



FOR IMMEDIATE RELEASE VIA THE CANADIAN CUSTOM DISCLOSURE NETWORK

NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – March 11, 2024 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the fourth quarter of 2023. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three month period ended December 31			Twelve month period ended December 31		
Expressed in thousands of Canadian dollars, except per share amounts	2023	2022	Change	2023	2022	Change
Revenues	223,581	193,110	15.8%	879,617	764,580	15.0%
Gross Profit (Loss)	23,776	(893)	nm	88,991	35,065	153.8%
Net (Loss) Income	(266)	(20,770)	nm	9,247	(21,692)	nm
Net (Loss) Income per Share	(0.00)	(0.36)	nm	0.16	(0.38)	nm
Adjusted EBITDA	16,396	(4,772)	nm	72,983	35,540	105.4%
Adjusted EBITDA per Share	0.29	(0.08)	nm	1.27	0.62	104.8%

This news release contains certain forward-looking statements that reflect the current views and/or expectations of the Corporation with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions, which may cause actual results to be materially different from those expressed or implied. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

This news release presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles (“GAAP”). Throughout this news release, reference is made to EBITDA (defined as earnings before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings 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.

Business Update

On December 19, 2023, Magellan announced an agreement with the Canadian government for the provision of LUU-2 illumination flares for the RCAF. The \$39 million, four-year contract commences in 2024 and involves the manufacture, assembly and delivery of LUU-2 flares from Magellan Aerospace, Winnipeg's propellant plant in Manitoba, Canada.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2023 Annual Report available on www.sedarplus.ca.

2. Results of Operations

A discussion of Magellan's operating results for the fourth quarter ended December 31, 2023

The Corporation reported revenue in the fourth quarter of 2023 of \$223.6 million, a \$30.5 million increase from the fourth quarter of 2022 revenue of \$193.1 million. Gross profit was \$23.8 million in the fourth quarter of 2023 compared to a gross loss of \$0.9 million in the same quarter of the prior year. Net loss for the fourth quarter of 2023 was \$0.3 million in comparison to a net loss of \$20.8 million for the fourth quarter of 2022.

Consolidated Revenue

Expressed in thousands of dollars	Three month period ended December 31			Twelve month period ended December 31		
	2023	2022	Change	2023	2022	Change
Canada	90,261	81,953	10.1%	364,275	329,638	10.5%
United States	59,309	48,932	21.2%	234,234	190,011	23.3%
Europe	74,011	62,225	18.9%	281,108	244,931	14.8%
Total revenue	223,581	193,110	15.8%	879,617	764,580	15.0%

Revenue in Canada increased 10.1% in the fourth quarter of 2023 compared to the corresponding period in 2022 largely due to increased volume for single aisle aircraft parts and higher repair and overhaul revenues.

Revenue in the United States in the fourth quarter of 2023 increased 21.2% from the fourth quarter of 2022 largely driven by higher casting product revenues and increased volume for single aisle and wide-body aircraft parts for Boeing.

European revenue in the fourth quarter of 2023 increased 18.9% compared to the corresponding period in 2022 driven by higher narrow body aircraft revenues.

Gross Profit (Loss)

Expressed in thousands of dollars	Three month period ended December 31			Twelve month period ended December 31		
	2023	2022	Change	2023	2022	Change
Gross profit (loss)	23,776	(893)	nm	88,991	35,065	153.8%
Percentage of revenue	10.6%	(0.5%)		10.1%	4.6%	

Gross profit of \$23.8 million for the fourth quarter of 2023 was \$24.7 million higher than the gross loss of \$0.9 million for the fourth quarter of 2022, and gross profit as a percentage of revenues of 10.6% for the fourth quarter of 2023 increased from (0.5%) gross loss recorded in the same period in 2022. The increase in profitability is mainly the result of volume and price

increases on certain programs, favourable product mix and production efficiencies, offset in part by supply chain disruptions and price increases on purchased materials and supplies.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended December 31			Twelve month period ended December 31		
	2023	2022	Change	2023	2022	Change
Administrative and general expenses	14,967	11,140	34.4%	57,296	48,690	17.7%
Percentage of revenue	6.7%	5.8%		6.5%	6.4%	

Administrative and general expenses as a percentage of revenue was 6.7% for the fourth quarter of 2023, higher than the same period of 2022 percentage of revenue of 5.8% due to higher salary and benefit costs and information technology spending.

