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NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – November 7, 2023 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the third quarter of 2023. 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	2023	2022	Change	2023	2022	Change
Revenue	213,009	191,099	11.5%	656,036	571,470	14.8%
Gross Profit	19,941	12,571	58.6%	65,215	35,958	81.4%
Net Income (Loss)	3,674	563	552.6%	9,513	(922)	1,131.8%
Net Income (Loss) per Share	0.06	0.01	500.0%	0.17	(0.02)	950.0%
Adjusted EBITDA	18,459	14,838	24.4%	56,587	40,312	40.4%
Adjusted EBITDA per Share	0.32	0.26	23.1%	0.99	0.70	41.4%

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.

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

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

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

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

2. Results of Operations

A discussion of Magellan's operating results for the third quarter ended September 30, 2023

The Corporation reported revenue in the third quarter of 2023 of \$213.0 million, a \$21.9 million increase from third quarter of 2022 revenue of \$191.1 million. Gross profit and net income for the third quarter of 2023 were \$19.9 million and \$3.7 million, respectively, in comparison to gross profit of \$12.6 million and net income of \$0.6 million for the third quarter of 2022.

Consolidated Revenue

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2023	2022	Change	2023	2022	Change
Canada	81,392	77,238	5.4%	274,015	247,683	10.6%
United States	57,704	48,434	19.1%	174,926	141,079	24.0%
Europe	73,913	65,427	13.0%	207,095	182,708	13.3%
Total revenue	213,009	191,099	11.5%	656,036	571,470	14.8%

Revenue in Canada increased 5.4% in the third quarter of 2023 compared to the corresponding period in 2022, primarily due to higher casting product revenues and increased volume for single aisle aircraft parts. On a currency neutral basis, Canadian revenues in the third quarter of 2023 increased by 4.1% over the same period of 2022.

Revenue in the United States increased by 19.1% in the third quarter of 2023 compared to the third quarter of 2022, largely due to increased volume for helicopter parts from a new contract, higher casting product revenues and favourable foreign exchange impacts due to the strengthening of the United States dollar relative to the Canadian dollar. On a currency neutral basis, revenues in the United States increased 16.0% in the third quarter of 2023 over the same period in 2022.

European revenue in the third quarter of 2023 increased 13.0% compared to the corresponding period in 2022 primarily driven by volume increases for single aisle and wide body aircraft and net favourable transactional and translational foreign exchange impacts. On a currency neutral basis, European revenues in the third quarter of 2023 increased by 12.6% when compared to the same period in 2022.

Gross Profit

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2023	2022	Change	2023	2022	Change
Gross profit	19,941	12,571	58.6%	65,215	35,958	81.4%
Percentage of revenue	9.4%	6.6%		9.9%	6.3%	

Gross profit of \$19.9 million for the third quarter of 2023 was \$7.3 million higher than the \$12.6 million gross profit for the third quarter of 2022, and gross profit as a percentage of revenues of 9.4% for the third quarter of 2023 increased from 6.6% recorded in the same period in 2022. The gross profit in the current quarter increased from the same quarter in the prior year as a result of volume and price increases on certain programs and favourable product mix, offset in part by supply chain disruptions and price increases of purchased materials and supplies.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended September 30			Nine month period ended September 30		
	2023	2022	Change	2023	2022	Change
Administrative and general expenses	13,874	12,111	14.6%	42,329	37,550	12.7%
Percentage of revenue	6.5%	6.3%		6.5%	6.6%	

Administrative and general expenses as a percentage of revenues was 6.5% for the third quarter of 2023, higher than the same period of 2022 percentage of revenues of 6.3%. Administrative and general expenses increased \$1.8 million or 14.6% to \$13.9 million in the third quarter of 2023 compared to \$12.1 million in the third quarter of 2022 mainly due to higher salary and benefit costs and information technology spending.

