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NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – August 8, 2018 – Magellan Aerospace Corporation (“Magellan” or the “Corporation”) released its financial results for the second quarter of 2018 in accordance with the newly adopted IFRS 15, *Revenue from Contracts with Customers*. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three month period ended June 30			Six month period ended June 30		
	2018	2017 (restated) ¹	Change	2018	2017 (restated) ¹	Change
Expressed in thousands of Canadian dollars, except per share amounts						
Revenues	241,221	252,037	(4.3)%	485,846	500,256	(2.9)%
Gross Profit	41,273	45,557	(9.4)%	81,701	89,052	(8.3)%
Net Income	23,464	19,857	18.2%	40,928	59,497	(31.2)%
Net Income per Share	0.40	0.34	17.6%	0.70	1.02	(31.4)%
EBITDA	41,786	39,781	5.0%	75,924	102,367	(25.8)%
EBITDA per Share	0.72	0.68	5.9%	1.30	1.76	(26.1)%

¹2017 reported figures have been restated applying IFRS 15, *Revenue from Contracts with Customers*. See “Changes in Accounting Policies”.

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

This news release presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles (“GAAP”). Throughout this news release, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA may not be directly comparable with similarly titled measures used by other companies.

1. Overview

A summary of Magellan's business and significant updates

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

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

Business Update

On May 11, 2018, Magellan announced collaboration with the University of Manitoba with the award of \$625,000 for a Research Chair in the area of satellite development and a further \$120,000 contribution towards a second Chair for Design Engineering. The research and development activities of these Chairs will be by industry sponsor(s), the University of Manitoba, and the Natural Sciences and Engineering Research Council.

On May 22, 2018, Magellan announced an agreement with an undisclosed commercial aeroengine customer for the manufacture of magnesium and aluminum castings for military and commercial aerospace applications. Production will be at Magellan Haley, Ontario and Glendale, Arizona.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2017 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for second quarter ended June 30, 2018

As described in "Changes in Accounting Policies" section of this MD&A, the Corporation's interim results of operations for the three month period ended June 30, 2017 have been restated to reflect the impact of adoption of IFRS 15, *Revenue from Contracts with Customers*.

The Corporation reported revenue in the second quarter of 2018 of \$241.2 million, a \$10.8 million decline from the second quarter of 2017 of \$252.0 million. Gross profit and net income for the second quarter of 2018 were \$41.3 million and \$23.5 million, respectively, in comparison to gross profit of \$45.6 million and net income of \$19.9 million for the second quarter of 2017.

Consolidated Revenue

Expressed in thousands of dollars	Three month period ended June 30			Six month period ended June 30		
	2018	2017 (restated)	Change	2018	2017 (restated)	Change
Canada	77,689	81,953	(5.2%)	156,345	156,813	(0.3%)
United States	83,509	81,529	2.4%	163,085	162,622	0.3%
Europe	80,023	88,555	(9.6%)	166,416	180,821	(8.0%)
Total revenues	241,221	252,037	(4.3%)	485,846	500,256	(2.9%)

Consolidated revenues for the three months ended June 30, 2018 were \$241.2 million, decreased \$10.8 million from \$252.0 million recorded for the same period in 2017. Revenues in Canada decreased 5.2% in the second quarter of 2018 in comparison to the same period in 2017, primarily due to volume decreases, completion of long-term construction contracts for specialty products, and the weakening of the United States dollar relative to the Canadian dollar when compared to the prior period. On a currency neutral basis, Canadian revenues in the second quarter of 2018 decreased by 3.0% over the same period of 2017.

Revenues in United States increased by 2.4% in the second quarter of 2018 compared to the second quarter of 2017 when measured in Canadian dollars mainly due to volume increases offset in part by unfavourable foreign exchange impact due to the weakening of the United States dollar against the Canadian dollar. On a currency neutral basis, revenues in the United States increased 6.3% in the second quarter of 2018 over the same period in 2017.