Restructuring

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Workforce reduction	18	1,930	458	1,930
Closure costs	400	(5)	1,280	199
Impairment of property, plant and equipment	–	1,772	–	1,772
Restructuring	418	3,697	1,738	3,901

Restructuring costs of \$0.4 million incurred in the fourth quarter of 2023, as compared to \$3.7 million in the fourth quarter of 2022, includes ongoing costs associated with the closure of the Bournemouth facility and dismantling its former manufacturing operations.

Other

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Foreign exchange loss (gain)	3,048	3,817	4,865	(2,251)
Loss on disposal of property, plant and equipment	54	322	17	22
Gain on disposal of investment properties	(20)	–	(20)	–
(Gain) loss on pension settlement	(211)	631	433	631
Other	39	(162)	39	(162)
Total Other	2,910	4,608	5,334	(1,760)

Other for the fourth quarter of 2023 included a \$3.0 million foreign exchange loss compared to a \$3.8 million foreign exchange loss in the fourth 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 also includes pension settlement gains of \$0.2 million in the fourth quarter compared to settlement losses of \$0.6 million in the prior year period in conjunction with the purchase of group annuity contracts related to the Corporation's defined benefit pension plans.

Interest Expense

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Interest expense on bank indebtedness and long-term debt	542	76	1,237	423
Accretion charge for borrowings, lease liabilities and long-term debt	424	488	2,221	2,314
Discount on sale of accounts receivable	58	3	231	101
Total interest expense	1,024	567	3,689	2,838

Total interest expense of \$1.0 million in the fourth quarter of 2023 increased \$0.5 million compared to the fourth quarter of 2022 mainly due to higher interest expense on bank indebtedness, offset in part by lower accretion charge for borrowings, lease liabilities and long-term debt.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Current income tax expense (recovery)	1,546	(1,166)	11,974	5,780
Deferred income tax expense (recovery)	3,177	1,031	(287)	(2,692)
Income tax expense (recovery)	4,723	(135)	11,687	3,088
Effective tax rate	106.0%	0.6%	55.8%	(16.6%)

Income tax expense for the fourth quarter ended December 31, 2023 was \$4.7 million, representing an effective income tax rate of 106.0% compared to 0.6% 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

Expressed in millions of dollars, except per share amounts	2023				2022			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenues	223.5	213.0	219.7	223.4	193.1	191.1	192.7	187.7
Income (loss) income before taxes	4.4	4.7	6.1	5.7	(20.9)	2.5	1.2	(1.4)
Net (loss) income	(0.3)	3.7	1.9	3.9	(20.8)	0.6	0.5	(2.0)
Net (loss) income per share								
Basic and diluted	(0.00)	0.06	0.03	0.07	(0.36)	0.01	0.01	(0.04)
EBITDA ¹	15.9	17.7	19.3	18.3	(8.5)	14.7	14.0	11.4
Adjusted EBITDA ¹	16.4	18.5	19.5	18.6	(4.8)	14.8	14.0	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 loss in the quarter were 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 1.3619 in the fourth quarter of 2023 and a low of 1.2663 in the first quarter of 2022. 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 1.3421 in the first quarter of 2022 and hit a low of 1.1753 in the third quarter of 2022. Had exchange rates remained at levels experienced in 2022, reported revenues in 2023 would have been lower in the first, second and third quarters of 2023 by \$8.4 million, \$8.7 million and \$3.0 million, respectively, and there would have been a minimal impact on the fourth quarter of 2023.