Restructuring

Expressed in thousands of dollars	Three month period ended September 30		Nine month period ended September 30	
	2023	2022	2023	2022
Restructuring	811	122	1,320	204

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

Other

Expressed in thousands of dollars	Three month period ended September 30		Nine month period ended September 30	
	2023	2022	2023	2022
Foreign exchange (gain) loss	(925)	(2,772)	1,817	(6,068)
Gain on sale of capital assets	(14)	(191)	(37)	(300)
Other	494	—	644	—
Total Other	(445)	(2,963)	2,424	(6,368)

Other for the third quarter of 2023 included a \$0.9 million foreign exchange gain compared to a \$2.8 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.

Other for the nine months of 2023 also includes a \$0.6 million settlement loss in conjunction with the purchase of group annuity buy-out contracts for one of the Corporation's defined benefit pension plans.

Interest Expense

	Three month period ended September 30		Nine month period ended September 30	
	2023	2022	2023	2022
Expressed in thousands of dollars				
Interest on bank indebtedness and long-term debt	430	104	732	347
Accretion charge on long-term debt and borrowings	152	212	610	563
Accretion charge for lease liabilities	384	412	1,187	1,263
Discount on sale of accounts receivable	58	66	136	98
Total interest expense	1,024	794	2,665	2,271

Total interest expense of \$1.0 million in the third quarter of 2023 is higher than the third quarter of 2022 due to higher interest charges on bank indebtedness and long-term debt.

Provision for Income Taxes

	Three month period ended September 30		Nine month period ended September 30	
	2023	2022	2023	2022
Expressed in thousands of dollars				
Current income tax expense	1,524	2,785	10,428	6,946
Deferred income tax recovery	(521)	(841)	(3,464)	(3,723)
Income tax expense	1,003	1,944	6,964	3,223
Effective tax rate	21.4%	77.5%	42.3%	140.1%

Income tax expense for the three months ended September 30, 2023 was \$1.0 million, representing an effective income tax rate of 21.4% compared to 77.5% for the same period of 2022. The change in the effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in mix of income and losses across the different jurisdictions in which the Corporation operates, the reversal of temporary differences and the Corporation no longer recognizing deferred tax assets for operating losses incurred in certain jurisdictions.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2023				2022				2021
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31
Expressed in millions of dollars, except per share amounts									
Revenues	213.0	219.7	223.4	193.1	191.1	192.7	187.7	178.0	
Income (loss) before taxes	4.7	6.1	5.7	(20.9)	2.5	1.2	(1.4)	(6.2)	
Net income (loss)	3.7	1.9	3.9	(20.8)	0.6	0.5	(2.0)	(5.8)	
Net income (loss) per share									
Basic and diluted	0.06	0.03	0.07	(0.36)	0.01	0.01	(0.04)	(0.10)	
EBITDA ¹	17.7	19.3	18.3	(8.5)	14.7	14.0	11.4	6.5	
Adjusted EBITDA ¹	18.5	19.5	18.6	(4.8)	14.8	14.0	11.5	7.3	

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

Revenues and net income in the quarter were also impacted by the movements of the Canadian dollar relative to the United States dollar and British pound, when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported in the quarterly financial information table above, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3580 in the fourth quarter of 2022 and a low of 1.2600 in the fourth quarter of 2021. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.6995 in the first quarter of 2022 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 1.3485 in the fourth quarter of 2021 and hit a low of 1.1649 in the third quarter of 2022.

Revenue for the third quarter of 2023 of \$213.0 million was higher than that in the third quarter of 2022. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the third quarter of 2023 was 1.3412 versus 1.3061 in the same period of 2022. The average quarterly exchange rate of the British pound relative to the Canadian dollar increased from 1.5350 in the third quarter of 2022 to 1.6974 during the current quarter. The average quarterly exchange rate of the British

pound relative to the United States dollar increased from 1.1753 in the third quarter of 2022 to 1.2658 in the current quarter. Had the foreign exchange rates remained at levels experienced in the third quarter of 2022, reported revenues in the third quarter of 2023 would have been lower by \$3.0 million.

The Corporation's quarterly results above have been negatively impacted by the effects of the COVID-19 pandemic via reduced volumes and supply chain disruptions. In addition, continued high inflation on material, supplies, utilities and labour has impacted results. Compared to the third quarter of 2021, the Corporation has seen modest, albeit uneven, growth in quarterly revenues as global domestic air travel continues to recover to pre COVID-19 levels.