European revenues decreased 9.6% in the second quarter of 2018 compared to the corresponding period in 2017 primarily driven by decreased production rates for wide body aircraft, production delays for narrow body aircraft and unfavourable foreign exchange impact as the United States dollar weakened relative to the British pound. On a constant currency basis, revenues in the second quarter of 2018 in Europe went down by 6.3% compared to the same period in 2017.

Gross Profit

Expressed in thousands of dollars	Three month period ended June 30			Six month period ended June 30		
	2018	2017 (restated)	Change	2018	2017 (restated)	Change
Gross profit	41,273	45,557	(9.4%)	81,701	89,052	(8.3%)
Percentage of revenues	17.1%	18.1%		16.8%	17.8%	

Gross profit of \$41.3 million for the second quarter of 2018 was \$4.3 million lower than the \$45.6 million for the second quarter of 2017, and gross profit as a percentage of revenues of 17.1% for the second quarter of 2018 decreased from 18.1% recorded in the same period in 2017. The gross profit in the current quarter was primarily impacted by the unfavourable foreign exchange due to the weakening year over year of the United States dollar against the Canadian dollar and the British pound, offset partially by the higher production volume in the United States.

Administrative and General Expenses

Expressed in thousands of dollars	Three month period ended June 30			Six month period ended June 30		
	2018	2017	Change	2018	2017	Change
Administrative and general expenses	14,184	15,776	(10.1%)	28,812	30,863	(6.6%)
Percentage of revenues	5.9%	6.3%		5.9%	6.2%	

Administrative and general expenses as a percentage of revenues of 5.9% for the second quarter of 2018 were 0.4% lower than that in the corresponding period of 2017. Administrative and general expenses decreased \$1.6 million or 10.1% to \$14.2 million in the second quarter of 2018 compared to \$15.8 million in the second quarter of 2017 mainly due to lower employee and consulting expenses.

Other

Expressed in thousands of dollars	Three month period ended June 30		Six month period ended June 30	
	2018	2017	2018	2017
Foreign exchange (gain) loss	(3,774)	2,216	(1,604)	3,092
Loss (gain) on disposal of property, plant and equipment	24	5	112	(26,588)
Other	—	—	—	4,010
Total other	(3,750)	2,221	(1,492)	(19,486)

Other income of \$3.8 million for the second quarter of 2018 compared to \$2.2 million foreign exchange loss recorded in the same period of 2017 was mainly driven by the movements in balances denominated in the foreign currencies and the fluctuations of the foreign exchange rates.

Interest Expense

Expressed in thousands of dollars	Three month period ended June 30		Six month period ended June 30	
	2018	2017	2018	2017
Interest on bank indebtedness and long-term debt	286	523	674	1,392
Accretion charge on borrowings and long-term debt	248	252	510	486
Discount on sale of accounts receivable	536	512	964	764
Total interest expense	1,070	1,287	2,148	2,642

Total interest expense of \$1.1 million in the second quarter of 2018 was \$0.2 million lower than the second quarter of 2017 amount of \$1.3 million mainly due to decreased interest on bank indebtedness and long-term debt as principal amounts were lower during the quarter.

Provision for Income Taxes

Expressed in thousands of dollars	Three month period ended June 30		Six month period ended June 30	
	2018	2017	2018	2017
Current income tax expense	3,812	4,070	7,690	8,632
Deferred income tax expense	2,493	2,346	3,615	6,904
Income tax expense	6,305	6,416	11,305	15,536
Effective tax rate	21.2%	24.4%	21.6%	20.7%