Revenues and net income in 2022 were largely impacted by the continued effects from the COVID-19 pandemic, driving reduced volumes and supply chain disruptions. In addition, continued high inflation on material, supplies, utilities and labour impacted the results in 2022 and still had an impact in 2023. Since the first quarter of 2022, the Corporation has had a modest upward trend in revenue as global domestic air travel continues to recover to pre COVID-19 levels. 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 (Loss) 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, income taxes and depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, goodwill impairment and restructuring) in this news release. The Corporation has provided this measure because it believes this information is used by certain investors to

assess financial performance and that EBITDA 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 December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	2023	2022	2023	2022
Net (loss) income	(266)	(20,770)	9,247	(21,692)
Add back:				
Interest	1,024	567	3,689	2,838
Taxes	4,723	(135)	11,687	3,088
Depreciation and amortization	10,497	11,869	46,622	47,405
EBITDA	15,978	(8,469)	71,245	31,639
Add back:				
Restructuring	418	3,697	1,738	3,901
Adjusted EBITDA	16,396	(4,772)	72,983	35,540

Adjusted EBITDA in the fourth quarter of 2023 increased \$21.2 million to \$16.4 million in comparison to negative \$4.8 million in the same quarter of 2022 mainly as a result of lower net loss and higher net interest and taxes, offset by lower restructuring costs.

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 December 31		Twelve month period ended December 31	
Expressed in thousands of dollars	2023	2022	2023	2022
(Increase) decrease in accounts receivable	(10,507)	30,282	(41,962)	(3,223)
Decrease (increase) in contract assets	6,113	(920)	(4,120)	2,437
Increase in inventories	(445)	(4,203)	(32,020)	(15,789)
(Increase) decrease in prepaid expenses and other	(111)	524	(382)	(437)
Increase (decrease) in accounts payable, accrued liabilities and provisions	6,444	(913)	9,502	28,727
Increase (decrease) in contract liabilities	1,593	(2,155)	(8,242)	18,503
Changes in non-cash working capital balances	3,087	22,613	(77,224)	30,218
Cash provided by (used in) operating activities	18,766	18,784	(17,300)	58,540

For the three months ended December 31, 2023 and December 31, 2022, the Corporation generated \$18.8 million from operating activities. Changes in non-cash working capital items generated cash of \$3.1 million as compared to \$22.6 million in the same quarter of the prior year. The quarter over quarter changes were largely attributable to increases in accounts receivable from timing of customer payments offset in part by decreases in contract assets due to timing of production and billing related to products transferred over time, and increases in accounts payable, accrued liabilities and provisions driven primarily by timing of supplier payments.

Investing Activities

	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Expressed in thousands of dollars				
Purchase of property, plant and equipment	(9,616)	(8,691)	(19,166)	(23,494)
Proceeds from disposal of property, plant and equipment	27	117	212	607
Proceeds from disposal of investment property	354	—	354	—
Increase in intangibles and other assets	(2,374)	(588)	(5,094)	(969)
Cash used in investing activities	(11,609)	(9,162)	(23,694)	(23,856)

Investing activities used \$11.6 million of cash for the fourth quarter of 2023 compared to \$9.2 million of cash used in the same quarter of the prior year, an increase of \$2.4 million primarily due higher deposits recorded in other assets in the current quarter when compared to the same quarter of 2022.

Financing Activities

	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Expressed in thousands of dollars				
(Decrease) increase in bank indebtedness	(3,087)	—	15,463	—
Decrease in long-term debt	(540)	(539)	(2,136)	(2,047)
Lease liability payments	(1,379)	(1,376)	(5,637)	(5,619)
Increase (decrease) in long-term liabilities and provisions	153	401	(16)	(225)
Increase (decrease) in borrowings subject to specific conditions, net	464	—	691	(1,327)
Common share repurchases	(569)	(828)	(1,622)	(2,062)
Common share dividends	(1,431)	(1,437)	(5,734)	(14,994)
Cash (used in) provided by financing activities	(6,389)	(3,779)	1,009	(26,274)

The Corporation used \$6.4 million of cash for financing activities in the fourth quarter of 2023 primarily for bank indebtedness repayments, lease liability payments, the payment of common share dividends and the repurchase of common shares.