In response to COVID-19, the Corporation applied and recognized a CEWS subsidy of \$3.8 million in the fourth quarter of 2021, and reduced the expense that the subsidy offsets (none in 2022 or 2023). In the fourth quarter of 2022, the Corporation continued the restructuring efforts in Europe of a plan initiated in 2020 to lower its production cost base and recognized a \$2.8 million restructuring charge, including a \$1.8 million impairment loss related to assets made obsolete as a result of the plan.

4. Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

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

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	2023	2022	2023	2022
Net income (loss)	3,674	563	9,513	(922)
Add back:				
Interest	1,024	794	2,665	2,271
Taxes	1,003	1,944	6,964	3,223
Depreciation and amortization	11,947	11,415	36,125	35,536
EBITDA	17,648	14,716	55,267	40,108
Add back:				
Restructuring	811	122	1,320	204
Adjusted EBITDA	18,459	14,838	56,587	40,312

Adjusted EBITDA in the third quarter of 2023 increased \$3.7 million to \$18.5 million as compared to \$14.8 million in the same quarter of 2022 mainly as a result of higher net income driven largely by the gross margin improvements discussed earlier.

5. Liquidity and Capital Resources

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

The Corporation's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its credit facility and accounts receivable securitization program, and long-term debt and equity capacity. Principal uses of cash are for operational requirements, capital expenditures, common share repurchases 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	
	2023	2022	2023	2022
Expressed in thousands of dollars				
Decrease (increase) in accounts receivable	5,199	(7,758)	(31,455)	(33,505)
(Increase) decrease in contract assets	(4,280)	8,152	(10,233)	3,357
Increase in inventories	(14,128)	(6,486)	(31,575)	(11,586)
(Increase) decrease in prepaid expenses and other	(692)	87	(271)	(961)
(Decrease) increase in accounts payable, accrued liabilities and provisions	(29)	9,002	3,058	29,642
(Decrease) increase in contract liabilities	(916)	19,740	(9,835)	20,658
Changes in non-cash working capital balances	(14,846)	22,737	(80,311)	7,605
Cash provided by (used in) operating activities	1,228	34,464	(36,066)	39,756

For the three months ended September 30, 2023, the Corporation generated \$1.2 million of cash from operating activities, compared to generating \$34.5 million in the third quarter of 2022. Changes in non-cash working capital items used cash of \$14.8 million, \$37.5 million more usage when compared to \$22.7 million cash generated in the prior year. The quarter over quarter changes were largely attributable to increases in contract assets due to timing of production and billing related to products transferred over time, increases in inventories due to material purchases and timing of production and shipment, decreases in accounts payable, accrued liabilities and provisions primarily driven by timing of supplier payments, decreases in contract liabilities due to timing of collection of funds offset partly by decreases in accounts receivable from timing of customer payments.

Investing Activities

	Three month period ended September 30		Nine month period ended September 30	
	2023	2022	2023	2022
Expressed in thousands of dollars				
Purchase of property, plant and equipment	(3,761)	(6,094)	(9,550)	(14,803)
Proceeds from disposal of property, plant and equipment	7	17	185	490
Increase in intangible and other assets	(1,654)	774	(2,720)	(381)
Cash used in investing activities	(5,408)	(5,303)	(12,085)	(14,694)

Investing activities used \$5.4 million cash for the third quarter of 2023 compared to \$5.3 million cash used in the same quarter of the prior year, an increase of \$0.1 million due to higher spending on intangible and other assets offset by lower levels of investment in property, plant and equipment.