Income tax expense for the three months ended June 30, 2018 was \$6.3 million, representing an effective income tax rate of 21.2% compared to 24.4% for the same period of 2017. The decrease in effective tax rate and current income tax expenses year over year was primarily due to the change in mix of income across the different jurisdictions in which the Corporation operates and the reduction in the 2018 United States Federal corporate income tax rate.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars, except per share amounts	2018				2017			2016
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30 ²	Mar 31 ²	Dec 31	Sep 30
Revenues	241.2	244.6	235.6	232.6	252.0	248.2	247.1	238.0
Income before taxes	29.8	22.5	29.5	25.4	26.3	48.8	31.3	25.2
Net Income	23.5	17.5	32.1	19.3	19.9	39.6	24.0	18.8
Net Income per share								
Basic and diluted	0.40	0.30	0.55	0.33	0.34	0.68	0.41	0.32
EBITDA ¹	41.8	34.1	41.2	37.6	39.8	62.6	45.3	38.4

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

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

Effective January 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers* that are discussed in "Changes in Accounting Policies" in this MD&A. The adoption of the standard does not have a significant effect on the Corporation's reported profit and loss.

Revenues and net income reported in the quarterly financial information were impacted by the movements in the Canadian dollar relative to the United States dollar and British pound when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average exchange rate of United States dollar relative to the Canadian dollar fluctuated between a high of 1.3448 in the second quarter of 2017 and a low of 1.2526 in the third quarter of 2017. The average exchange rate of British pound relative to the Canadian dollar moved from a high of 1.7607 in the first quarter of 2018 to a low of 1.6398 in the third quarter of 2017. The average exchange rate of the British pound relative to the United States dollar reached its high of 1.3920 in the first quarter of 2018 and hit a low of 1.2395 in the first quarter of 2017.

Revenue for the second quarter of 2018 of \$241.2 million was lower than that in the second quarter of 2017. The average exchange rate of the United States dollar relative to the Canadian dollar in the second quarter of 2018 was 1.2939 versus 1.3472 in the same period of 2017. The average exchange rate of British pound relative to the Canadian dollar moved from 1.7194 in the second quarter of 2017 to 1.7544 during the current quarter. The average exchange rate of the British pound relative to the United States dollar increased from 1.2762 in the second quarter of 2017 to 1.3718 in the current quarter. Had the foreign exchange rates remained at levels experienced in the second quarter of 2017, reported revenues in the second quarter of 2018 would have been higher by \$9.2 million.

As discussed above, net income reported in the quarterly information was also impacted by the foreign exchange movements. The Corporation reported its highest net income in the first quarter of 2017 mainly driven by the recognition of the gain on the sale of the land and building of its Mississauga facility. In the third quarter of 2017, the Corporation recorded a gain of \$2.2 million on the disposition of an investment property. In the fourth quarter of 2017, the Corporation recognized

the future tax benefit attributable to the reduction in the United States federal corporate income tax as a result of new legislation. The Corporation recorded a margin adjustment related to one of its construction contracts in the third quarter of 2016.

4. Reconciliation of Net Income to EBITDA

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

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

	Three month period ended June 30		Six month period ended June 30	
	2018	2017 (restated)	2018	2017 (restated)
Expressed in thousands of dollars				
Net income	23,464	19,857	40,928	59,497
Interest	1,070	1,287	2,148	2,642
Taxes	6,305	6,416	11,305	15,536
Depreciation and amortization	10,947	12,221	21,543	24,692
EBITDA	41,786	39,781	75,924	102,367

EBITDA increased \$2.0 million or 5.0% to \$41.8 million for the second quarter of 2018, compared to \$39.8 million in the second quarter of 2017 mainly as a result of higher net income, offset by lower interest, taxes and depreciation and amortization expenses.

5. Liquidity and Capital Resources

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

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

Cash Flow from Operations

	Three month period ended June 30		Six month period ended June 30	
	2018	2017 (restated)	2018	2017 (restated)
Expressed in thousands of dollars				
Decrease (increase) in accounts receivable	1,904	13,824	(14,299)	(13,654)
(Increase) decrease in contract assets	(17,113)	1,179	(23,912)	170
(Increase) decrease in inventories	(2,366)	919	1,498	(3,149)
(Increase) decrease in prepaid expenses and other	(2,358)	(628)	(5,420)	233
Increase (decrease) in accounts payable, accrued liabilities and provisions	862	(16,460)	(13,465)	(26,863)
Changes in non-cash working capital balances	(19,071)	(1,166)	(55,598)	(43,263)
Cash provided by operating activities	17,174	31,361	8,579	20,589

For the three months ended June 30, 2018 the Corporation generated \$17.2 million from operating activities, compared to \$31.4 million in the second quarter of 2017. The decrease in cash flow from operations was mainly impacted by the unfavourable change in non-cash working capital balances, largely due to increase in contract assets resulted from timing of production and billing related to products transferred over time.