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 December 31, 2023, the Corporation had contractual commitments to purchase \$8.4 million of capital assets.

Dividends

For the year ended December 31, 2023 and 2022, the Corporation paid dividends on its common shares of \$5.7 million and \$15.0 million, respectively. Quarterly dividend payments were \$0.025 per share in 2023 and ranged between \$0.025 and \$0.105 per common share in 2022.

Subsequent to December 31, 2023, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.025 per common share. The dividend will be payable on March 28, 2024 to shareholders of record at the close of business on March 15, 2024. The Board of Directors of the Corporation continues to review its dividends on a quarterly basis for more visibility of recovery, and ensure that the dividend declared balances the return of capital to shareholders while maintaining adequate financial flexibility and investment in growth initiatives.

Normal Course Issuer Bid

On May 27, 2021, the Corporation announced that the TSX had accepted the Corporation’s application to commence a normal course issuer bid (the “2021 NCIB”) which allowed the Corporation to repurchase through the facilities of the TSX and alternative Canadian trading platforms up to 2,886,455 common shares. The program commenced on May 27, 2021 and ended on May 26, 2022. On May 25, 2022, the Corporation’s second application was approved (the “2022 NCIB”). The 2022 NCIB allowed for the purchase of up to 2,886,455 common shares, over a twelve-month period commencing May 27, 2022 and ending May 26, 2023. On May 25, 2023, the Corporation’s 2023 NCIB application was approved for the purchase of up to 2,868,106 common shares over a twelve-month period commencing May 27, 2023 and ending May 26, 2024.

In 2023, 214,937 shares were purchased for cancellation for \$1.6 million at a volume weighted average price paid of \$7.55 per common share. In 2022, 282,972 shares were purchased for cancellation for \$2.1 million at a volume weighted average price paid of \$7.29 per common 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 March 8, 2024, 57,179,666 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. The Corporation has applied IFRS 9 on a prospective basis for hedge accounting. The Corporation's qualifying hedging relationships as at December 31, 2023 qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. As at December 31, 2023, the Corporation entered into forward foreign exchange contracts to purchase US dollars of \$16.2 million and British pounds of £23.5 million over a period of one month commencing December of 2023 at an exchange rate of \$1.3210 and \$1.6801 Canadian dollars, respectively. Under these contracts the Corporation is obliged to purchase specific amounts at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in US dollars, and British pounds. The Corporation conversely entered into foreign currency collar contracts as follows:

Maturity	Notional amount	Floor	Ceiling	Carrying value	Line item in the statement of financial position
June 2025	US\$32.4million	1.2500	1.3245	\$0.6 million	Accounts payable, accrued liabilities and provisions
June 2025	US\$32.4 million	1.2500	1.3300	\$0.5 million	Accounts payable, accrued liabilities and provisions

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 December 31, 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, 2023 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2023, which have been filed with SEDAR+ at www.sedarplus.ca.

9. Outlook

The outlook for Magellan's business in 2024

The International Air Travel Association ("IATA") reported that strong demand for air travel continued to propel the recovery of passenger markets in 2023. The total industry achieved a 36.9% year-on-year growth, as traffic, measured in revenue passenger-kilometers ("RPK"), reached 94.1% of 2019 levels. Month-on-month December figures revealed that air travel reached an average of 97.5% compared to December 2019, domestic and international traffic combined. Domestic RPK grew 30.4% year-on-year, ending at 3.9% over 2019 levels while international RPK increased 41.6% year-on-year, totaling 88.6% of pre-COVID levels.