Financing Activities

	Three month period ended September 30		Nine month period ended September 30	
	2023	2022	2023	2022
Expressed in thousands of dollars				
Increase in bank indebtedness	7,160	—	18,550	—
Decrease in long-term debt	(540)	(539)	(1,596)	(1,508)
Lease liability payments	(1,398)	(1,381)	(4,258)	(4,243)
Increase (decrease) in borrowings subject to specific conditions, net	—	—	227	(1,327)
(Decrease) increase in long-term liabilities and provisions	(480)	305	(169)	(626)
Common share repurchases	(427)	(976)	(1,053)	(1,234)
Common share dividends	(1,434)	(2,879)	(4,303)	(13,557)
Cash provided by (used in) financing activities	2,881	(5,470)	7,398	(22,495)

Financing activities provided \$2.9 million cash for the third quarter of 2023 compared to \$5.5 million cash used in the same quarter of the prior year. In the current quarter, cash provided by bank indebtedness was partly offset by lease liability payments, decreases in long-term debt, common share repurchases and common share dividend payments.

On June 14, 2023, the Corporation extended its Bank Credit Facility Agreement (“Agreement”) with a syndicate of lenders for an additional two-year period expiring on June 30, 2025. The Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of \$75 million. Interest applicable to the facility is at banker’s acceptance or adjusted SOFR rates plus a spread of 1.00%. The Agreement also includes a \$75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to \$150 million. Extensions of the Agreement are subject to mutual consent of the syndicate of lenders and the Corporation.



As at September 30, 2023, the Corporation had contractual commitments to purchase \$10.8 million of capital assets.

Dividends

During each of the first, second and third quarters of 2023, the Corporation declared quarterly cash dividends of \$0.025 per common share and has paid aggregate dividends of \$4.3 million year to date.

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

Normal Course Issuer Bid

On May 25, 2023, the Corporation's application to extend its normal course issuer bid was approved and the 2023 NCIB allows the Corporation to purchase up to 2,868,106 common shares, over a 12-month period commencing May 27, 2023 and ending May 26, 2024. During the nine month period ended September 30, 2023, the Corporation purchased a total of 144,311 common shares for cancellation at a volume weighted average price of \$7.30 per common share at a cost of \$1.1 million. During the same period in the prior year, the Corporation purchased 167,424 common shares for cancellation at a volume weighted average price of \$7.37 per common share at a cost of \$1.2 million.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at November 3, 2023, 57,284,800 common shares were outstanding and no preference shares were outstanding.

6. Financial Instruments

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts (forwards and collars), the Corporation is obligated to purchase specified amounts of currency – generally either the United States dollar ("USD") or British Pound ("GBP") - at predetermined dates and exchange rates if certain conditions are met. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. A number of these contracts are designated as cash flow hedges.

As at September 30, 2023, foreign exchange contracts of USD \$16.2 million and GBP 23.5 million were outstanding with a mark-to-market fair value loss of \$0.4 million. In addition, the Corporation had foreign exchange collar contracts outstanding of USD \$75.6 million, which extend over the period of the next three years ending June 2025, with a mark-to-market fair value loss of \$2.9 million.

As at September 30, 2023, the Corporation has \$3.3 million of derivative liabilities as the fair value of its derivative contracts [December 31, 2022 - \$4.3 million] in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

Off-Balance Sheet Arrangements

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three month period ended September 30, 2023, the Corporation had no material transactions with related parties as defined in IAS 24, *Related Party Disclosures*.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

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

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

9. Outlook

The outlook for Magellan's business in 2023

The outlook remains positive for both commercial and defence aerospace markets despite ongoing labour, economic and geopolitical challenges.

According to the International Air Transport Association ("IATA"), commercial air travel as measured by total revenue passenger kilometers ("RPK's"), is up 28.4% over the same period in 2022 and is just 4.3% below 2019 levels. Domestic travel volumes now exceed those in 2019 while international travel volumes still lag.

With increasing demand, Boeing and Airbus are ramping up production and deliveries of commercial aircraft. Boeing has been producing their 737 aircraft at a rate of 31 aircraft per month and expects to increase production to 50 aircraft per month in the 2025/26 timeframe. Boeing's September deliveries were impacted by a new 737 MAX manufacturing issue discovered in late August. Improperly drilled fastener holes were discovered in the aft pressure bulkhead on the fuselages of some 737 MAX models. Boeing reduced its 2023 delivery targets of the 737 MAX from 400 to 450 aircraft this year to 375 to 400 aircraft.