Investing Activities

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	2018	2017	2018	2017
Purchase of property, plant and equipment	(5,497)	(9,550)	(13,063)	(26,142)
Proceeds of disposals of property, plant and equipment	178	17	199	32,678
Decrease (increase) in intangible and other assets	2,831	(9,013)	2,077	(5,893)
Change in restricted cash	2,714	3,686	—	3,665
Cash provided by (used in) investing activities	226	(14,860)	(10,787)	4,308

Investing activities provided \$0.2 million cash for the second quarter of 2018 compared to using \$14.9 million cash in the same quarter of the prior year, a significant change from the prior year primarily due to lower level of investment in property, plant and equipment, and intangible assets, and collection of the long-term contract asset receivables, which were recorded in other assets. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs.

Financing Activities

	Three month period ended June 30		Six month period ended June 30	
Expressed in thousands of dollars	2018	2017	2018	2017
(Decrease) increase in bank indebtedness	(8,495)	(6,103)	6,951	(19,165)
Increase (decrease) in debt due within one year	1,211	(554)	(5,822)	4,807
Decrease in long-term debt	(608)	(1,215)	(13,874)	(2,329)
(Decrease) increase in long-term liabilities and provisions	(57)	86	(131)	1,140
Increase in borrowings	2,071	2,021	2,096	2,551
Repayment of borrowings	(786)	—	(786)	—
Common share dividend	(4,948)	(3,783)	(9,896)	(7,567)
Cash used in financing activities	(11,612)	(9,548)	(21,462)	(20,563)

The Corporation has an operating credit facility, with a syndicate of banks, with a Canadian dollar limit of \$95.0 million, a US dollar limit of US\$35.0 million and a British pound limit of £11.0 million. Under the terms of the amended credit agreement, the operating credit facility expires on September 30, 2018. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a Canadian \$50.0 million uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility.

The Corporation used \$11.6 million in the second quarter of 2018 mainly to repay bank indebtedness, borrowings subject to specific conditions, and pay dividends which was partially offset by the proceeds from the sale of accounts receivables and from a Canadian government agency related to the development of its technologies and processes.

As at June 30, 2018 the Corporation has made contractual commitments to purchase \$15.3 million of capital assets.

Dividends

During the second quarter of 2018, the Corporation declared and paid quarterly cash dividends of \$0.085 per common shares representing an aggregating dividend payment of \$4.9 million.

Subsequent to June 30, 2018, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of \$0.085 per common share. The dividend will be payable on September 28, 2018 to shareholders of record at the close of business on September 14, 2018.

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 August 3, 2018, 58,209,001 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 had no material foreign exchange contracts outstanding as at June 30, 2018.

Off Balance Sheet Arrangements

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three and six month periods ended June 30, 2018, 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, 2017 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2017, which have been filed with SEDAR at www.sedar.com.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2018 and have been applied in preparing the consolidated interim financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Corporation adopted IFRS 15 using the full retrospective method of adoption. The effect of adopting IFRS 15 is as follows:

Impact on the statement of income and comprehensive income for the three month period ended June 30, 2017:

	As reported	Decrease	Restated
Revenues	253,460	(1,423)	252,037
Cost of revenues	207,239	(759)	206,480
Gross profit	46,221	(664)	45,557
Income taxes	6,566	(150)	6,416
Net income	20,371	(514)	19,857
Total comprehensive income	14,593	(514)	14,079
Basic and diluted net income per share	0.35	(0.01)	0.34