Airbus delivered 247 aircraft in the last quarter of 2023, received net orders of 853 aircraft and closed the year with an order backlog of 8,598 aircraft. Comparatively, Boeing delivered 157 aircraft, received net orders of 590 aircraft and closed the year with an order backlog of 6,216. Both companies logged over two new firm orders in 2023 for every aircraft delivered. This allowed them both to set new industry records, for order backlogs, and for Airbus, record gross and net orders.

In the defence market, numerous countries are increasing their military expenditures due to rising geopolitical tensions. The US defence budget request for fiscal year 2024 compared to fiscal year 2022, is nearly US\$100 billion (13.4%) higher. Europe has seen the steepest year-on-year increase in military expenditures in at least 30 years, as governments in the region replenish national stockpiles depleted by donations sent to Ukraine.

In the fighter segment of this market, Lockheed Martin's F-35 aircraft dominates production as it represents a 40% share of global fighter deliveries. Lockheed delivered 18 F-35 aircraft in the last quarter of 2023, for a total of 98 aircraft delivered during the year. This compares to 141 aircraft delivered in 2022. The reduced numbers were due to a decision by the US Department of Defense to delay delivery acceptance of the latest Technical Refresh-3 (TR-3) configuration pending certification.

The defence rotorcraft segment is forecast to grow at a 4.1% CAGR from 2025 to 2030. The light military segment of this market is expected to be the fastest growing. New programs such as the US Army's Future Long Range Assault Aircraft ("FLRAA") program and the Future Attack Reconnaissance Aircraft ("FARA") program, were both expected to contribute to this growth track. However, the latter FARA program was cancelled in February 2024 due to a "resource constrained environment". Subject to similar budgetary constraints, the overall defence market is still forecast to remain strong at least through 2029.

In 2023, commercial and defence aerospace manufacturers witnessed a revival in demand. Domestic commercial passenger air travel surpassed pre-pandemic levels while Boeing and Airbus set new records for aircraft order activity and order backlogs. Despite the various setbacks, commercial aircraft production rates continue to rise over the long term, supporting a positive outlook for the future. In the defence market, geopolitical challenges combined with the prioritization to modernize fleets, is driving robust demand. Legacy fighter aircraft and rotorcraft are maintaining a robust momentum through this decade while new advanced programs are being developed to enter production in the next decade. It is unusual that both commercial and defence aerospace markets are in a growth cycle simultaneously, and since the OEM's tend to be the same companies participating in both markets, the combined opportunity for growth is clearly positive



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.sedarplus.ca.

Forward Looking Statements

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

-30-

For additional information contact:

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

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

MAGELLAN AEROSPACE CORPORATION
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 December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Revenues	223,581	193,110	879,617	764,580
Cost of revenues	199,805	194,003	790,626	729,515
Gross profit (loss)	23,776	(893)	88,991	35,065
Administrative and general expenses	14,967	11,140	57,296	48,690
Restructuring	418	3,697	1,738	3,901
Other	2,910	4,608	5,334	(1,760)
Income (loss) before interest and income taxes	5,481	(20,338)	24,623	(15,766)
Interest expense	1,024	567	3,689	2,838
Income (loss) before income taxes	4,457	(20,905)	20,934	(18,604)
Income tax expense (recovery):				
Current	1,546	(1,166)	11,974	5,780
Deferred	3,177	1,031	(287)	(2,692)
	4,723	(135)	11,687	3,088
Net (loss) income	(266)	(20,770)	9,247	(21,692)
Other comprehensive income (loss):				
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation	(572)	14,429	420	7,385
Unrealized gain (loss) on foreign exchange hedges, net of tax	1,509	2,899	2,251	(3,255)
Items not to be reclassified to profit and loss				
In subsequent periods:				
Actuarial income on defined benefit plans, net of tax	866	1,763	1,125	1,402
Comprehensive income (loss)	1,537	(1,679)	13,043	(16,160)
Net (loss) income per share				
Basic and diluted	(0.00)	(0.36)	0.16	(0.38)