Boeing's current 787 build rate of 4 aircraft per month is to go to 5 aircraft per month by the end of 2023. The 2025/26 target is 10 aircraft per month. The 767 program and 777 programs are each running at a rate of 3 aircraft per month. By the 2025/26 timeframe, Boeing expects to be delivering the latter at 4 aircraft per month, which reflects the previously announced delay in the 777X certification program.

Airbus is currently building A320's at a rate of 57 aircraft per month while the target for 2026 remains at 75 aircraft per month. The A220 program is now at 7.2 aircraft per month and is planned at 10 aircraft per month for the end of 2024. The A350 program is currently at 5.6 aircraft per month and will ramp up to 7 aircraft per month in 2024, 9 aircraft per month in 2025 and 10 aircraft per month in 2026. Airbus' A330 program is running at 2.8 aircraft per month and is planned at 4 aircraft per month for mid-2024.

Finally, in the commercial market, Pratt & Whitney disclosed in July 2023 that a number of their PW1100G engines powering A320 neo aircraft, needed to be inspected and partially disassembled due to potentially defective high-pressure turbine disks. Their plan is to inspect approximately 3,000 engines through 2026 and replace any defective discs. Airbus stated that it did not expect delivery targets to be affected this year, nor its plan to ramp up production of A320 aircraft.

According to a recent comment made by business consulting firm Frost & Sullivan, the defense industry is experiencing a significant shift towards strategic alliances because of escalating geopolitical tensions, but all must confront current growth constraints before they can forge ahead. The constraints they reference are the recruitment of personnel in this tight labour market and current supply chain challenges, both of which impact commercial markets as well.

From a budget perspective, most countries are increasing defence spending. Poland recently drafted a FY2024 budget requesting USD \$27.5 billion for defence, a 16.3% increase over FY2023, representing 3% of GDP. This budget forms a part of Poland's long term Technical Modernization Plan that addresses air, land, sea, and cyberspace domains. Aircraft included



in the plan are 96 AH-64E Apache attack helicopters, Korean FA-50/FA-50PLN light combat aircraft and 32 Lockheed Martin F-35A Lightning II aircraft. The current United States FY2024 defence budget request is for USD \$842 billion and includes F-22, F-35 and F-15EX fighters, the B-21 bomber, the KC-46A tanker, UH-60 and CH-53K helicopters, and unmanned aircraft systems, amongst others.

Briefly addressing Lockheed Martin's F-35 program, the manufacturer estimated it would deliver just 97 aircraft in 2023 due to a decision by the US Department of Defense ("DoD") to delay delivery acceptance of the Technical Refresh-3 configuration ("TR-3") pending certification. The company delivered 80 F-35's over the first nine months of 2023 and is continuing to build F-35's at a rate of 156 aircraft per year. Certification of the TR-3 configuration is expected in H1 2024. In the meantime, the DoD will continue to accept deliveries of the TR-2 configuration. Belgium announced it would also wait for TR-3 certification prior to delivery of its first F-35 fighters.

In summary, the aerospace industry is still experiencing a degree of instability in this post pandemic period. Repeated program issues are causing production disruptions, labour shortages are creating challenges across all tiers of the industry and stretched supply chain lead times are constraining growth plans. With experts predicting that the situation will improve by the end of 2024, the industry is optimistic in being able to stabilize operations and better respond to the market growth potential in the coming years.

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	
	2023	2022	2023	2022
Revenue	213,009	191,099	656,036	571,470
Cost of revenue	193,068	178,528	590,821	535,512
Gross profit	19,941	12,571	65,215	35,958
Administrative and general expenses	13,874	12,111	42,329	37,550
Restructuring	811	122	1,320	204
Other	(445)	(2,963)	2,424	(6,368)
Income before interest and income taxes	5,701	3,301	19,142	4,572
Interest expense	1,024	794	2,665	2,271
Income before income taxes	4,677	2,507	16,477	2,301
Income taxes				
Current	1,524	2,785	10,428	6,946
Deferred	(521)	(841)	(3,464)	(3,723)
	1,003	1,944	6,964	3,223
Net income (loss)	3,674	563	9,513	(922)
Other comprehensive income (loss)				
Items that may be reclassified to profit and loss				
in subsequent periods:				
Foreign currency translation	2,790	6,717	992	(7,044)
Unrealized (loss) gain on foreign currency contract hedges	(1,342)	(6,154)	742	(6,154)
Items not to be reclassified to profit and loss				
in subsequent periods:				
Actuarial gain (loss) on defined benefit pension plans, net of tax	509	(56)	259	(361)
Comprehensive income (loss)	5,631	1,070	11,506	(14,481)
Net income (loss) per share				
Basic and diluted	0.06	0.01	0.17	(0.02)