Impact on the statement of income and comprehensive income for the six month period ended June 30, 2017:

	As reported	Decrease	Restated
Revenues	500,670	(414)	500,256
Cost of revenues	411,241	(37)	411,204
Gross profit	89,429	(377)	89,052
Income taxes	15,626	(90)	15,536
Net income	59,784	(287)	59,497
Total comprehensive income	52,478	(287)	52,191
Basic and diluted net income per share	1.03	(0.01)	1.02

Impact on the statement of financial position as at January 1, 2017 and December 31, 2017:

	As at January 1, 2017			As at December 31, 2017		
	As reported	Increase (Decrease)	Restated	As reported	Increase (Decrease)	Restated
Trade and other receivables	205,609	(8,853)	196,756	189,867	(20,174)	169,693
Contract assets	—	44,426	44,426	—	46,196	46,196
Inventories	208,964	(32,156)	176,808	197,857	(26,803)	171,054
Current assets	447,311	3,417	450,728	445,506	(781)	444,725
Deferred tax assets	22,007	(1,066)	20,941	14,313	(490)	13,823
Non-current assets	545,591	(1,066)	544,525	538,426	(490)	537,936
Total assets	992,902	2,351	995,253	983,932	(1,271)	982,661
Accounts payable and accrued liabilities and provisions	178,566	(6,240)	172,326	161,575	(7,298)	154,277
Current liabilities	229,353	(6,240)	223,113	213,409	(7,298)	206,111
Deferred tax liabilities	36,056	1,786	37,842	26,070	1,011	27,081
Total long-term liabilities	156,218	1,786	158,004	76,291	1,011	77,302
Retained earnings	310,664	6,805	317,469	405,976	5,016	410,992
Total liabilities and equity	992,902	2,351	995,253	983,932	(1,271)	982,661

There is no material impact on the consolidated statement of cash flows.

The Corporation's revenue recognition methodology is determined on a contract-by-contract basis. Significant changes to the Corporation's revenue recognition accounting policy as a result of adopting of IFRS 15 are set out below

(i) *Sale of goods*

The majority of the Corporation's revenue is generated from the manufacture of aeroengine and aerostructure components for the aerospace market. Prior to adoption of IFRS 15, sales of goods were recognized when the goods were dispatched or made available to the customer, except for the sale of consignment product where revenue is recognized on notification that

the product has been used. Under IFRS 15, revenues are recognized when control of promised goods is transferred to customers in an amount that reflects the consideration the Corporation expects to be entitled to receive in exchange for those goods. The Corporation accounts for contracts with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection is probable. The Corporation recognizes revenue over time using the percentage-of-completion input method, which recognizes revenue as performance of the contract progresses. Contracts that do not meet the criteria for over time recognition are recognized at a point in time. The sale of consignment products are recognized on notification that the product has been used.

Rendering services

The Corporation supports the aftermarket through the supply of spare parts as well as through repair and overhaul services. The repair and overhaul services are satisfied over time as customers simultaneously receive and consume the benefits provided by the Corporation. The Corporation recognizes revenues for repair and overhaul services using the percentage-of-completion input method as the basis for measuring the progress on the contract.

Input methods recognize revenue on the basis of an entity's efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time elapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. The estimation of revenue and costs-to-complete is complex, subject to variables and requires significant judgement. The contract value may include fixed amounts, variable amounts or both. The Corporation estimates variable consideration at the most likely amount to which the Corporation expects to be entitled. The estimated variable amount is included in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimation of variable consideration is largely based on assessment of the Corporation's historical, current and forecasted information that is reasonably available.

Other revenues

Other revenues are recognized at a point in time or over time as performance obligations are satisfied, depending on the nature of the contract.

(ii) Presentation of contract assets or contract liabilities

Contract Assets — Contract assets include unbilled amounts typically resulting from sales under long-term contracts when over time method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current. Upon transition to IFRS 15, the Corporation reclassified to contract assets \$8,853 and \$20,174 of trade receivables as at January 1, 2017 and December 31, 2017, respectively in relation to contracts that are recognized under percentage-of-completion input method.

