.

Revenues and net income in the quarter were also impacted by the movements of the Canadian dollar relative to the United States dollar and British pound, when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3176 in the fourth quarter of 2020 and a low of 1.2280 in the second quarter of 2021. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.7461 in the first quarter of 2021 and hit a low of 1.5350 in the third quarter of 2022. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3974 in the second quarter of 2021 and hit a low of 1.1649 in the current quarter.

Revenue for the third quarter of 2022 of \$191.1 million was higher than that in the third quarter of 2021. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the third quarter of 2022 was 1.3061 versus 1.2601 in the same period of 2021. The average quarterly exchange rate of the British pound relative to the Canadian dollar decreased from 1.7367 in the third quarter of 2021 to 1.5350 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar decreased from 1.3787 in the third quarter of 2021 to 1.1649 in the current quarter. Had the foreign exchange rates remained at levels experienced in the third quarter of 2021, reported revenues in the third quarter of 2022 would have been lower by \$5.4 million.

Commencing in the second quarter of 2020, the Corporation's results were negatively impacted by COVID-19 pandemic driven volume decreases in a number of commercial programs. Starting from the second quarter of 2021, there were positive signs of revenue recovery as certain commercial program aircraft build rates had started to increase. However, Russia's ongoing invasion of Ukraine, the supply chain disruptions and workforce shortages are slowing down the rate of recovery. The Corporation applied and recognized the CEWS subsidy of \$1.0 million in the fourth quarter of 2020 and \$3.9 million and \$3.8 million in the second and fourth quarters of 2021, respectively, and reduced the expenses that the subsidy offsets.

In the fourth quarter of 2020, the Corporation committed to a plan to restructure its manufacturing divisions in Europe due to decreased demand as a result of a deterioration in economic conditions stemming from COVID-19 and recognized a \$5.6 million restructuring charge, including a \$2.4 million impairment loss related to assets made obsolete as a result of the plan. Further, a \$12.0 million goodwill impairment charge was recorded in the fourth quarter of 2020. During the three quarters of 2022, certain facilities of the Corporation continued to experience supply chain disruptions and labour shortages, which resulted in lower absorption of manufacturing costs and higher production costs.

4. Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

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

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	2022	2021	2022	2021
Net income (loss)	563	458	(922)	4,780
Add back:				
Interest	794	791	2,271	2,424
Taxes	1,944	810	3,223	3,288
Depreciation and amortization	11,415	14,057	35,536	39,665
EBITDA	14,716	16,116	40,108	50,157
Add back:				
Restructuring	122	557	204	1,409
Adjusted EBITDA	14,838	16,673	40,312	51,566

Adjusted EBITDA in the third quarter of 2022 decreased \$1.9 million to \$14.8 million in comparison to \$16.7 million in the same quarter of 2021 mainly due to lower depreciation and amortization expense, offset in part by higher net income.

5. Liquidity and Capital Resources

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

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

Cash Flow from Operations

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	2022	2021	2022	2021
Increase in accounts receivable	(7,758)	(11,264)	(33,505)	(48,689)
Decrease (increase) in contract assets	8,152	2,278	3,357	(2,342)
Increase in inventories	(6,486)	(3,649)	(11,586)	(3,232)
Decrease (increase) in prepaid expenses	87	(3,116)	(961)	(4,968)
Increase in accounts payable, accrued liabilities and provisions	9,002	3,892	29,642	4,670
Increase in contract assets	19,740	1,659	20,658	8,355
Changes in non-cash working capital balances	22,737	(10,200)	7,605	(46,206)
Cash provided by (used in) operating activities	34,464	3,052	39,756	(4,997)

For the three months ended September 30, 2022, the Corporation generated \$34.5 million from operating activities, compared to \$3.1 million in the third quarter of 2021. Changes in non-cash working capital items generated cash of \$22.7 million, \$32.9 million more when compared to \$10.2 million cash used in the prior year. The quarter over quarter changes were largely attributable to increases in contract assets and contract liabilities due to timing of collection of funds, production and billings related to products transferred over time, offset in part by increases in accounts receivables due to timing of payments and inventories to support increased production volumes.