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	September 30 2023	December 31 2022
Current assets		
Cash	666	40,940
Trade and other receivables	201,199	169,562
Contract assets	75,702	65,456
Inventories	258,381	226,359
Prepaid expenses and other	10,295	9,967
	546,243	512,284
Non-current assets		
Property, plant and equipment	360,864	384,084
Right-of-use assets	27,915	30,825
Investment properties	6,896	1,621
Intangible assets	37,684	41,423
Goodwill	22,263	22,181
Other assets	10,070	9,745
Deferred tax assets	9,093	8,731
	474,785	498,610
Total assets	1,021,028	1,010,894
Current liabilities		
Bank indebtedness	18,291	—
Accounts payable, accrued liabilities and provisions	139,907	135,153
Contract liabilities	26,301	36,096
Debt due within one year	9,040	10,310
	193,539	181,559
Non-current liabilities		
Long-term debt	—	634
Lease liabilities	25,296	27,761
Borrowings subject to specific conditions	23,278	23,300
Other long-term liabilities and provisions	6,250	7,203
Deferred tax liabilities	34,785	38,707
	89,609	97,605
Equity		
Share capital	250,474	251,104
Contributed surplus	2,044	2,044
Other paid in capital	13,565	13,565
Retained earnings	448,025	442,979
Accumulated other comprehensive income	20,395	18,661
Equity attributable to equity holders of the Corporation	734,503	728,353
Non-controlling interest	3,377	3,377
Total equity	737,880	731,730
Total liabilities and equity	1,021,028	1,010,894

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	
	2023	2022	2023	2022
Cash flow from operating activities				
Net income (loss)	3,674	563	9,513	(922)
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment	11,947	11,415	36,125	35,536
Gain on disposal of property, plant and equipment	(14)	(192)	(37)	(300)
Increase in defined benefit plans	897	375	1,783	255
Accretion of financial liabilities	537	622	1,799	1,822
Deferred taxes	(871)	(992)	(4,516)	(4,064)
Income on investments in joint ventures	(96)	(64)	(247)	(176)
Other	—	—	(175)	—
Changes to non-cash working capital	(14,846)	22,737	(80,311)	7,605
Net cash provided by (used in) operating activities	1,228	34,464	(36,066)	39,756
Cash flow from investing activities				
Purchase of property, plant and equipment	(3,761)	(6,094)	(9,550)	(14,803)
Proceeds from disposal of property, plant and equipment	7	17	185	490
(Increase) decrease in intangible and other assets	(1,654)	774	(2,720)	(381)
Net cash used in investing activities	(5,408)	(5,303)	(12,085)	(14,694)
Cash flow from financing activities				
Increase in bank indebtedness	7,160	—	18,550	—
Decrease in long-term debt	(540)	(539)	(1,596)	(1,508)
Lease liability payments	(1,398)	(1,381)	(4,258)	(4,243)
Increase (decrease) in borrowings subject to specific conditions, net	—	—	227	(1,327)
(Decrease) increase in long-term liabilities and provisions	(480)	305	(169)	(626)
Common share repurchases	(427)	(976)	(1,053)	(1,234)
Common share dividends	(1,434)	(2,879)	(4,303)	(13,557)
Net cash provided by (used in) financing activities	2,881	(5,470)	7,398	(22,495)
(Decrease) increase in cash during the period	(1,299)	23,691	(40,753)	2,567
Cash at beginning of the period	1,816	11,210	40,940	32,482
Effect of exchange rate differences	149	(506)	479	(654)
Cash at end of the period	666	34,395	666	34,395