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	December 31 2023	December 31 2022
Current assets		
Cash	1,494	40,940
Trade and other receivables	211,364	169,562
Contract assets	69,052	65,456
Inventories	258,448	226,359
Prepaid expenses and other	10,441	9,967
	550,799	512,284
Non-current assets		
Property, plant and equipment	359,722	384,084
Right-of-use assets	26,857	30,825
Investment properties	6,632	1,621
Intangible assets	37,402	41,423
Goodwill	22,159	22,181
Other assets	13,126	9,745
Deferred tax assets	8,376	8,731
	474,274	498,610
Total assets	1,025,073	1,010,894
Current liabilities		
Bank indebtedness	15,534	—
Accounts payable, accrued liabilities and provisions	142,713	133,816
Contract liabilities	27,960	36,096
Debt due within one year	9,439	11,647
	195,646	181,559
Non-current liabilities		
Long-term debt	—	634
Lease liabilities	24,314	27,761
Borrowings subject to specific conditions	24,166	23,300
Other long-term liabilities and provisions	6,089	7,203
Deferred tax liabilities	37,441	38,707
	92,010	97,605
Equity		
Share capital	250,147	251,104
Contributed surplus	2,044	2,044
Other paid in capital	13,565	13,565
Retained earnings	446,952	442,979
Accumulated other comprehensive income	21,332	18,661
Equity attributable to equity holders of the Corporation	734,040	728,353
Non-controlling interest	3,377	3,377
Total equity	737,417	731,730
Total liabilities and equity	1,025,073	1,010,894

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended December 31		Twelve month period ended December 31	
	2023	2022	2023	2022
Cash flow from operating activities				
Net (loss) income	(266)	(20,770)	9,247	(21,692)
Amortization / depreciation of intangible assets, right-of-use assets and property, plant and equipment	10,497	11,869	46,622	47,405
Impairment of intangibles	555	711	555	711
Impairment of property, plant and equipment	600	1,772	600	1,772
Loss on disposal of property, plant and equipment	54	322	17	22
Gain on disposal of investment properties	(20)	—	(20)	—
Increase in defined benefit plans	347	994	2,130	1,249
Accretion of financial liabilities	422	324	2,221	2,146
Deferred taxes	3,138	1,042	(1,378)	(3,022)
Income on investments in joint venture	(116)	(93)	(363)	(269)
Other	468	—	293	—
Changes to non-cash working capital	3,087	22,613	(77,224)	30,218
Net cash provided by (used in) operating activities	18,766	18,784	(17,300)	58,540
Cash flow from investing activities				
Purchase of property, plant and equipment	(9,616)	(8,691)	(19,166)	(23,494)
Proceeds from disposal of property, plant and equipment	27	117	212	607
Proceeds from disposal of investment properties	354	—	354	—
Increase in intangible and other assets	(2,374)	(588)	(5,094)	(969)
Net cash used in investing activities	(11,609)	(9,162)	(23,694)	(23,856)
Cash flow from financing activities				
(Decrease) increase in bank indebtedness	(3,087)	—	15,463	—
Decrease in debt	(540)	(539)	(2,136)	(2,047)
Lease liability payments	(1,379)	(1,376)	(5,637)	(5,619)
Increase (decrease) in borrowings subject to specific conditions, net	464	—	691	(1,327)
Increase (decrease) in long-term liabilities and provisions	153	401	(16)	(225)
Common share repurchases	(569)	(828)	(1,622)	(2,062)
Common share dividends	(1,431)	(1,437)	(5,734)	(14,994)
Net cash (used in) provided by financing activities	(6,389)	(3,779)	1,009	(26,274)
Increase (decrease) in cash during the period	768	5,843	(39,985)	8,410
Cash at beginning of the period	666	34,395	40,940	32,482
Effect of exchange rate differences	60	702	539	48
Cash at end of the period	1,494	40,940	1,494	40,940