Investing Activities

	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Expressed in thousands of dollars				
Purchase of property, plant and equipment	(6,094)	(3,577)	(14,803)	(8,548)
Proceeds from disposal of property, plant and equipment	17	260	490	346
Proceeds from disposal of investment property	—	356	—	1,000
Decrease (increase) in intangible and other assets	774	(702)	(381)	(2,514)
Cash used in investing activities	(5,303)	(3,663)	(14,694)	(9,716)

Investing activities used \$5.3 million cash for the third quarter of 2022 compared to \$3.7 million cash used in the same quarter of the prior year, an increase of \$1.6 million primarily due to higher levels of investment in property, plant and equipment.

Financing Activities

	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Expressed in thousands of dollars				
Decrease in debt due within one year	—	(3,897)	—	(39,424)
Decrease in long-term debt	(539)	(348)	(1,508)	(1,365)
Lease liability payments	(1,381)	(1,519)	(4,243)	(4,891)
Increase (decrease) in long-term liabilities and provisions	305	(114)	(626)	(267)
Decrease in borrowings subject to specific conditions, net	—	—	(1,327)	(1,104)
Share repurchases	(976)	—	(1,234)	—
Common share dividend	(2,879)	(6,061)	(13,557)	(18,185)
Cash used in financing activities	(5,470)	(11,939)	(22,495)	(65,236)

On June 30, 2021, the Corporation extended its Bank Credit Facility Agreement (“Agreement”) with a syndicate of lenders for an additional two-year period expiring on June 30, 2023. The Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of \$75 million. The Agreement also includes a \$75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to \$150 million. Extensions of the Agreement are subject to mutual consent of the syndicate of lenders and the Corporation.

The Corporation used cash of \$5.5 million in the third quarter of 2022 primarily for the payment of common share dividends, lease liabilities, share repurchases and long-term debt.

As at September 30, 2022, the Corporation had contractual commitments to purchase \$7.5 million of capital assets.

Dividends

During each of the three quarters of 2022, the Corporation declared and paid quarterly cash dividends of \$0.105, \$0.08 and \$0.05 per common share, respectively, representing an aggregating dividend payment of \$13.6 million.

Subsequent to September 30, 2022, the Corporation declared dividends to holders of common shares in the amount of \$0.025 per common share payable on December 30, 2022, to shareholders of record at the close of business on December 15, 2022.

Normal Course Issuer Bid

On May 25, 2022, the Corporation’s application to commence a normal course issuer bid was re-approved, which allows the Corporation to purchase up to 2,886,455 common shares, over a 12-month period commencing May 27, 2022 and ending May 26, 2023. During the three and nine month periods ended September 30, 2022, the Corporation purchased a total of 133,364 and 167,424 common shares, respectively, for cancellation at a volume weighted average price of \$7.32 and \$7.37 per common share, respectively. The Corporation did not purchase common shares for cancellation under the program during the same period in the prior year.

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 4, 2022, 57,510,042 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, 2022, foreign exchange contracts of US\$11.9 million and £23.5 million and foreign exchange collar contracts, on the United States versus Canadian dollar with an average floor of \$1.25 and ceiling of \$1.3273, outstanding in amount of US\$118.8 million, which extend over the period of the next three years ending in June 2025 were outstanding that resulted in negative market to market value of \$8.3 million.

Off-Balance Sheet Arrangements

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three month period ended June 30, 2022, the Corporation had no material transactions with related parties as defined in IAS 24, *Related Party Disclosures*.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

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

The Covid-19 pandemic continues to disrupt global health and impact economic conditions. Though global air travel has seen signs of recovery, Magellan's financial results and operations continued to be impacted by the COVID-19 pandemic by way of production schedule changes, either by its customers' build rate adjustments or due to a broader government directive which resulted in the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain. 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.