Contract Liabilities — Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. Contract assets and liabilities are reported in a net position on a contract by-contract basis at the end of each reporting period. Advance payments and billings in excess of revenue recognized are classified as current or noncurrent based on the timing of when revenue is expected to be recognized. The current portion of contract liabilities is included in accounts payable and accrued liabilities and provisions and the noncurrent portion is included in other long-term liabilities and provisions in the consolidated statement of financial position.

(iii) Disclosure requirements

As required for the condensed interim financial statements, the Corporation disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 8 to the unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2018 for the disclosure on disaggregated revenue.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* ("IFRS 9") provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018. The Corporation measures loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses. The Corporation has determined that the adoption of the standard resulted in a loss allowance of \$999 net of tax of \$348, on Trade and other receivables as at December 31, 2017. As a result, the opening retained earnings as at January 1, 2018 decreased by \$999.

Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions

In 2016, the IASB issued the final amendments to IFRS 2 *Share-based Payments* ("IFRS 2") that clarify the classification and measurement of share-based transactions, consisting of: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. The adoption of the amendment did not have an impact on the Corporation's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This adoption of this interpretation did not have an impact on the Corporation's consolidated financial statements.

Amendment to IAS 40 Transfer of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments did not have an impact on the Corporation's consolidated financial statements.

10. Outlook

The outlook for Magellan's business in 2018

Vertical integration is a growing trend in the aerospace market as Boeing and Safran recently announced the forming of a joint venture to design and manufacture auxiliary power units (APU's). This is a significant supply chain disruptor within the APU market, especially for suppliers such as UTAS and Honeywell. In 2017 Boeing also formed Boeing Avionics, in direct competition to traditional avionics suppliers, Rockwell, Thales and General Electric.

These market changes are occurring as commercial single aisle build rates continue to increase. Current predictions suggest that single aisle aircraft rates will peak by 2021. Boeing's combined production rates for B737 and B737 MAX programs are expected to increase to 52 aircraft per month for the second half of 2018, and then 57.7 aircraft per month in 2019. Airbus' build rate for the A320 is currently at 57 aircraft per month and is planned to hit 63 aircraft per month mid-2019. Although Airbus is continuing to discuss a 70 to 75 aircraft per month rate by 2020, they are experiencing engine availability issues that are affecting the A320 neo/ceo mix which is impacting aircraft delivery. As a result they have cut 14 aircraft from this year's forecast. Boeing's 787 and 777 programs remain steady at 12 aircraft per month and 5 aircraft per month respectively. Airbus' A380 production is secure for a number of more years following Emirates order for 20 aircraft, plus options for 16 additional aircraft. Airbus' new A350XWB is ramping up towards full rate production, as is Boeing's B777X. The A350XWB rate is currently at 10 aircraft per month and is planned to hit 13 aircraft per month by 2020. Boeing is building three B777X's in 2018 and is expected to reach between 8 and 9 aircraft per month by 2024. Airbus' A330 will drop in rate in 2019 while Airbus claims the A330neo is positioned to address future fleet replacements. There is some risk in the A330neo as Airbus and their launch customer Air Asia have not yet reached agreement.

In the regional turboprop market, Bombardier introduced a new Q400 cabin configuration that allows up to 90 seats depending upon the needs of the operator. This move is to help improve airline operating costs as new fuel efficient regional jets challenge certain areas of their market. Higher fuel costs have typically been an advantage for turboprop aircraft over jets however the new jet engines narrow the advantage gap with their much improved fuel burn performance. To further address the gap, Pratt & Whitney Canada is working on a new more fuel efficient Next Generation Regional Turboprop (NGRT) engine.

A strong U.S. economy and shrinking used aircraft inventories is building optimism in the business jet market. A growing demand for high-end jets is helping boost sales while light jet outlook looks to be on an upward trend. Output in this segment for 2017 was the highest since 2010.