The ongoing invasion of Ukraine by Russia and the global response, including imposed economic sanctions, have disrupted supply chains and caused instability in the global economy. The short and long-term implications of the invasion are difficult to predict at this time. The extent and potential magnitude of economic impacts on the aerospace industry and on the Corporation remains uncertain and are difficult to predict at this time. The ongoing invasion could result in a greater impact related to global supply and pricing of energy, precious metals, raw materials and other commodities and components.

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2021 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2021, which have been filed with SEDAR at www.sedar.com.

9. Outlook

The outlook for Magellan's business in 2022

While disruptions to air travel experienced earlier in the year have eased, the industry is still struggling with the effects of manpower shortages. Despite these challenges however, the International Air Transportation Association (IATA) reported in October that the peak summer travel season ended strong, with revenue passenger kilometers (RPK's) up 67.7% compared to August 2021. Globally, in August 2022, air travel reached 73.7% of pre-COVID levels.

With passenger traffic increasing and aircraft OEM's ramping up build rates, manufacturers are grappling with supply chain issues caused by shortages in materials and manpower. Engine manufacturers believe supply chain issues will persist into 2024 and are therefore suggesting more conservative single aisle ramp rates than the aircraft OEM's. Besides supply chain and manpower challenges, aerospace manufacturers are also dealing with the impact of hyperinflation. With limited options to mitigate such increases and contractual agreements that typically do not allow these to be passed on, bottom lines are suffering.

Boeing has stated that it wants to ensure production is stabilized before increasing build rates. It is now building 737's at an average of 31 per month. Boeing plans to increase to 38 per month in the first half of 2023, followed by another increase to 47 per month by the end of the year. Boeing continues to build 777F aircraft at a rate of 2 aircraft per month. In August, the FAA indicated that it was satisfied with the changes Boeing made to its 787 production line allowing Boeing to resume deliveries of the 787 Dreamliner.

At the end of July, Airbus cut 20 of its A320's from the delivery plan for 2022 due to supply chain issues. A build rate of 65 per month that was previously targeted for mid-2023 now won't be achieved until early 2024. The current A320 rate is 48 per month. Despite the latest adjustments, Airbus continues to aim for an A320 rate of 75 aircraft per month in 2025. By then, the A321 will represent approximately 70% of the aircraft family build rate. The A330 build rate is projected to increase to 2.8 per month from 2.2 per month for 2023, with the A350 build rate reaching 5 aircraft per month. The A220 rate is at 6.6 aircraft per month and climbing to 9.8 aircraft per month in 2023.

In the defence market, Lockheed's F-35 fighter program benefited from additional interest during the quarter as the U.S. State Department approved the potential sale of up to 35 F-35A aircraft to Germany. Greece also requested to procure 20 F-35A's, and the Czech Republic stated that they want the aircraft to replace their aging fleet of Saab JAS 39 Gripen's. Other European countries that have selected the aircraft to modernize their fleets are Finland, Switzerland, Poland and Belgium.

With new defence opportunities emerging and commercial aircraft production ramping up, the long term market outlook remains positive. There is still uncertainty over the external pressures companies are currently facing with the global supply chain, labor availability and inflation. However, experts still maintain the long term view that the industry is resilient and that we will see continued demand growth for commercial aircraft and for modern defence aircraft.

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
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Revenue	191,099	166,427	571,470	510,346
Cost of revenue	178,528	155,842	535,512	469,046
Gross profit	12,571	10,585	35,958	41,300
Administrative and general expenses	12,111	11,288	37,550	33,450
Restructuring	122	557	204	1,409
Other	(2,963)	(3,319)	(6,368)	(4,051)
Income before interest and income taxes	3,301	2,059	4,572	10,492
Interest expense	794	791	2,271	2,424
Income before income taxes	2,507	1,268	2,301	8,068
Income taxes				
Current	2,785	2,714	6,946	8,567
Deferred	(841)	(1,904)	(3,723)	(5,279)
Net income (loss)	563	458	(922)	4,780
Other comprehensive income (loss)				
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation	6,717	6,836	(7,044)	(5,110)
Unrealized loss on foreign currency transactions	(6,154)	—	(6,154)	—
Items not to be reclassified to profit and loss in subsequent periods:				
Actuarial (loss) income on defined benefit pension plans, net of taxes	(56)	(1,537)	(361)	11,052
Comprehensive income (loss)	1,070	5,757	(14,481)	10,722
Net income (loss) per share				
Basic and diluted	0.01	0.01	(0.02)	0.08