Rising energy prices have reportedly been insufficient stimulus to counter an overcapacity in the oil and gas helicopter market. Fleet utilization was reported to be only 54% in 2017 as a large number of aircraft still remained in storage. Analysts suggest this market will remain flat through 2019 and that super medium aircraft such as Bell's 525 may become the new preferred platform in this sector. Meanwhile, US defense rotorcraft markets await the outcome of the competition between Bell/Lockheed V280 Valor and Boeing/Sikorsky SB-1 Defiant for the next generation of future vertical lift helicopters.

Global defense markets are growing. Forecast International quoted USAF officials as saying that large defense budgets are back and that "we've returned to an era of great power competition" (in the world) which requires the U.S. to focus on readiness of the force. The USAF budget requests are aimed at restoring fleets after years of fiscal uncertainty. The Fiscal Year 19 budget request is 6.6% higher than the Fiscal Year 18 budget. The USN is also requesting more as they are committed to sustaining the 4th generation fighters for aviation readiness. This will benefit F18 Super Hornets with a FY19 request for 110 more aircraft to be delivered through 2023. Defense helicopter OEM's are seeing a similar resurgence in order activity.

Lockheed Martin is continuing with aggressive actions on the F-35 program to improve aircraft availability and reduce costs as the program matures. They announced in June 2018 that the 300th production F-35 aircraft was delivered, demonstrating the program's continued progress. Aircraft are now operating from 15 bases around the world by 580 pilots and have surpassed 130,000 cumulative flight hours. By mid-April 2018 the program had completed the final developmental flight test for the System Development and Demonstration phase. Later on April 30, 2018, the Pentagon and Lockheed finalized a \$1.4 billion sustainment contract to support activities for aircraft currently in the fleet as well as build capacity to support the future fleet. The Canadian Future Fighter Replacement Program has been progressing. Five platforms are currently active in the competition (Lockheed Martin's F-35, Boeing's Super Hornet, the Eurofighter Typhoon, the Dassault Rafale and Saab's Gripen). A request for proposals for the new fighter jets will be issued in 2019 and a winning bidder is expected to be selected in spring 2021 with the first aircraft expected to be delivered sometime in 2025.

The aerospace industry has now either returned to growth or is positioned to grow across most segments of the industry. While political and economic factors could negatively influence this trend, and vertical integration in the supply chain could necessitate a strategy shift, most industry players are focused on responding to a growing market. Commercial aircraft rates are not expected to peak for another 2 to 3 years, defense markets are in a resurgence mode and the US defense helicopter industry is looking forward to the next generation of future vertical lift rotorcraft.

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
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Three month period ended June 30 Restated		Six month period ended June 30 Restated	
	2018	2017	2018	2017
Revenues	241,221	252,037	485,846	500,256
Cost of revenues	199,948	206,480	404,145	411,204
Gross profit	41,273	45,557	81,701	89,052
Administrative and general expenses	14,184	15,776	28,812	30,863
Other	(3,750)	2,221	(1,492)	(19,486)
Income before interest and income taxes	30,839	27,560	54,381	77,675
Interest	1,070	1,287	2,148	2,642
Income before income taxes	29,769	26,273	52,233	75,033
Income taxes				
Current	3,812	4,070	7,690	8,632
Deferred	2,493	2,346	3,615	6,904
	6,305	6,416	11,305	15,536
Net income	23,464	19,857	40,928	59,497
Other comprehensive income (loss)				
Other comprehensive (loss) income that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation	(5,949)	(2,913)	15,033	(3,282)
Items not to be reclassified to profit and loss in subsequent periods:				
Actuarial gain (loss) on defined benefit pension plans, net of taxes	2,559	(2,865)	1,914	(4,024)
Total comprehensive income, net of taxes	20,074	14,079	57,875	52,191
Net income per share				
Basic and diluted	0.40	0.34	0.70	1.02