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	September 30 2022	December 31 2021
Current assets		
Cash	34,395	32,482
Trade and other receivables	198,604	164,234
Contract assets	64,690	66,337
Inventories	218,056	208,577
Prepaid expenses and other	10,111	9,664
	525,856	481,294
Non-current assets		
Property, plant and equipment	383,347	396,845
Right-of-use assets	31,604	34,389
Investment properties	1,597	1,659
Intangible assets	42,712	47,772
Goodwill	21,660	21,792
Other assets	9,085	11,587
Deferred tax assets	9,019	8,480
	499,024	522,524
Total assets	1,024,880	1,003,818
Current liabilities		
Accounts payable and accrued liabilities and provisions	144,197	105,678
Contract liabilities	37,919	17,704
Debt due within one year	10,319	10,266
	192,435	133,648
Non-current liabilities		
Long-term debt	1,233	2,755
Lease liabilities	28,606	30,644
Borrowings subject to specific conditions	23,307	24,101
Other long-term liabilities and provisions	7,251	7,223
Deferred tax liabilities	36,374	39,623
	96,771	104,346
Equity		
Share capital	251,610	252,342
Contributed surplus	2,044	2,044
Other paid in capital	13,565	13,565
Retained earnings	463,745	479,965
Accumulated other comprehensive income	1,333	14,531
Equity attributable to equity holders of the Corporation	732,297	762,447
Non-controlling interest	3,377	3,377
Total equity	735,674	765,824
Total liabilities and equity	1,024,880	1,003,818

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended September 30		Nine month period ended September 30	
	2022	2021	2022	2021
Cash flow from operating activities				
Net income (loss)	563	458	(922)	4,780
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment	11,415	14,057	35,536	39,665
(Gain) loss on disposal of property, plant and equipment	(192)	17	(300)	(29)
Gain on disposal of investment property	—	(258)	—	(608)
Increase in defined benefit plans	375	316	255	885
Accretion	622	674	1,822	1,978
Deferred taxes	(992)	(1,985)	(4,064)	(5,531)
(Income) loss on investments in joint ventures	(64)	(27)	(176)	69
Changes to non-cash working capital	22,737	(10,200)	7,605	(46,206)
Net cash provided by (used in) operating activities	34,464	3,052	39,756	(4,997)
Cash flow from investing activities				
Purchase of property, plant and equipment	(6,094)	(3,577)	(14,803)	(8,548)
Proceeds from disposal of property, plant and equipment	17	260	490	346
Proceeds from disposal of investment property	—	356	—	1,000
Decrease (increase) in intangible and other assets	774	(702)	(381)	(2,514)
Net cash used in investing activities	(5,303)	(3,663)	(14,694)	(9,716)
Cash flow from financing activities				
Decrease in debt due within one year	—	(3,897)	—	(39,424)
Decrease in long-term debt	(539)	(348)	(1,508)	(1,365)
Lease liability payments	(1,381)	(1,519)	(4,243)	(4,891)
Increase (decrease) in long-term liabilities and provisions	305	(114)	(626)	(267)
Decrease in borrowings subject to specific conditions, net	—	—	(1,327)	(1,104)
Share repurchases	(976)	—	(1,234)	—
Common share dividend	(2,879)	(6,061)	(13,557)	(18,185)
Net cash used in financing activities	(5,470)	(11,939)	(22,495)	(65,236)
Increase (decrease) in cash during the period	23,691	(12,550)	2,567	(79,949)
Cash at beginning of the period	11,210	46,283	32,482	113,938
Effect of exchange rate differences	(506)	227	(654)	(29)
Cash at end of the period	34,395	33,960	34,395	33,960

See accompanying notes to interim condensed consolidated financial statements