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	June 30 2018	December 31 2017 Restated	January 1 2017 Restated
Current assets			
Cash	17,462	40,394	7,606
Restricted cash	3,393	3,233	7,125
Trade and other receivables	186,326	169,693	196,756
Contract assets	71,707	46,196	44,426
Inventories	172,951	171,054	176,808
Prepaid expenses and other	19,899	14,155	18,007
	471,738	444,725	450,728
Non-current assets			
Property, plant and equipment	405,077	401,855	389,825
Investment properties	2,366	2,414	4,377
Intangible assets	59,441	61,495	67,443
Goodwill	34,542	33,441	33,797
Other assets	22,211	24,908	28,142
Deferred tax assets	10,395	13,823	20,941
	534,032	537,936	544,525
Total assets	1,005,770	982,661	995,253
Current liabilities			
Bank indebtedness	7,314	—	—
Accounts payable and accrued liabilities and provisions	144,799	154,277	172,326
Debt due within one year	34,120	51,834	50,787
	186,233	206,111	223,113
Non-current liabilities			
Bank indebtedness	—	—	43,314
Long-term debt	10,082	11,202	35,364
Borrowings subject to specific conditions	24,302	23,866	22,867
Other long-term liabilities and provisions	12,195	15,153	18,617
Deferred tax liabilities	26,730	27,081	37,842
	73,309	77,302	158,004
Equity			
Share capital	254,440	254,440	254,440
Contributed surplus	2,044	2,044	2,044
Other paid in capital	13,565	13,565	13,565
Retained earnings	442,939	410,992	317,469
Accumulated other comprehensive income	33,240	18,207	26,618
	746,228	699,248	614,136
Total liabilities and equity	1,005,770	982,661	995,253

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited) (expressed in thousands of Canadian dollars)	Three month period ended June 30 Restated		Six month period ended June 30 Restated	
	2018	2017	2018	2017
Cash flow from operating activities				
Net income	23,464	19,857	40,928	59,497
Amortization/depreciation of intangible assets and property, plant and equipment	10,947	12,221	21,543	24,692
Impairment of property, plant and equipment	—	—	—	2,900
Loss (gain) on disposal of property, plant and equipment	24	5	112	(26,588)
Increase (decrease) in defined benefit plans	136	(354)	(393)	(1,129)
Accretion	248	252	510	486
Deferred taxes	1,548	630	1,715	4,140
Income on investments in joint ventures	(122)	(84)	(238)	(146)
Changes to non-cash working capital	(19,071)	(1,166)	(55,598)	(43,263)
Net cash provided by operating activities	17,174	31,361	8,579	20,589
Cash flow from investing activities				
Purchase of property, plant and equipment	(5,497)	(9,550)	(13,063)	(26,142)
Proceeds from disposal of property, plant and equipment	178	17	199	32,678
Decrease (increase) in intangible and other assets	2,831	(9,013)	2,077	(5,893)
Change in restricted cash	2,714	3,686	—	3,665
Net cash provided by (used in) investing activities	226	(14,860)	(10,787)	4,308
Cash flow from financing activities				
(Decrease) increase in bank indebtedness	(8,495)	(6,103)	6,951	(19,165)
Increase (decrease) in debt due within one year	1,211	(554)	(5,822)	4,807
Decrease in long-term debt	(608)	(1,215)	(13,874)	(2,329)
(Decrease) increase in long-term liabilities and provisions	(57)	86	(131)	1,140
Increase in borrowings subject to specific conditions	2,071	2,021	2,096	2,551
Repayment of borrowings subject to specific conditions	(786)	—	(786)	—
Common share dividend	(4,948)	(3,783)	(9,896)	(7,567)
Net cash used in financing activities	(11,612)	(9,548)	(21,462)	(20,563)
Increase (decrease) in cash during the period	5,788	6,953	(23,670)	4,334
Cash at beginning of the period	12,080	4,955	40,394	7,606
Effect of exchange rate differences	(406)	(37)	738	(69)
Cash at end of the period	17,462	11,871	17,462	11,871